

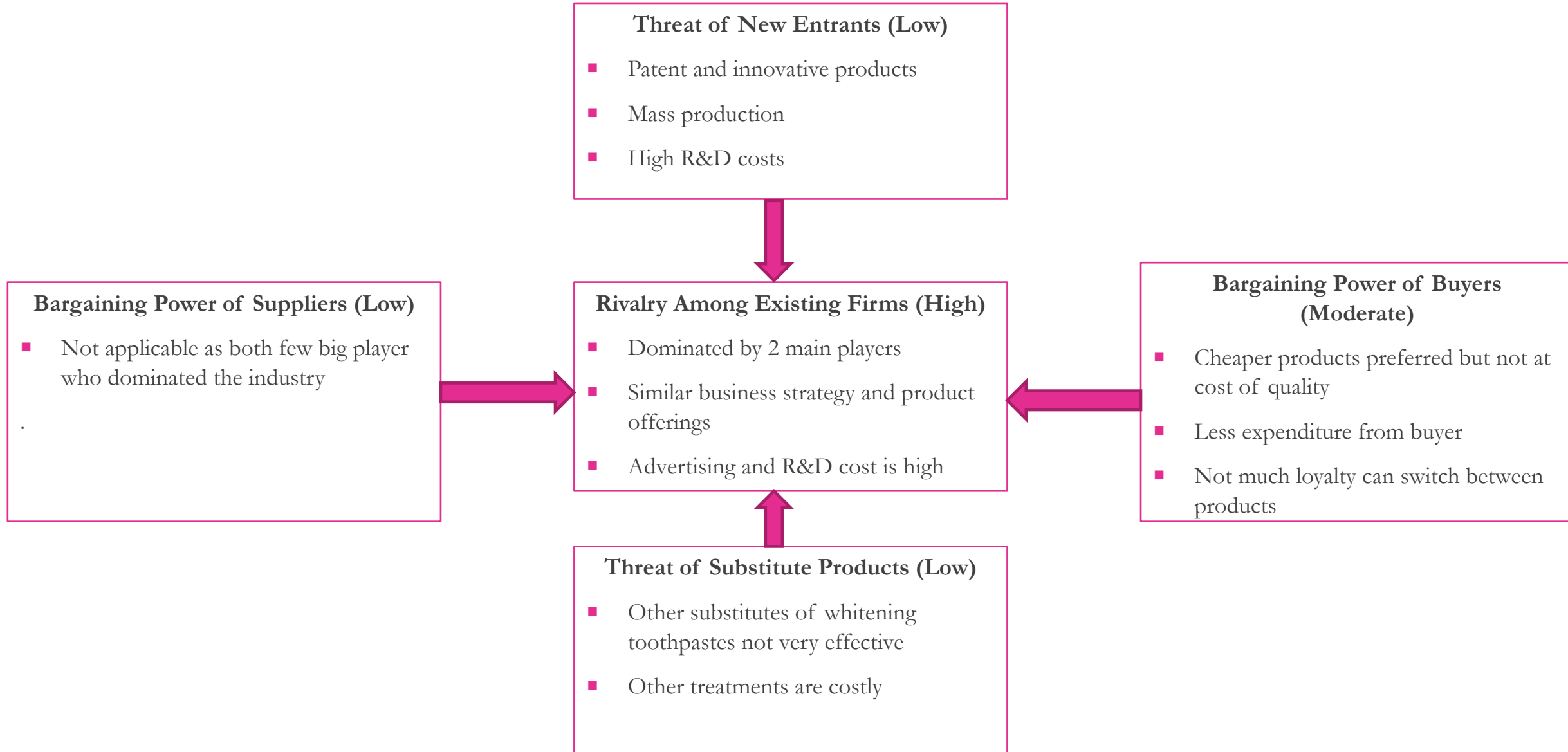
CASE ANALYSIS

 Brighter Smiles for the Masses - Colgate vs P&G

CASE DETAILS

- P&G introduced Crest Whitestrips (an over the counter teeth whitener) in August 2000. It was totally a new product in this segment. Thus P&G created a new market for the product which was earlier captured primarily by dentists.
- Better and cheaper option from other three whitening options; Dentist Treatment, Toothpaste and Dentist made tray.
- P&G claims Whitestrips is 10 times more effective than Colgate Tartar Whitening, (leading toothpaste product in that category).
- By 2002, P&G captured 80% of the teeth whitening market within 2 years.
- In 2002, Colgate bounced back and introduced Simply white, a convenient and cheaper product in the same segment.
- One month after introduction, Simply white captured half of the market, market of P & G for Whitestrips reduced by 50%.
- Even though consumers think otherwise, P&G engineers have reasons to believe that Simply White is not as effective as Crest WhiteStrips.

PORTER FIVE FORCES ANALYSIS (TEETH WHITENING)



SWOT ANALYSIS FOR P&G

STRENGTH

- First Entry Advantage
- Strong Brand Recognition
- Capacity to enter new untapped markets
- Good R&D with strong finances.
- Significant result in tooth whitening made this brand stronger

WEAKNESS

- Lower net earning due to high R&D costs
- Low operating Margin

OPPORTUNITY

- Patented Technology
- Better Marketing Strategies
- New product launch and market capture without competition

THREAT

- High competition from rivals
- New Entrants

SWOT ANALYSIS FOR COLGATE

STRENGTH

- Strong R&D
- Strong Global Brand Image
- Oral Care is one of the strongest products
- High Operating Margin
- New product experts

WEAKNESS

- Not financially strong as Palmolive (biggest competitor)

OPPORTUNITY

- High Customer Satisfaction and can expand on the same.
- Value proposition is cost effectiveness which can be used as an expansion strategy.
- Benefit of Brand Value of Colgate.

THREAT

- High competition from rivals
- New Entrants

STRENGTH/WEAKNESS FOR PRODUCTS

STRENGTH

- First mover Advantage
- Patented Technology
- Better products than competitors

WEAKNESS

- Product Application Time is high
- Difficult to use
- High Price compared to Colgate

P&G (White Strips)

STRENGTH

- Low Price as compared to other competitor products
- Easy to use
- High level of customer satisfaction
- High Contribution Margin

WEAKNESS

- Less effective than P&G in the overall global market

COLGATE (Simply White)

COMPETITORS ANALYSIS

MARKET COMMONALITY (HIGH)

- Both are high shareholders of oral care market
- Oral care is a significant market to both Colgate (33.3% of sales) and P&G (12% of sales)
- Similar products

RESOURCE SIMILARITY (HIGH)

- Colgate and Crest are both dominant brands in the market
- Both firms have significant and similar human and financial resources
- Product Components are similar
- Aggressive R&D and Marketing Force

DRIVERS OF COMPETITIVE BEHAVIOUR

Awareness: High

- Operate in the same Oral Care market
- Resources used are more or less comparable

Motivation: High

- Quest to attain Market Leader position

Ability: High

- Similar tangible and intangible resources
- R&D skills are high

COMPETITIVE RIVALRY AND DYNAMICS

Inter firm Rivalry

- P&G: First Mover: Launched Crest White Strips.
- P&G has an upper hand in organizational size and quality of product
- Reaction from competition: Colgate launched a new product and positioned its product as cheaper
- Convenience Factor: Colgate's selling point was that its product gave you the results in 30 seconds as to 30 minutes.
- P&G's Reputation at Stake: Need to come up with some move.

Outcome of Rivalry

- P&G Crest White strips captured 80% of the market. P&G first mover was not sustainable for long term.
- P&G made profit in the first 2 years to recover its R&D cost
- Colgate came as a second mover and could capture 50% of market in 2 months and P&G market share was reduced to 40%.
- P&G market share reduced to 37%. P&G looking for multiple tactical options to combat Colgate's move.
- The whitening business market was estimated to be \$4 Bn by 2010

RECOMMENDATIONS FOR P&G

- Since P&G was market leader for 2 years with no competition, it has already recovered the new product development cost and R&D. Now the strategic move would be to reduce the price and be comparable to Colgate. Colgate cannot lower its price than what it is today.
- Advertise its superior product using comparative advertisement and try to make a dent in Colgate's user base.
- New Value Proposition for Whitestrips with emphasis on its superior quality with long lasting effects. P&G to concentrate on whitestrips and its product differentiation then introducing a new product
- Although P&G have an option to attack Colgate on its superior product claim through legal and other channels but since there is no standards of testing, this battle will lead to resource utilization with no such benefits.
- Increased use of coupons which might slightly increase in revenue for P&G
- Increase the associations and tie-ups with dentist and make it a preferred brand like it did when it launched Whitestrips.



RECOMMENDATIONS FOR COLGATE

- Colgate to focus on success of the product and take advantage of its low price product to expand in Europe and Asia markets
- Colgate to avoid publishing controversial advertisements to prevent P&G to challenge them.

THANK YOU

