

# [Time to rethink the portfolio](https://assignbuster.com/time-to-rethink-the-portfolio/)

Church & Dwight Co. Inc. is a 160 years old company that has been working to build a market share on a brand name that is rarely associated with its name, “ Arm & Hammer” (Wheelen & Hunger, 2012, pp. 35-1). The company’s growth strategy was finding new ways to incorporate sodium bicarbonate in the lives of the consumer. The company shifted management thinking, as more emphasis has been placed on bottom-line profitability growth. Because of the acquisition of 80 different consumer brands since 2004, Church & Dwight dealt with explosive growth that is producing challenges such as the company’s small size and the ability to compete for market share with its giant competitors both domestic and international market (Wheelen & Hunger, 2012, pp. 35-1 – 35-2).

2. Summary statement of the recommended solution:

Church & Dwight, a relatively small company, recognized the challenges of growing sales through acquisitions that it made to promote growth and competitiveness within those markets. They needed to grow the expansion of product lines into a variety of “ personal care, deodorizing and cleaning, and laundry products” as well as “ specialty chemicals, animal nutrition, and specialty cleaners” (Wheelen & Hunger, 2012, pp. 35-6). Church & Dwight expanded into international markets and gained footholds in product markets through acquisition of manufacturing assets. Penetrating international markets and removing barriers such as transportation cost will gain a competitive edge against the giant players in the market (Wheelen & Hunger, 2012, pp. 35-11).

B. THE SITUATION

After 160 years, Church & Dwight is a giant in the household domestic product market with a brand name recognition more commonly associated with “ Arm & Hammer” products. ARM & HAMMER baking soda became a fundamental item on the pantry shelf because of its several uses other than baking, it can be used as a dentifrice, chemical agent to absorb or neutralize odors and acidity, a kidney dialysis element, a blast media, an environmentally friendly cleaning agent, a swimming pool pH stabilizer, and a pollution control agent (Wheelen & Hunger, 2012, pp. 35-2). The company’s brand portfolio included over 80 popular brands and competes for market share with other giants including Colgate-Palmolive, Clorox, and Proctor & Gamble, which have combined sales of over $100 billion (Wheelen & Hunger, 2012, pp. 35-1). The company expanded over the past decade into other household product lines through acquisitions of consumer brands such as Mentadent, Pepsodent, Aim, Close-up, Trojan, Spinbrush, Oragel and Oxiclean. It achieved 85% of the sodium bicarbonate market share (Wheelen & Hunger, 2012, pp. 35-6). Expansion in the domestic markets proved successful because of the “ management recognized the value of a major asset, the company’s pristine balance sheet and made the decision to grow” (Wheelen & Hunger, 2012, pp. 35-5). Growth in the foreign markets proved more challenging than domestic markets as net sales in 2009 were only $393 million compared to domestic net sales of $1. 8 billion (Wheelen & Hunger, 2012, pp. 35-5). Finally, the company has achieved some success in foreign markets as 19% of revenue has been received through international market sales; primarily in consumer products (Case Author: Cook, R. A., p. 35-1 – 35-12, 2012). A challenge against leveraged buy-outs and hostile takeovers is eminent. It is also experiencing head on collision with giant competitors such as Procter & Gamble and Colgate-Palmolive. In spite of challenges Church & Dwight transformed into much larger competitor not only across a broader range of products but also in geographic territory (Wheelen & Hunger, 2012, pp. 35-6). Because of this, the company in order to maintain its continuous growth in both domestic and international arena needs to have the best strategy at their side. (Cook, pp, 35-1 – 35-12).

II. ANALYSIS

A. ANALYSIS OF THE SITUATION

Management – The management of Church & Dwight Co. Inc. was lead by Dwight C. Milton, a direct descendant of Austin Church, as CEO from 1969 to 1995. He remained on the board as Chairman Emeritus as he turned over the responsibility to the first non-family member to Robert A. Davies III. Again In 2004 the responsibility was transferred to another non-family member, James R. Craige, who remained focused on building a portfolio of strong brands with sustainable competitive advantage (Wheelen & Hunger, 2012, pp. 35-2). The steadiness of the company’s leadership can be primarily attributed to the fact that 25 percent of outstanding common stock is owned by descendants of the company’s original cofounders, a tradition that continues today (Wheelen & Hunger, 2012, pp. 35-2). This focused leadership style has enabled Church & Dwight to overcome potential leveraged buy-outs and hostile takeovers with a series of calculated actions and savvy business decisions. These actions allowed the board of directors and management to amend the company’s charter and allowing shareholders four (4) votes per share after they hold their stock for four years. In addition to staggering the directors tenure, the company initiated employee severance agreements with key officials, providing a severance package agreement to provide a “ safety net” should any of the board member positions be terminated by a hostile takeover or leveraged buy-out by an unwanted suitor. By providing these lucrative packages for senior managers, many were able to stay with Church & Dwight and allowed for continuity of leadership styles, vision and mission focus. It is because of this steadfast devotion to principles that have promoted steady growth over the years that we find Church & Dwight identified previously as a “ Star” but more recently labeled a “ Cash Cow” using the Boston Consulting Group (BCG) Growth Share Matrix (Wheelen & Hunger, 2012, pp. 221-222). However, as the company focuses more on international markets and enters other potential avenues of growing product lines, it will surely find itself back in the “ Stars” range of the BCG Growth-Share Matrix.

Operations – 10 years ago, the Church & Dwight Co. Inc. was a largely household domestic product company with an average annual sale of less than a billion dollars but because of major acquisitions, today it is has transformed into a company that has a capability of earning over 2. 5 billion in annual sales. Church & Dwight have come to the realization that they have major challenges to overcome if they are to compete with other giants in the industry and continue to thrive. Church & Dwight also recognize they must remain vigilant to quickly and adequately deal with Porter’s Five Forces: Bargaining power of suppliers; Threat of new entrants; Threat of substitute products or services; bargaining power of buyers (customers); and Rivalry among existing firms (competitors) (Wheelen & Hunger, 2012, pp. 110-113). When considering the force, Bargaining Power of Suppliers, the force rating could be considered MEDIUM as management must be constantly aware of any potential market shocks or trends. If an affiliate retailer is affected by unforeseen supply chain issues, like increased fuel prices, then those costs throughout the company may be affected to remain competitive. In addition, Church & Dwight are well aware of the economic situations that may affect their trade customers who may reduce distribution of products in which sales may decline, or adversely affect the financial performance of the company (Craigie, 2010, p. 11). There was never historically a Threat of New Entrants into the sodium bicarbonate market prior to 1970. However, as the company developed new product offerings and other established consumer brands, they now face the same competition threats of mature and domestic and international markets for consumer products (Wheelen & Hunger, p 35-7, 2012). In addition, this threat of new entrants has emerged over the past decades and may now be rated High on the Porter’s Force Rating Scale. In fact, the looming economic crisis may cause many trade customers to more critically analyze the threat of new entrants as HIGH as competition drives less efficient operators out of the market as new competitors are always trying to enter the market by under-selling products directly competing with Church & Dwight. Of course, the Threat of substitute products or services is always considered HIGH as well because brand recognition is very important in today’s mass-media marketing. The value of trademarks, copyrights, or brand recognition can be severely impacted if inferior or substitute products/services from an affiliate or emerging competitor are advertised or sold to consumers looking for products with reputations of value and durability. Of course, a substitute item may also find its way into the market where consumers might choose it as a suitable replacement, but at a much cheaper cost to them. This would definitely be a problem for any company. (Wheelen & Hunger, p. 221-222, 2012). Bargaining power of buyers (customers) is generally a MEDIUM concern as consumer satisfaction is evaluated in a variety of ways. Otherwise, dissatisfaction can drive prices up or down based on demand (or the lack of). Quality is also a hallmark of Church & Dwight and the perception by consumers of any potential lowering of standards to decrease prices will typically drive loyal customers away. And finally, Rivalry among existing firms (competitors) is HIGH as competitors try to achieve greater market shares to grow potential profit shares. To reduce industry competition, Church & Dwight “ also have a very solid core of specialty products” (Wheelen & Hunger, p 35-9, 2012). Fortunately, “ Church & Dwight has in an enviable position to profit from its dominant niche in the sodium bicarbonate products market since it controlled the primary raw material used in its production” (Wheelen & Hunger, p 35-9, 2012).

Marketing – The Church & Dwight Co. Inc. sales are concentrated in United States and Canada where funnel it through mass merchandisers such as Wal-Mart, supermarkets, wholesale clubs and drugstores (Wheelen & Hunger, 2012, pp. 35-7). Marketing strategy has been fairly simplistic in that its focus has primarily been on the sodium bicarbonate product lines for over a century, but since acquiring over 80 additional brands and the expansion into other product markets the brand recognition has become even more important than ever. As a result, “ marketing expenses for 2009 were $353. 6 million, an increase of $59. 5 million or 20% as compared to 2008” (Craigie, 2010, p. 29). Church & Dwight catered to all demographics which allowed them to develop more and more organic products and services with large scale agreements to serve them. Unfortunately, “ attempts to enter international markets have met with limited success, probably for two reasons: (1) lack of name recognition and (2) transportation costs” (Wheelen & Hunger, 2012, pp. 35-11). Church & Dwight decided to take their marketing tasks in house by having designed a campaign on one of their product that would shake people up particularly those who think that using condoms is not for them by airing commercials on prime-time television. This “ shock” strategy increased its marketing strength and enabled the partnership with Quidel Corporation, “ a provider of point-of-care diagnostic test, to meet women’s health and wellness needs” (Wheelen & Hunger, 2012, pp. 35-9). Product marketing is essential to reinforce brand name recognition so consumers never forget the value and quality of a company’s name and its product lines.

Finance – Being the world’s largest producer and marketer of sodium bicarbonate-based products, Church & Dwight Co. Inc was able to maintain a steady growth in both sales and earnings. For the past 30 years, the average company sales have increased by 10-15% annually (Wheelen & Hunger, 2012, pp. 35-2). The company’s domestic markets have proven successful because of the “ company’s pristine balance sheet” (Wheelen & Hunger, 2012, pp. 35-5). in 2009, Church & Dwight’s performance worldwide has achieved an increase in sales of 4 percent; organic sales increased 5 percent, gross profit margin increased 44 percent while global marketing expenses only increased 20 percent; and the Net Cash Flow grew to a record level of $401 million even more significant to investors is the report of “ earnings per share grew 23%” and dividends on investments increased by 35 percent (Craigie, 2010, p. 1). ). In contrast to the growing profits and expenses, the company also jettisoned noncore assets for the first time, including “ five domestic and international consumer product brands acquired during the 2008 Del Laboratories transaction” (Wheelen & Hunger, 2012, pp. 35-5). The long-term business model is based on annual organic growth of 3-4%, gross marginal expansion, tight management of overhead cost and operating margin improvement of 60-70 basis points resulting in sustained earning growth of 10-12% excluding acquisition. They have added a $1 billion in sales for the past 5 years while reducing the total head count by 5% (Wheelen & Hunger, 2012, pp. 35-2). the CEO remains focused on “ building a portfolio of strong brands with sustainable competitive advantages” and the “ long-term objective is to maintain the company’s track record of delivering outstanding TSR (Total Shareholder Return) relative to that of the S&P 500” (Wheelen & Hunger, 2012, pp. 35-2).

Administration (Human Resources) – The Company’s leadership at the top has remained a stable hallmark of the company. The Boards of directors are structures into three classes with four directors in each class serving staggered period of three year term (Wheelen & Hunger, 2012, pp. 35-2). the former CEO, Mr. James R. Cragie, stated “…[W]e have added $1 billion in sales in the past five years, a 72% increase, while reducing out total headcount by 5%, resulting in higher revenue per employee than all of our major competitors” (Wheelen & Hunger, 2012, pp. 35-2). Because of its continuous exposure to would-be suitors the company has entered into an employee severance agreement with key officials. It provides pay up to two times the individual’s highest salary and bonus plus benefits for two years. As the company widens its coverage into the consumer products in early 2000s, the changes in its key personnel was noticeable by injected a pool of executives with wide range of experience in marketing and international background from known organizations such as Spalding Sports Worldwide, Johnsons & Johnsons, FMC and Carter-Wallace (Wheelen & Hunger, 2012, pp. 35-3). Technological advancements allow for increased productivity in various aspects of manufacturing and labor allowing for greater productivity without the added expense of additional manpower. The following is the company’s published Ethical Standards: The reputation and integrity of Church & Dwight Co., Inc. are valuable corporate assets, vital to the Company’s success. Each Company employee, including each of the Company’s officers and general managers and each Company director, is responsible for conducting the Company’s business in a manner that demonstrates a commitment to the highest standards of integrity. Specifically, we encourage among Company personnel a culture of honesty, accountability and mutual respect. Additionally, we provide guidance to help Company personnel recognize and deal with ethical issues. Finally, we have provided mechanisms for Company personnel to report unethical conduct. Dishonest or unethical conduct or conduct that is illegal will constitute a violation of these Standards and are grounds for disciplinary action (Church & Dwight Co. Inc, 2010).

SWOT

STRENGTHS – The Church & Dwight Corporation has several strengths, the company controlled the primary raw materials used in its production of Sodium Bicarbonate through its company’s mines in southwest Wyoming, production was completed in company owned plants located in Green River, Wyoming and Old Fort, Ohio and they manufactured almost two-thirds of the sodium bicarbonate sold in United States (Wheelen & Hunger, 2012, pp. 35-9). The sodium bicarbonate product line has proven itself for over 160 years with uses in baking, cleaning, and deodorizing, and as an added ingredient for things like drain openers and neutralizing agents.

WEAKNESSES – A potential weakness within the company is the overextension of branding into many other product lines. “ Until 1970, it produced and sold only two consumer products: ARM & HAMMER Baking Soda and a laundry product marketed under the name Super Washing Soda”. The company enjoyed success domestically, but “ in the international arena where growth was more products driven and less marking sensitive, the company was less experienced” (Wheelen & Hunger, 2012, pp. 35-6 – 35-7). Other weaknesses are the lack of name recognition from consumers, the capability in entering the international market due to being hindered by the cost of transporting the product, and the cost is four times of its domestic transportation cost.

Opportunities – There is a wide range of opportunities for Church & Dwight Co. Inc. when it come to their sodium bicarbonate products as it continues to explore new use. Church & Dwight gained recognition when it was utilized successfully for the delicate task stripping the paint and tar from the interior of Statue of Liberty without damaging the fragile copper skin (Wheelen & Hunger, 2012, pp. 35-10). Future expansion in acquisitions and assets may prove more advantageous as potential consumer products become even more attractive to increase the profitability as the manufacturing base is expanded around the globe.

THREATS – The primary threat to Church & Dwight is competition. Competitors have an even greater market share and larger marketing campaigns to remain leaders in their respective niche. There are also threats of buy-outs or hostile takeovers of Church & Dwight but because of the company entering into an employee severance agreement with key officials (Wheelen & Hunger, 2012, pp. 35-3)it has kept this issue away from them.

7.) Products or services – Church & Dwight consists of several acquisitions that cater to almost 95% of all US Households. These products are based on differences in the nature of their uses and organized into three reportable segments: Consumer Domestic, Consumer International and Specialty Products (SPD) (Craigie, 2010, p. 2). The company currently produces 80 different product lines, in which (8) major brands make up a total of 80 percent of its business (Craigie, 2010, p. 1), including: ARM & HAMMER, Trojan, Oxiclean, Spinbrush, First Response, Nair, Orajel, and Xtra – Leading Deep Value Laundry Detergent (Craigie, 2010, p. 1). Church & Dwight has “ a discreet marketing team focused solely on new product development” which “ leads cross-functional efforts. In partnership with…R&D colleagues, uses both internal and external resources to identify, design and market new products…accounted for over $400 million, or over 15 percent in total sales, in 2009” (Church & Dwight Co. Inc, 2010). The products ranges from dentifrice, chemical agent to absorb or neutralize odors and acidity, a kidney dialysis element, a blast media, an environmentally friendly cleaning agent, a swimming pool pH stabilizer, and pollution control agent (Wheelen & Hunger, 2012, pp. 35-2). The company is also focused on goals to develop differentiated products with new and distinctive features, increased convenience and value, and engaging outside contractors for research and development activities (Church & Dwight Co. Inc, 2010).

B. PROBLEM DEFINITION

The problem presented in this case study was that Church & Dwight needed to rationalize its expanded consumer products, while presenting a consistent operating profit and increasing market shares of the household product industry. Potential marketing problems arose when company’s own products were placed along with its well-known brand name and confused consumers. The company’s corporate objectives were: (1) to maintain a steady growth by staying focus on long term goals; (2) to provide best result to shareholders; (3) to continue seeking new uses of its core products (4) to maintain and keep cost under control; (5) to enter the international market and continually seeking for opportunity for growth.

In order for Church & Dwight to retain its position, it must continue to provide outstanding customer service, excellence in product quality, invest in cutting edge technology, and develop new uses for its primary product line.

every market has its saturation point where products matures after reaching its peak because of this point the company must be ready to adapt to a continuous cycle of change. Church & Dwight enjoy a considerably large loyal customer base, competing with Proctor & Gamble and other industry giants and to get customers to switch competitors is no easy task. The company should explore ways of improving the life of the consumers while maintaining and protecting the environment, new products and competitors will always emerge and there are limitless opportunities for growth in international market.

III. SYNTHESIS

ALTERNATIVE SOLUTIONS – Brand recognition for ARM & HAMMER brand products has already been established within the domestic markets of the United States, but international markets continue to be a challenge due to cultural differences in market populations, marketing strategies, and language barriers that require new brand names to be more suitable for local languages/cultures. Church & Dwight have been very effective in using its acquisitions to generate greater revenue but with the high cost of transporting its finished goods internationally, intense competition, and higher commodities costs it might be financially sound to entering into an agreement with an established international company. Another alternative could be to develop joint-business ventures with suppliers, manufacturers, distributers, and retailers. The benefit to this option would be to streamline production and sales and allow the ease of marketing products and services to its affiliates and partners.

RECOMMENDATIONS AND CONCLUSION – The best solution for this company is to be able to retain the best products while satisfying competitive pressures. The following recommendation and solution of reducing expenditures and continuing the company policy of continued growth through new product development and market expansion with hopes of reducing costs. The continuous seeking of new use sodium bicarbonate will still be very effective for this company in years to come that is why the focus on this should never be lost for Expanding into new markets with “ major competitors jockeying for shelf space and retailers seeking to rationalize their breadth of product offerings, more changes may be considered” (Wheelen & Hunger, 2012, pp. 35-12). Church & Dwight should develop new product lines both in domestic markets and globally as those markets are offering a much bigger area to be explored. In conclusion the ultimate goal of achieving huge revenue while maintaining cost of operation as low as possible has been always part of Church and Dwight Co. Inc. For them to reach where they are now in spite of unpopular name is truly a testimony of greatness that a company can achieve. This company, backed with 160 years of marketing and production experience will have a much clear brighter path of success as long as they continue to focus on their long term goals.