

APPLIED PRICING STRATEGIES OF TOOTHPASTES' PRODUCERS ON POLISH COSMETICS MARKET

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Abstract. The aim of this paper was to examine the average price of toothpastes available on Polish cosmetic market in order to assess used pricing strategies by several large and medium international and domestic toothpastes' producers. The 8 leading cosmetics market participants include: Procter&Gamble (Blend-a-med), Colgate-Palmolive (Colgate, Colodent, Flurodent), Unilever (Signal), Henkel (Vademecum, Denivit), GlaxoSmithKline (Aquafresh, Parodontax, Sensodyne), GABA International (Elmex, Meridol, Biodent), Church&Dwight (Pearls Drops) and Dr. Theiss Naturwaren (Lacalut).

Polish cosmetics market is a very large, and because of the ongoing battle to hold on loyal but at the same time win new clients, a profitable one. Strong inside competition on domestic market broadens and expands the range and diversity of cosmetic products. Toothpastes' producers act in the highly crowded and fragmented marketplace. There is a large presence of both branded and private label companies. Major players seek to position their products on the basis of value addition, functionality, price premium and to a certain extent packaging.

Polish consumers increasingly expect high-quality cosmetics at relatively low prices. That is the main reason why the examination of used pricing strategies is so important and taken under deep consideration in this article. The results showed that dominant strategies are: penetration pricing, loss leader, price leadership, psychological pricing as well as bundling and quantity discounts strategy.

Key words: price, pricing strategies, toothpastes, cosmetics market

INTRODUCTION

Cosmetics market includes products for personal hygiene, that are cosmetics intended for face and body skin care, hair care products, products for oral care, color cosmetics and fragrance products [Piechocińska 2005; Sztolcman et al. 2003].

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Toothpastes are one of the most dynamic segments of the oral care market. Oral care is undergoing significant changes with innovative and fresh products motivating people to alter their oral hygiene habits [<http://www.prweb.com/>].

The toothpaste market comprises of several large and medium international and domestic players competing fiercely in the highly crowded and fragmented marketplace. There is a large presence of both branded and private label companies. Major players seek to position their products on the basis of value addition, functionality, price premium and to a certain extent – packaging. Leading market participants include Procter&Gamble (Blend-a-med), Colgate-Palmolive (Colgate, Colodent, Flurodent), Unilever (Signal), Henkel (Vademecum, Denivit), GlaxoSmithKline (Aquafresh, Parodontax, Sensodyne), GABA International (Elmex, Meridol, Biodent), Church&Dwight (Pearls Drops) and Dr. Theiss Naturwaren (Lacalut) [<http://www.prweb.com/>].

The sale value of toothpastes has been estimated at the level of 698 mln PLN annually, which is 11 mln litres of toothpastes per year. The leader of value and quantity sale is Blend-a-med, produced by Procter&Gamble (suitably 27% and 28% of market share), second one is Colgate (20% of market share in value and quantity sale), then Colodent (12% and 20% of market share in value and quantity sale). They comprise 31% quantity and 41% of value sale. The toothpaste market in Poland is strongly developed, and “toothpastes consumption” per person is similar to that in West Europe. Therefore one should not count on aggressive quantity growth. However its value can increase, considering wider offer of specialist toothpastes [<http://www.portalfmcg.pl/>].

The toothpastes are divided into few basic categories depending on their application, such as: refreshing, whitening, herbal, desensitizing, anti-caries (caries prevention – cavity protection), antitartar activity (reduction of calculus formation), multicare (multi-benefit), gums protecting and intended for children [<http://wiadomoscihandlowe.pl/>; Davies et al. 2004].

Purchase of toothpaste is mainly driven by individual habits, inclination towards particular flavour and familiarity with the product. The toothpaste market is generally not price sensitive and brand loyalty plays an important role for the majority of customers. Currently nearly 97% of the population in developed countries uses at least one variety of toothpaste. This gives marketers virtually no space to expand the market with new users. Consequently, adding or increasing value to the product is the preferred alternative. Technological progress made in recent years altered the toothpaste segment into one that offers additional benefits such as fresher breath, healthier gums and whiter teeth, besides just fighting cavities [<http://www.prweb.com/>].

Going through the counters where the various toothpaste brands are stacked in a typical departmental store, one can notice the considerable price differences that exist between the various toothpaste varieties. This applies even for similar quantities of toothpaste. Some of price differences we see can be very substantial, so that one brand of toothpaste costs as much as 50% more than another brand of the same quantity of the same product [Mahoney 2010].

There are few factors, which determine the price of toothpastes. One factor that plays a major role in determining the price of toothpaste is the place of its production. It is a noticeable trend that products made in the orient can come at significantly lower prices than products made in the west. It is connected with the cost of labour (an important

factor in factory production) between the east and west. Next factor that plays a major role in determining the price of toothpaste is its producer. The big manufacturers, who have established a name for themselves strong client bodies made up of people who truly trust their products can afford to sell their products at substantially higher prices, and still attract people to buy those products. Another factor that plays a major role in determining the price of toothpaste is the ingredients that go into the making of the toothpaste. The basic ingredients of a toothpaste remain more or less the same across board, but there are other additives that vary from product to product, and it is those that can cause the price differences [Mahoney 2010].

In this study an analysis of pricing strategies of toothpastes available on Polish cosmetics market was conducted.

METHODOLOGY OF THE PRICING STRATEGY ANALYSIS OF TOOTHPASTES AVAILABLE ON POLISH COSMETICS MARKET

In this paper the prices of 122 toothpastes (14 brands) available on Polish cosmetics market were analyzed in hypermarkets (Auchan, Carrefour, Kaufland, Real, Selgros, Tesco) in 2011 in Poznań in the period between August, 15 and September, 15. Analyzed products came from 8 main producers: Procter&Gamble (Blend-a-med), Colgate-Palmolive (Colgate, Colodent), Unilever (Signal), Henkel (Vademecum, Denivit), Glaxo-SmithKline (Aquafresh, Parodontax, Sensodyne), GABA International (Elmex, Meridol, Biodent), Church&Dwight (Pearls Drops) and Dr. Theiss Naturwaren (Lacalut).

During analysis all researched toothpastes were divided into 8 categories depending on their application:

- refreshing,
- whitening,
- herbal,
- desensitizing,
- anti-caries,
- multicare,
- gums protecting,
- intended for children.

Some of analyzed toothpastes' brands (Colgate, Colodent, Signal, Vademecum, Aquafresh, Elmex) are intended for a daily use and they have different activities such as refreshing, whitening, desensitizing, anti-caries or multicare. That's why main activity of toothpaste (whitening or refreshing etc) was taken under consideration during division into groups. Moreover other analyzed brands such as Parodontax, Sensodyne, Meridol, Biodent or Lacalut are specialist medicinal toothpastes intended for various teeth problem care – hypersensitive teeth, bleeding gums, gingivitis and periodontitis. During analysis Parodontax, Meridol, Biodent or Lacalut brands were assigned only to gums protecting group and Sensodyne brand was assigned only to desensitizing group, even if they have also other activities such as whitening, anti-caries etc. Next analyzed brands such as Denivit and Pearls Drops are also specialist toothpastes with intense whitening activity, so they were assigned only to whitening group.

The average prices and capacities of toothpastes were taken under consideration during analysis. With the aim of conducting of pricing analysis, the unit of measurement was average price (in PLN) of toothpaste per litre. Physicochemical forms of toothpastes were not taken under considerations.

It was used the tools of descriptive statistics and it was conducted the descriptive and comparative analysis. The results of this study have cognitive and diagnostic character.

RESULTS AND DISCUSSION

Price is a value that will purchase a definite quantity, weight, or other measure of a good or service. As the consideration given in exchange for transfer of ownership, price forms the essential basis of commercial transactions. It may be fixed by a contract, left to be determined by an agreed upon formula at a future date, or discovered or negotiated during the course of dealings between the parties involved. In commerce, price is determined by what (1) a buyer is willing to pay, (2) a seller is willing to accept, and (3) the competition is allowing to be charged [<http://www.BusinessDictionary.com>].

Pricing strategies play a very significant role in each organization's strategy. A process of establishing a pricing strategy consists both of economic and non-economic conditions. According to the traditional marketing mix includes products, promotion, price, place, people, processes and physical evidence. Another approach is that price is determined by measures such as costs, revenues and profits. Pricing is definitely a dynamic process, as nothing will remain constant: the economy, taste, innovations, as well as competitors actions and reactions.

There are many ways in which price can be used for strategic purpose [Kent 2003; Kotler and Armstrong 2010; Nagle and Holden 2002]:

1. Price skimming is used especially when new technology is introduced. There are always some consumers who are willing to pay more for a new launched product. After the richest or the most profligate consumers have been satisfied, the price is reduced in order to skim off another consumer layer.
2. Penetration pricing involves the setting of lower, rather than higher price in order to achieve a large, if not dominant market share. It is often used by businesses, need to use up spare resources (e.g. factory, capacity), wishing to enter a new market or build on a relatively small market share.
3. Product-line pricing consists in establishing a single price for all products in a product line. The additional price of an up-market product will be much greater than the additional manufacturing costs.
4. Related product pricing means that a product's price is low itself but the organization makes its profit by after sale service, e.g. renewing the ink cartridges.
5. Demand manipulation not only is the company using price discrimination but also encouraging others to make use of the service at less crowded time.
6. Price discrimination setting a different price for the same product in different segments to the market. For example, this can be for different ages or for different opening times, such as cinema tickets.

7. Price leadership is an observation made of oligopolic business behavior in which one company, usually the dominant competitor among several, leads the way in determining prices, the others soon following.
8. Loss leader is a product sold at a low price (at cost or below cost) to stimulate other profitable sales.
9. Psychological pricing is designed to have a positive psychological impact. For example, selling a product at PLN 3.99, rather than PLN 4.00.
10. Dynamic pricing is a flexible pricing mechanism made possible by advances in information technology, and employed mostly by Internet based companies. By responding to market fluctuations or large amounts of data gathered from customers – ranging from where they live to what they buy to how much they have spent on past purchases – dynamic pricing allows online companies to adjust the prices of identical goods to correspond to a customer's willingness to pay. The airline industry is often cited as a dynamic pricing success story. In fact, it employs the technique so artfully that most of the passengers on any given airplane have paid different ticket prices for the same flight.
11. Target pricing is a method whereby the selling price of a product is calculated to produce a particular rate of return on investment for a specific volume of production. The target pricing method is used most often by public utilities, like electric and gas companies, and companies whose capital investment is high, like automobile manufacturers. Target pricing is not useful for companies whose capital investment is low because, according to this formula, the selling price will be understated. Also the target pricing method is not keyed to the demand for the product, and if the entire volume is not sold, a company might sustain an overall budgetary loss on the product.
12. Bundling and quantity discounts means to reward people for larger purchases through quantity discounts or bundling. Set the per-unit price lower when the customer purchases a quantity of five instead of one, for example, or charge less when the customer purchases a bundle or several related items at one time. Bundle overstocks with popular items to avoid a closeout. Or, bundle established items with a new product to help build awareness.

The fact of different activity of toothpastes has the impact on toothpastes' division on few basic categories depending on their application: refreshing, whitening, herbal, desensitizing, anti-caries, antitartar activity, multicare, gums protecting and intended for children. That is the main reason for dividing analysed toothpastes into 8 categories: refreshing (Figure 1), whitening (Figure 2), herbal toothpastes (Figure 3), desensitizing (Figure 4), anti-caries (Figure 5), anti-tartar (Figure 6), multicare (Figure 7), gums protecting (Figure 8), for children (Figure 8).

According to the analysis the most expensive universal and intended for a daily use refreshing toothpaste were from Colgate and Vademecum and cost around 73–71 PLN/Liter. The second price group consisted of two producers' brands such as: Signal and Blend-a-med which price varied from 64 PLN/Liter up to 67 PLN/Liter. To the third price group belonged last two brands: Aquafresh and Colodent which price oscillated from 32 to 38 PLN/Liter (Figure 1).

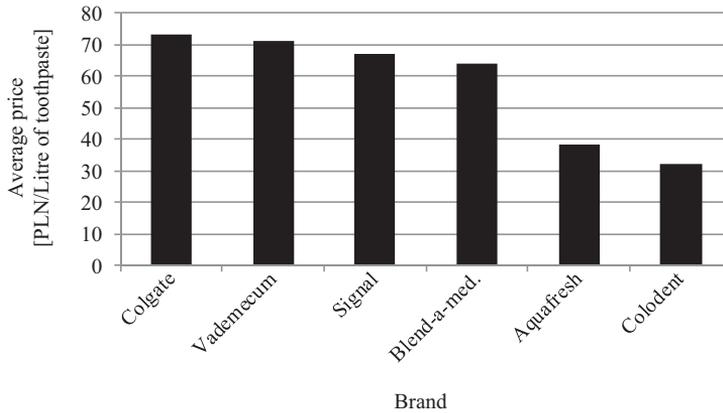


Fig. 1. Average prices of refreshing toothpastes available on Polish cosmetics market
Rys. 1. Średnie ceny odświeżających past do zębów dostępnych na polskim rynku kosmetycznym

Source: Own research.
Źródło: Badania własne.

The next step of the analysis was to assess the average prices of whitening toothpastes available on Polish cosmetics market. The prices differed a lot. In the Figure 2 one can notice that the most expensive is Denivit (588 PLN/Liter), then Pearl Drops (199 PLN/Liter) and the last group consists of toothpastes of a regular price from 39–100 PLN/Liter. The cheapest one is Colodent (39 PLN/Liter), then Vademeccum (72 PLN/Liter), Colgate (85 PLN/Liter) and Aquafresh (92 PLN/Liter) are at the same price level, beside the most expensive which is Signal (96 PLN/Liter).

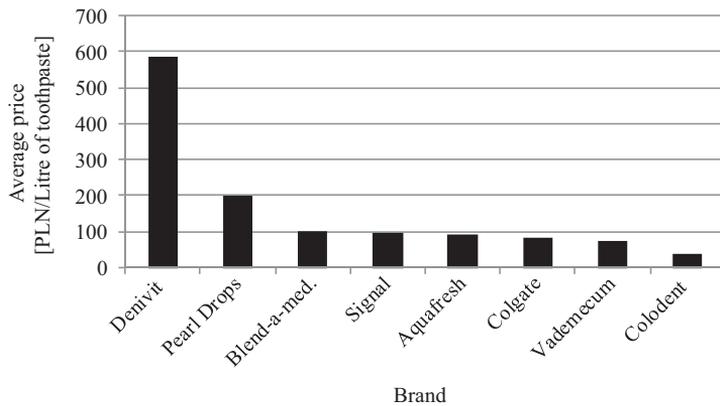


Fig. 2. Average prices of whitening toothpastes available on Polish cosmetics market
Rys. 2. Średnie ceny wybielających past do zębów dostępnych na polskim rynku kosmetycznym

Source: Own research.
Źródło: Badania własne.

In the figure 3 the results of the average prices of herbal toothpastes available on domestic cosmetics market were presented, offered only by four producers which are: Blend-a-med, Colgate, Colodent and Signal. The most expensive was Blend-a-med (59 PLN/Liter), then Colgate (50 PLN/Liter) where Colodent and Signal could be purchased from 36 up to 39 PLN/Liter.

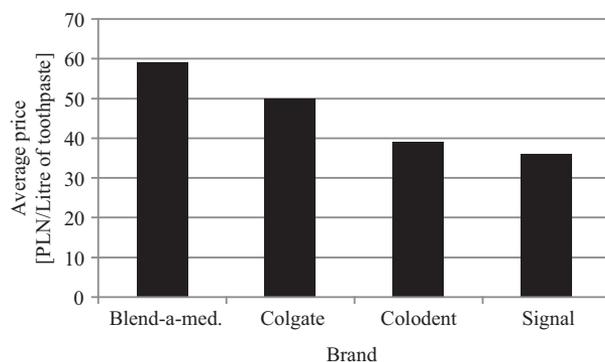


Fig. 3. Average prices of herbal toothpastes available on Polish cosmetics market

Rys. 3. Średnie ceny ziołowych past do zębów dostępnych na polskim rynku kosmetycznym

Source: Own research.

Źródło: Badania własne.

In the Figure 4 the results of the average prices of desensitizing toothpastes available on Polish cosmetics market were presented. Desensitizing toothpastes are used by a narrow group of consumers and in the analysis are presented by Sensodyne, Elmex, Blend-a-med and Colgate. Sensodyne was the top price leaders (166 PLN/Liter). The second group consisted of Elmex and Blend-a-med with the price level around 156–154 PLN/Liter. The cheapest was Colgate 140 PLN/Liter.

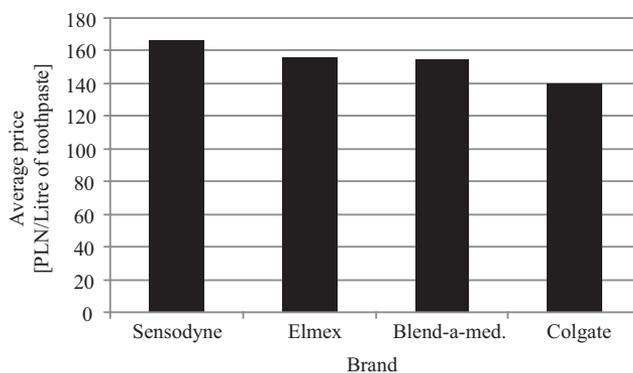


Fig. 4. Average prices of desensitizing toothpastes available on Polish cosmetics market

Rys. 4. Średnie ceny past do wrażliwych zębów dostępnych na polskim rynku kosmetycznym

Source: Own research.

Źródło: Badania własne.

In the Figure 5 the average prices of anti-carries toothpastes offered by different producers available on Polish cosmetics market were analyzed. The most expensive, to compare with the cheapest one – Colodent (33 PLN/Liter), was Elmex which cost 156 PLN/Liter. The second product was Blend-a-med which cost almost two times less: 80 PLN/Liter. The third group of examined products such as: Vademecum, Aquafresh, Colgate, Signal and Colodent was on the same price level from 40 to 33 PLN/Liter.

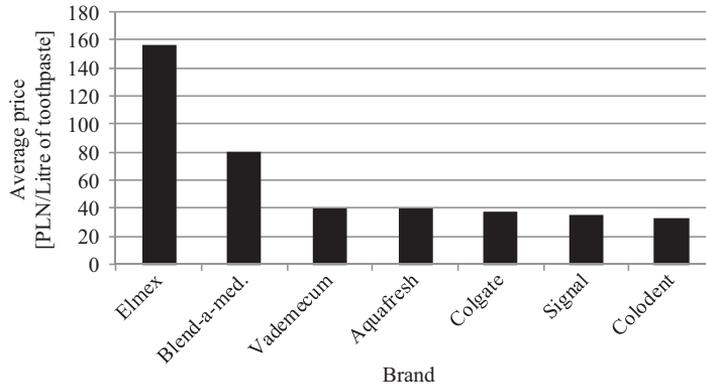


Fig. 5. Average prices of anti-carries toothpastes available on Polish cosmetics market
Rys. 5. Średnie ceny przeciwnocnych past do zębów dostępnych na polskim rynku kosmetycznym

Source: Own research.
Źródło: Badania własne.

In the Figure 6 the average prices of multicare toothpastes offered by different producers available on Polish cosmetics market were analyzed. The most expensive, to compare with the cheapest one – Colodent (33 PLN/Liter), was Blend-a-med which cost 140 PLN/Liter. The second group consisted of three products, such as: Colgate (67 PLN/Liter),

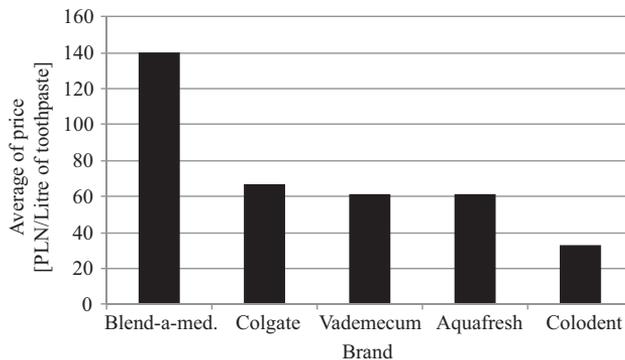


Fig. 6. Average prices of multicare toothpastes available on Polish cosmetics market
Rys. 6. Średnie ceny past do zębów o kompleksowym działaniu dostępnych na polskim rynku kosmetycznym

Source: Own research.
Źródło: Badania własne.

Vademecum and Aquafresh (each for 61 PLN/Liter) were almost on the same price level. The last analyzed multicare toothpaste Colodent cost 33 PLN/Liter which is 4.3 times less than the most expensive one.

In the Figure 7 the average prices of gums protecting toothpastes offered by different producers available on Polish cosmetics market were analyzed. The most expensive was Meridol (210 PLN/Liter). The second group consisted of: Lacalut (181 PLN/Liter), Parodontax (171 PLN/Liter) and Blend-a-med (155 PLN/Liter). The cheapest one turned out to be Biodent (93 PLN/Liter),

In the Figure 8 the average prices of toothpastes intended for children were analyzed. Two most expensive ones were Elmex (188 PLN/Liter) and Sensodyne (180 PLN/Liter). The second group consisted of Colgate (135 PLN/Liter) and Signal (117 PLN/Liter). To

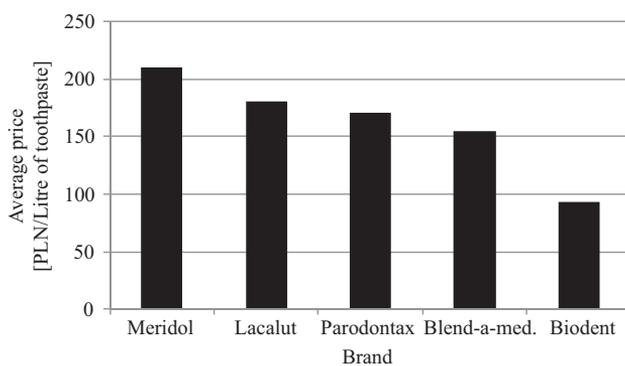


Fig. 7. Average prices of gums protecting toothpastes available on Polish cosmetics market
Rys. 7. Średnie ceny past do zębów chroniących dziąsła dostępnych na polskim rynku kosmetycznym

Source: Own research.
Źródło: Badania własne.

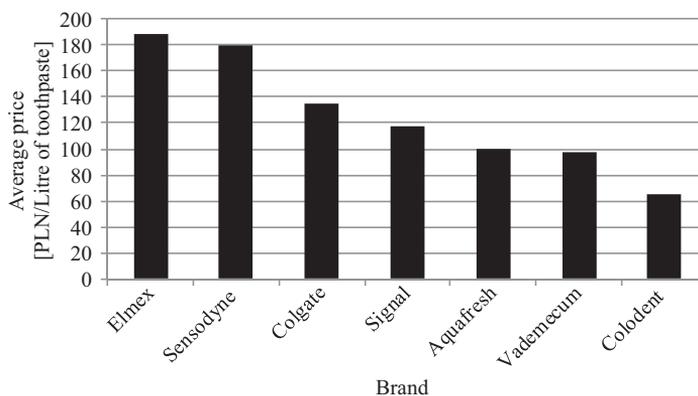


Fig. 8. Average prices of intended for children toothpastes available on Polish cosmetics market
Rys. 8. Średnie ceny past do zębów przeznaczonych dla dzieci dostępnych na polskim rynku kosmetycznym

Source: Own research.
Źródło: Badania własne.

the third group belonged Aquafresh (100 PLN/Liter), Vademecum (97 PLN/Liter) and the cheapest one – Colodent 65 PLN/Liter.

CONCLUSION

Pricing strategies are sometimes an overlooked part of the marketing-mix strategy. They can have a large impact on profit, so should be given the same consideration as promotion and advertising strategies. A higher or lower price can dramatically change both gross margins and sales volume. Price a premium item too low may cause that customers will not believe the quality is good enough. Conversely, put too high a selling price on value lines and customers will purchase competitors' lower-price items. The results of the analysis proved that some typical pricing strategies are commonly used by examined toothpastes producers on Polish market. Colgate, Elmex and Blend-a-med profit from price leadership strategy whereas Colodent takes the use of loss leadership. On a daily basis psychological pricing strategy is being used by all examined toothpastes' producers such as: Aquafresh, Colgate, Colodent, Blend-a-med, Denivit, Lacalut, Sensodyne and Vademecum. Many of them take advantage of bundling and quantity discounts like: a) one toothpaste in a regular price plus second one 25% cheaper, b) one toothpaste in a regular price plus second one 50% cheaper, c) one toothpaste in a regular price plus second one 75% cheaper, d) one toothpaste in a regular price plus second one for free, e) one toothpaste in a regular price plus mouthwash gratis. Beside that, producers of Colodent, Signal and Vademecum toothpastes tends to use penetration pricing strategy.

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STOSOWANE STRATEGIE CENOWE PRODUCENTÓW PAST DO ZĘBÓW NA POLSKIM RYNKU KOSMETYCZNYM

Streszczenie. Celem niniejszego artykułu była analiza średnich cen past do zębów podzielonych na 8 grup cenowych: a) odświeżające, b) wybielające, c) ziołowe, d) dla zębów wrażliwych, e) przeciwpróchnicze, f) o kompleksowym działaniu, g) chroniące dziąsła h) przeznaczone dla dzieci. Wszystkie analizowane produkty są oferowane przez 14 krajowych i zagranicznych producentów działających na polskim rynku kosmetycznym. Polski rynek kosmetyczny jest rynkiem dużym, mało chłonnym, podzielonym pomiędzy konkurentów walczących o utrzymanie dotychczasowych oraz co jest bardzo trudne, pozyskanie nowych klientów. Silna konkurencja pozytywnie wpływa na dużą różnorodność oferowanych produktów.

Krajowi konsumenci stawiają wysokie wymagania względem jakości past do zębów, jak również wykazują duże przywiązanie do zakupywanych i używanych past. Stąd też, głównym powodem powstania niniejszego artykułu była ocena wykorzystania strategii cenowych przez zagranicznych producentów past do zębów dostępnych na polskim rynku kosmetycznym. Wyniki analizy wskazują, że do podstawowych strategii zalicza się: strategię penetracji cenowej, strategię lidera straty, strategię przywództwa cenowego, strategię psychologicznej ceny oraz strategię zakupu wielopaku.

Słowa kluczowe: cena, strategie cenowe, pasty do zębów, rynek kosmetyczny

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