

# Pandg vs colgate essay



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Introduced in September 2002, Colgate's 'Simply White' posed a threat to P&G's dominant market share in the over-the-counter teeth whitening product category. Colgate emphasized that its product bleached teeth as effectively as P&G's Crest Whitestrips and priced it at a significant 65% lower than Whitestrips which allowed it to gain almost 50% market share.

Although concept tests done by P&G indicated that consumers perceived both products to be equal in terms of whitening levels, P&G's internal scientific data suggested that the whitening level for Whitestrips was 5 times higher than Simply White. Thus P&G is faced with the core issue – Whether Simply White works as well as Whitestrips and how can P&G regain its market share by communicating the superior effectiveness of its product vis-a-vis Simply White to the consumers, in turn disproving Colgate's claim of an equally good yet cheaper product. P&G, the world's largest consumer products company, is almost four times the size of Colgate in terms of revenues but both are leading multi-national companies and thus have substantial resources and are equally organized. Although P&G commands greater market power than Colgate due to its larger size, Colgate's higher market share in the oral care market allows Colgate equal bargaining power against the other stakeholders in this industry e. g.

regulators. One of the regulators in the US advertising space include the National Advertising division (NAD) of Council of Better Business Bureaus, an organization that allows dispute resolution in case of a difference in viewpoints and is a low cost alternative to litigation . NAD's interest is to ensure accuracy of information in advertising messages. Although NAD has no legal authority to stop incompliant advertisers, the release of information

by NAD may damage the brand equity of an advertiser and in turn that of the product in question and thus NAD can play a vital role in changing consumer perception. Other actors in the oral care industry include professional associations such as the American Dental Association (ADA).

The ADA focuses on advancement in oral health care by scientific research, contributions from a community of dental professionals and the accreditation of oral care products aimed towards building consumer awareness based on scientific evidence and thus plays an impartial yet influencing role in the oral care industry. As of now both the NAD and ADA do not have a defined stand on the issue but due to their primary interest NAD's would like to ensure that P&G's claim of a better product is substantiated before the P&G 'Mumbles' advertisement airs and the ADA's interest would be the scientific accuracy of P&G's research. Leveraging P&G's market power with actors such as advertisers can be essential to P&G's non market strategy allowing it to disprove Colgate's emphasis on Simply White being an equally effective product. Consumers of whitening products on the other hand are driven by perception of product quality and are price conscious. As multiple options are provided to consumers, perceptions might be influenced by comparative advertising, backed by scientific information and accreditation, but such a strategy would only work if the value provided justifies the price.

While both P&G and Colgate are present in multiple markets around the world the arena in which this issue is contested is limited by first, the market in which the product has been launched and the second the span of control of corresponding advertising regulatory authorities in each of these markets. Currently both products have been launched in the US and since the issue

has not been legally contested, or reported to the NAD, the competitive arena is private between P&G and Colgate. In order to compete effectively in the oral care market it is important to shape consumers perceptions which are primarily done through advertising. Regulatory bodies such as NAD and more so The US Government have some authority in defining the rules of the game but only once an issue is contested.

As mentioned previously, critical information that could affect the resolution of the issue is scientific evidence that P&G's product is better than Colgate's. If P&G's claim is substantiated by the ADA it could influence the outcome of the issue in contention. As both NAD and ADA, the key interest groups in the arena, prefer to provide accurate data to the consumer, the support of these two possible can further influence the resolution of this issue in P&G's favor. This is further supported by P&G's previous knowledge of NAD's workings and P&G can leverage its market power to access key decision makers on the NAD's panel such as advertisers, academics and public sector officials. P&G can also use NAD's ruling against Den-Mart, which based its argument on ADA's scientific report on correct whitening levels, to lobby with ADA, influencing ADA to accept P&G's own method of documenting tooth color changes.

In order to regain its market share P&G needs to respond using a combination of non-market and market responses. P&G needs to lobby with both the NAD council and the ADA in order to create a pool of allies and also get scientific acceptability of its method of documenting tooth color changes. At the same time it can fund independent research and publication in order to increase awareness amongst consumers. Once P&G has scientific basis for

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its argument it should immediately file a claim against Colgate. Although, since such non market strategies may take time, which would further increase the impact of reduced sales on P&G, P&G needs to integrate market strategies such as the ‘ Mumbles’ advertisement or even consider a marginal decrease in the prices in order to regain its market share. Although reducing the price can be justified based on the argument that the product has been in the market for a relatively longer period of time, the decrease in the price would send a mixed message to the consumer about the value of the product.

Thus P&G needs to have an integrated market and non market strategy. A solely market oriented strategy would lead to consequences such as Colgate suing P&G, in case of ‘ Mumbles’ advertisements, and erosion of the perceived value of the product, in case of reduction of prices. On the other hand a solely non-market oriented strategy would lead to further diminishing market share as it would take longer to be effective.