

Darkie toothpaste: colgate essay sample

[Business](#), [Branding](#)



Introduction

This paper addresses ethical issues associated with Colgate's distasteful toothpaste named Darkie. Initially I discuss about what is ethics, how it affects, and ethics in business. In the second part, I discussed about options for Colgate to handle the situation. With continuing, I focused on importance of brand name and customer loyalty in business. At last this document indicates important of managerial rights. Finally I have given some recommendation and conclusion.

Ethical Issues of Colgate

Ethics is the study of morality and standard of conduct. Ethics norms and guideline changes from one country to the next. This has a relative effect in terms of culture, religion, and individuals. Sometimes some thing which is ethical in one culture may be unethical in other culture (Hodgetts, Luthans, and Doh, 2006). Ethics is all about choice. It reflects behavior of person in terms of what kind of he/ she is? The Greek philosopher Socrates claimed that “ the unexamined life is not worth living” and this statement capture the essence of ethics of life. The word ethics itself is derived from Greek word ethos, meaning custom. Business ethics means actual custom attitudes, values, and rules that operate within the business world. Ethics also refers to an intellectual and academic discipline, which studies and evaluates that custom, values and rules by which people actually live.

In this sense, business ethics is understood as academic discipline that evaluates the customary values and behavior of business. Ethics in first sense describes how people behave while ethics in the second sense is

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normative. Ethics basically represent thinking of human being that what is right or wrong. Ethics is subject to perception. One cannot rationally claim that the ethical values of one particular culture are better than those of another. Whatever action or decision categorized as ‘right’ or ‘ethical’ in a country makes it acceptable as per the moral laws applicable there. Cross culture relativism acknowledges the facts that culture disagree about many belief and values. An economist Milton Friedman said that ‘One man’s good is another evil’ (Desjardins and McCall, 2005).

According to our case, an ethical issue associated is about logo on the tooth paste that is Darkie; a black man toothpaste. According to Desjardins and McCall (2005), this is relative ethical issue. Hawley and Hazel were popular in Asian market for a long time. The logo which is non offensive in Asian market became offensive in US market. This logo had given a business of millions of dollars to Colgate and Hawley & Hazel joint alliance. How is it possible if logo is offensive? Looking toward to US culture, there are more black people compare to Asia. According to their culture, attitude, believe and norms that logo and trademark identify them as a black people. In US culture, no one can identify according to their color. According to US constituent, to tell any one black is odious. From the brief understanding of this case; one can judge that ethics has a relative effect.

As Colgate had given a statement indicating that there position may be different if products sell in any western country, one can understand that Colgate knew what they were done in Asian market, which was for gaining Asian market only. Colgate is New York based company. It was not expected

from Colgate to do business with a company whose operation not o. k. in US citizens' eyes. The answers of this kind of question are strongly stick with ethics. To ride horse on long way, long vision with appropriate policy is needed. The black people in US feel that they were unfair targeted. Accordingly, however objectionably it may be for marketers to link a product with something which potentially customer status and which the product only symbolically or indirectly satisfied. Color of people was unfortunately linked with product, which was totally unfair operation of company. Colgate could not have reasonably concluded, on the basis, that it was being particularly irresponsible. The market of Hawley & Hazel and Colgate showed as especially lack of human being belief of US black people, while promoting Darkie. These all point reflect unethical behavior of Colgate.

Strategic Issues

Strategic management is the process of determining an organization's basic mission and long term objectives and then implementing a plan of action for pursuing this mission and attaining that objective (Hodgetts, Luthans, and Doh, 2006). Strategic process takes added dimensions. Hawley & Hazel had a huge market in Asia. To get in Asian market having no production plants, Colgate had bought Hawley & Hazel with 50% partnership, giving all managerial rights in their pocket. According to Colgate strategy, they intended to cover Asian market. As Darkie was so popular in Asian market, Colgate had given up managerial rights to have a new market. This was long term strategy implicated by Colgate to gain Asian market. Colgate had not seen any possibilities for Darkie matter, which became big problem for them.

Colgate had ignored plenty of things to get partnership with Hawley and Hazel in terms of giving all managerial rights. Colgate wants to take chance of Darkie brand name to gain Asian market share. At the time of action plan, with the threat of losing customer loyalty and brand name, Colgate had taken three year time to change name and logo of the product.

Alternatives for Colgate to handle situation:

Looking toward alternatives for Colgate to handle situation, managerial rights were key factor. Darkie toothpaste was the most terrible incident for Colgate. It had pushed Colgate as a non social responsible company. Colgate had a good brand name and customer loyalty, which was the reason why customers wait for a long time for boycott. Were there any steps for Colgate to handle the situation? Of course there were. For a big brand name company, reputation and customer loyalty is more important than business. Although Colgate had no managerial power, they would inform Hawley and Hazel to control the situation. They put pressure on partner in any other way to force them to take action rather than looking the situation. To watch out situation saying we have no managerial power was not expected feedback from a brand name company. Colgate may do advertising mentioning logo is non offensive. It also shows special concern for particular community. I support this alternative with referring some cases.

Looking toward the case of Nike, which had manufacturing operation in various countries. It found that their contractors appoint children, women at low wage rates and had poor safety environment at plant. As an ethical code of Nike, it had not kick out children but given fund for their development and

study and keeping them to support their family and taken back at an age of 14 years (Deresky, 2000). This may be perfect way to come out from the situation with good image. Here no need of managerial rights needed. Colgate had to come with this kind of policy. To promote black people for their human rights, development, would be good option for Colgate to gain loyalty. Only changing name of product may not be enough. It is easy to offer product but quite tough to gain customer loyalty. Company has to have awareness for their customer.

Procter and Gamble had launched Rely tampon, new super absorbent. Food and Drug Administration found a strong relation between uses of Rely and toxic shock. So P&G had done investigation through formal CDC (centre for diseases control) panel, not found any evidence in favor of them. As a result, P&G took immediate action of buy back from customers informing via mails, advertisement, newspapers at a cost of \$75 millions. The customers were really appreciated by quick action of P&G as a social responsibility and ready to give market, which strongly supported through survey after dispute. This may be perfect way to gain customer loyalty and building responsible image. Colgate could go on this way to maintain brand name (Beauchamp and Bowie, 1988).

Effect of Brand name and loyalty

A brand is significantly more than a product. The product comprises more physical attributes and dimension. It is nothing more than an interchangeable commodity. The brand on the other hand reflects the special relationship and bond we forge with customer. It is a constellation of

values that goes beyond physical attributes to include intangible, and importantly, customer perception (Czerniawski and Maloney, 1999).

Darkie had a brand name in Asian market. Customer impressed by their advertisement indicating black man's white teeth, which proofed by millions of dollar of annual sales. Once company had developed brand name, it is very difficult to change it . Customer put loyalty in the brand name. They have full trust of not be cheated in any way. It was risky and dangerous for joint alliance to change advertisement without loosing loyalty and brand name, which would decide their future. The whole Darkie business depends on its logo and advertisement. Advertisement plays a crucial role to cover market share. If they change advertise, by default they loose customer loyalty. Loyal customers not get them right and may be misguided by competitors. The toothpaste featuring with black man with toothy smile was an attractive logo of Darkie. Customer had special feeling to it. Not a single company wants to loose market with loosing brand name and customer loyalty. So changing advertisement after dispute reflects acceptance of unsocial behavior by Colgate. So accordingly my point of view, fear of loosing brand name and market share, may be reason for not responding Colgate to domestic market complains.

Important of management rights

Doing international business is not only doing business but it is taking and giving strategy. Looking toward history of Hawley and Hazel, it was such a big company, which operated in Asian continent on a rocket speed. It had covered extensive Asian market. To gain strong Asian market without having

any production plant, Colgate had bought Hawley and Hazel with 50% partnership. . It was not easy task for Colgate to take chance from this company and market. In business, to take something one has to give something. While taking huge Asian continent market, Colgate had given all managerial rights to Hawley and Hazel. This might be part of negotiation of Colgate. As Hawley and Hazel so successful in Asia, Colgate might be got partnership without doing negotiation. It was good to give rights in terms of adopting huge business market. This partnership came out with annual sales of millions of dollars. Looking from business point of view, it was a good deal done by Colgate.

While looking toward dispute of Darkie, managerial rights had played crucial role. According to my point of view, Colgate distasteful toothpaste dispute was totally associated with managerial power. There were many alternatives to handle the situation. Being a number one is easy but to maintain that position is too difficult. This what Colgate had faced. Colgate had good brand name and customer loyalty. By briefly studying this case, I found that Colgate had wait for a long time to take action. That was an effect of having no managerial rights. Colgate could stop the dispute from the beginning through taking action such as changing advertisement and logo, taking away itself from controversial products, giving attention to case initially.

Having no managerial power was one of the worst parts of this issue. Again looking case of Levi's, which is strong reputation company for high quality products, had terminated most of its business relation with Chinese contractors. According to ethical code of Levis, they offer good safety and

friendly environment, allowable wage rates, not hire children at plant.

Chinese contractors not follow this code. As a social responsible company, Levis had terminated their contracts in China. After that new contractors had to follow Levi's code of ethics (Hodgetts and Luthans, 1997). That was the result of having management rights. Colgate could force Hawley and Hazel to take some action.

Looking neutrally, management rights were most decisive way to handle situation. To give management right at cost of gaining business and earn money was good strategy. But as dispute came in picture, and condition came to a situation of boycott of Colgate in US, was not good.. That cost in terms of losing brand name and customer loyalty. This is high cost compare to have a new market. So I think, having no management right was not good for Colgate in this case.

Action plan of Colgate

While Colgate had high pressure from US citizens, ICCR, and political forces, it came with action plan to handle situation. They intended to do change name and logo of product over a period of three years to maintain brand name and customer loyalty which include test marketing. This cost millions of dollars, which were spent by Colgate only while Hawley and Hazel had refused to pay. It was confusion about period of change and reforming market. Hawley and Hazel want to implicate strategy for one year only to change name and logo, as product was so popular. During the test marketing in China, advertisement indicates that Chinese name of product was not changed which still means Black man toothpaste. As a result, in 1992,

Chinese government has put ban on Darkie because of product's violation of China's trademark law and Hawley & Hazel had loose big market. Last but not least, African had done permanent boycott for this company due to offensive logo.

Recommendation

Ethics is strongly associated with progress of organization. It gives good name and reputation to company. Customer puts loyalty on particular company. It is very tough for any organization to run fully ethically. But it will be worst result if organization doesn't follow ethically. History proof that good ethics gives good business. Negotiation is the part of business but not at a cost of customer loyalty and social responsibility.

Conclusion

Ethics is the matter of philosophy. It directly related to business. It depends on the degree of implication by company. Through brief discussion of our case, I conclude that, ethics had relative effect. It varies individually, with culture as well. Colgate was initially unsuccessful to come out from dispute. As pressure from group increased, Colgate had to take some steps to handle situation. Giving all management rights was the big mistake done by Colgate in negotiation. It is very difficult to find out a company which operates fully ethically in all operation, but ethics plays crucial role for the development of organization. Ethical organization has support from community and customer. Customer has reason to go for particular company. Last but not least one can say that good ethics gives good business.