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BUSI – 458: Strategic Management
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Company: Colgate-Palmolive



COLGATE-PALMOLIVE

“The small soap and candle business that William Colgate began in New York City early in the 19th century is now, more than 200 years later, a truly global company serving hundreds of millions of consumers worldwide. Throughout this history, Colgate people and Colgate values have been at the heart of [their] success.”

(<https://www.colgatepalmolive.com/en-us/about/history>, 08/28/2018; 08:24 pm)

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Introduction

In 1806, William Colgate established a starch, soap and candle business on Dutch Street in Manhattan, New York City. The first advertisement for the business appeared in a newspaper in 1817 and in 1820 the company later established a starch factory in New Jersey City. In 1857, William Colgate died, but the company was reorganized as Colgate & Company under his son, Samuel Colgate, who became the new manager. Since then the company has grown drastically. Today, the company takes the name Colgate Palmolive and now operates globally in Africa, Asia Pacific, Eurasia, Europe, Latin America, North America with over 38,000 individuals employed around the globe recently. The company has also expanded its product line tremendously with 31 brands now and with a focus in other product categories too such as tooth paste.

1. Old Vision Statement

“Taking our sustainability goals and turning them into actionable policies that keeps us, and our global team of innovators, accountable.”

Source: <https://www.colgatepalmolive.com/en-us/core-values/our-policies>; 08/28/2018, 01:44 pm

- “As a leading consumer products company, we are also deeply committed to advancing technology that can address changing consumer needs throughout the world. In fact, our goal is to use our technology to create products that will continue to improve the quality of life for our consumers where they live.”

Source: <https://www.colgatepalmolive.com/en-us/about>; 08/28/2018, 01:53 pm

- “As a successful business, we are focused on achieving the consistent growth required to continue our global success and to make us an even stronger company. We believe this is the best way to benefit our consumers, our people and our shareholders.”

Source: <https://www.colgatepalmolive.com/en-us/about>; 08/28/2018, 01:53 pm

Source: <https://www.colgatepalmolive.com/en-us/core-values> 08/28/2018, 04:52 pm

2. Revised Vision Statement

We strive to be the best global household and personal care products company that takes our values of care, global teamwork and continuous improvement and turning them into actionable policies that keeps us, and our global team of innovators, accountable.

3. Old Mission Statement

Colgate Palmolive provides numerous information on their corporate website on its goals of sustainability but does not provide a written mission statement.

1. Customers: everybody around the global should be customer
2. Products or services: toothpastes, soap, shampoo, shower gel, deodorant, nutrients for pets, detergents, dish soap, after shaves, degreasers, cleaners, cleansers, bathroom cleaners, disinfectants, dish detergent (source: <https://www.colgatepalmolive.com/en-us/brands>; 08/28/2018, 01:58 pm)
3. Markets: Africa, Asia Pacific, Eurasia, Europe, Latin America, North America
4. Technology: “Science is at the core of Colgate-Palmolive’s commitment to making safe and effective products that improve the health and well-being of people around the world.” (source: <https://www.colgatepalmolive.com/en-us/core-values/science-innovation>; 08/28/2018, 02:16 pm), Colgate is one of the World’s Most Innovative Companies
 - i.e. Commitment to safety, innovation
5. Concern for survival, growth and profitability: “Colgate-Palmolive continues to be recognized for efforts in sustainability, social responsibility, diversity, innovation and workplace balance.” (source: <https://www.colgatepalmolive.com/en-us/about/awards>; 08/28/2018, 02:11 pm)

“We're committed to grow the business with innovative, more sustainable products that make the lives of consumers healthier and more enjoyable.” (source: <https://www.colgatepalmolive.com/en-us/core-values/sustainability>, performance; 08/28/2018, 02:08 pm)

 - i.e. new products, product updates, \$250 million for process innovation, increasing recyclability of packaging
6. Philosophy: Values: Caring, Global Teamwork, Continuous Improvement (source: <https://www.colgatepalmolive.com/en-us/core-values>; 08/28/2018, 01:48 pm)

“As part of our initiative to make Colgate-Palmolive a leader in sustainability and innovation, we’ve designed a set of policies that ensures we stick to our promise. From the people we serve, to the performance of our products, and the impact we have on our environment, we are dedicated to doing the right thing, while making the lives of our consumers healthier.” (source: <https://www.colgatepalmolive.com/en-us/core-values/our-policies>; 08/28/2018, 02:18 pm)

 - i.e. Ethics Line, Code of Conduct
7. Distinctive Competence: Colgate is listed as one of the 50 Best US Manufacturers (source: <https://www.colgatepalmolive.com/en-us/core-values/science-innovation>; 08/28/2018, 02:18 pm)

The company cares about people: “Colgate-Palmolive people, customers, shareholders and business partners. Colgate-Palmolive is committed to act with compassion, integrity, honesty and high ethics in all situations, to listen with respect to others and to value differences. The Company is also committed to protect the global environment, to enhance the communities where Colgate-Palmolive people live and work, and to be compliant with government laws and regulations.” (source: <https://www.colgatepalmolive.com/en-us/core-values>, caring; 08/28/2018, 02:34 pm)

All Colgate people are part of a global team, committed to working together across countries and throughout the world. Only by sharing ideas, technologies and talents can the Company achieve and sustain profitable growth. (source: <https://www.colgatepalmolive.com/en-us/core-values>, global teamwork; 08/28/2018; 02:31 pm)

Colgate-Palmolive is committed to getting better every day in all it does, as individuals and as teams. By better understanding consumers’ and customers’ expectations and continuously working to innovate and improve products, services, and processes, Colgate-Palmolive will become the best. (source: <https://www.colgatepalmolive.com/en-us/core-values>, continuous improvement; 08/28/2018, 02:29 pm)

8. Concern for public image: “A cleaner, healthy environment is important to Colgate not only because it's the right thing to do, but also because it makes good business sense.” (source: <https://www.colgatepalmolive.com/en-us/core-values/sustainability>, planet; 08/28/2018, 02:02 pm)
 - i.e. reducing manufacturing water, taking care for water around the world, taking care for forests, promote using of renewable energy, reducing manufacturing energy, partner with key suppliers, customers and consumers to reduce energy, greenhouse gas emissions and waste
 - i.e. reaching children with \$1.3 billion, investing in the improvement of health, education and environment for people around the globe, partner with animal shelters, handwashing education for 60 million people annually
 - different community programs around the global
9. Concern for employees: “Colgate people, consumers, communities, business partners, shareholders and other stakeholders are vital to Colgate's success and future growth.” (source: <https://www.colgatepalmolive.com/en-us/core-values/sustainability>, people; 08/28/2018, 02:04 pm)
 - i.e. improving employee health, reducing health risk, encourage healthier living for Colgate people and their families, ensuring a safe and healthy work environment, providing education and tools to Colgate people to elevate financial awareness and planning

4. Proposed Mission Statement

Colgate Palmolive is a global (3) household and personal care products company (2) that is shaped by a firm commitment to integrity and sustainability (5) due to its core values (6, 7) of care, global teamwork and continuous improvement. Colgate cherishes its stakeholders, (1, 8, 9), works globally as team to share ideas, technologies (4) and talents, and constantly improves everything that it does. (64 words)

- | | |
|--|------------------|
| (1) Customers | (6) Philosophy |
| (2) Product or services | (7) Self-Concept |
| (3) Markets | (8) Public image |
| (4) Technology | (9) Employees |
| (5) Survival, growth and profitability | |

5. External Factor Evaluation Matrix (EFE Matrix, EFEM)

	Opportunities	Weight	Rating	Weighted Score
1	2018: The brand value of Colgate (Colgate-Palmolive) is the 2nd highest in the world (behind L'Oreal Paris) with US by \$18 million.	0.12	4	0.48
2	2017: Toothpaste market will expect to grow globally by 3.7% in 2023.	0.10	4	0.4
3	Amount of dentist through 2013 and 2018 grew by 3.3%.	0.07	3	0.21
4	Half of the rural India population have never visited a dentist.	0.07	3	0.21
5	Expected annual growth between 2018 and 2023 in Soap and Cleaning Compound Manufacturing industry: 0.5%	0.06	3	0.18
6	Expected IP data traffic grew from 186, 453 petabytes per month (2018) to 278,108 petabytes per month (2021).	0.04	2	0.08
7	Expected globalization in the next five years in the Soap and Cleaning Compound Manufacturing industry with companies focusing on global brands.	0.03	2	0.06
8	Studies show that oral health behavior is directly connected to social intelligence.	0.03	2	0.06
9	Pet food market sales in the U.S. rise (nearly 50% from 2011 to 2018).	0.02	1	0.02
10	for industry in general: Forecasted social media revenue is \$51.3 billion for 2018, revenue should grow 10.5% annually.	0.01	3	0.03

Primary Implications from EFEM (Opportunities)

The EFEM for Colgate-Palmolive presents major opportunities for the company going into the future. The brand value of Colgate is currently 2nd in the world and tooth paste, soap and cleaning industries are growing immensely with even a huge expected increase of dentists in the dental industry. Also, with over half of the rural Indian population without a dentist, this puts another

great opportunity at the forefront along with the expected massive growth of IP data for 2018 to 2021.

Threats	Weight	Rating	Weighted Score
1 Bad chemical known as Triclosan found in Colgate tooth paste which poses a problem with increased consumer awareness of bad chemicals in products.	0.11	4	0.44
2 There was an increasing oil price by US-\$25,77 between July 2017 and July 2018.	0.08	3	0.24
3 Difficult trading between China and the US because of current US politics. Export rate to China in Soap and Cleaning Compound Manufacturing industry is 8.6%; China was the largest import market for goods in the US in 2017, China was also the 3rd largest export market for goods in the US in 2017.	0.07	3	0.21
4 Difficult trading between Europe and the US because of current US politics. Import rate for Germany in Soap and Cleaning Compound Manufacturing industry is 9.2%, EU imports and exports rise from 2015 - 2017, but balance gets smaller.	0.05	2	0.10
5 Slow population growth, retrogressive population rate (2.1 % in 1970 to 0.1% expected in 2100).	0.05	2	0.10
6 Drop in growth of Soap and Cleaning Compound Manufacturing industry from 2013 and 2018 by -0.6%.	0.03	2	0.06
7 Wages increased in account from 6.9% from 2013 to 2018, estimated wages account in 2018: 7.5% of revenue.	0.02	1	0.02
8 Suppliers of Colgate-Palmolive changed in the last ten years from local to global.	0.02	1	0.02
9 Unstable relationship between Russia and the US; imports have fallen from 2010 to 2016 in the US by \$11 billion, exports have fallen from 2013-2017 in the US by \$4 billion.	0.01	1	0.01
10 From 2015-2017 the worldwide sales were approximately 50% in developed markets and in emerging markets (China, India, Central and Eastern Europe are currently big emerging markets.	0.01	2	0.02
Total EFE Score	1.00		2.95

Primary Implications from EFEM (Threats)

The EFEM for Colgate-Palmolive also reveals major threats the company will soon face. One is increased consumer awareness of dangerous chemicals in products, which poses a threat to the company because some of its products contain a harmful chemical to the human body known as triclosan. The company will even experience some heavy financial hits in the future due to the rising cost of raw materials such as oil. Also, with difficult trading policies and politics with countries such as China, Europe and Russia with developing and emerging markets, Colgate-Palmolive's expansion will be hindered greatly.

6. The Competitive

6.1 The Competitors

6.1.1 The Unilever company

The Unilever company originated in 1872 when Dutch merchant and industrialist, Antoon Jurgens, founded the first margarine factory in Oss, Netherlands. Later in 1888, soap and margarine manufacturer, Samuel van den Bergh opened another margarine factory in Kleve, Germany. Both companies later merged in 1927 and became the “Margarine Unie”. However, in 1929 the company later merged with soap company Lever & Co and became officially established as Unilever in 1930. The company is headquartered in Rotterdam, Netherlands and focuses on selling products such as food, beverages, and cleaning and personal care products in 190 countries with over 400 brands. Unilever values integrity, responsibility, respect and pioneering and has a mission to make sustainable living commonplace.

Source: <https://www.unilever.com/about/who-we-are/our-vision/>; 09/03/2018, 11:25 pm

6.1.2 The P & G company

The Procter and Gamble Company was founded in 1837 in Cincinnati, Ohio by established English candle maker, William Procter, and James Gamble, a soap maker from Ireland. The company focuses on selling house, cleaning and personal care products and operates in nearly 70 countries around the globe with 65 brands intact. Procter and Gamble values integrity, leadership, ownership and a passion for winning and trust. The company also hopes to be recognized as the best consumer products and services company in the world and strive to provide brands that make everyday life easier by being sustainable and showing social responsibility for the environment, population and animals.

Source: https://www.pg.com/translations/pvp_pdf/english_PVP.pdf ; 09/03/2018, 11:26pm

6.2 Competitive Profile Matrix (CPM)

Critical Success Factors	Weight	Colgate-Palmolive		Unilever		P & G	
		Rating	Score	Rating	Score	Rating	Score
Product Variety	0.17	2	0.34	3	0.51	4	0.68
Top Management	0.12	3	0.36	2	0.24	4	0.48
Advertising	0.10	3	0.30	2	0.20	4	0.40
Product Quality	0.10	2	0.20	4	0.40	3	0.30
Employee Dedication	0.09	4	0.36	3	0.27	2	0.18
Price Competitiveness	0.09	4	0.36	2	0.18	3	0.27
Domestic Market Penetration	0.08	4	0.32	2	0.16	3	0.24
Financial Profit	0.08	2	0.16	3	0.24	4	0.32
Customer Service	0.05	4	0.20	3	0.15	2	0.10
Market Share	0.05	2	0.10	3	0.15	4	0.20
International Market Penetration	0.04	2	0.08	4	0.16	3	0.12
Customer Loyalty	0.03	3	0.09	2	0.06	4	0.12
Totals	1.00		2.87		2.72		3.41

Primary Implications from CPM

From viewing the competitive profile matrix, Colgate-Palmolive ranks the lowest out of its two main competitors Unilever, and Proctor & Gamble in its total critical success factors. The company's low-ranking stems from falling behind in penetrating the international market, weaker financial profit and lower product quality and variety. However, Colgate-Palmolive still dominates its two competitors over market penetration domestically, customer service, employee dedication, and price competitiveness. The company even ranks evenly with its competitors in areas such as top management, customer loyalty and market share.

7. The Financial Statement

7.1 Income Statement

Income Statement overview

From viewing Colgate Palmolive's income statement, net income dropped by over \$400 million from 2016 to 2017. Revenues for the company increased but the cost of goods, operating, interest and tax expenses went up along with it.

Note: The net income attributable to non-controlling interests is the difference between net income including non-controlling interests and the net income attributable to Colgate-Palmolive. The attributable income is in the table above as "net income" designated.

Income Statement	31.12.2016	31.12.2017		Percent Change
Revenues	\$15,195,000,000	\$15,454,000,000	↑	2%
Cost of Goods Sold	6,072,000,000	6,174,000,000	↑	2%
Gross Profit	9,123,000,000	9,280,000,000	↑	2%
Operating Expenses	5,286,000,000	5,691,000,000	↑	8%
EBIT	3,837,000,000	3,589,000,000	↓	-6%
Interest Expense	99,000,000	102,000,000	↑	3%
EBT	3,738,000,000	3,487,000,000	↓	-7%
Tax	1,152,000,000	1,313,000,000	↑	14%
Non-Recurring Events	(145,000,000)	(150,000,000)	↑	3%
Net Income	2,441,000,000	2,024,000,000	↓	-17%

7.2 Balance Sheet

Balance sheet overview

Colgate Palmolive's total assets experience major increase by over \$500 million from 2016 to 2017. Every asset category seemed to grow except for the company's current assets and long-term assets which took a drop. As for the company's liabilities, it also experienced an increase of over \$300 million during the time period with accounts payable, current liabilities, long term debt and other long-term liabilities contributing to the increase. Last is Colgate Palmolive's equity which increased by over \$200 million due to the rise in retained earnings, larger purchases of treasury stock and smaller purchases of capital.

Balance Sheet	31.12.2016	31.12.2017		Percent Change
Assets				
Cash and Short Term Investment:	\$1,315,000,000	\$1,535,000,000	↑	17%
Accounts Receivable	1,411,000,000	1,480,000,000	↑	5%
Inventory	1,171,000,000	1,221,000,000	↑	4%
Other Current Assets	441,000,000	403,000,000	↓	-9%
Total Current Assets	4,338,000,000	4,639,000,000	↑	7%
Property Plant & Equipment	3,840,000,000	4,072,000,000	↑	6%
Goodwill	2,107,000,000	2,218,000,000	↑	5%
Intangibles	1,313,000,000	1,341,000,000	↑	2%
Other Long-Term Assets	525,000,000	406,000,000	↓	-23%
Total Assets	12,123,000,000	12,676,000,000	↑	5%
Liabilities				
Accounts Payable	1,124,000,000	1,212,000,000	↑	8%
Other Current Liabilities	2,181,000,000	2,196,000,000	↑	1%
Total Current Liabilities	3,305,000,000	3,408,000,000	↑	3%
Long-Term Debt	6,520,000,000	6,566,000,000	↑	1%
Other Long-Term Liabilities	2,281,000,000	2,459,000,000	↑	8%
Total Liabilities	12,106,000,000	12,433,000,000	↑	3%
Equity				
Common Stock	1,466,000,000	1,466,000,000	→	0%
Retained Earnings	19,922,000,000	20,531,000,000	↑	3%
Treasury Stock	(19,135,000,000)	(20,181,000,000)	↑	5%
Paid in Capital & Other	(2,236,000,000)	(1,573,000,000)	↓	-30%
Total Equity	17,000,000	243,000,000	↑	1329%
Total Liabilities and Equity	12,123,000,000	12,676,000,000	↑	5%

8. Historical Ratios

Historical Ratios overview

Colgate Palmolive seems to be in a good position in paying its current and short-term liabilities from the growth in its current and quick ratio between 2016 and 2017. The company also had a decrease in its Total Debt-to-Total-Assets Ratio and Total Debt-to-Equity Ratio between the years to further prove its ability to meet its obligations since it is using less debt and credit to finance its assets and growth. However, there should be worry for the company in being able to handle its interest payments from looking at the decrease of its Times-Interest-Earned Ratio. Not only that, but the drop in Colgate Palmolive's assets and receivable turnover, reveals that sales are dropping, inventory is becoming excess and that the company is taking longer in collecting its

credit, which is also shown by the increase of the company's average collection period. Gross profit margin has not changed much although, operating profit margin has decreased quite a bit along with the company's return on assets and equity revealing the company has not been doing a good job of generating profit.

	Historical Ratios	
	31.12.2016	31.12.2017
Current Ratio	1.31	1.36
Quick Ratio	0.96	1.00
Total Debt-to-Total-Assets Ratio	1.00	0.98
Total Debt-to-Equity Ratio	712.12	51.16
Times-Interest-Earned Ratio	39	35
Inventory Turnover	5.19	5.06
Fixed Assets Turnover	3.96	3.80
Total Assets Turnover	1.25	1.22
Accounts Receivable Turnover	10.76895819	10
Average Collection Period	33.89	34.96
Gross Profit Margin %	60%	60%
Operating Profit Margin %	25%	23%
ROA %	20%	16%
ROE %	14359%	833%

9. Internal Factor Evaluation Matrix (IFE Matrix, IFEM)

	Strengths	Weight	Rating	Weighted Score
1	Cash and cash equivalents at end of the year increased between 2015 and 2017 by 58%.	0.10	4	0.40
2	The total goodwill of the company grew from 2016 to 2017 by \$111 million.	0.07	4	0.28
3	Since its inception in 1991, the Colgate "Bright Smiles, Bright Futures [®] " oral health education program has reached over 950 million children in 80 countries, thereof over 50 million in 2017.	0.07	4	0.28
4	Colgate-Palmolive won many awards for sustainability, social responsibility, diversity, innovation and workplace balance in 2018.	0.06	4	0.24
5	Net sales increased in Latin America between 2016 and 2017 by 6.5%.	0.06	4	0.24
6	2017: Colgate reduced their water consumption by 47% and its green gas emission by approximately 28% compared to 2002.	0.04	3	0.12
7	78% of packages from Colgate is recyclable and 41% come from recycled materials.	0.03	2	0.06
8	In the last five years over 60% of the Colgate employees have participated at the company's Global Healthy Activity Challenge.	0.03	2	0.06
9	The worldwide net sales volume increased between 2016 and 2017 by approximately 0.5%.	0.03	2	0.06
10	Since 2002, Hill's Pet Nutrition has helped over nine million animals find a forever home.	0.01	1	0.01

Primary Implications from IFEM (Strengths)

Major internal strengths for Colgate Palmolive has been its increase in liquidity by its cash and cash equivalents going up 58% and the increase of its goodwill by \$111 million, which has raised its value greatly. The company has even received a major increase in its net sales by 6.8% in Latin America. Also, from seeing how Colgate has been gaining public recognition with awards for activities similar to establishing successful programs like its "Bright Smiles, Bright Futures", taking care of the environment by reducing its water consumptions and its green gas emission, increasing employee participation, it provides evidence that Colgate has been enforcing its cultural values which presents another internal strength for the company.

Weaknesses		Weight	Rating	Weighted Score
1	Net cash provided by operations fell by \$87 million from 2016 to 2017.	0.08	4	0.32
2	Number of employees fell from 2010 to 2017 by 3300 employees.	0.06	4	0.24
3	The value of the treasury stock fell from -\$18102 million in December 2015 to -\$20181 million in December 2017.	0.06	3	0.18
4	Net cash used in investing activities decreased from 2015 to 2017 by approximately 31%.	0.07	3	0.21
5	Net sales in North America decreased between 2016 and 2017 by 2.0%.	0.05	3	0.15
6	Operating profit in Asia Pacific decreased by \$887 million to \$841 million from 2016 to 2017.	0.04	3	0.12
7	The organic sales for Europe decreased in the second quarter of 2018 by 1.0%.	0.04	1	0.04
8	The operating profit of Hill's Pet Nutrition decreased in the second quarter of 2018 by 2.0% to \$165 million.	0.04	2	0.08
9	For the last five years, there was no change in the global sales distribution for oral care, personal care, home care and pet nutrition.	0.03	1	0.03
10	In Asia Pacific, the unit volume decreased by 1.0% in the second quarter of 2018.	0.03	1	0.03
Total IFE Score		1.00		3.15

Primary Implications from IFEM (Weaknesses)

Internal weaknesses for Colgate Palmolive have been major fall offs in net cash being provided from operations by \$87 million and fewer net cash being used for investing activities with a decrease of 31%. The company's treasury stock has also dropped by \$19 million and the company has had a 3,300 decrease in employees from 2010-2017. Not only that, but sales and operating profits in North America, Asia Pacific and Europe have been decreasing with North America experiencing a drop-in net sale by 2.0% and Asia Pacific having a fall of in operating profit by \$46 million from 2016-2017. Even the sales for Europe and its profit of the Hill's Pet Nutrition brand decreased in the second quarter of 2018 by 1.0% and 2.0%.

10. Strategy Analysis

10.1. Strengths-Weaknesses-Opportunities-Threats Matrix (SWOT)

This matrix shows possible strategies for the company. Condition was a comprehensive analysis of internal and external factors and their influence on the company.

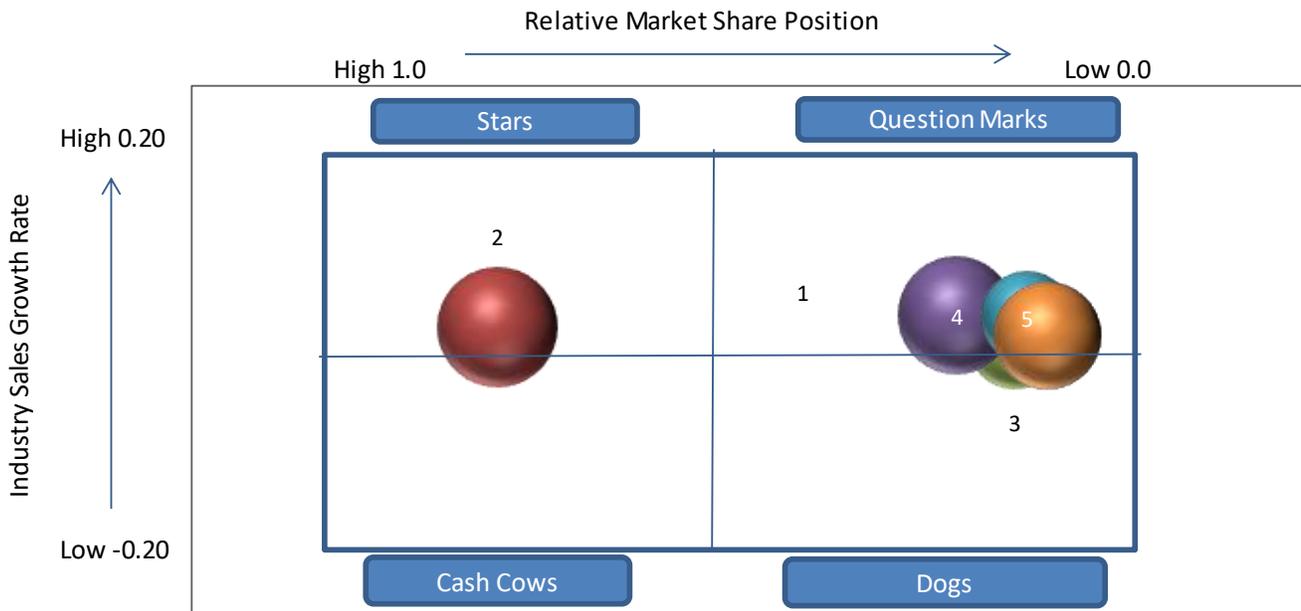
SO Strategies	
1	Partner with Indian Oral Care organizations such as Indian Dental Association and HealthyMouth, HealthyBody to spread awareness of oral health and care in rural Indian markets. (S1, O4)
2	Maintain the project "Bright Smiles, Bright Futures®" in 80 countries and expand it to 20 other countries by 2020 to raise social intelligence as well as oral health behavior. (S3, O8)
3	Hire a Chief Data Officer (CDO) to assist in managing company data. (S4, O6)

ST Strategies	
1	Invest \$15M in research and development for elimination of Triclosan from the Colgate toothpaste. (S4, T1)
2	Continue implementing programs for reduction in oil consumption, reducing oil consumption by 10% by 2024. (S4, S6, T2)
3	Continue to enforce the Supplier diversity program to maintain long lasting relations with suppliers. (S4, T8)
4	Maintain and drive customer loyalty by continuing the use of combined marketing communication tools across mixed media such as informative websites, promotional events, and media containing consumer testimonials to connect with customers. (S3, S4, S10, T5)

WO Strategies	
1	Offer training courses for employees to keep them in the topic of digitalization updated. (W2, O6)
2	Increase research and development spending of soap and cleaning products by \$35M and also increase marketing and sales by 3%. (W9, O5, O7)
3	Increase marketing and sales of pet food by 10% each in the United States. (W8, O9)
4	Create an incentive plan in the employee retention program that offers employees pay bonuses for completing quarterly goals. (W2, O4, O7)

WT Strategies	
1	Negotiate with Chinese dental service organizations such as Arrail Dental, Bybo Dental Group, or TC medical to form a partnership in order to penetrate the Chinese dental market. (W6, W10, T3, T10)
2	Invest 10% into marketing and sales for emerging markets (China, India, Central and Eastern Europe). (W9, T10)
3	Increase marketing for organic products in Europe by 3%. (W7, T4)

10.2 Boston Consulting Group Matrix (BCG)



Legend:

- 1 Orange: Oral, Personal and Home Care North America (OPHC NA)
- 2 Red: Oral, Personal and Home Care Latin America (OPHC LA)
- 3 Green: Oral, Personal and Home Care Europe (OPHC EU)
- 4 Purple: Oral, Personal and Home Care Asia Pacific, Africa, Eurasia (OPHC APAEA)
- 5 Blue: Hill's Pet Nutrition (HPN)

Data Table:

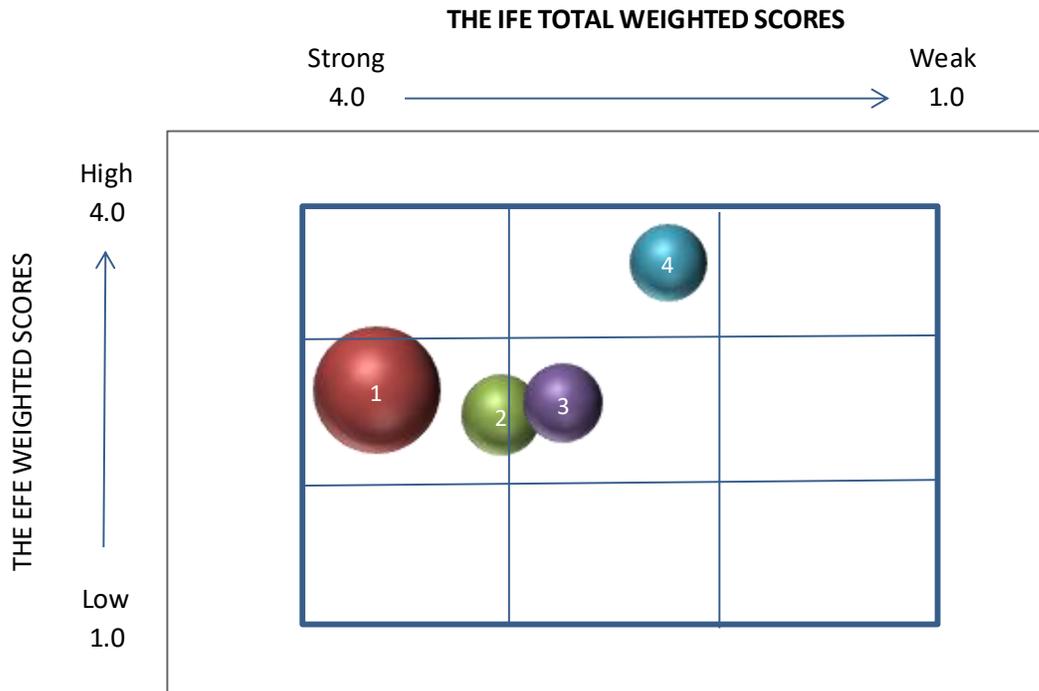
Division	Your Firm's Division Revenues	Top Firm in Industry Division Revenues	Industry Sales Growth Rate	Relative Market Share Position
Oral, Personal and Home Care North America	\$3,117,000,000	\$29,392,000,000	2%	0.10604927
Oral, Personal and Home Care Latin America	\$3,887,000,000	\$4,676,000,000	4%	0.83126604
Oral, Personal and Home Care Europe	\$2,394,000,000	\$16,032,000,000	1%	0.14932635
Oral, Personal and Home Care Asia Pacific, Africa, Eurasia	\$3,764,000,000	\$16,700,000,000	5%	0.22538922
Hill's Pet Nutrition	\$2,292,000,000	\$17,224,400,000	5%	0.13306704

Note:

Main competitor in all regions, except Hill's Pet Nutrition, is Procter & Gamble with more brands and therefore, higher sales. Hill's Pet Nutrition is also just a small part of Colgate-Palmolive and not as much developed as pet nutrition at Mars Petcare, Inc. Therefore, Colgate-Palmolive should concentrate more on market penetration, especially in Latin America and maintain a strong market position there. However, for the regions North America, Europe, Asia Pacific, Africa and Eurasia as well as for Hill's Pet Nutrition Colgate-Palmolive has to decide if they want to strengthen their presence in these regions or retreat from there.

10.3 Internal-External Matrix (IE)

10.3.1 Internal-External Matrix by product segments



Legend:

- 1 Red: Oral Care
- 2 Green: Personal Care
- 3 Purple: Home Care
- 4 Blue: Hill's Pet Nutrition

Data Table:

Division	Percent of Firm's Division Revenues	Estimated IFE Score	Estimated EFE Score
Oral Care	\$6,317,760,000	3.7	2.5
Personal Care	\$2,500,780,000	3.1	2.3
Home Care	\$2,369,160,000	2.8	2.4
Hill's Pet Nutrition	\$2,292,000,000	2.3	3.5

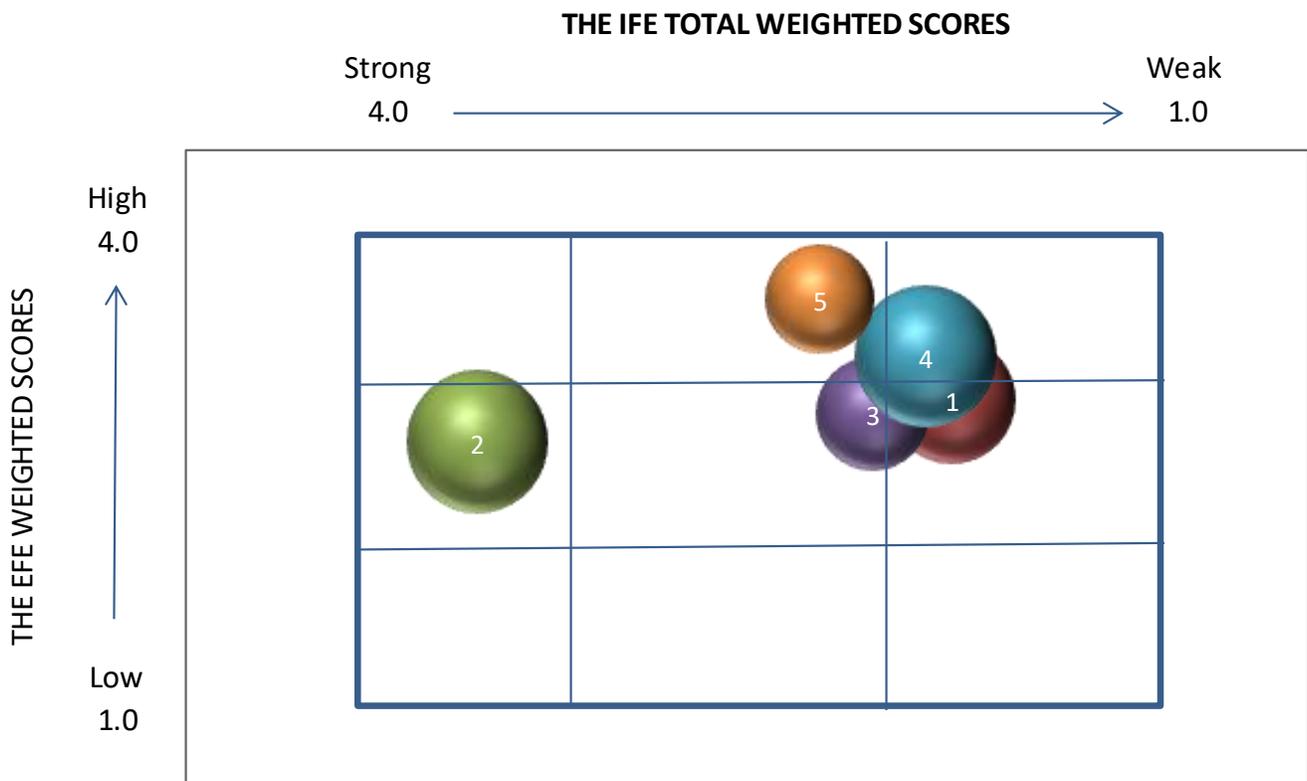
Note:

Oral Care, Personal Care, Hill's Pet Nutrition in region 1: The strategy is to grow and build in an intensive and integrative way, using market penetration, market development, product development as well as backward, forward, and horizontal integration. So, Colgate-Palmolive should concentrate in getting a higher market share in these product segments as well as being more present

on the market and improving their current products. However, for horizontal integration, Colgate-Palmolive should expand to more international markets, buy new production plants to increase its capacity and also begin to produce products without the use of its brand name. An example of this is from the company Aldi, which has its own house brand, but products such as its toothpaste have to be produced and Colgate-Palmolive could be the producer for the company.

Home Care in region 2: Colgate-Palmolive should use hold and maintain strategies like market penetration and product development. Thus, the Home Care products of Colgate-Palmolive should be more present on the market.

10.3.2 Internal-External Matrix by region



Legend:

- 1 Red: Oral, Personal and Home Care North America (OPHC NA)
- 2 Green: Oral, Personal and Home Care Latin America (OPHC LA)
- 3 Purple: Oral, Personal and Home Care Europe (OPHC EU)
- 4 Blue: Oral, Personal and Home Care Asia Pacific, Africa, Eurasia (OPHC APAEA)
- 5 Orange: Hill's Pet Nutrition (HPN)

Data Table:

Division	Percent of Firm's Division Revenues	Estimated IFE Score	Estimated EFE Score
OPHC NA	\$3,117,000,000	1.8	2.8
OPHC LA	\$3,887,000,000	3.6	2.5
OPHC EU	\$2,394,000,000	2.1	2.7
OPHC APAEA	\$3,764,000,000	1.9	3.1
HPN	\$2,292,000,000	2.3	3.5

Note:

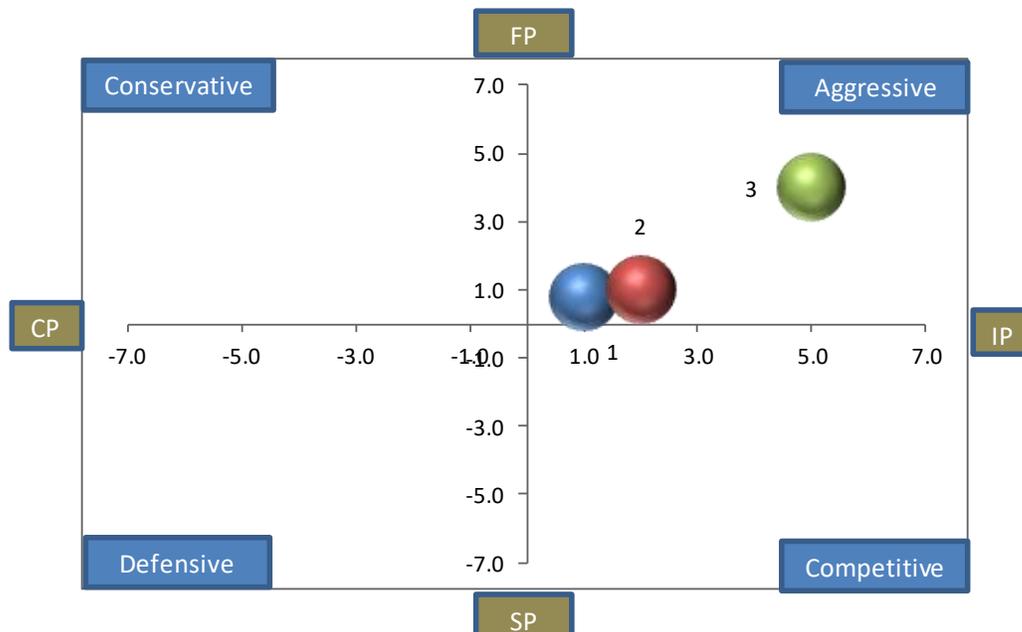
Oral, Personal and Home Care in Latin America and Hill's Pet Nutrition in region 1: same strategies as mentioned above (Internal-External Matrix by product segments)

Oral, Personal and Home Care in Europe as well as in Asia Pacific, Africa and Eurasia in region 2: same strategies as mentioned above (Internal-External Matrix by product segments)

Oral, Personal and Home Care in North America in region 3: Colgate-Palmolive should use harvest or divest strategies and have to decide if they still want to be placed in North America or if they should retreat from there.

All in all, the results of the Internal-External Matrix by regions are comparable to the Boston Consulting Group Matrix by regions.

10.4 Strategic Position and Action Evaluation Matrix (SPACE)



Legend:

- 1 Blue: Colgate-Palmolive
- 2 Red: Unilever
- 3 Green: Procter & Gamble

Data Table:

<i>Internal Analysis:</i>		<i>External Analysis:</i>	
<u>Financial Position (FP)</u>		<u>Stability Position (SP)</u>	
Current Ratio	4	Rate of Inflation	-6
Debt to Equity	6	Technological Changes	-2
Net Income	3	Price Elasticity of Demand	-5
Revenue	5	Competitive Pressure	-2
Inventory Turnover	4	Barriers to Entry into Market	-3
<u>Financial Position (FP) Average</u>	4.4	<u>Stability Position (SP) Average</u>	-3.6

<i>Internal Analysis:</i>		<i>External Analysis:</i>	
<u>Competitive Position (CP)</u>		<u>Industry Position (IP)</u>	
Market Share	-5	Growth Potential	6
Product Quality	-4	Financial Stability	5
Customer Loyalty	-2	Ease of Entry into Market	2
Variety of Products Offered	-3	Resource Utilization	4
Control over Suppliers and Distributors	-4	Profit Potential	6
<u>Competitive Position (CP) Average</u>	-3.6	<u>Industry Position (IP) Average</u>	4.6

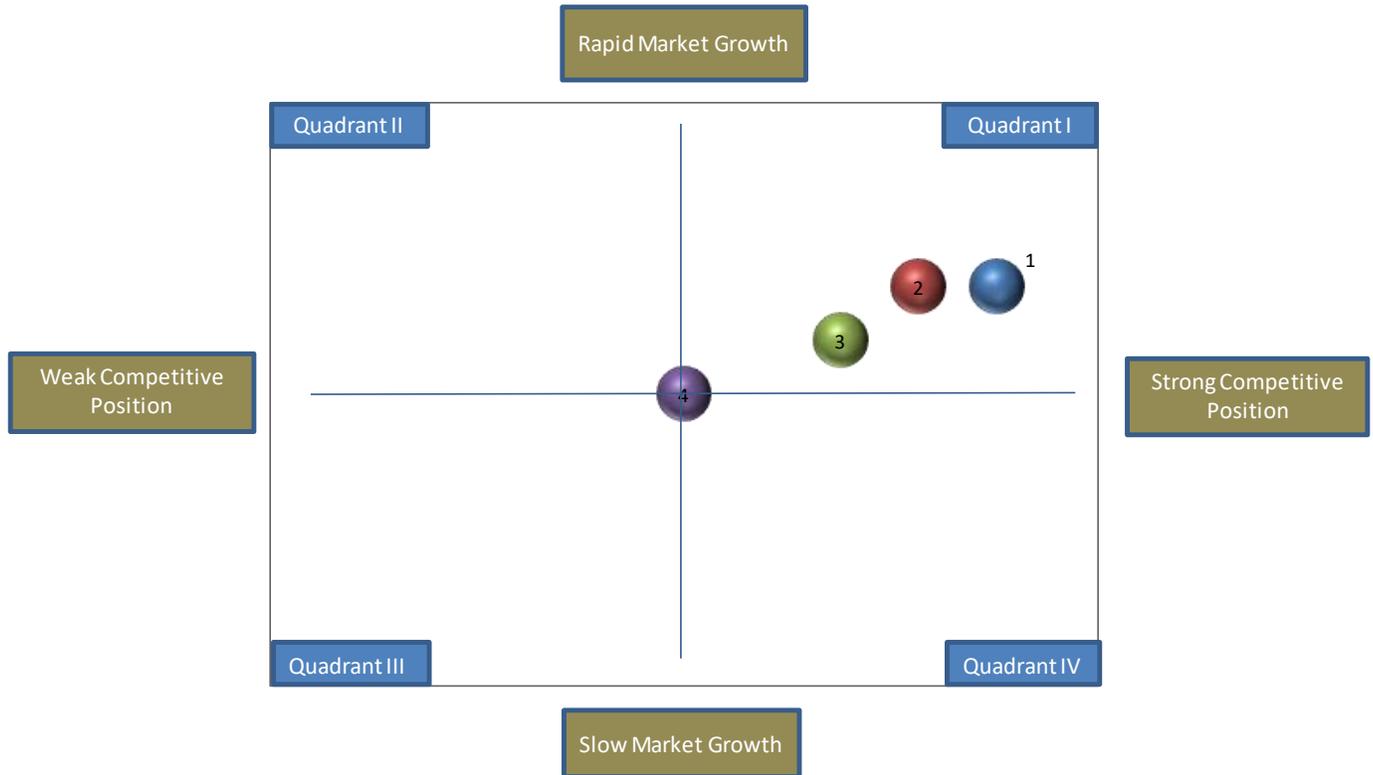
	Colgate-Palmolive	Unilever	Procter & Gamble
X Axis	1.0	2.0	5.0
Y Axis	0.8	1.0	4.0

Note:

Colgate-Palmolive is mostly in the aggressive quarter and also hits the competitive one. It is appropriate that they use both strategies.

Aggressive strategies: Use internal strengths, take advantage of external opportunities, overcome internal weaknesses, and avoid external threats. Therefore, Colgate-Palmolive should use market penetration, market development, product development, and integration (backward, forward, horizontal). Colgate-Palmolive has to show their strengths, the company has its advantages, especially in taking care of its employees, the sociality and the environment. They should use these factors to improve their weaknesses like decreasing sales and marketing themselves better. From this, they overcome their weaknesses and have to pay attention to and take advantage of their external opportunities. Also, they should never forget to have a look at their external threats. The competitive strategies are the same steps as the aggressive ones.

10.5 Grand Strategy Matrix (GRAND)



Legend:

- 1 Blue: Oral Care
- 2 Red: Personal Care
- 3 Green: Home Care
- 4 Purple: Hill's Pet Nutrition

Data Table:

Division	X-axis score	Y-axis score
Oral Care	9	7
Personal Care	8	7
Home Care	7	6
Hill's Pet Nutrition	5	5

Note:

Oral Care, Personal Care, Home Care in quadrant 1: The main strategy is to concentrate on current markets and products, but market penetration, market development as well as product development are important too. Also, forward, backward and horizontal integration are possible strategies. Colgate-Palmolive can improve and consolidate their market share in these product segments by improving their current products by looking at how they can make them unique to gain customer loyalty. Even here, Colgate-Palmolive can integrate horizontal and produce without their brand name like explained in the Internal-External Matrix. Also, besides producing without

their brand name, they can even buy a smaller brand and expand in this way. Furthermore, the company can integrate backward and forward. Colgate-Palmolive could purchase a company that creates inputs for products to also concentrate on taking control of post-production processes. As for Hill's Pet Nutrition, it is difficult to decide a strategy because it cannot be assigned to one quadrant. However, the best strategy for this product segment is to wait and to control in which direction it goes. After there is something to occur, Colgate-Palmolive has to think about a new strategy for Hill's Pet Nutrition.

10.6 Quantitative Strategic Planning Matrix (QSPM)

The Quantitative Strategic Planning Matrix compares two different strategies that can be the best option for Colgate-Palmolive to pursue in the future. The first strategy involves Colgate-Palmolive improving its current products in the Oral and Personal Care product segment. The second strategy for the company focuses on buying a new brand in the cosmetic sector. Both strategies are assigned a rating against each strength, weakness, opportunity and threat of the company on a scale of 1 (not attractive) to 4 (highly attractive). If the factors do not apply for the strategies, they are rated with 0. However, if one strategy was rated the other one needs a rating also.

		improve the current products in the Oral and Personal Care product segment		buy a new brand in the cosmetic sector	
Strengths	Weight	AS	TAS	AS	TAS
1 Cash and cash equivalents at end of the year increased between 2015 and 2017 by 58%.	0.10	2	0.20	3	0.30
2 The total goodwill of the company grew from 2016 to 2017 by \$111 million.	0.07	0	0.00	0	0.00
3 Since its inception in 1991, the Colgate "Bright Smiles, Bright Futures®" oral health education program has reached over 950 million children in 80 countries, thereof over 50 million in 2017.	0.07	0	0.00	0	0.00
4 Colgate-Palmolive won many awards for sustainability, social responsibility, diversity, innovation and workplace balance in 2018.	0.06	0	0.00	0	0.00
5 Net sales increased in Latin America between 2016 and 2017 by 6.5%.	0.06	4	0.24	2	0.12
6 2017: Colgate reduced their water consumption by 47% and its green gas emission by approximately 28% compared to 2002.	0.04	0	0.00	0	0.00
7 78% of packages from Colgate is recyclable and 41% come from recycled materials.	0.03	0	0.00	0	0.00
8 In the last five years over 60% of the Colgate employees have participated at the company's Global Healthy Activity Challenge.	0.03	0	0.00	0	0.00
9 The worldwide net sales volume increased between 2016 and 2017 by approximately 0.5%.	0.03	4	0.12	3	0.09
10 Since 2002, Hill's Pet Nutrition has helped over nine million animals find a forever home.	0.01	0	0.00	0	0.00

		improve the current products in the Oral and Personal Care product segment		buy a new brand in the cosmetic sector		
Weaknesses		Weight	AS	TAS	AS	TAS
1	Net cash provided by operations fell by \$87 million from 2016 to 2017.	0.08	1	0.08	3	0.24
2	Number of employees fell from 2010 to 2017 by 3300 employees.	0.06	0	0.00	0	0.00
3	The value of the treasury stock fell from -\$18102 million in December 2015 to -\$20181 million in December 2017.	0.06	0	0.00	0	0.00
4	Net cash used in investing activities decreased from 2015 to 2017 by approximately 31%.	0.07	1	0.07	3	0.21
5	Net sales in North America decreased between 2016 and 2017 by 2.0%.	0.05	3	0.15	2	0.10
6	Operating profit in Asia Pacific decreased by \$887 million to \$841 million from 2016 to 2017.	0.04	2	0.08	1	0.04
7	The organic sales for Europe decreased in the second quarter of 2018 by 1.0%.	0.04	0	0.00	0	0.00
8	The operating profit of Hill's Pet Nutrition decreased in the second quarter of 2018 by 2.0% to \$165 million.	0.04	2	0.08	1	0.04
9	For the last five years, there was no change in the global sales distribution for oral care, personal care, home care and pet nutrition.	0.03	4	0.12	1	0.03
10	In Asia Pacific, the unit volume decreased by 1.0% in the second quarter of 2018.	0.03	0	0.00	0	0.00

		improve the current products in the Oral and Personal Care product segment		buy a new brand in the cosmetic sector		
Opportunities		Weight	AS	TAS	AS	TAS
1	2018: The brand value of Colgate (Colgate-Palmolive) is the 2nd highest in the world (behind L'Oreal Paris) with US by \$18 million.	0.12	0	0.00	0	0.00
2	2017: Toothpaste market will expect to grow globally by 3.7% in 2023.	0.10	4	0.40	2	0.20
3	Amount of dentist through 2013 and 2018 grew by 3.3%.	0.07	0	0.00	0	0.00
4	Half of the rural India population have never visited a dentist.	0.07	0	0.00	0	0.00
5	Expected annual growth between 2018 and 2023 in Soap and Cleaning Compound Manufacturing industry: 0.5%	0.06	3	0.18	1	0.06
6	Expected IP data traffic grew from 186, 453 petabytes per month (2018) to 278,108 petabytes per month (2021).	0.04	0	0.00	0	0.00
7	Expected globalization in the next five years in the Soap and Cleaning Compound Manufacturing industry with companies focusing on global brands.	0.03	1	0.03	4	0.12
8	Studies show that oral health behavior is directly connected to social intelligence.	0.03	0	0.00	0	0.00
9	Pet food market sales in the U.S. rise (nearly 50% from 2011 to 2018).	0.02	4	0.08	1	0.02
10	for industry in general: Forecasted social media revenue is \$51.3 billion for 2018, revenue should grow 10.5% annually.	0.01	0	0.00	0	0.00

		improve the current products in the Oral and Personal Care product segment		buy a new brand in the cosmetic sector		
Threats	Weight	AS	TAS	AS	TAS	
1	Bad chemical known as Triclosan found in Colgate tooth paste which poses a problem with increased consumer awareness of bad chemicals in products.	0.11	4	0.44	1	0.11
2	There was an increasing oil price by US-\$25,77 between July 2017 and July 2018.	0.08	0	0.00	0	0.00
3	Difficult trading between China and the US because of current US politics. Export rate to China in Soap and Cleaning Compound Manufacturing industry is 8.6%; China was the largest import market for goods in the US in 2017, China was also the 3rd largest export market for goods in the US in 2017.	0.07	0	0.00	0	0.00
4	Difficult trading between Europe and the US because of current US politics. Import rate for Germany in Soap and Cleaning Compound Manufacturing industry is 9.2%, EU imports and exports rise from 2015 - 2017, but balance gets smaller.	0.05	0	0.00	0	0.00
5	Slow population growth, retrogressive population rate (2.1 % in 1970 to 0.1% expected in 2100).	0.05	0	0.00	0	0.00
6	Drop in growth of Soap and Cleaning Compound Manufacturing industry from 2013 and 2018 by -0.6%.	0.03	2	0.06	3	0.09
7	Wages increased in account from 6.9% from 2013 to 2018, estimated wages account in 2018: 7.5% of revenue.	0.02	0	0.00	0	0.00
8	Suppliers of Colgate-Palmolive changed in the last ten years from local to global.	0.02	0	0.00	0	0.00
9	Unstable relationship between Russia and the US; imports have fallen from 2010 to 2016 in the US by \$11 billion, exports have fallen from 2013-2017 in the US by \$4 billion.	0.01	0	0.00	0	0.00
10	From 2015-2017 the worldwide sales were approximately 50% in developed markets and in emerging markets (China, India, Central and Eastern Europe are currently big emerging markets).	0.01	0	0.00	0	0.00
TOTALS				2.33		1.37

		improve the current products in the Oral and Personal Care product segment		buy a new brand in the cosmetic sector	
	Weight	AS	TAS	AS	TAS
TOTALS				2.33	1.37

Note:

Colgate-Palmolive should improve the current products in the Oral and Personal Care product segment instead of buying a new brand in the cosmetic sector. Therefore, the company should invest in the research and development department to refine their products to make them more unique and to help raise customer loyalty.

10.7 Strategy conclusion

As seen above, the different matrixes have nearly the same result, although there are different comparisons on one hand by regions and on the other hand by product segments. All in all, Colgate-Palmolive should care for their market penetration, market development and product development. Thus, they can improve their market share in different regions as well as in the product segments. By having a look at the regions Colgate-Palmolive is operating in, it shows that the company has to decide how they want to handle their business in North America because it does not work well. In contrast, they should expand their business in Latin America for getting a higher market share there.

The analysis also shows that Colgate-Palmolive has to improve their integration, especially in the Oral and Personal Care product segment. They can integrate in two different ways: horizontal and vertical. If they integrate horizontal, the company should try to expand internationally to raise their market share as well as expand their brand equity. Even increasing their capacity through new production plants or producing without showing their brand is a possibility. For the vertical integration Colgate-Palmolive can do it on one hand backward and on the other hand forward. With backward integration, they can focus on the production process before their turn, for example, they buy a company that makes an input for their products. However, if the company prefers to integrate forward, then they concentrate on taking control of post-production processes.

Also, because they are relatively stable in their current markets, they can use an aggressive strategy to progress, so they should never forget where their strengths are and how they can improve their weaknesses. Meanwhile they should not forget to keep an eye on the external threats and use the external opportunities in their reach for expanding.

11. Recommendations

Recommendation	Year 1	Year 2	Year 3	total
1 Improve the current brands in the Oral Care segment.	4 brands * \$250T extra for research and development \$ 1,000,000.00	4 brands * \$100T extra for research and development \$ 400,000.00	no extra costs, just the current research and development costs \$ -	\$ 1,400,000.00
2 Improve the current brands in the Personal Care segment.	12 brands * \$200T extra for research and development \$ 2,400,000.00	12 brands * \$75T extra for research and development \$ 900,000.00	12 brands * \$15T extra for research and development \$ 180,000.00	\$ 3,480,000.00
3 Invest \$15M in research and development for elimination of Triclosan from the Colgate toothpaste.	buying new technologies for a better research and found a new laboratory \$ 10,000,000.00	buying equipment to keep the research up \$ 3,500,000.00	current costs for laboratory equipment \$ 1,500,000.00	\$ 15,000,000.00
4 Invest \$800T in marketing for Europe in a period of two years.	\$ 600,000.00	\$ 200,000.00	\$ -	\$ 800,000.00
5 Invest in the project "Bright Smiles, Bright Futures®" an support it with \$1.5 M per year.	\$ 1,500,000.00	\$ 1,500,000.00	\$ 1,500,000.00	\$ 4,500,000.00
6 Develop three new production plants for Oral and Personal Care products in Latin America in the next two years.	buying land \$20M, build the plant \$40M \$ 60,000,000.00	buy equipment, machines and other inventory for the plant \$30M, hire employee \$ 31,000,000.00	no developing costs, just current costs \$ -	\$ 91,000,000.00
7 Invest in the data system of the company and hire a Chief Data Officer (CDO).	applying process \$100T, new data system \$2.3M \$ 2,400,000.00	data system extra costs \$50T, sallary for the CDO \$80T a year \$ 130,000.00	annual sallary CDO \$ 80,000.00	\$ 2,610,000.00
8 Promote the company Colgate-Palmolive in North America with special marketing in a budget of \$500T.	start the marketing campagne with a higher amount of money to crash right in the market \$ 300,000.00	being present in the market but not that present like in the first year \$ 100,000.00	work on marketing to be kept in the memory of the possible customers \$ 100,000.00	\$ 500,000.00
9 Develop an employee retention program in the next three years with a total budget of \$300T.	develop a business plan \$50T, spend constantly \$100T per year for the employees to start the plan \$ 150,000.00	constantly amount of \$100T a year \$ 100,000.00	constantly amount of \$100T a year \$ 100,000.00	\$ 350,000.00
10 Start producing without the brand name of Colgate-Palmolive brands.	search for new package and develop the new label, buying a new label printer \$ 150,000.00	improve label and label printer \$ 80,000.00	current costs for changing the package in the machine and changing the program for the labelprinter \$ 8,500.00	\$ 238,500.00
	\$ 78,500,000.00	\$ 37,910,000.00	\$ 3,468,500.00	\$ 119,878,500.00

Recommendations overview

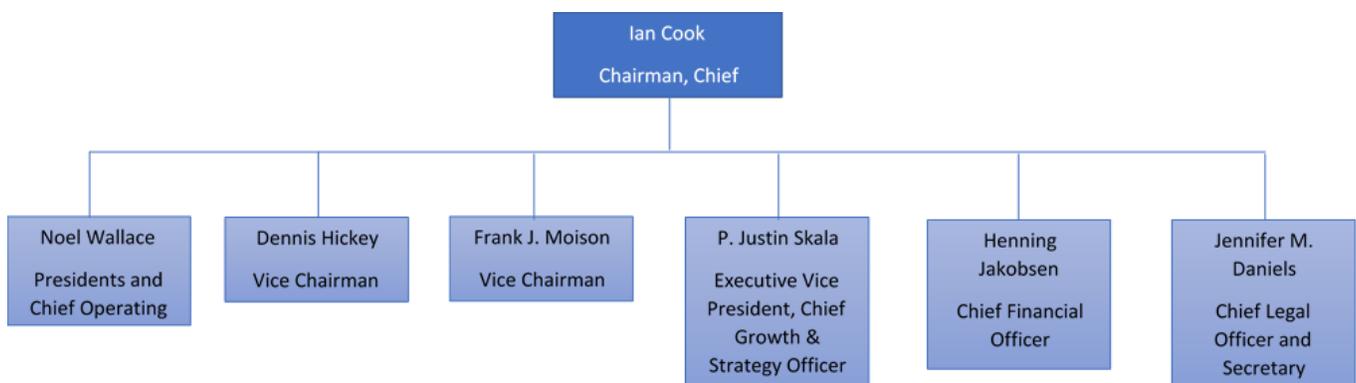
The recommendations for improvement of products and brands were derived from the SWOT and QSPM, which contains the weighted factors to support the importance of the recommendation. Recommendations for improving the company's current systems and marketing efforts to increase the company's global presence and finances came about from the SWOT, which showed employee turnover, sale drops in North America, Europe and Asia Pacific and projections for increases in data traffic. The recommendation to start production for other companies without the Colgate-Palmolive brand name attached and to build production plants into Latin America originated from the Internal-External Matrix by regions, that displayed Latin America's financial importance to Colgate-Palmolive and other business opportunities for the company to pursue.

A few of the key recommendations for Colgate-Palmolive involve improving and growing the company's current brands and products by investing more money into the research and development departments. Other recommendations involve improving Colgate-Palmolive's global presence and expanding operations by investing more into the Bright, Smiles and Bright Futures program, marketing programs for North American and Europe, developing three new production plants in Latin America and to begin producing for other companies without the company's brand name attached. It's also recommended that the company improve its current systems by developing an employee retention program and investing more into improving the current data system of the company and the hiring of a Chief Data Officer to help manage it. All in all, these recommendations in total advance to three years while some only two, and the total cost amount to implement them in the complete timespan is over \$119 million.

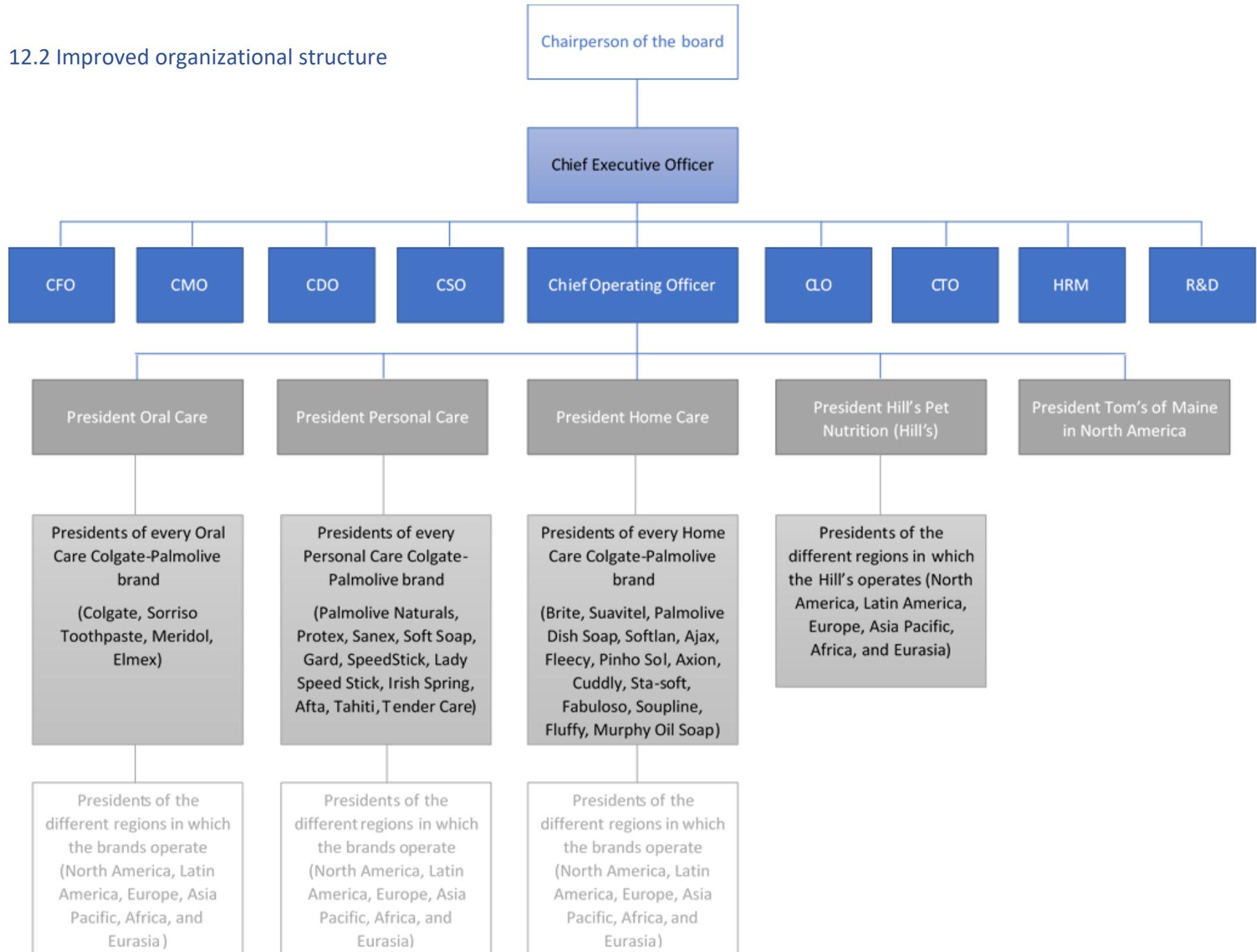
12. Organizational Structure

Taking a look at the old organization structure, the company was structured functionally but did not take into account the divisional design for the presidents for regions, segments and products and their relationships and responsibility. The improved organizational structure fixes that issue by including the design and by renaming and including a few of the executive titles for more detail and correction. With this new and improved structure, Colgate-Palmolive will have more of an advantage in the future in work flow now that lines of reporting relationships are more organized and detailed.

12.1 Old organizational structure

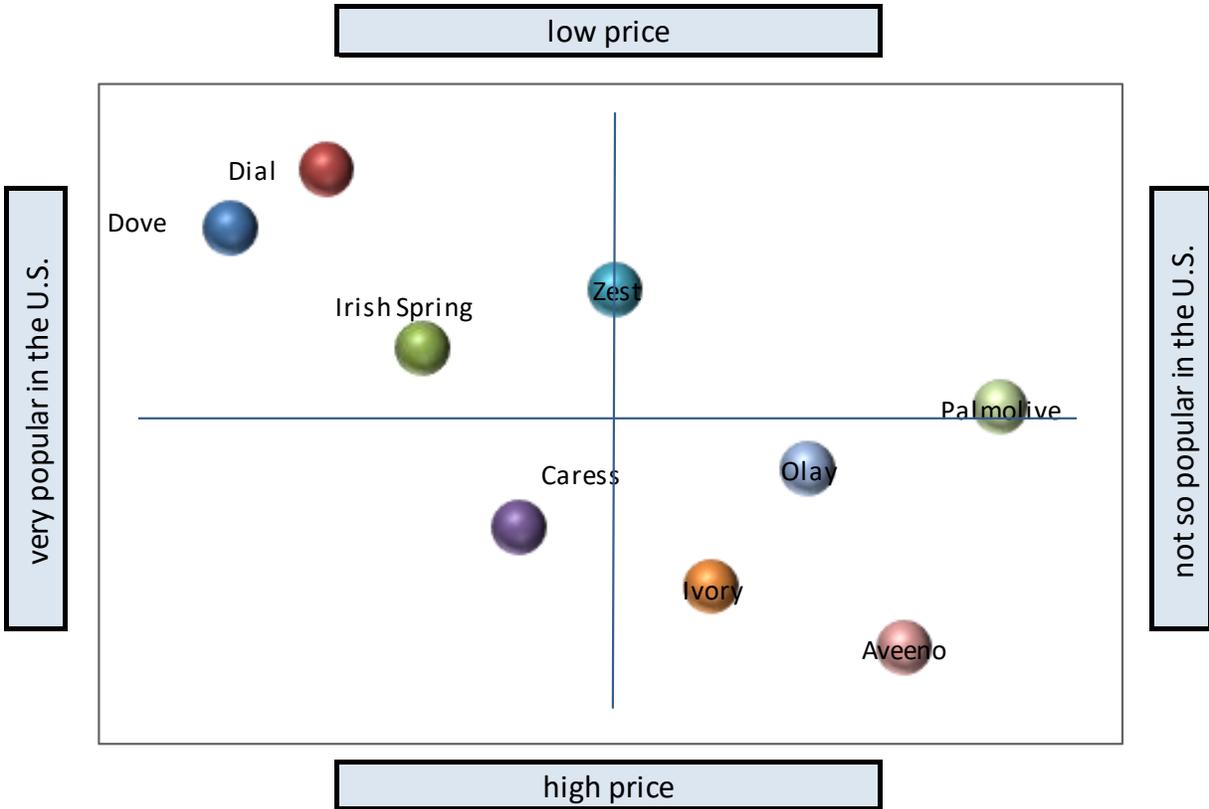


12.2 Improved organizational structure



13. Perceptual Map

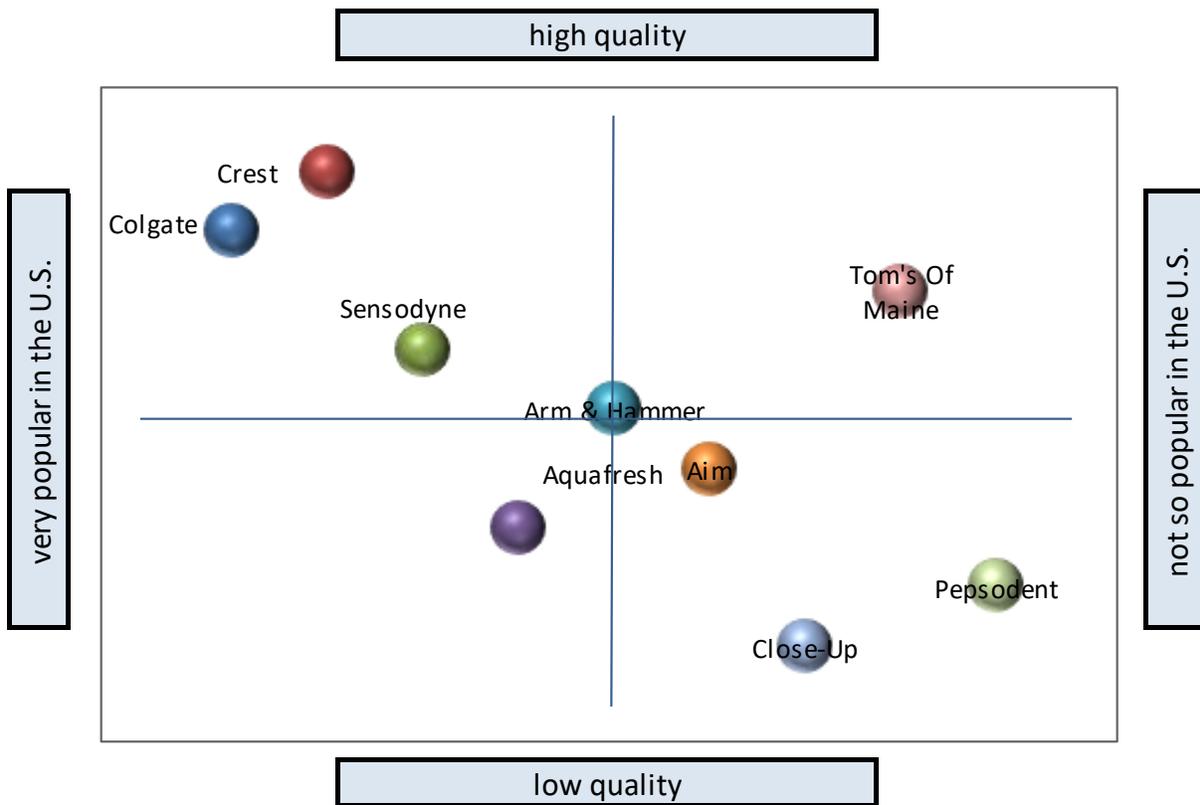
13.1 Soap industry



Note:

The Perceptual Map focuses on nine major soap brands and a comparison of their price (y-axis) and popularity in the United States (x-axis). Compared to the other brands, Palmolive soap remains in the middle of price compared to the other eight major brands, but the company is the lowest in regard to its popularity in the United States. From this, it should be very important for Colgate-Palmolive to start rebranding and gaining a better position in against its competitors in the soap market going into the future, especially with the expected growth in the soap market for the next coming years.

13.2 Toothpaste industry



Note:

This perceptual map focuses on nine major toothpaste brands and a comparison of their quality (y-axis) and popularity in the United States (x-axis). Compared to the other brands, Colgate toothpaste is the most popular out of all the eight other brands listed but falls short in its quality by one place from Crest toothpaste taking the lead. From this information, it is important that in the future Colgate-Palmolive continues to maintain its foothold in popularity and emphasize on research and development for its toothpaste brand to further enhance its quality to get a bump up in its position.

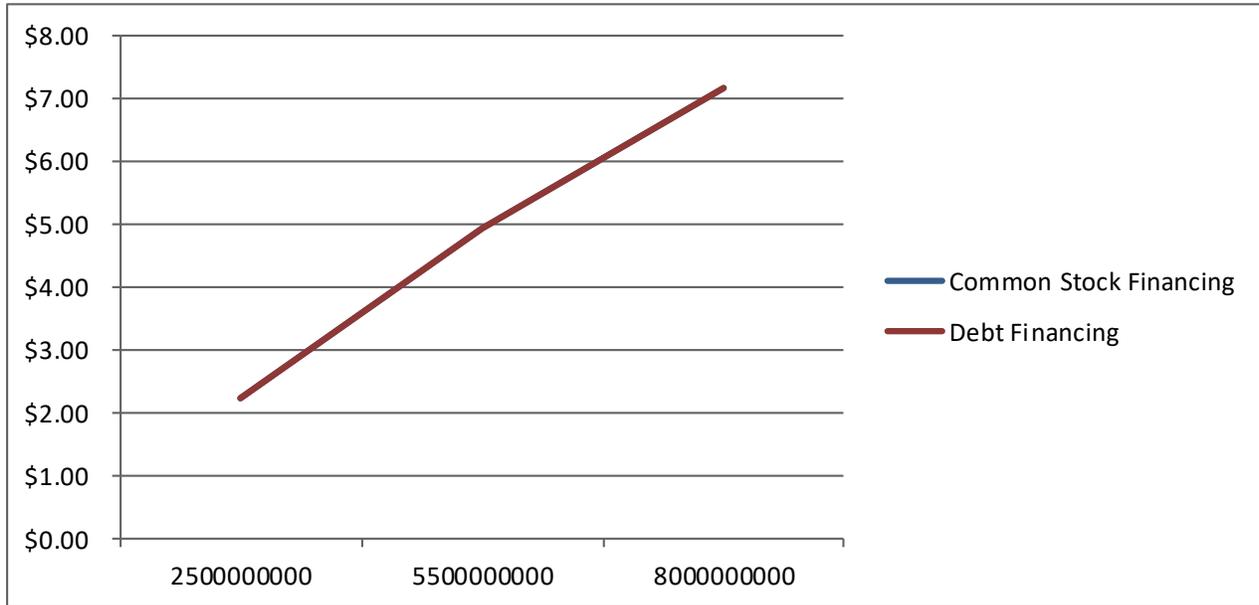
13. EPS/EBIT Analysis

	Common Stock Financing			Debt Financing		
	<i>Pessimistic</i>	<i>Realistic</i>	<i>Optimistic</i>	<i>Pessimistic</i>	<i>Realistic</i>	<i>Optimistic</i>
EBIT	\$2,500,000,000	\$5,500,000,000	\$8,000,000,000	\$2,500,000,000	\$5,500,000,000	\$8,000,000,000
Interest	0	0	0	3,925,000	3,925,000	3,925,000
EBT	2,500,000,000	5,500,000,000	8,000,000,000	2,496,075,000	5,496,075,000	7,996,075,000
Taxes	525,000,000	1,155,000,000	1,680,000,000	524,175,750	1,154,175,750	1,679,175,750
EAT	1,975,000,000	4,345,000,000	6,320,000,000	1,971,899,250	4,341,899,250	6,316,899,250
# Shares	882,840,424	882,840,424	882,840,424	881,800,000	881,800,000	881,800,000
EPS	\$2.24	\$4.92	\$7.16	\$2.24	\$4.92	\$7.16

Stock	20%	Debt	80%
	<i>Pessimistic</i>	<i>Realistic</i>	<i>Optimistic</i>
EBIT	\$2,500,000,000	\$5,500,000,000	\$8,000,000,000
Interest	3,140,000	3,140,000	3,140,000
EBT	2,496,860,000	5,496,860,000	7,996,860,000
Taxes	524,340,600	1,154,340,600	1,679,340,600
EAT	1,972,519,400	4,342,519,400	6,317,519,400
# Shares	882,008,085	882,008,085	882,008,085
EPS	\$2.24	\$4.92	\$7.16

Data Table:

Amount Needed	\$78,500,000
Interest Rate	5%
Tax Rate	21%
# Shares Outstanding	881800000.0
Additional Shares Outstanding Needed	1040424.12
Stock Price	\$75.45



EPS/EBIT Analysis overview

Viewing the EPS/EBIT Analysis, Colgate-Palmolive can obtain the needed capital for the list of recommendations from either stock or debt since the EPS for the two financing options have no difference under their EBIT ranges. Going into the future, the financing option for Colgate-Palmolive will be 80 to 20 debt versus stock financing, with more debt than stock to make sure there is little dilution of ownership.

14. Company Valuation

Colgate-Palmolive	
Stockholders' Equity - (Goodwill + Intangibles)	\$ (3,316,000,000.00)
Net Income x 5	\$ 10,120,000,000.00
(Share Price/EPS) x Net Income	\$ 66,531,810,000.00
Number of Shares Outstanding x Share Price	\$ 66,531,810,000.00
Method Average	\$ 34,966,905,000.00

Unilever	
Stockholders' Equity - (Goodwill + Intangibles)	\$ (17,667,312,000.00)
Net Income x 5	\$ 38,786,280,000.00
(Share Price/EPS) x Net Income	\$ 169,116,444,444.44
Number of Shares Outstanding x Share Price	\$ 169,116,444,444.44
Method Average	\$ 89,837,964,222.22

Company Valuation overview

The Company Valuation section presents the value of Colgate-Palmolive with the company Unilever included under the four corporation valuation methods which are the net worth method, the net income method, the price-earnings ratio method and the outstanding shares method with the method average included. Compared to its top competitor Unilever, Colgate-Palmolive is extremely down in its value by over \$50 million. Moving forward, it is vital that the company commits to enhancing its value.

15. The Projected Financial Statements

16.1 Projected Income Statement

Projected Income Statement	12/31/2018	12/31/2019	12/31/2020
Revenues	\$18,544,800,000	\$21,326,520,000	\$23,885,702,400
Cost of Goods Sold	7,788,816,000	8,530,608,000	9,076,566,912
Gross Profit	10,755,984,000	12,795,912,000	14,809,135,488
Operating Expenses	7,788,816,000	8,957,138,400	8,837,709,888
EBIT	2,967,168,000	3,838,773,600	5,971,425,600
Interest Expense	232,000,000	362,000,000	492,000,000
EBT	2,735,168,000	3,476,773,600	5,479,425,600
Tax	1,039,363,840	1,321,173,968	2,082,181,728
Non-Recurring Events	0	0	0
Net Income	1,695,804,160	2,155,599,632	3,397,243,872

Projected Income Statement overview

Looking at the projected income statement, Colgate-Palmolive will be in a good financial position over the next three years with implementing the list of recommendations. Net Income is projected to grow by over \$2 billion over the next three years thanks to the high growth in revenues by \$5 billion from marketing and improvement of brands to increase sales. This is better compared to 2016 through 2017 where revenues grew by only over \$200,000 million and net income dropped by over \$400 million.

16.2 Projected Balance Sheet

Projected Balance Sheet	12/31/2018	12/31/2019	12/31/2020
Assets			
Cash and Equivalents	\$8,309,900,160	\$13,622,359,792	\$18,862,644,336
Accounts Receivable	2,225,376,000	2,559,182,400	2,388,570,240
Inventory	1,854,480,000	1,919,386,800	1,671,999,168
Other Current Assets	556,344,000	639,795,600	716,571,072
Total Current Assets	12,946,100,160	18,740,724,592	23,639,784,816
Property Plant & Equipment	4,150,000,000	4,185,000,000	4,190,000,000
Goodwill	2,218,000,000	2,218,000,000	2,218,000,000
Intangibles	1,341,000,000	1,341,000,000	1,341,000,000
Other Long-Term Assets	927,240,000	639,795,600	716,571,072
Total Assets	21,582,340,160	27,124,520,192	32,105,355,888
Liabilities			
Accounts Payable	2,781,720,000	2,559,182,400	2,388,570,240
Other Current Liabilities	3,152,616,000	3,838,773,600	4,299,426,432
Total Current Liabilities	5,934,336,000	6,397,956,000	6,687,996,672
Long-Term Debt	6,677,000,000	6,728,000,000	6,736,000,000
Other Long-Term Liabilities	4,636,200,000	5,758,160,400	5,493,711,552
Total Liabilities	17,247,536,000	18,884,116,400	18,917,708,224
Equity			
Common Stock	1,866,000,000	2,016,000,000	2,016,000,000
Retained Earnings	23,726,804,160	27,382,403,792	32,279,647,664
Treasury Stock	(19,862,000,000)	(19,862,000,000)	(19,862,000,000)
Paid in Capital & Other	(1,396,000,000)	(1,296,000,000)	(1,246,000,000)
Total Equity	4,334,804,160	8,240,403,792	13,187,647,664
Total Liabilities and Equity	21,582,340,160	27,124,520,192	32,105,355,888

Projected Balance Sheet overview

Two key changes that can be seen in the projected balance sheet are the increase of cash and equivalents by \$10 billion and the retained earnings account by \$9 million over the next three years. A few other changes are fluctuations in accounts receivable, long-term assets and inventory from plant development and sales. There is also an increase of current assets by over \$150 million and an increase of property plant and equipment by \$40 million from plant development and other equipment purchases. Also, with Colgate-Palmolive undertaking a 20% Stock to 80% Debt ratio, liabilities increase by over \$1 billion and common stock by over \$200 million through the next 3 years.

16. Projected Financial Ratios

	Projected Ratios			Historical Ratios	
	12/31/2018	12/31/2019	12/31/2020	12/31/2016	12/31/2017
Current Ratio	2.18	2.93	3.53	1.31	1.36
Quick Ratio	1.87	2.63	3.28	0.96	1.00
Debt-to-Total-Assets Ratio	0.80	0.70	0.59	1.00	0.98
Debt-to-Equity Ratio	3.98	2.29	1.43	712.12	51.16
Times-Interest-Earned Ratio	13	11	12	39	35
Inventory Turnover	4.20	4.44	5.43	5.19	5.06
Fixed Assets Turnover	4.47	5.10	5.70	3.96	3.80
Total Assets Turnover	0.86	0.79	0.74	1.25	1.22
Accounts Receivable Turnover	8	8	10	10.76895819	10
Average Collection Period	43.80	43.80	36.50	33.89	34.96
Gross Profit Margin %	58%	60%	62%	60%	60%
Operating Profit Margin %	16%	18%	25%	25%	23%
ROA %	8%	8%	11%	20%	16%
ROE %	39%	26%	26%	14359%	833%

Projected Financial Statements overview

Compared to historical ratios, Colgate-Palmolive will have better liquidation over the next 3 years from high growth of the current and quick ratios. Also, equity will grow more compared to debt as seen from the drop of the Debt-to-Assets and Debt-to-Equity Ratio caused by the major increase in the retained earning account. The company will experience some drops in a few of the ratio metrics such as fixed assets turnover, inventory turnover, return on assets and accounts receivable turnover from 2018 and 2019, but will begin to increase going into 2020. Although Colgate Palmolive's gross and operating profits will drop beginning in 2018, the upcoming years of 2019 and 2020 present growth for both areas. All in all, the metrics reveal that Colgate-Palmolive can successfully expand its operations and improve its global presence, brands, products and systems.

17. Retained Earnings Table

	Dividend Information			Balance Sheet Information	
Steps	1	2	3	4	5
Year	Current Year's Net Income	Less Current Year's Dividends Paid	New RE	Plus Prior Year's RE	Current Year's Balance Sheet RE
12/31/2018	\$1,695,804,160	(\$1,500,000,000)	\$3,195,804,160	\$20,531,000,000	\$23,726,804,160
12/31/2019	\$2,155,599,632	(\$1,500,000,000)	\$3,655,599,632	\$23,726,804,160	\$27,382,403,792
12/31/2020	\$3,397,243,872	(\$1,500,000,000)	\$4,897,243,872	\$27,382,403,792	\$32,279,647,664

Retained Earnings Table overview

The retained earnings table shows that the net income over the next three years will increase but the dividends paid will remain the same. Therefore, the amount for the new retained earnings will increase from year to year. Furthermore, because the prior year's retained earnings rise as well as the current year's, the balance sheet retained earnings also increase significantly from year to year.

18. Executive Summary

The first section in this strategic plan involved revising Colgate-Palmolive's old vision and mission statement, which lacked a future for the company and some of the nine characteristics for a mission statement. The new vision statement focuses on what type of business the company engages in, what it wants to become, and putting it into a customer perspective. The new mission statement places in characteristics that identify Colgate-Palmolive's customers, products, services, markets, current technology, philosophy, public image, distinctive competence, commitment to survival, growth and profitability, and the value it holds for its employees.

The next section was performing an external assessment for Colgate-Palmolive with an External Factor Evaluation Matrix and Competitive Profile Matrix to identify the company's external opportunities and threats and to see how it ranks compared to its two main competitors. The EFEM reveals that the company could face a hit in its sales from the harmful ingredient in its toothpaste known as Triclosan, financial burdens from the rising cost of resources, and a problem with its expansion due to international trading policies and politics with countries such as China, Russia, and Europe. From the CPM, it was shown that Colgate-Palmolive ranks the lowest out of its two main competitors, Procter & Gamble and Unilever, but it does perform better on certain factors such as customer service, domestic market penetration, employee dedication, and price competitiveness compared to the two firms.

After the external assessment, an internal assessment was created by looking at the company's financial statements, ratios and creating an Internal Factor Evaluation Matrix to identify the company's strengths and weaknesses. From looking at the financial statements and ratios, Colgate-Palmolive is in a good position in handling its current obligations, but the company seems to be struggling with interest payments, sales, excess inventory, collecting credit and generating profit. The IFEM also reveals that the company's liquidity, value and sales in the Latin American market are increasing immensely. It even shows that the company is doing a good job enforcing its cultural values by its numerous community programs. However, the bad is that Colgate-Palmolive's profits in North America, Asia Pacific and Europe are decreasing and that net cash from operations, employees and treasury stock are also falling.

A strategy analysis was then conducted by creating a Strengths-Weaknesses-Opportunities-Threats Matrix, Boston Consulting Group Matrix, Internal-External Matrix, Strategic Position and Action Evaluation Matrix, Grand Strategy Matrix, and the Quantitative Strategic Planning Matrix. All of these Matrices give a deeper look at Colgate-Palmolive's position with each of its segments and create and show the best strategies that the company should take. They revealed that Colgate-Palmolive should be more aggressive and focused on its market development, market penetration and its product development and that it should improve its integration, either horizontal or vertical by expanding operations internationally or focusing on production processes.

The organizational structure for Colgate-Palmolive was then revamped because the previous lacked the divisional design for the presidents for regions, segments and products and their relationships and responsibilities, which is now taken into account in the new design. This improved

design better the company work flow now that the company's lines of reporting relationships are more detailed and organized.

The plan also presents a perceptual map that shows Colgate-Palmolive's position with its soap brand on two bases, which are price and popularity in the United States against eight other major soap brands. The company is the least popular compared to its competitors and is in-between with its pricing. The other perceptual map shows the company's position in the toothpaste market. Colgate-Palmolive with its toothpaste brand Colgate is the most popular toothpaste in the United States and also the quality is excellent except from the Triclosan which Colgate-Palmolive should eliminate.

Measurements of the value of the company against its major competitor Unilever were also taken and done in a company valuation table. The table shows the value of the company under four corporation value methods and their averages. The results show that Colgate-Palmolive is down by over \$50 million in its value and should focus on improving it.

A recommendations list that stretches over the next three years was then created and entails investing into research and development for improving products and brands, investing into Colgate-Palmolive's current community programs and marketing to increase its domestic and global presence, expanding operations into Latin America, producing for other companies without its brand name attached, and improving current company systems.

In order to see how the recommendations would be financed, an EPS/EBIT Analysis was conducted to see whether the recommendations would be financed by common stock or debt. Neither common stock nor debt showed any differences in their EPS, so the decision was a 20% stock to 80% debt ratio for historical purposes and to make sure there was little dilution of ownership.

Lastly, projected financial statement and ratio tables for the next three years were made to see the effect these recommendations would have on Colgate-Palmolive's financial position in the future. The results revealed good news for the company such as that net income would increase by over \$2 billion, cash and equivalents would increase by \$10 billion, retained earnings would increase by \$9 million and that the operation metrics from the ratios are good so that the company can successfully expand its operations and improve its global presence, brands, products and current systems over the three-year time period.

All in all, this is the strategic plan for Colgate-Palmolive to take and the projections, but it is still difficult to know what the future truly holds for this company since we are not part of the board and because of uncertainty in the financial market.

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