

Colgate-palmolive case study essay sample

[Business](#), [Marketing](#)



I. Problem.

In 1991 and 1992 Colgate-Palmolive (CP) been a dominant force in the Oral Care industry, mainly in the toothbrush segment. CP has been an successful company since the introduction of Colgate Plus, a toothbrush with a diamond-shaped head, in 1985. CP has consistently continued with research and development since the Colgate Plus breakthrough. However, when Aim entered the market in 1987, they focused on comfort, which made Colgate's market share suffer. CP has a unique toothbrush that is sure to be successful in toothbrush market once it the product launches, Precision. There are several issues that CP must address in order to gain full-potential market penetration for the new Precision. A marketing mix must first be created to ensure full-potential market penetration. Also Precision needs to be communicated and branded, and to the consumer in such a way that it is more desirable than other toothbrushes on the market. Then an advertising and promotions budget must be constructed, in order to penetrate the market. Finally, an acceptable profit-and-loss pro forma must be created enabling Precision to reach its full potential.

In order for Precision to be a successful product in the toothbrush market the following two objectives must be met:

- * Increase market share by 8% within 2 years (3% in year 1 and 5% increase in year 2).
- * Decrease the risk of cannibalization of the Colgate Plus market.
- * Expand into new geographic markets.

II. Situation

Colgate Palmolive is a global leader in household and personal care products. The strengths of CP include the following:

- * Colgate is a well-known brand name in the Oral Care industry.
- * CP is creating a new and innovative product, Precision.
- * CP has up-graded 25 of 91 manufacturing plants.
- * CP acquired Mennen, a men's toiletry company.

There are a couple of weaknesses that Colgate Palmolive has. The weaknesses are:

- * CP has been the laggards in advertising and marketing in the late 1980's.
- * Colgate has never placed any toothbrushes in the " Super-premium" toothbrush category.

Consumers concerns regarding have shifted from " cavity prevention" to " healthier gums." The baby boomers are more concerned with healthier gums rather than the whiteness of their teeth and are willing to pay more for a superior toothbrush that would protect their gums against disease.

Initially there were two sectors of the toothbrush market: value and premium. There is now an opportunity for " super-premium" market to be created. Colgate Palmolive is focusing on the new " super-premium" niche market and is determined to meet the baby boomer desire.

Oral-B is Colgate Palmolive's major competitor followed by Johnson & Johnson. In the early 1990's two large corporations companies, Procter & Gamble and Smithkline Beecham entered the Oral Care market. Both new competitors were attempting to enter the "super-premium" toothbrush market.

The Marketing Mix below is dependent upon the following external opportunities:

- * Penetration of foreign market.
- * Consumers are currently concerned with gum-care.
- * Food stores have dramatically increased the shelf space for Oral Care products in 1992.

The one external threat that CP faces is the entrance of Procter & Gamble and Smithkline Beecham into the Oral Care market. This is the only major threat to CP; however, it should not be taken lightly. In order to select the proper price, place, and positioning for Precision the competition is the most important factor.

Marketing Mix.

A. Product

The Precision toothbrush that CP developed is a unique brush with 3 different bristle lengths and angles. This design allows for 35% more plaque removal

and also proves to be more effective in reducing gum disease than the leading brushes, specifically Reach and Oral-B.

B. Price

The price of the Precision when marketed as a “super-premium” toothbrush would be \$ 2. 02 and \$2. 89 for manufacturer retail price and suggested retail price, respectively. The price of the Precision when marketed as a premium toothbrush would be \$ 1. 76 and \$2. 13.

C. Place

The Precision toothbrush will be placed on the retail shelves between the Colgate Plus and Oral-B product lines. Retail advertising will consist of in-store displays to increased toothbrush sales. As a “super-premium” toothbrush, Precision would be carried primarily by food and drug stores. As a premium toothbrush, a larger proportion of sales would occur through mass merchandisers and club stores.

D. Promotion

A forceful advertising campaign that demonstrates the advantage of the new toothbrush will be implemented if Precision is placed in the market as a niche product. Precision positioned as a mainstream product will be promoted through monetary incentives such as coupon or rebates. The Precision will also be promoted to dentist offices. Free toothpaste will be included with the purchase of a Precision brush.

III. Alternatives

There are two alternatives in which CP can market Precision. They can either market it as a premium toothbrush to the mainstream market or as a “super-premium” toothbrush to a niche market. There are advantages and disadvantages of each market strategy alternative. By weighing the advantages and disadvantages a decision will be made determining these factors.

There are a couple disadvantages when marketing Precision as a premium toothbrush to the mainstream market. The drawbacks include:

- * Cannibalization of the Colgate Plus.
- * A slow moving Children’s brush line would need to be eliminated

There are a couple advantages when marketing Precision as a premium toothbrush to the mainstream market. The advantages include:

- * The demand could create the consumers to make Precision a hot product.
- * Increase sales and market share.

There are a couple disadvantages when marketing Precision as a “super-premium” toothbrush to a niche market. The disadvantages include:

- * The target market is much smaller than the mainstream market.
- * There also will be less contribution to net profit.

There are a several advantages when marketing Precision as a “super-premium” toothbrush to a niche market. The advantages include:

- * The niche market could later be broadened to mainstream position.
- * Less cannibalization of the Colgate Plus.
- * There is less competition in the “ super-premium” niche market.

IV. Evaluation

Placing Precision into the mainstream market will increase the percentage of cannibalization of the Colgate Plus toothbrush. This is due to them competing in the same market segment; consumers would most likely purchase the Precision if it was in the same price range as the Colgate Plus. Also, by eliminating a slow moving Children’s line CP is now asking consumers of that line to switch to a new product. The consumers, or parent(s) for that matter, may choose a different brand all together. The Precision being introduced mainstream would most likely become a hot product and the demand would be high, thus increasing sales.

By placing Precision in the “ super-premium” niche market, the target market is much smaller than the mainstream market. This would reduce the contribution to the net profit when compared to the mainstream marketing approach. However, the niche market could later be broadened to the mainstream market. This would allow for much less cannibalization of the Colgate Plus, since most consumers in the mainstream market budget for the purchase of a toothbrush does not fluctuate much. Also, there is much less competition for Colgate in the “ super-premium” market, which will allow for easier market penetration.

V. Recommendation & Justification.

The recommendation is for Colgate Palmolive launch the Precision into the “super-premium” niche market. CP can lower price of the toothbrush once the sales of the Precision plateau or decline, which will allow for premium toothbrush market penetration. This will allow for maximum penetration and growth in both markets. On the following page is a Marketing Mix profit-and loss pro forma that displays the profits after year 1 and year 2.