



Changing Consumer Expectations

While we've made steady progress, we know we're in a fast-moving, global marketplace in which the magnitude, pace and scope of change are accelerating. To keep P&G in the lead, it is essential that we anticipate change and get in front of it. We're doing that with a focus on three "new realities" that are shaping the future marketplace.

First is the changing expectations of consumers. Our business has always been about consumer value and in today's demanding economic environment, value is more important than ever.

The key to winning in this environment is to reset expectations for performance *and* price. Olay Total Effects is a good illustration. In global research, women identified seven distinct signs of aging that affect the condition of their skin. Many products addressed one or two of these signs, but no single product fought all seven. Further, the products that performed best in this category were high-end department store brands priced at \$60 or \$70 a bottle. With Olay Total Effects, we created a single product for all seven signs of aging based on technology that rivals or exceeds the best department store skin care brands – and offered it at a fraction of the department store price but at the top end of mass skin care pricing. Olay Total Effects is now the #1 anti-aging moisturizer in the U.S., U.K., China, Canada and Australia – growing our total Olay Skin Care franchise by nearly 20%.

The difficulty of meeting this performance/value challenge in developing markets – such as China or Eastern Europe – is even greater. Consumers in these markets have similar performance expectations, but far less purchasing power. To succeed in these markets, it's often necessary to rethink the fundamentals – everything from manufacturing to product and packaging to marketing and distribution. We have experience winning in developing markets with a range of creative solutions: single-use Pantene sachets in China and van-based distribution in Poland, for example. And we continue to develop other approaches. This will be an area of increasing importance for P&G.



Olay Total Effects

Olay Total Effects is now the #1 anti-aging moisturizer in the U.S., U.K., China, Canada and Australia.