

# A Study on Product Diversification Strategy Adopted by Colgate Contributes to its Brand Loyalty

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**Abstract** - "If people believe they share values with a company, they will stay loyal to the brand." This statement by Howard Schultz carries profound truth in it. In order for any brand and its products to be successful in the market, they should be able to satisfy their consumers. Customers can be retained only when the company identifies the behavioral purchasing patterns of the consumers in a world constantly stuck among changing trends, technology and lifestyle. The purpose of this research study is to investigate the direct relationship between the unique selling methods adopted by Colgate and their diversification in the products that they offer and their combined effect on brand loyalty. This paper provides a preliminary understanding of the various factors that have contributed to the brand loyalty of Colgate over the decades and why people still continue to trust the brand despite having the discretion to switch to rival brands at almost similar prices. The paper highlights the significance of the effect of brand loyalty on the sale of its products and how by adopting different marketing strategies, brands can retain old customers and attract new ones.

**Keywords:** Brand Loyalty, Colgate, Unique Selling Methods, Segmentation strategy, Demographics, Product diversification.

## I. INTRODUCTION

Colgate, a multinational umbrella brand under Colgate Palmolive, produces and sells oral hygiene and personal care products mainly specializing in toothpastes, toothbrushes, mouthwashes and dental floss. Colgate has become synonymous for toothpaste in almost every household across the globe and has the largest brand penetration in the world. Colgate considers any person who brushes their teeth as their target audience and; within this product line, they have created an array of products each one with a feature unique and distinct from their other products. They have designed specialized products for the use of different age groups. The loyalty of their customers can be attributed to the fact that Colgate offers to them a one stop solution for their dental problems by keeping their products simple and modifying them according to the prevailing care trends. Since the toothpaste/toothbrush industry falls under the structure of monopolistic competition with a number of rival firms in the market leaving almost no room to compete with prices, Colgate has largely managed to retain its market share on the sole basis of the brand image that it has created over the decades. Splendid advertising by using emotion and humour as an

appeal has also helped Colgate to create a strong customer base and gain trust worldwide.

## II. OBJECTIVES OF THE STUDY

The main objectives for undertaking a study on the subject matter being discussed are the following:

1. To study the factors contributing to the brand loyalty of Colgate
2. To highlight the Unique Selling Proposition (USP) created by Colgate
3. To study the product diversification strategy of Colgate.

## III. REVIEW OF LITERATURE

Amber Thanwarani (2013) in her paper *Consumer personality trait, brand persona and brand loyalty: A pragmatic study of Colgate toothpaste buyer* mentions that excitement and sophistication brand personality traits have a significant positive influence on both affective and action loyalty of the brand. On the other hand, positive significant influence of personality trait extroversion, neuroticism and openness on brand personality excitement.

Vinod Bhatnagar (2011) in his research *Brand choice and brand loyalty of rural consumers- A study with special reference to branded toothpastes* analyzes the factors influencing the brand choice, ascertains the factors affecting the purchasing and studies the brand loyalty of toothpaste consumers by using a descriptive research design. The findings suggested that most of the respondents (villagers) were using branded toothpaste and they opted Colgate toothpaste as a brand, respondents received information by television followed by radio, for brand selection. They are conscious about their teeth health, brand loyalty influences them to buy branded toothpaste and they were very faithful and trustworthy to their branded toothpaste. The study revealed that the brand certainly influences the consumer irrespective of gender, age, income and other factors

Priyadarshini. R *et al.* (2018) mentioned in her research the intrinsic and extrinsic factors that influence consumer attitude towards Colgate toothpaste with reference to Coimbatore district.

#### IV. RESEARCH METHODOLOGY

The data has being obtained solely from secondary sources collected from various references which already exist in published form; part of the paper is based on literature review: the method comprising of collecting all the available papers relating to the research topic and selecting relevant papers/books for the review purpose. Data is collected from published material, books, journals, magazine, reports, newspapers, websites and other relevant publications. For this purpose the use of the library and the internet has been made. Selection of the papers is based on their relevance and contribution to the body of knowledge.

#### V. MARKETING STRATEGIES OF COLGATE

For effective marketing, Colgate divides their total market into suitable segments and exploits it fully through suitable marketing mix. This process is known as market segmentation; the process of dividing a heterogeneous market into homogeneous sub-units for effective marketing. The individual buyers within each segment are similar in regard to their wants, and expectations. This approach of market segmentation is better as compared to the approach of treating the entire market for a product as one entity. This promotes sales and also provides more satisfaction to buyers of a particular group, thus increasing brand loyalty.

**A. Geographic Segmentation Strategy:** In geographic base, regional differences in terms of topography, climate, population and its density are used as base for market segmentation. The Colgate company has actualized this segmentation and increased their sales manifold by expanding their business over more than 250 countries around the globe. For instance, Colgate produces and sells 16 varieties of toothpastes in the United States of America whereas it offers 22 different types to the consumers resided in the United Kingdom. The average urban Indian consumer is aware about the issue of oral problems but the rural population lacks knowledge about oral care and hygiene and Colgate, capitalizing on this situation, introduced Colgate Toothpowder which “ensures complete oral care delivering healthy gums, all-round germ protection, plaque removal and a whiter smile” for consumers in rural areas who tend to buy this product because most people in such areas use brick mud powder, salt or ash to clean their teeth.

**B. Demographic Segmentation Strategy:** Under this type of segmentation, demographic variables such as the age of the target consumer group, the occupation, gender, education, language, race, nationality, expenditure pattern, family size and rural-urban base are used for the segmentation of the market. Since the target audience for Colgate is gender neutral, it has segmented its market based on different demographics. For instance, they have separate varieties of products to cater to the needs of different age groups which include infants, adolescents, young adults, old people and pregnant women. For kids, it has introduced flavored products like ‘Colgate My First Fluoride-free Toothpaste’ and ‘Colgate Kids 2 in 1 Strawberry Smash Toothpaste’

while even rendering an emotional appeal by naming their product ‘My First.’ For teenagers and adults, it produces a number of products which consumers can buy according to their desires. It produces ‘Colgate Optic White Whitening Mouthwash’ and ‘Colgate Total 12 hour Pro-shield Mouthwash’ for people who do not like to brush their teeth early in the morning or before going to bed or who want to spend less time in taking care of their teeth.

**C. Psychographic Segmentation Strategy:** In psychographic segmentation, certain psychographic variables such as social class and social status, life-styles or personality characteristics are used for segmentation. For consumers with sensitivity issues, they offer ‘Colgate Sensitive Ultra Soft Toothbrush’ and ‘Colgate Sensitive Clove’ to decrease tooth sensitivity. They even sell ‘Colgate Optic White Professional In Office Whitening’ and ‘Colgate Optic White Advanced LED Whitening’ for people who want whiter teeth. This segment of rich and consuming consumers is the innovators who have the means to spend money on high-end premium oral care products. Another important target market audience for Colgate is the low to middle income class consumers known as the **survivors** who have the least money and spend their wealth only on tried and tested brands like Colgate.

90% of the global population is a customer of Colgate owing to the fact that Colgate offers value for money and even though it sells toothpastes and toothbrushes which are common products of everyday use and can easily be available in the market as substitute brands like Pepsodent, Sensodyne, etc., the USP created by Colgate is that they emphasize on oral care and hygiene and ‘is the number 1 toothpaste brand recommended by dentists’ and ‘The first and only toothpaste clinically proven to provide instant and effective long lasting relief from Sensitivity.’

Colgate has always used various promotion acts as an effective tool for selling their products, achieving targets and facing market competition in modern marketing which is highly competitive, dynamic and aggressive in nature. It extensively uses above-the-line promotion technique by advertising its products on television, newspaper articles, radio and other channels of promotion. The company also advertises their products in popular magazines and internet banner ads for greater audience reach. Colgate hires professional advertising agents to design their exclusive advertising campaigns, thus making use of through-the-line promotion technique as well.

Colgate has learned that using emotion as an appeal in their advertisements helps them gain customers because they find most of the customers relating to their ads so much so that now “It is a mothers responsibility to buy Colgate.” This strategy adopted by Colgate is very effective because the message is simple yet strong and directly aimed at their target audience and the viewer’s attention is bound to be caught by the product.

## VII. SIGNIFICANCE AND IMPORTANCE

This research is important because it aims to study the factors contributing to the brand loyalty of one of the most established oral health care brands in the world. Through this paper, the author aims to provide innovative and unique marketing strategies that can be used by brands to expand their business and create customer loyalty.

## VIII. LIMITATIONS OF THE STUDY

The data for this study has being obtained solely from secondary sources collected from various references which already exist in published form, books, journals, magazine, reports, newspaper articles, websites and other relevant publications, which may serve as a limitation of the study.

## IX. FINDINGS AND SUGGESTIONS

The findings revealed that the most important factor contributing to the brand loyalty of Colgate is the brand image that it has created for itself over the years. It reveals that customers care about their oral health and hygiene and would prefer using oral products instead of visiting the dentist because Colgate promises solutions to all dental problems with its wide variety of products available in the market. It is apparent from the findings that the consumers give equal weight age to the functional and emotional benefits of the product. Thus, Colgate should consider marketing new products according to the trends as their broad product portfolio and their suitable differentiation based on their benefits gives them a competitive edge. Further, by targeting groups and creating unique advertising messages and promotion techniques, they will ensure that their brand continues to be preferred by customers over other brands. It should have an extensive distribution network for rural and urban areas as having such a large product line helps the company occupy shelf spaces and makes room for visibility.

## X. CONCLUSION

Colgate has managed to come off as a strong brand having a healthy relationship with its consumers. It has devised and implemented effective measures in a successful manner throughout these years to maintain levels of the CRM which guarantees them a strong consumer base. Colgate has done wonders in managing the consumer and business markets both in national and international communities with its products now available across almost all the countries around the globe. Colgate has to keep an eye on prevailing consumer trends, hidden opportunities, and keep launching new products to serve their needs because “Niche brands become successful if they are launched first; the brands that follow are seen as laggards.”

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