

Colgate-palmolive company: the precision toothbrush

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As the global leader in household and personal care products dominating retail toothbrush sales in the United States in 1992, Colgate-Palmolive is faced with a challenging position to effectively introduce their newest, technologically superior toothbrush model, the Colgate Precision, set to launch in early 1993. Upon extensive market evaluation and research and development, senior management of Colgate-Palmolive has to make a major decision in whether to position Colgate Precision as a mainstream, professional toothbrush, marketed as the best toothbrush available, or a niche, super-premium toothbrush targeting consumers concerned with gum disease.

A niche, super-premium toothbrush would have less competitors and a smaller market segment; whereas, a mainstream, professional toothbrush would mean more competition, and lower pricing. To gain a competitive edge, Colgate-Palmolive could leverage existing industry relationships and form new ones; as well as offer competitive promotions during the product launch. Advertisement efforts can also be increased to publicly educate and raise awareness for the dangers of gum disease. Depending on how Colgate Precision would be positioned, branded, and communicated, in response to the ever demanding consumer market and growing competition worldwide, 1992 could serve as a significant year for Colgate-Palmolive to establish its definitive mark within the oral care industry.

Issues

1. Consumer and Demand Analysis

Consumers choose a brush based on its features, comfort, professional recommendation and how it fits an individual's personal needs such as size and shape of the mouth, personal brushing style, and sensitivity of gums. In addition, the head shape, bristles, and handle were considered the principal physical features of a toothbrush. Consumers level of importance towards oral hygiene lead to the formation of three types of consumer groups: therapeutic brushers, cosmetic brushers, and uninvolved oral health consumers. Therapeutic brushers account for 46% of adult toothbrush users and therefore is considered one of the target markets for Colgate-Palmolive's new Precision toothbrush.

This group of brushers brush and floss their teeth more often compared to other consumers. In addition, this group consists of consumers who take into consideration the functionality of a toothbrush and how effective it is to clean their teeth and take care of their gums. Cosmetic brushers account for 21% of adult toothbrush users and is considered as the second target group for Colgate-Palmolive's Precision toothbrush. While this group also brush and floss their teeth often, they also prefer products that deliver cosmetic benefits. They brush their teeth with cosmetic incentives as opposed to doing so for their oral hygiene.

The third group of consumers account for 33% of adult toothbrush users, but this group view all toothbrushes as the same, and therefore they are not considered a target market. Since the 1980s, consumer demand for more functionally effective premium toothbrushes has been rising. At this time Colgate-Palmolive and its competitors focused on marketing more expensive

professional brushes. Therefore, industry executives separated toothbrushes into two categories: value and professional. However, in the beginning of the 1990s, a third category began to evolve which was known as super-premium toothbrushes. These toothbrushes were designed to be the leading toothbrushes for oral hygiene.

2. Competitor Analysis

Colgate-Palmolive has two major competitors, Oral-B and Johnson & Johnson, who have already launched improved products in the super-premium category that appeal to consumers. Furthermore, there were additional entrants that were in the process of producing new toothbrushes in the super-premium market category that were estimated to capture market shares. In this case, even though Colgate-Palmolive had strong products in the value and professional/premium categories, they needed to improve their offering in the super-premium market where they were already growing at a much faster pace compared to the other two categories.

3. Company Strengths and Weaknesses (SWOT)

Strengths

- Colgate-Palmolive holds the number one position in the U. S. retail toothbrush market and is a world leader in household and personal care products.
- Colgate-Palmolive's Precision toothbrush is a unique brush with bristles of three various lengths and orientations. The shorter bristles clean the teeth surface, the long thin bristles clean between teeth, and the longer outer bristles clean around the gum line. The outcome is a

triple-action brushing effect that results in a 35% increase in plaque removal compared to other “ premium” brushes.

- The Colgate-Palmolive toothbrush line was located in the middle of the category shelf space, and it held 25% to 40% of the shelf space in most stores.

Weaknesses

- Colgate-Palmolive is positioned in the professional and value categories. The positioning of the Precision toothbrush as a mainstream toothbrush may cannibalize the sales of Colgate Plus.
- Also, by switching to a mainstream position to capture a larger market share, there is a possibility that Colgate-Palmolive may be unable to produce a sufficient supply of the product.
- Lacks professional endorsement unlike Oral-B which is recognized as the “ dentist’s toothbrush”. This is considered a weakness on Colgate-Palmolive’s part since once in four consumers use a toothbrush given to them by a dentist.

Opportunities

- Consumers are becoming more concerned about the health of their gums, therefore, Colgate-Palmolive’s Precision brush may capitalize on this since their product addresses this trend.
- Super-premium brushes account for 35% of unit volume and 46% of dollar sales. This presents an opportunity for Colgate-Palmolive’s Precision toothbrush to take advantage of this substantial profit margin.

- Toothbrushes have bigger markups than toothpastes, therefore retailers should be more interested in adding a new toothbrush line to their shelves instead of toothpaste.

Threats

- One of the biggest threats to Colgate-Palmolive is its competitors such as Oral-B, Crest, and Johnson & Johnson.
- Colgate-Palmolive faces tough competition in international markets from brands such as Procter & Gamble, Unilever, Henkel of Germany, and Kao of Japan.
- Competitors provide offers such as buy-one-get-one free, mail-in refunds, and other offers which may result in low turn-over.

Alternatives

1. Economic Evaluation.

In 1991, the U. S. oral care market was becoming a profitable business. It was a market worth \$2.9 billion in retail sales with toothpaste accounting for 46% of this market, mouth rinse 24%, toothbrushes 15.5%, and dental floss and other products 14.5% (see exhibit 1). CP ranked number one in the U. S. retail toothpaste market and began to emphasize new product launches in addition to entry into new geographic markets, improved efficiencies in manufacturing and distribution, and continuing focus on core consumer products. CP introduced 275 new products worldwide which increased their gross margin to 45%. With the division of the toothbrush market into three categories, value, professional, and super premium, CP began examining how to price its Precision toothbrush.

After evaluating the cost of the Precision toothbrush, CP should market the toothbrush as a niche product and later on promote it as a mainstream product to avoid cannibalizing the Colgate Plus. Positioning Colgate Precision as a mainstream product would also place too much pressure on production schedules already established for niche marketing, which may result in an inadequate product supply as production capacity increase requires a minimum of 10 months lead time. Manufacturing per unit cost as a niche product is \$0.66 while the manufacturing per unit cost as a mainstream product is \$0.64. CP's Precision toothbrushes retail price as a niche product is priced at \$2.89 compared to \$2.49 as a mainstream product, and a manufacturer price of \$2.02 and \$1.76, respectively.

The difference is \$0.40 and \$0.26 which indicates it is more profitable by unit to market the Precision toothbrush as a niche product, however, the mainstream market will allow for broader customer exposure in the future. In addition, even though advertising, consumer promotions, and trade promotions will be about three times more costly in mainstream market compared to niche market, the additional advertising expenditures will prove to be the best option if the Precision toothbrush is truly a breakthrough in technology.

2. Qualitative Evaluation

Exhibit 2 summarizes the results of the consumer concept test. The results from all four tests are combined in this chart. The chart illustrates which features can most impact potential consumer's purchasing decisions.

Exhibit 2: Summary of Consumer Concepts Test Results

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Price point and market share breakdown for Value, Professional, Super-Premium Value: \$1. 29, 24% volume, 12% sales Professional: \$1. 59-\$2. 09, 41% volume, 42% sales Super-Premium: \$2. 29-\$2. 89, 35% volume, 46% sales Niche Market Predictions: Production cost: \$0. 66, 1st year 13 M units, other expenditures \$14. 76M, Total cost: \$23. 35M Break-even point: 3rd year. Five year net profit: \$11. 14 M Mass Market Predictions: Production cost: \$0. 64, 1st year 42 M units, other expenditures \$43. 08M, Total cost: \$69. 68M Break-even point: 4th year Five year net profit: \$11. 18M Profit wise, niche and mass market performs very similarly, other factors should be accounted in the final decision.

3. Marketing Implications

If Colgate-Palmolive were to market the Precision toothbrush as a mainstream product, this would inevitably cannibalize their already successful Colgate Plus toothbrush, while also putting them further behind the super-premium brush trend. Furthermore, if the name of the toothbrush emphasized Colgate more than Precision, it was estimated that this cannibalism would increase by 20%.

However, mainstream marketing would allow them to have more market share at 14. 7% in the second year after inception, compared to 5% in the second year after inception if it were placed as a niche product.

Colgate-Palmolive's 5 year plan from 1991-1995 emphasized on new product launches, entering new geographic markets, improving distribution and manufacturing capabilities to enhance efficiencies, and focusing on core consumer products. Promotions and advertisements plays a major role in

improving a product's market value and consumer demand. Increased marketing efforts creates more public visibility for the product; thus, also increasing product demand.

Strategically, if we establish a set plan to promote Colgate Precision for further advancement by using schemes such as mail-in premiums, discounted coupons, free toothbrush with a toothpaste purchase, or even buy one get one free, Colgate could effectively advertise their items and attract more customers and sales with the mentioned incentives. One of the most efficient method of marketing that Colgate-Palmolive utilized was in-store ads display, which increased their sales by a significant rate of 90%. The sales were up by as high as 170% when both toothpastes and toothbrushes were promoted together with the in-store ad display.

Recommendations

Positioning

As the market leader for toothbrushes in the U. S. and global leader in household and personal care products, we believe it is time for Colgate-Palmolive to join the super-premium toothbrush trend. As we compared the advantages and disadvantages of positioning the Precision brush as a niche or mainstream product, it became quite clear – a niche product would allow Precision to advance as the market leader in super-premium brushes, while offering competitive pricing. If they were to market the Precision brush as a professional brush, this could catabolize the Colgate Plus, while also missing out on a huge market opportunity.

We believe Colgate-Palmolive should price the Precision brush slightly above their current leading competitor, Oral B, at \$2.70-\$2.75. However, as the Precision's popularity solidifies over time and more advanced brushes hit the market, we believe that the Precision toothbrush should be shifted to a more mainstream approach with a lower price (\$1.90-\$2.00). This would help keep the brush relevant in the marketplace, while also allowing for Colgate-Palmolive to launch a new niche product that would outpace the competition.

Branding

The name for Colgate-Palmolive Precision toothbrush should emphasize Precision before emphasizing Colgate. We believe that the name should be "Precision by Colgate". By putting "Precision" first, this would help relieve some of the unwanted cannibalization of the Colgate Plus, while also showing consumers the uniqueness of the product, thus justifying the higher price.

Advertising

In order for current premium brush users to switch over to super-premium brushes, Colgate-Palmolive must brand the Precision brush as a superior aid in gum health. Since gum health was of high interest of consumers of that time, this will show consumers the true value in the super-premium brush, while fulfilling a consumer want/need. In order to capture current competitor super-premium brush users Colgate-Palmolive would need to be aggressive with their advertising – using a high volume of ads on both multimedia and print. Toothbrushes are a low-involvement item, meaning that the more a consumer sees the product, the more likely they are to buy it in the future.

Colgate-Palmolive should place the Precision toothbrush next to the Colgate toothpaste, since this toothpaste is a more frequent buy for consumers. This will increase the exposure and help lead to more consumers choosing the Precision brush over competitor super-premium brushes. Plan of Action Per recommendation, the Precision line should be marketed as a niche product in the super-premium line at \$2.80 price point, competing directly with the Oral-B line. This price point still falls within the super-premium price point threshold, but on the upper ceiling limit.

The “ Precision by Colgate” name should be emphasized in the go to market plan, placed in a Floor Stand toward the central side of the retail space. The Floor Stand display will emphasize the introduction of a new product that is also in a stand-alone niche targeted market. On the Floor Stand display, prominent information should be displayed to the consumers about gum and health benefits of the Precision lines, a differentiator of the product line. The Floor Stand placement should be near the competitor lines for consumers to compare and contrast the benefits of Precision versus others.

In the multimedia marketing plan, the target audience should be professionals and health conscious consumers. Social media can be used to target specific demographics with oral and health needs the Precision line can provide. The social media advertising platforms can be Facebook, Instagram, Reddit and Youtube. TV commercials should also be utilized to product introduction, the advertisements should be placed in news or late night talk shows to reach the targeted and educated audience. Prints media

advertisement should be used to reach households along with health and science print medias.

The Precision line should also be distributed to dentist offices as part of the annual cleaning plans, targeting the oral care diligent population who will appreciate the gum benefits.