

# Evaluation and strategic analysis of colgate palmolive



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Companies seeking to gain a competitive advantage in today's environment, where competition is very tough where technological improvement have pushed major companies forward are in need of a strategy development process. By using several capabilities like creativity and originality, companies can come up with a number of options and possibilities that can be used while building a strong strategic plan. Today, Companies should develop the sense of controlling and monitoring of processes, nothing should be left at random, because important losses can incurred.

Many thinkers have argued that a strong strategy should consider three important factors (3C): Customers, Competencies and Competition. To begin with customers, companies should be able to distinguish between existing customers and potential customers; in addition, they have to understand customers' needs for a better profitability. Competencies are perhaps the most important tool in this chain, it can raise the company's stock index or lead it to bankruptcy, and it's by recognizing multi-skilled people trained and capable in a large variety of skills or activities that companies can carry on 'the adventure'. Finally, competition is no longer a concept to be defined or explained, it's becoming a double-edged sword for companies in a world where the number of firms is growing exponentially.

Analysis of the areas cited above is interconnected. Who you select as your target group will have consequences on capabilities you require, which will have an impact on what the competition policy which will pressure who you choose as your target group.

Furthermore, a well structured strategic analysis will induce to brighter more significant goals, and a more safe future as companies are better aware of possible threats that may happen. They may be also known as (External Environmental analysis), it's may be seen as the connection between going in the right track and making the appropriate decisions, a kind of trade-off established by the company.

It's through strategic analysis that organizations are capable of encouraging funders for future perspectives. Funders are more likely to go for donations or loans, in case of strategic analysis environment, to enlarge the gap between the organization and its competitors. In the other hand, not considering at least a little amount of strategic analysis means losing opportunities called also (opportunity cost). A 'left behind' status can be reached in case of ignoring strategic analysis.

BNET Business Dictionary defines the strategic analysis as the way of conducting researches on the external environment or business environment where the organization performs and on the organization in the purpose of drawing a strategy. In the other hand, Professor Les Worrall thinks that strategic analysis is a fair understanding of organization surrounding, it takes into consideration the interrelation between the firm and its environment.

Many studies have been conducted in this field, they may have suggested different definitions of strategic analysis but three important characteristics are linked to it:

recognition of important info to elaborate the strategy.

Recognition of surrounding factors to be considered.

Multiple tools and techniques can be used in the process.

Some examples of techniques and tools needed for a strategy elaboration:

Four corner's analysis

Early warning scans

War gaming

## **SWOT analysis**

## **PEST analysis**

## **Porter's five forces analysis**

Value chain analysis

Analytical tools are meant to ensure the sustainability and reliability of the analysis proposed. Analytical methods are worldwide used and understood, they have reached a mature state where every organization can use them to better work. However, while dealing with the analytical methods, companies should keep in mind some considerations:

The tool or method should be able to answer question that may be raised by the organization.

The benefit coming from using any tool or method should be clearly defined and stated. To ensure a successful analysis, organization need to go forward a great understanding of the tool used.

The tools proposed are empowered if there is collaboration as input with other people surrounding the company, in addition, time should be allocated to people concerned so they accommodate the analysis.

Every member of the organization must be aware that the use of any analysis tool is time and effort consuming, decision-making board and stockholders , in the implementation phase, should be ' flexible' .

The objective of using those tools and techniques is to go deeply in the structure and to provide a better approach more fair and methodical. In addition, all analytical tools are using historical data, they rely on past data to better understand futures wants. Moreover, results coming from the analysis should be interpreted with caution or the analysis may lead to an influenced result, due to pressures, which look for a particular strategy. One of the important competencies of an analyst is to understand which tool or technique is most appropriate in the context.

## **Colgate-Palmolive**

Colgate-Palmolive is generating benefits from manufacturing and selling shampoo and toothpaste, 80% and 15% respectively.

In 1806, Mr. Colgate William opened a shop where he sold candle and soap and multiple cosmetics in United states of America using its name as a label, because he was famous, he managed to gain large profit. Then, the company started to sell energetic bars for uniform weights. In 1857, His son took over, when his father Samuel Colgate passed away; the firm was renamed as « Colgate & Company».

In Milwaukee, “ B. J. Johnson Company” was producing a special and famous soap by mixing only natural ingredients the formula used was developed by a doctor in late nineties. The soap was very popular, thanks to the recipe originality, and took the name of Palm-Olive (Palmolive)

Between 1928 and 1953 many changes occurred, they are summarized below:

The merging of “ Peet Brothers with Palmolive under the name Palmolive-Peet.

In 1953, the company changed its name to the current name “ Colgate-Palmolive Company”.

Colgate-Palmolive has been competing with the world’s largest soap and detergent producer for decades. After the World War II, P&G had decided to a launch a diversified range of products under the name of TIDE, many consumers turned to this new products when they used to buy Colgate-Palmolive Products. Moreover, the company faced another challenge when P&G decided to add Fluoride in the toothpaste an achievement never done before, due to this fact, Colgate-Palmolive lost his first place in the toothpaste market. To compete with Procter and Gamble, CP(Colgate-Palmolive) have used television(new invention at that time)and decided to sponsor some shows so they can regain their market share against P&G.

In 2006, Colgate-Palmolive has intended to acquire the major part of Tom’s of Maine, a pioneer in the toothpaste manufacturer. Today, Colgate-

Palmolive has a number of plants and subsidiaries around the world, more than 200 countries are using Colgate-Palmolive Products.

### **Colgate-Palmolive Values:**

**“ Our three fundamental values-Caring, Global Teamwork and Continuous Improvement-are part of everything we do”**

**“ Valuing Colgate People”**

**“ Becoming the Best Place to Work”**

### **Organizational Structure**

Executive Board Organization

Factory Organization Chart

### **Colgate strategic analysis**

#### **PEST Analysis:**

Nowadays, to ensure a sustainable, competitive and successful company, managers and board of executives has to cope and operate within a rigorous “ macro-environment” that is shaped by influences of different factors. These factors can emerge from many sources: The overall economy, population, governmental legislations and regulations, societal values, new technologies.

All of these represent relevant factors that can have a gigantic impact on all the decisions the company makes concerning its direction, business model, objectives, strategy and thus, the ability to impact on the company’s overall situation. Now that we have understood the importance and the impact that an external environment can have on a business’s situation, it’s compulsory

to sort those factors into categories and assess their importance to the business.

After assessing their importance, external factors can be categorized into 4 major assemblies by using the PEST or PESTLE Analysis.

## **Political Factors**

The first letter in the acronym refers to Political factors and they are issues that affect the way of doing business. They can be trading policies imposed by the government or the political stability of the country in which business is conducted. Political issues can also be related to taxes and labor laws imposed by the government and labor unions. They can also be regulations directed to maintain a fair competition on honorable basis between rivals in any industry and prevent abusive actions. Moreover, the political factors can also be regulations put by the government to protect the environment in which the company is operating. This type of regulations can for example be linked to pollution issues or standard quality of their products or services that will be directed to their clients.

## **Economical Factors**

The second letter in the acronym refers to Economical factors and they are subjects related to the overall situation and stage of growth of the economy. These factors need to be taken into consideration for the impact they can have on the operations of a business. Managers need to assess the home economy situation and trends. Furthermore, they need also to keep an eye on changes in taxation of products & services. They also need to look at the driving forces of the economy such as the purchasing power of their target



market and consumer preferences and also to unemployment and wages levels. If the company is involved in foreign trade, managers have to consider the tariffs and exchange rates as well as the import and export ratios applied in that country.

## **Socio-Cultural Factors**

The third letter of the acronym refers to Socio-Cultural factors that any company has to consider the point of view of the general public. The public's opinion and attitude toward the company's products is also important because it plays a core role in building the image within the different constituencies. Companies also have to be in permanent contact with the media by writing press releases or opening its doors to build brand image that is known by everybody. Socio-Cultural factors can relate also to issues raised in advertising campaigns and publicity or by participating in major events to show their part of social responsibility. Social factors also include diversity of their work force employed. Companies hire disabled and elderly people to get them integrated within the society. Finally, companies need to respect and take into account ethical issues no to offend any minority in the society.

## **Technological Factors**

The last letter of the acronym refers to Technological factors. These factors have changed the way businesses operate. By introduction of all these technologies, companies are able to conduct their operations much easily with a better performance. Technology participated in the improvement of many aspects since it was introduced at all levels of the business, from

selection process to productivity and research and development. (Jana F. Kuzmicki, 2007)

Business Environment (PEST)

## **Porter's Five Analysis**

### **Supplier Power**

Porter's five technique has addressed every component in the organization environment, It's known to be a powerful tool for a strategic analysis. Porter has considered suppliers as being an important chain in the growth of any company, if the sufficient time and effort is allocated to suppliers they may be a competitive advantage, because there is a control over suppliers' power. In the particular case of Colgate-Palmolive, investors are willing to invest in oral and home care companies, since they know how lucrative those companies are. However, most of investors are convinced that Colgate-Palmolive is suffering from a 'lack of perceived differentiation', that influence their willingness to invest and that makes the investment decision-making process weak. In addition, Colgate-Palmolive didn't propose any strategy that can differentiate it from its competitors, this is why they have a low bargaining supplier power, and in other words they are treated as other major competitors are, because of their high dependency.

### **Power of Buyer**

Customers represent a real power of any business. Customers are in a position to influence business growth and sustainability. Colgate-Palmolive products are used by more than 350 million customers a day worldwide.

Customers are loyal to Colgate-Palmolive brand for many reasons like for

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their innovative products, solidarity projects they are launching. CP customers are aware of the efforts the company are doing to face the poverty in Africa and Asia. In addition, investors and stakeholders are very satisfied from the company's management. In 2007, a case study has demonstrated that because of their diversified range of products and the technology adopted that customers prefer Colgate-Palmolive to P&G. Another study has showed that customers are loyal to CP because of its cheap line products, yet with a high quality and performance basis. Last year, customers, through a survey, have argued on the company's good performance, they believe that the huge financial asset invested have changed their view on the CP products. On the other hand, CP's management has reduced operating costs and focus on profitability and net profit.

### **Threat of New Entrants**

In the home and oral care industry, especially in the soap and natural products, the companies operating in this sector try to reduce the impact of threat over new established competitors by raising effective and standard operations, companies are working towards strengthening the relation they have with suppliers and distributors and they enhance the view their customers have, by building the trustful and brightest image ever proposed.

In addition, the rapid growth of technology has allowed companies to overcome any new entrant in the business. In 2008, technology had permitted a differentiation of CP from its competitors. They have come up with an innovative toothpaste product, the innovation was that they were the

first company capable of moving from solid toothpaste to a semi-solid or gel toothpaste, this innovation delivers new brushing sensations.

Colgate-Palmolive Company has based its success on a strong foundation that prevent from new entrants and their potential treats. CP managers believe in strengthening both tangible and intangible factors, like products, ethics, values, technology that encourages brand loyalty.

## **Threat of Substitutes**

Factors of type internal or external can raise the threats of substitutes, where customers switch from a product to another, in general price cost of a product is the major reason for any customer to switch to other products. In case of a raise in a cost product, customers tend to think of other line products, this is what we call the Churn rate. Because of social and political factors , the price of any product may tend to increase , it represents a real threat for the company . But, the effective strategy adopted by Colgate-Palmolive, like raising switching costs, customer surveys to learn about their wants and need, by using techniques theory are sure to reduce the impact that may result from substitute product.

## **Degree of rivalry**

In any market, price represents a significant factor in customer retention process, a common rule states the less you price your product, the more customers you can attract. Colgate-Palmolive tries to avoid the price competition, they think that is a not an effective way to gain market shares and new customers. Managers tend to keep a good communication with competitors to better work in a coherent atmosphere, they aloes use

multiple strategies to stay in the top three of home and oral care manufacturer. They are seeing a competition as an opportunity that improves the productivity and the quality proposed.

Colgate-Palmolive has a competitive advantage because of all what we have discussed earlier, in addition a very structured financial management and bring Colgate-Palmolive to the top manufacturing companies in the world.

## **Conclusion**

Colgate-Palmolive Company is a very experienced company that had faced a number of unpredictable events during the last and this century, because of its efficiency and quick response they have always managed to find solutions so go forward and to stay competitive in the home and oral care product market. P&G are also doing well, in fact, it's a one to one battle to gain market share and to retain customers. As stated above, many analytical tools are available, it's up to the management department to see which one suit the most to the context.

PEST analysis and Porter's five are very useful to see how the environment surrounding any company looks like. It's very important that for companies to understand the opportunities and threat that may occur at any time, in other words, the company should better understand all the components of its environment to better make decisions and to reach the predefined goals and objectives. Another way to analysis the environment of a company is SWOT analysis it's known to be a simple way to better monitor and control the strengths, weaknesses, opportunities and threats that may be faced, it begins by arguing over a common objective in the business activity and then

highlights the internal and external factors that are linked to the success or failure of the project. There four fundamentals of SOWT analysis are often represented in a 2×2 matrix as below:

## **SWOT analysis**