

Colgate's world-beating performance

Matthew Boyle

Its global market share is at a record high as it prepares to crank up its innovation machine.



Brushing their teeth is not one of them. That's good news for Colgate-Palmolive (CL), which for the past five years has slashed costs, raised prices, and flooded developing markets with its wares to counter a stagnant oral-care market in the U.S. as well as fierce competition from Procter & Gamble's (PG) Crest. The results: world-beating market shares for Colgate's toothpastes (45%) and manual toothbrushes (30%) and a Top 10 position in BusinessWeek's list of best-performing companies.

Thus far at least, the economic slowdown has not crimped that performance. Sales, excluding the impact of foreign currency exchange, acquisitions, and divestments, rose 9% in the fourth quarter, and CEO Ian Cook expects similar growth in 2009. Colgate is still performing overseas, too. Latin America delivers 27% of revenues, and the company's toothpastes dominate in Brazil, with a 70% share.

But not everything is bright for the New York consumer-goods giant. Analysts worry that overseas returns will gradually diminish as developing markets mature. And the global economic crisis isn't sparing Latin America or Eastern Europe these days. Another concern: Colgate has suffered from innovation inertia. Not since 1992, when it launched Colgate Total toothpaste, has it scored a breakthrough. In 2008, Colgate was granted a total of 181 U.S. patents, down 68% from 2002 (though the company says its applications for oral-care patents were up in that period). In the past year, Colgate launched 17 new oral-care products in the U.S., half P&G's output, according to consultant Mintel International, which tracks new-product launches. "What Colgate has been lacking is a home run," says Mark Baum, who heads the consumer packaged-goods practice at Diamond Management & Technology Consultants (DTPI) in Chicago.

Colgate thinks it could score with the Wisp, set to debut on Apr. 6. Several years in development, it's a disposable mini-toothbrush with a "breath-freshening bead" in the bristles. The bead dissolves during brushing, eliminating the need for toothpaste, and people who have used the product say there's no need to rinse, making it easy to brush at work or on the go.

Eye on the pipeline

The Wisp is part of a new push by Colgate to ramp up innovation and improve its product pipeline. The goal: a series of novel personal-care and household items that would expand Colgate's customer base and business in mature markets such as the U.S. and Europe. "There are many things over the last 18 months that are different...and one is a greater focus on innovation," Cook told analysts in February. (He declined to comment for this story.) To that end, the company has opened three long-term innovation centers in the U.S. whose activities it's keeping close to the vest.

How well will the Wisp sell? It's not the first disposable brush on the market. Similar products, such as the Fuzzy Brush, made by a British company of the same name, have been around for years but remain niche items. P&G has no plans for a disposable toothbrush, perhaps having learned its lesson in 2004 with Oral-B Brush Ups, a "tooth wipe" that bombed. Sanford C. Bernstein senior analyst Ali Dibadj thinks the Wisp, which will cost \$2.39 for a pack of four, could generate sales of \$62 million by 2010. That wouldn't be a home run, but it wouldn't be a strikeout, and it could be the start of a fresh spurt of creativity at Colgate.

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