

## **2. Procter & Gamble: Crest Toothpaste**

For decades Crest toothpaste was the leading brand in the market. Not many brands other than Coca-Cola or McDonald's have been on the top for so long. But a few years ago Crest lost its leadership position to Colgate. It was an epic, once unthinkable moment in consumer marketing, like Coke losing the cola war or the Whopper outselling the Big Mac.

### **Company and Brand Myopia**

Crest did not keep pace with changes in the marketplace. Sitting on its laurels and relying on past reputation is not a practice a brand leader should follow. Such a practice was permeating Procter & Gamble, and consequently many of its big brands were suffering.

When Crest was launched in 1955 it was a revolutionary brand—it was the first brand that would fight cavities. Such a USP gave it a significant advantage over all other brands. Since that time, however, Crest has stayed with pretty much the same story. Yes, there have been line extensions that offer other benefits, but the “fights cavities” benefit is a fixture in the minds of consumers.

Bad breath, stained teeth, and sensitive gums have been issues in recent years. While other toothpaste makers moved in to cater to these needs, Crest kept on fighting cavities. Arm & Hammer launched a baking soda formula, Rembrandt introduced anti-aging and whitening formulas, and Aqua Fresh offered a fresh breath formula. Between 1987 and 1997, Crest's market share dropped from 39 percent to 27 percent.

In 1997, Colgate launched an innovative toothpaste product that seemed to do everything: it fought cavities, tartar, plaque, bad breath, and most importantly, gingivitis. Gingivitis is a gum disease that all dentists harp about. More than 100 million North American consumers suffer from gum disease, and Colgate's Total was the only brand with FDA approval to claim it fights it. By the end of 1998, Colgate had grabbed 30 percent of the market, mainly due to the popularity of its Total brand. Crest's share stood at 26 percent.

Through various line extensions, Crest has tried to fight back. There's Crest Extra Whitening, Crest Dual Action Whitening, Crest MultiCare, and several others. Crest's annual sales in the United States are in the \$400-million range.

Why did Procter & Gamble get left behind? “They were too focused on what they had always been and never saw the trends emerging,” says Tom Hall, a former brand manager. P&G had all of the technologies that its competitors have exploited for years, including a gingivitis-fighting formula. But instead of being in supermarkets, it was still being tested.

Procter & Gamble is notoriously slow when it comes to testing and launching new products. That way of doing business has changed now that the company is under new leadership, but what happened in the past cannot be changed. Former employees often rant about the “P&G way” of doing things. There was a set of guidelines called “Current Best Approaches” that directed employees on everything from how to conduct tests to

how to approach retail customers. Instead of thinking creatively, people fell into a trap of looking up what to do. That's hardly the proper mindset for one of the world's largest packaged goods companies. When it comes to developing and testing new products, competitors can do it in half the amount of time it takes Procter & Gamble.

Former CEO Durk Jager tried to change P&G's culture by tossing out the rules in the late 1990s. Instead of hiring conformists, he wanted rebels. He wanted people who would stick their neck out and go with their gut rather than the rule book. He wanted people with bold new ideas—the kind who give birth to billion-dollar brands. He scrapped the “Best Approaches” rule book and asked people to think for themselves.

Ever since the change in corporate culture, P&G has been much more innovative. Many new brands in new product categories have been introduced, including Fit, an anti-bacterial fruit and vegetable spray; Swiffer, a dry floor mop; Febreze, a spray-on odour eliminator; and Dryel, a home dry cleaning product.

### **The Corporate Battle**

Colgate-Palmolive and Procter & Gamble are competitors in numerous product categories. Colgate-Palmolive is the number-one maker of toothpaste and also markets mouthwash, dental floss, and toothbrushes. Colgate also markets baby care products, deodorants, shampoos, and soaps. Palmolive is a leading brand worldwide. Other popular brands include Speed Stick and Lady Speed Stick, Soft Soap, Irish Spring, Ajax, and Fab.

Colgate-Palmolive generates sales of US\$10 billion annually. Net income after taxes is in the US\$1.3-billion range.

Procter & Gamble is the number-one U.S. maker of household products with brands in five major categories: baby care, feminine and family care, fabric and home care, beauty care, and food and beverages. Twelve of P&G's brands are billion-dollar brands globally: Always/Whisper, Ariel, Bounty, Charmin, Crest, Downey/Lenor, Folgers, Iams, Pampers, Pantene, Pringles, and Tide.

Procter & Gamble has sales revenue of US\$51 billion annually and a net income after taxes of US\$6.5 billion. P&G invests about 4 percent of its annual sales revenues into new product research and development each year. In its biggest acquisition ever, P&G acquired the Gillette Company and all of its personal care brands in 2005. The sales of Gillette personal care brands will generate an additional US\$6 billion in revenue each year.

### **The Toothpaste Market: Crest Battles Colgate**

Crest is struggling to regain the popularity that made it the best-selling toothpaste in North America for more than three decades. The two leading brands, Colgate and Crest, control 60 percent of the market. Refer to **Figure 1** for market-share data for all major brands. This chart offers a perspective on all brands in the market.

The U.S. oral care market is estimated to be worth \$1.8 billion in 2006. For the purposes of analyzing this case, assume the Canadian market is valued at \$200 million. The market is segmented into six categories, with toothpaste being the largest segment. Toothpaste accounts for 54 percent of oral care sales, followed by brushes (22 percent), mouthwash (7 percent), at-home whitening (10 percent), denture products (5 percent), and dental floss (2 percent). Within the toothpaste segment (the 54 percent of the market mentioned above), whitening toothpastes are growing in popularity and now control about 45 percent of all toothpaste volume.

The toothpaste market is a mature market, averaging only about 2 percent growth each year. Therefore, any growth a brand will experience comes at the expense of another brand. Competition tends to be focused between the two leading brands and all of the others seem to follow along. As of 2003 the market shares of the three leading brands have all moved upward at the expense of all other brands in the market. See **Figure 2** for details.

Today's consumers demand numerous benefits from their toothpastes, and manufacturers like P&G and Colgate are responding accordingly. Colgate-Palmolive's Colgate Total claims to be the only toothpaste that provides 12-hour protection to help fight cavities, prevent gingivitis, reduce plaque, control tartar buildup, fight bad breath, and whiten teeth. That combination is hard to beat! Since Total's successful launch Colgate has added three line extensions: Total Fresh Stripe, Total Plus Whitening, and Total Plus Advanced Fresh.

Procter & Gamble has strengthened its position by introducing Crest Whitening Plus Scope, available in a standup package or tube, and other products such as Crest Whitening Expressions, Crest Extra Whitening, Crest MultiCare, and Crest Whitening Plus Scope Liquid Gel. Products that combine elements of two separate products together such as Crest Whitening Plus Scope Liquid Gel sound complicated! For a complete list of the various toothpaste products offered by both brands, refer to **Figure 3**.

Crest Whitestrips created the whitening toothpaste segment when it was first launched in 2001. The product generated US\$200 million in its first full year on the market (\$20 million in Canada). Crest Whitestrips are clear, flexible strips that are worn by consumers twice a day for 30 minutes and are "guaranteed to produce noticeably whiter teeth in two weeks." P&G launched a second whitening product called Night Effects a few years later. The combination of Whitestrips and Night Effects gives Crest a 70-percent share of the at-home whitening segment of the market.

Colgate's answer to Whitestrips was Simply White, a brush-on style of whitener that offered similar benefits. However, Simply White has not enjoyed much success. In fact, sales have been sliding so much in the past few years that one analyst described the brand as "simply terrible." Simply White's share of the at-home whitening segment is only 12 percent.

As a result of so many new products being launched in the oral care market, the market can be divided into two segments: maintenance and growth. The maintenance segment

includes conventional toothpaste, toothbrushes, mouthwash, and related dentifrice items. The growth category includes whitening toothpaste and home bleaching kits. Whiter teeth have become almost an obsession with North American consumers. It seems that marketers are responding to the needs of an aging population who refuse to grow old, and a society that cares very deeply about appearances.

### Distribution

Data from AC Nielsen (a leading marketing research company) indicate that supermarkets are the most important sales outlet for toothpaste, followed by mass merchandisers and drug stores. Warehouse outlets such as Costco continue to grow in importance and are affecting the sales of all products in the more traditional retail outlets. This trend is expected to continue. Refer to **Figure 4** for details.

### The Challenge

Crest wants to get back its leadership position in the conventional toothpaste market. Current CEO A.G. Lafley has placed a renewed focus on established brands such as Pampers, Tide, Crest, and the others that were identified earlier as members of the billion-dollar club. He says, “If these brands are healthy, Procter & Gamble is healthy. Core brands like these generate a majority of the sales and profits.”

The challenge facing Canadian marketing executives is two-fold. First, they must identify new marketing strategies to rejuvenate Crest in the conventional toothpaste category in the near term. All elements of the marketing mix must be examined along with various external trends in the marketplace in order to identify new strategies for building market share.

Second, there must be an evaluation of consumer needs and expectations in order to identify new-product opportunities for the long term. The overall goal is to reclaim the number-one position in the toothpaste market while making advances in the overall oral care market. What recommendations do you have for Crest?

**Figure 1**

**Toothpaste Market: Brand Market Shares**

Brand	Company	Market Share 2000	Market Share 1999
Colgate	Colgate-Palmolive	32.1	30.1
Crest	Procter & Gamble	27.4	27.3
Aquafresh	GlaxoSmithKline	10.5	10.9
Arm & Hammer	Church & Dwight	8.3	6.6

Mentadent	Unilever	5.7	6.6
Sensodyne	Block Drug	4.2	4.1
Rembrandt	Gillette	3.1	2.8
Close Up	Unilever	1.6	1.7
Ultra Brite	Colgate-Palmolive	1.3	1.3
Pepsodent	Unilever	1.0	1.1

Notes: Procter & Gamble acquired the Gillette Company in 2004.

Church & Dwight acquired Mentadent, Close Up, and Pepsodent from Unilever in 2003.

**Figure 2**

**Current Market Shares: Brand Leaders in Toothpaste Segment**

Brand	Market Share 2004	Market Share 2003
Colgate	34.2	34.0
Crest	31.7	29.0
Aquafresh	15.0	16.0

**Figure 3**

**Crest and Colgate Toothpaste Products**

Company	Brand	Varieties
Colgate-Palmolive	Colgate Total Advanced Fresh	1
	Colgate Sensation Whitening	4
	Colgate Looney Tunes for Kids	1
	Colgate Cavity Prevention	3
	Colgate Total	4
	Colgate Total Plus Whitening	4

	Colgate Herbal White (new)	1
	Colgate 2 in 1 Whitening	4
	Colgate Fresh Confidence	1
<b>Procter &amp; Gamble</b>	Crest Cavity Prevention	1
	Crest Whitening Expressions	4
	Crest Whitening Plus Scope	1
	Crest Vivid White	1
	Crest Extra Whitening	1
	Crest Complete	1
	Crest Dual Action Whitening	1
	Crest MultiCare	1
	Crest Sensitivity Protection	1
	Crest Kids Sparkle Gel	1
	Crest Tartar Protection	1

For more complete details about the various varieties and their benefits refer to the company websites: [www.colgate.com](http://www.colgate.com) and [www.pgcanada.ca](http://www.pgcanada.ca).

**Figure 4**

**Toothpaste Sales by Type of Retail Outlet**

<b>Outlet</b>	<b>% of National Sales</b>
Supermarkets	50
Mass merchandisers	23
Drug stores	12
Warehouse stores	8
All other stores	7

Source: AC Nielsen data as published in *Drug Store News*, June 2002.

### Discussion Questions

1. In terms of toothpaste needs, what are the priorities of consumers today? Conduct a straw poll to determine the importance of the following factors: cavity prevention, fighting plaque, fighting tarter, freshening breath, whitening teeth, and fighting gingivitis. Add in any other benefit you can think of. The poll will help you assess the product needs of Crest.
2. Are all elements of the marketing mix equally important to the success of Crest toothpaste? Assess the role and importance of each element of the marketing mix.
3. The toothpaste market is dominated by two brand leaders and a host of followers. How would you describe this market? Is it monopoly, oligopoly, monopolistic competition, or pure competition?
4. The toothpaste market is a mature market. Should be the marketing emphasis be on attracting new customers or retaining current customers? How important is customer relationship management to a brand like Crest toothpaste?
5. What external influences will continue to influence the direction of Crest's marketing strategy? Identify and briefly discuss the impact of those trends over the next few years.
6. What marketing strategies can you recommend to build market share for Crest toothpaste?

Adapted from "Toothpaste industry market report, find/SVP, [www.findsvp.com](http://www.findsvp.com); "Can Procter & Gamble change its culture, protect its market share, and find the next Tide?" [www.2.una.edu/sborah/MBA/procter.htm](http://www.2.una.edu/sborah/MBA/procter.htm); John Heinzl, "Colgate slashes outlook, takes shine off stock," *Globe and Mail*, September 21, 2004, p. B15; Randy Tucker, "P&G struggles to regain Crest's toothpaste lead," *The Cincinnati Enquirer*, April 7, 2001; "US Toothpaste Market," [www.oligopolywatch.com](http://www.oligopolywatch.com); Jack Neff, "P&G, Colgate step up oral-care fight," *Advertising Age*, November 1, 2004, p. 10; [www.hoovers.com/procter-&-gamble](http://www.hoovers.com/procter-&-gamble); [www.hoovers.com/colgate-palmolive](http://www.hoovers.com/colgate-palmolive); [www.pgcanada.ca](http://www.pgcanada.ca); [www.colgate.ca](http://www.colgate.ca).