

# COLGATE - PALMOLIVE PRECISION TOOTHBRUSH

## Case Report

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*Colgate*  
**PRECISION**

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**1. Problem statement:**

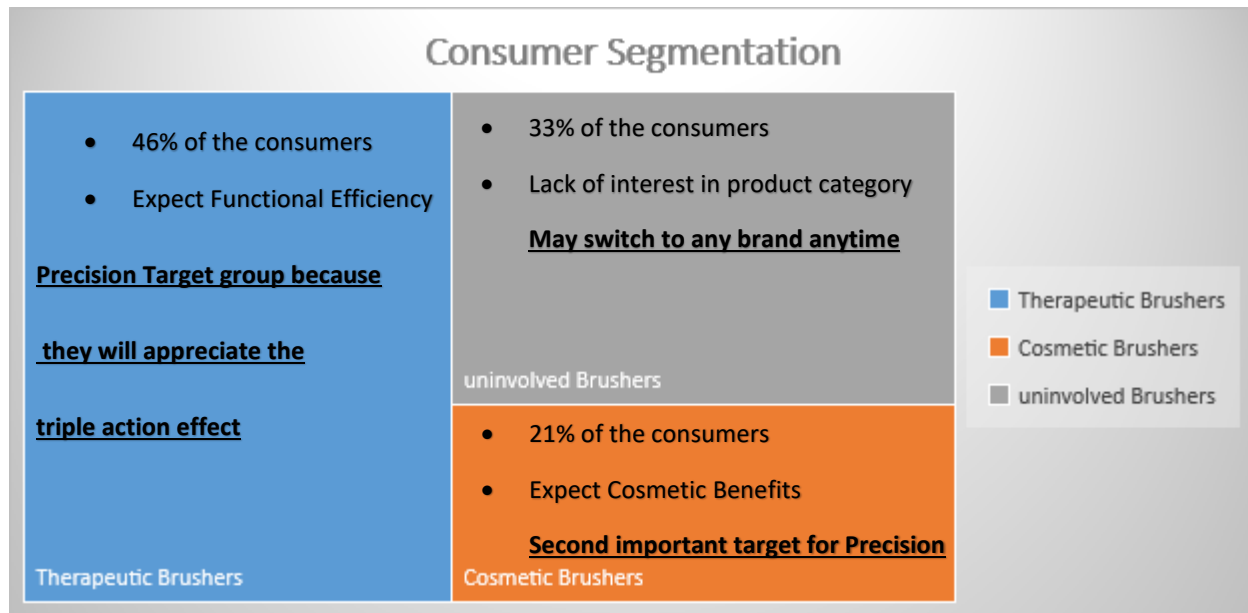
In 1992, Colgate - Palmolive (CP) was looking forward to launch a new toothbrush tentatively named Colgate Precision. Having invested on core research in the oral care, including brushing habits, plaque removal, consumer expectations and response behavior, the prestigious CP unveiled the dramatic unique design of the Precision. The company's aspirations were enormous and consisted of having a breakthrough in the oral care market by delivering the crème de la crème of toothbrushes. CP had to figure out the accurate positioning, branding and communication strategies for the success of the Precision.

It is important for CP to derive a perfect marketing plan based on positioning, branding and communication strategies now more than ever before to cement their market share in the toothbrush market. Previously, the company realized great success amidst the Value and Professional segments, but had yet to deliver a product within the Super Premium segment. Further, with the entry of new competitors like Crest and Pfizer and, moreover, with the profound competition with Oral-B, Proctor & Gamble (P&G) and Johnson & Johnson (J&J) through their premium products in toothbrush market, it was crucial for CP to invest heavily in R&D for Precision. As oral and gum care health grew, so did consumers' expectations for a consistently effective product. It was time for CP to step up the game to increase its market share.

**2. Issues:****2.1 Consumer Analysis:**

Consumers who are more concerned about the health of the gums are always willing to pay for a premium product. Research proved that 82% of the toothbrush purchases were unplanned and the consumers were unaware of the price. Consumers were willing to experiment with new tooth brushes, replacing their brushes at faster intervals.

Toothbrush consumers are segmented into three categories based on the level of intensity of their involvement in oral hygiene. They are Therapeutic Brushers, Cosmetic Brushers and Uninvolved Oral Health Consumers. The below figure gives the consumer segmentation in toothbrush market.



## 2.2 Demand Analysis:

Toothbrushes made up 15.5% of oral care market (approx. \$449.5m), and the overall oral care market had been growing at an average 6.1% annually. Toothbrushes sales increased in volume by 9.3% between 1987-1991 and it skyrocketed with the aggressive use of new products and coupons. This was a highly competitive market, and advertising dollars must have been spent wisely.

Conventional toothbrushes with firm bristles and medium bristles were declining annually by 13% and 4%, respectively, due to the introduction of premium brushes developed through costly and thorough research on consumer needs and dental consultations. These brushes have usually soft / extra soft bristles, and their usage has shown to be increasing at a high rate. Mentioned previously, the replacement time of toothbrush is decreasing every year; this is a big reason for increased demand. It is said that this factor could decline even further to 3 to 4 months. The average toothbrush replacement time decreased from 12.4 months in 1990 to 9.7 months in 1992.

### 2.3 Competitor Analysis:

The established competitors of CP are Oral- B and Johnson & Johnson who had 19.8% and 19.4% of the dollar market share volume respectively in 1992. The secondary brand competitors were Lever, Crest, Aqua-Fresh, Butler and other private labels which collectively had the dollar market share of 25.1%. CP was already at the head of the pack with a total market share of 22.2 %, not only winning investor and public trust, but also standing out as the leader in the Professional market with Colgate Plus and Value market with Colgate Classic. Even though the new companies like Crest, Aqua-Fresh and Butler in 1991-1992 poses a threat to future growth, CP maintains its place as the leader of the toothbrush market; yet it is important for CP to seek new ways to solidify its place. Concerning the Super Premium/Niche market, Oral-B's Indicator brush and J&J's Reach Advanced Design brush hold court, yet CP is determined to break into this market with the enhanced capabilities of Precision.

### 2.4 Company Strengths and Weaknesses (SWOT):

#### Strengths:

Colgate-Palmolive is a global leader in household and personal care products with a technologically advanced research and development unit. The company has astonishingly introduced 275 products, with manufacturing plants setup worldwide, thus reducing overall logistical costs as part of its economies of scale. The company has very strong international brand value with 67% of profits derived abroad. The gross profit of company in 1991 was \$2.76 billion dollars globally, which allows the company to innovate and introduce new products into the market in proper intervals. It also allows the company to spend more on the marketing of new products than its competitors.

A consistent, consolidated and returning customer base additional to its brand value is a major strength of CP. In the toothbrush segment, CP has an estimated 22.2% market share with the ability to penetrate seamlessly into international markets with their existing supply chain. Its presence in other

oral products such as toothpaste and dental floss helps the company to indulge in different kinds of promotional activities in order to introduce its flagship toothbrush Precision into the market.

**Weaknesses:**

CP might have its presence in the global as well as domestic arena with high market share, but the revenue is completely generated by Value and Mainstream products. The lack of Super Premium products may act as a weakness for the company because their customer base may lack the purchasing power as that of the Oral-B and J&J customers. The advanced products within this market may be difficult for CP to tap into.

CP needs to address its issue about lack of professional endorsements which is an asset of Oral-B in generating more revenue and gaining more share when calculated monetarily. Industry endorsements made by real professionals in the dental community could only boost the sales of Precision if well-placed in Super Premium segment as there are many consumers who consult professional dentists for oral health care.

**Opportunities:**

CP has a major opportunity in the form of the Baby Boom generation - the largest market - who are willing to spend more on advanced products that take care of oral health issues related to gums.

In 1991 - 1992, the media support for the oral care industry increased by 49% which is a great opportunity for CP to use this air time in promoting the new entrant Precision. Although CP currently has less professional endorsements than its rivals, it could use the versatility and design of Precision and its three-way attack formula to reach the consumers who are willing to pay premium for their oral health. This toothbrush also could be used to lure in some professionals and dentists to endorse the CP brand rather than the other brands.

Increased shelf space for tooth brushes is also an opportunity to increase the sales of Precision by combining it with other oral care products and placing them near the Super Premium / Niche products with comparatively higher promotions and lower prices. The design of Precision is an asset to the company as its unique look compared to Colgate Plus and Colgate Classic - which are easily identified as Mainstream and Value products - will allow Precision's benefits to standout.

**Threats:**

Tough competition from relatively new entrants like P&G, Unilever, Nestlé, L'Oréal, Henkel and Kao, both in domestic and international markets, are a constant threat to CP. The timing of the introduction of the Precision is questionable due to the previous aggressive 2-for-1 marketing, which would potentially delay new purchases by consumers for some time.

The largest threat, however, would be the cannibalization] of Colgate Plus's sales, if Precision was marketed as a Mainstream product. The enormity of sales realized not only by Colgate Plus but also by Colgate Classic could still be endangered with the introduction of Precision. Lastly, there is always the threat of duplication of CP's product by the imitative efforts of the competitors; even though this may not be an issue at this time, the threat is always apparent especially when production is outsourced and Precision's specific design could be reversed engineered.

Although Precision is a product that is about to come into the market after extensive research there are other competitors who are also on the verge of releasing new products after their own research and Precision should take care that these advanced products do not cut into its market share.

**3. Alternatives:**

The Economic evaluation of Precision should be analyzed in two angles, whether the product is introduced into Super Premium / Niche market or into the Mainstream market.

### 3.1 Economic Evaluation:

If Precision is introduced as a Super Premium / Niche product, then the pricing is of utmost importance. The product's pricing should be structured in such a way that the retail price itself should signal it as being a Super Premium / Niche product, yet not so highly priced that consumers become reluctant to purchase it. If it is decided that Precision is positioned in the Super Premium market then the pricing should be around \$2.13, which is a premium over its rival Oral-B's regular toothbrush but less than Oral-B's Indicator product. To enter the industry market (dental offices, for instance) the price has to be reduced for incentive-based sales. Although the factory list pricing is \$2.13, the actual retail price could be between \$2.50 and \$2.90 depending on place and market it is sold.

If Precision is introduced into the Mainstream market the decided pricing is \$1.85 which is at par with many regular products in toothbrush market. Though this strategy attracts many consumers to buy this product, the Super Premium / Niche market is still out of its realm.

The financial implications of the first two years of Precision being placed both in Super Premium / Niche market and the Mainstream market is shown below. Precision shall first be introduced into super-premium league and then shall be expanded into mainstream as well after a few years.

NICHE	YEAR 1	YEAR 2	MAINSTREAM	YEAR 1	YEAR 2
MNFCTR PRICE	\$ 2.02	\$ 2.02	MNFCTR PRICE	\$ 1.76	\$ 1.76
# UNITS SOLD	8,000,000	15,000,000	# UNITS SOLD	26,800,000	44,100,000
GROSS	\$ 16,160,000	\$ 30,300,000	GROSS	\$ 47,168,000	\$ 77,616,000
DEPRECIATION	\$ 316,667	\$ 450,000	DEPRECIATION	\$ 886,667	\$ 1,270,000
COST/UNIT	\$ 0.66	\$ 0.66	COST/UNIT	\$ 0.64	\$ 0.64
TOTAL COGS	\$ 5,280,000	\$ 9,900,000	TOTAL COGS	\$ 17,152,000	\$ 28,224,000
ADVERTISING	\$ 11,200,000	\$ 11,700,000	ADVERTISING	\$ 32,800,000	\$ 29,000,000
OPERATING PROFIT	\$ (636,667)	\$ 8,250,000	OPERATING PROFIT	\$ (3,670,667)	\$ 19,122,000

### 3.2 Qualitative Evaluation:

The quality of any new product is usually derived from three factors. First, quality of design, second is the quality of testing and third is quality of production. Precision's design quality is known



from the research the CP team has done during its development. CP established a task force in 1989 with executives from R&D and marketing, dental professionals and other consultants with a mission to develop a superior, technical plaque-removing toothbrush. Researchers used to understand various techniques in which consumers used to brush their teeth and found that though the toothbrushes currently on the market did a good job in removing plaque from surface of teeth, they fell short on removing plaque in-between the teeth and from gum line. So, CP stressed on creating a new toothbrush that removed plaque from those places and designed this innovative product with the three-way attack.

Testing the designed product is another major part of quality control. CP established an index to score clinical plaque removal efficiency at the gum line and between the teeth to determine the level of plaque new product is removing. They also used a chemical solution that gave color to the colorless plaque to reveal what was left after brushing. Each tooth was divided into nine areas and the presence of plaque was measured on each tooth area both pre-usage and post-usage of different brushes; they found the Precision was able to reduce plaque by 35%.

The last quality implication is quality of production. The production of Precision is outsourced to Anchor toothbrush as it already produces the Colgate Plus toothbrush, which is a highly generating revenue product for CP. Taking previous expertise into consideration is a smart move rather than searching for a new company for production.

### **3.3 Marketing Implications:**

Marketing implications are dependent on the positioning of product. If the product is place in a Super Premium / Niche market, the marketing strategy should primarily focus on drug stores and food/grocery stores. If launched under the Mainstream scenario, the company should mainly focus on mass merchandisers and club stores. Placement of product on shelves in stores is also important to

indicate the positioning of product. The advertising and promotional costs of Precision on both positioning scenarios are shown below.

	Precision as a Niche Product	Precision as Mainstream Product
Advertising Year 1	\$ 5 Million	\$ 15 Million
Advertising Year 2	\$ 5 Million	\$ 12 Million
Consumer Promotions Year 1	\$ 4.6 Million	\$ 13 Million
Consumer Promotions Year 2	\$ 4 Million	\$ 10 Million
Trade Promotions Year 1	\$ 1.6 Million	\$ 4.8 Million
Trade Promotions Year 2	\$ 2.7 Million	\$ 7 Million

Branding of a new product also plays an important role in marketing. The new product should be branded in such a way that it denotes the company name to capture on brand value and loyal customer base as well as depict itself as a specialized product to attract new customers.

#### **4. Recommendations:**

##### **Positioning:**

The Precision toothbrush by CP is an exemplary product made after years of research on consumer needs and priorities. This toothbrush could be an answer for CP's entry into the Super Premium / Niche market whose future potential could be astonishing in the larger picture. Based on the earlier analysis about the product we recommend it to be positioned in the Super Premium / Niche market.

Positioning the Precision in the Super Premium / Niche market also reduces cannibalization of the Colgate Plus product that is present in the Mainstream market. As these are huge revenue generating products, it is not a wise decision to cut through their market at the stage where they are on peak of their sales.

Another reason for recommending the Super Premium / Niche positioning is the change in consumer behavior. Consumers are taking more care on oral health care than ever before and this

tendency is increasing with the entry of younger generation into the market in addition to the gigantic baby boom market. These consumers are not as concerned about paying premium price when they are receiving needed dental care.

The research shows that the more consumers were told about Precision, the greater is enthusiasm for them, so investing more on advertisement attracts potential buyers. Also the feature of preventing gum disease motivated to purchase the product among test consumers. So, positioning it in Super Premium / Niche market segment could bring some professional endorsements. Purchasing power of every individual tends to increase on an average every year, and usually individuals look for a premium product when it increases and lack of premium product could cause CP to loose even the loyal consumer base. The global presence of CP is another factor for placing Precision in the Super Premium / Niche market. It is easy for CP to use existing supply chain and place Precision internationally - mainly in urban markets - where people tend to buy premium products.

**Branding:**

We recommend using the name Colgate Precision to encourage branding - which is consistently viewed as favorable - in contrast to calling the product Precision by Colgate. It is also holding the legacy from other products Colgate Plus and Colgate Classic. This way it is easily noted and understood by loyal consumers.

**Communication:**

The communication strategy we recommend is a clear-cut and cache punchline to depict the reason for development of this advanced brush as well as involving advertisements in such a way that consumers become aware of gum problems due to plaque buildup. Word-of-mouth is one of the biggest sources of communication. It is already established that focus group participants are showing

enthusiasm for the new product, so the company expects the externalities of enthusiasm to spread by word-of-mouth by the time of its launch. To create this word-of-mouth, CP can adapt the technique of *Pre-Launch*. In this technique, the product is launched in some places which is said to be CP's stronghold and thus converting the success of product into word-of-mouth and advertisements by actual launch.

### **5. Plan of Action:**

In the course of action CP should first determine the target customer focus group, which we suggest to be the therapeutic consumers. It should also ensure that there is sufficient stock to avoid stock-out situations. A stock-out situation is sometimes vaguely good for promotions, but not in the scenario of the introduction of a new product, as people tend to go for the next best rather than waiting for it. Ensure quality of product at the supplier level so that a perfect product is delivered as promised. First impressions are extremely important for a new entrant in any market. Advertising agency and model of advertisements should be decided well in advance.

Determine the branding of product with promotions at all the food stores and drug stores. The promotions should include TV ads (mainly daytime during soap operas), ads in magazines (marketed to women, such as good housekeeping), usage of billboards in major metropolitan areas, flyers in dental hospitals and even tentative shelf spaces with launch date on them to get the consumers mind noted with, rather than searching them when they actually want to buy it.

Being a premium product it is necessary for CP to lure in some professional endorsements. A good advertisement could include a knowledgeable looking man in lab coat with industry-talk is always welcomed by the consumers. The advertisements could focus on gum problems due to plaque between gum and teeth and explain how Precision removes that plaque 35% more than any other tooth brush. This will help drive sales for Precision.

Precision should be promoted aggressively through all the available media. CP should allocate more resources and money to Precision in the first year of the launch to capture as much market as it can. Some people may object using of air time mostly for a new product rather than existing products but it is important for CP to enrapture and then capture the Super Premium / Niche market. So, it should concentrate more on their new product. This doesn't mean Colgate Plus and Classic are being neglected, as they can certainly survive the surge in promotions of Precision as they are already in their peak stage both in sales and promotions. CP should use the advantage of its complete oral care products to promote Precision toothbrush. For example, it can start with giving samples of toothpaste along with toothbrush for the first batch.

**Conclusion:**

CP needs to enter the Super-Premium / Niche market. Even though the financials don't point to this conclusion immediately, it would be in the company's best interest to diversify their offerings. They are only active in the Mainstream and Value markets. The Niche market is dominated by their main competitors, yet CP has no presence in this arena. They have developed a great product that is both innovative and effective and unique in design. It is in CP's best interest to introduce the Precision into the Niche market in order to establish presence. Branding it 'Colgate Precision' carries forward its legacy power. Aggressive meaningful promotions at the advantage of consumer's trust would give a sure shot success. In later years, Colgate could build off Precision with even more benefits, such as better plaque removal indicator, dyed bristles, gum stimulation, and so forth. The Precision is the product that could get the Niche market segment into the hands of Colgate - Palmolive now and forever.