

Colgate pursues low cost strategy



CP has a large and efficient distribution network. Its distribution channels are located all over Pakistan (Moore, E. R)

It caters to a broad customer base. It has developed itself in almost all the categories which are associated with customers on the daily basis.

Colgate pursues low cost strategy. Its plant is automated. Only one plant is used for the manufacturing of three different detergents like bonus, express, brite

The whole process is repeated for each of the detergent.

By automating the plant, CP is able to save a lot of cost. CP value delivery network does not have any delays in it which helps CP to save cost.

CP targets all segment, it has products for the lower class, middle class and the upper class. Its pricing is done accordingly. It has cost leadership in the detergent and the surface care category

CP forecasting is very accurate which helps them to reduce cost because if estimated are accurate then it helps the company to avail cost advantages

CP is allowed to deviate only 5% from its forecast both upwards and downwards

CP has concentrated more on process efficiencies

CP has access to large capital that is required to make significant investment. CP never compromises on the development expenditure. It is always ready to improve its production processes.

Being a low cost producer it helps CP to better compete to its rivals.

Being the low cost producer it has helped CP to insulate themselves from powerful suppliers who nowadays demand increasing prices due to rising inflation.

Being the low cost producer, it has also helped to attract powerful buyers whom CP sells directly like MAKRO, DMART, IMITAZ, AGHAS, and NAHEED etc (Moore, E. R).

Economic Factor

The overall economy of the country is showing a stable growth. Therefore this industry is also showing a growth of 10%. But the inflation is growing rapidly which is not a good sign for the new entrants. Change in the interest rate also affects the industry. Hence the new entrants are also threatened by the increasing interest rates.

Economic factors do influence the bargaining power of buyers as inflation is the major factor that is affecting the consumers hard.

Economic factors do not affect the availability of substitutes. But since inflation is growing, so it is hard for the poor people to switch to more modern products like washing powder, tooth paste. They would rather prefer oil to clean their clothes and use miswak to brush their teeth.

Economic factors do have an affect on the bargaining power of suppliers as inflation is rising fast. Suppliers demand that they would provide the necessary raw material at a higher price. Exchange rate fluctuations also affect the cost of raw material.

Economic factors do affect the rivalry among the competitors as all the players in the industry want to have cost leadership. The economic factors are favoring intense competition from the last five years. People have more money at their disposal. Also Pakistan is a consumption oriented society (Hiatt, Jeff.).

Quantitative Strategic Planning Matrix (QSPM)

STRATEGY 1

STRATEGY 2

Weights

AS

TAS

AS

TAS

STRENGTHS

Market leader in surface care with 90% market share

0. 15

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Good Leadership

0. 06

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—

Employee commitment

0. 12

3

0. 36

2

0. 24

Cooling crystal patent

0. 1

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Accurate forecast with respect to demand

0. 07

4

0. 28

2

0. 14

High EPS

0. 08

3

0. 24

2

0. 16

Strong advertisement and promotional campaign

0. 08

2

0. 16

3

0. 24

WEAKNESSES

IT not used optimally

0. 13

4

0. 52

2

0. 26

No ecommerce

0. 1

3

0. 3

2

0. 26

No proper use of forward integration

0. 05

2

0. 1

3

0. 15

They are not exporting their products to other countries

0. 06

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1

OPPORTUNITIES

Exploring into new categories like shampoo, hand wash , body wash, shower gel

0. 14

2

0. 28

4

0. 56

Rural population switching from miswak to toothpaste

0. 06

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Gap in tooth brush market

0. 08

2

0. 16

3

0. 24

Implementation of ERP(SAP)

0. 14

4

0. 56

2

0. 28

People becoming hygiene and beauty conscious

0. 1

2

0. 2

3

0. 3

No layoffs

0. 07

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THREATS(T)

Raw material and energy prices are increasing

0. 12

3

0. 36

2

0. 24

Inflation in the country

0. 07

3

0. 21

2

0. 14

Competitors re launching their products

0. 1

2

0. 2

3

0. 3

Competitors increasing their marketing budgets

0. 06

2

0. 12

3

0. 18

Unstable law and order conditions.

0. 06

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1

TOTAL

4. 05

3. 69

Rivalry among existing competitors

Yes (+)

No (-)

The industry is growing rapidly.

âˆš

The industry is not cyclical with intermittent overcapacity.

âˆš

The fixed costs of the business are relatively low portion of total costs.

âˆš

There are significant product differences and brand identities between the competitors.

âˆš

The competitors are diversified rather than specialized.

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It would not be hard to get out of this business because there are no specialized skills and facilities or long-term contract commitments etc.

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My customers would incur significant costs in switching to a competitor.

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My product is complex and requires a detailed understanding on the part of my customer.

•

My competitors are all of approximately the same size as I am.

•

7

LOW

MEDIUM

HIGH

INTERPRETATION:

Threat of competitors is high because the product is not unique as there are no product differences. Same products are available with all competitors like Unilever, Procter and Gamble, Shield, Oral B. Therefore rivalry is also increasing as demand in the economy has also increased for the last 5 to years. Majority of the competitors are MNCs which means that they have the necessary resource and skill (Hiatt, Jeff).

Government Factors:

Government regulations do have an affect on the rivalry among the competitors.

Political factors:

Political factors do not affect the rivalry among the competitors

Economic factors

Economic factors do affect the rivalry among the competitors as all the players in the industry want to have cost leadership. The economic factors are favoring intense competition from the last five years. People have more money at their disposal. Also Pakistan is a consumption oriented society (Hiatt, Jeff).

Social trends

Social trends have changed, buyer are more aware of their purchases. So the players in the industry are always trying hard to increase their market share (Hiatt, Jeff).

Technological change

Technology is helping the companies to gain a competitive advantage over their rivals. Also research and development plays an important role in this (Hiatt, Jeff).

KEY SUCCESS ACTORS FOR COMPETITIVE SUCCESS

Low cost production efficiency. CP has plants installed that take only 30 minutes for the plant to shift from the production of one product to the other.

High quality manufacturing of products with very few defects.

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A strong network of wholesale distributors.

Gaining ample space on retailer shelves. (Examples Naheed, Aghas, Makro and other small shops.)

Attractive packaging and styling.

Good length of product lines.

Attractive commercials and advertising.

Good reputation in the industry along with favorable reputation with buyers.

Market penetration

Colgate can do market penetration by increasing its advertising, people always associate Colgate with tooth paste and have no awareness that it produces personal and surface care products as well. They should show their logo on all its products so that people know the producers and this will increase customer loyalty and also when people will come to know that Colgate is the producer then new customers will also buy the product (Hiatt, Jeff).

They should also increase their promotion efforts by going to school and doing health awareness programs, also they should go to residential areas and make women aware of their surface care and fabric care products such as max, bonus and express etc

Product development:

Colgate can also do product development by introducing new features in their already existing brands. They can improve their tooth brush quality and

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features by introducing flexi tooth brushes for special oral care. Also they can introduce whitening features in their feature in their tooth paste; different colors of tooth paste can also be introduced to attract the kinds market. In their fabric care they can introduce in special features of protecting the color of the cloth while washing and also whitening enhancing surfs to give a good shine to while clothes (Hiatt, Jeff).

develop systems to involve appropriate stakeholders in the introduction of change

SIX THINGS REQUIRED TO EFFECTIVELY IMPLEMENTING A STRATEGY

According to Porter, to implement a strategy effectively six things should be followed:

Create a formal plan:

Distributor Quantity Item Price Negotiation,

Inventory Reporting, Stock Details, Payment Terms

HR Module

Inventory / Store

Sales Module

Sales Module

Stock Details

Quantity item

Price negotiation, inventory reporting, ex stock details, payment terms

Finance Module

Credit terms, payment procedures,

Stock in & out effect

Inflow & outflow of raw materials

Procurement Module

Create a multifunctional team:

To effectively implement ERP, Colgate must first hire an independent resource firm.

Acquire licensing for SAP Implementation.

Establish an independent IT unit for the monitoring of ERP. This department will coordinate with all the other departments (Robbins S, Mukerji).

Communication of strategy: inside and outside:

All employees in the company should be made aware of the new automated system. Each employee must be provided a minimal insight of SAP but those employees who have to work on SAP the most should ofcourse be provided with proper training course of SAP. These include:

Factory Manager

Manager accounts

Warehouse Manager

Distribution team

Consumer insight department

Outside the company the strategy to implement ERP should be communicated properly to all the local and foreign suppliers of Colgate Palmolive (Hagberg).

Consistency over time:

As Information Technology is progressing day by day, new changes in ERP are expected after certain time periods. Therefore it would become very important for Colgate to cope up with the changes in the software. For this purpose it would need to update its employees by providing training whenever any change takes place in SAP (Hagberg).

Use proper measurements:

Other measures, not just financial measures would be required to test whether the system is working properly. These measures include:

Whether the system is accurately forecasting demand, sales, price changes

Whether or not there are any deviations in the actual versus projected sales

Effectiveness of the internal processes after the strategy implementation (Robbins S, Mukerji).

Test the strategy:

Ask employees and senior management in all departments whether they are satisfied with the new system of working. Talk to suppliers and distributors

whether they want any more improvements in the new system of working (Hagberg).

EIGHT PILLARS OF STRATEGY IMPLEMENTATION

Allocating resources:

Colgate has to invest around 50mn for which they have to make a separate IT department in which 1 trained personnel have to be hired so that it can be implemented in an efficient way.

building capable organizaion:

After the implementation of SAP, a capable organization would be established. It would help the company to coordinate all activities. CP can then expand into new markets and would develop innovative products.

Exercising strategic leadership:

SAP implementation will require an annual strategic audit to check whether the desired objectives have been achieved or not. This means a visionary leadership is required. Leadership should be exercised strategically in such a way that it helps the company to maintain its competitive advantage.

Tying rewards:

Rewards in maintaining the best MIS, highest no of transactions, successful employee in training face should be given in terms of recognition, increased in salary and gift vouchers.

Installing support system:

It is important to maintain MIS with in different department so they can work in a best possible way

Benchmarking:

In Pakistan very few organizations has implemented SAP. PSO and National Foods are some of them. Since PSO has very successfully implemented SAP so Colgate benchmarks them.

Strategic supportive policies:

They have to make strategies in which maintaining an MIS should be mandatory. There should be digital culture. They should have a centralized data base through which all department are interlinked and any transaction can be tracked down by any department. Every department should have access to only relevant information.

Shaping corporate culture:

Colgate should implement paperless. Digital culture where the records must be maintained through MIS and not manually . even communication should be done electronically.

KEY DRIVING FORCES**Industry growth:**

Now most of the people have knowledge about the different products and its advantages. The intense competition in industry and high demand enables the new entrants to compete in this market (Hagberg).

Product innovation:

Innovation in product, as Colgate has just introduced Max fresh in which the coolant crystals are present which none of the competitors has adopted yet. There is also room in innovation in washing detergents (Hagberg).

Changing societal concerns, attitudes and lifestyle:

Since social issues are really effecting the use of product just like the use of Miswak which is the Islamic mode of cleaning the teeth (Hagberg).

Use of E-commerce and Internet:

Usage of online ordering and maintaining the stock level through e-commerce can be driving force in the industry. By using that they can provide products to customer which is value addition for them (Hagberg).

This report is purely based on the finding from the Colgate expert and the secondary data analysis, and the reason for writing the whole report is to find the obstacle / hindrance a business men face and how the organization can minimize it through implementing the different strategies and analysis.

The whole report research draws attention to the fact that any problem can be eliminate if proper investigation and consideration can be observed the success is easy to get, Pakistan market is mature market and the competition is tough here because most of the customer is price conscious and act like butterflies, so targeting this kind of customer is quite difficult, but on the other hand it can be managed if the you can understand the market effectively and efficiently (Robbins S, Mukerji).

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Internal Communication of Change

By Dagmar Recklies

Circling the Pyramid – Building Lasting Commitment to Change (pdf-file)

by Edmond Mellina

What Makes a Good Change Agent?

by Dagmar Recklies

The Role of the Change Master – From Change Agent to ' Change Master'

By Ruth Tearle

Managing Change – Definition and Phases in Change Processes

by Oliver Recklies

Problems in Managing Change

by Oliver Recklies

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AuditNet. org provides a downloadable PDF of change management best practices.

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Fred Nickols wrote “ Change Management 101: A Primer.”

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SearchCRM. com provides resources on handling change management following a CRM upgrade.

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Neglecting your change control process can kill an IT disaster recovery plan.