

## Original Paper

# The U.S. Shampoo Market: A Competitive Profile

Y. Datta<sup>1\*</sup>

<sup>1</sup> Professor Emeritus, Northern KY University, Highland Heights, KY 41076, USA

\* Y. Datta, Professor Emeritus, Northern KY University, Highland Heights, KY 41076, USA

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### Abstract

*Porter associates high market share with cost leadership strategy which is based on the idea of competing on a price that is lower than that of the competition. But, customer-perceived quality-not low cost-should be the foundation of competitive strategy, because it is far more important to long-term competitive position and profitability than any other factor. So, a superior alternative is to offer better quality vs. the competition.*

*In most consumer markets a business seeking market share leadership should try to serve the middle class by competing in the mid-price segment: and offering quality better than that of the competition: at a somewhat higher price to connote an image of quality, and to ensure the strategy is both profitable and sustainable in the long run.*

*Quality, however, is a complex concept consumers generally find difficult to comprehend. So, they often use relative price and a brand's reputation as a symbol of quality.*

*The U.S. Shampoo market is very competitive and consists of a large number of brands. Most brands are sold at supermarkets, drug stores, discount stores, and department stores. However, many premium and super-premium brands—called salon brands—are sold by beauty salons.*

*The salon shampoo segment had captured 11.4% of market share in 2008.*

*Most of the shampoos covered in this study are general-purpose shampoos—with the exception of five anti-dandruff and two psoriasis brands. Almost all are aimed at women. However, three are for men, one for babies, and four for kids.*

*One characteristic of this market is the proliferation of bottle sizes that ranged all the way from 1 to 42 oz. These can be classified into three broad size groups. By far the largest is the medium group (11.6-15.4 oz) with a market share of 52%; next is the large group (22.5-25.4 oz) with a 17% market share; and small (8-11.5 oz) with a market share of 14%.*

*We tested two hypotheses: (1) That a market leader is likely to compete in the mid-price segment, and (2) That the unit price of the market leader is likely to be somewhat higher than that of the nearest*

competition. Employing U.S. retail sales data for 2008 and 2007, we found that Procter and Gamble's (P&G) Pantene, the overall market leader, was a member of the mid-price segment for both years—and for all three bottle-size groups.

However, the results did not support the second hypothesis. This is because the runner-up happened to be P&G's Head & Shoulders anti-dandruff shampoo: a type of specialty shampoo that is generally priced higher than general-purpose shampoos.

Another notable result is that we found strong support for the notion that relative price is a strategic variable.

Finally, we discovered four strategic groups in the industry.

### **Keywords**

U.S. Shampoo market, cost leadership, price-quality segmentation, market-share leadership, relative price a strategic variable, strategic groups

## **1. Introduction**

This work follows two studies: the U.S. Men's Shaving Cream, and the U.S. Beer markets (Datta, 2012, 2017). That research is based on the premise that the way to market share leadership does not lie in lower price founded in *cost leadership* strategy, as Porter (1980) suggests. Rather, it is based on the idea—according to the PIMS database research—that it is *customer*-perceived quality that is crucial to long-term competitive position and profitability. So, the answer to market share leadership for a business is to differentiate itself by offering quality that is *better* than that of the nearest competition (Datta, 2010a, 2010b, 2012, 2017).

To make this idea *operational* requires two steps. The first step is to determine which price-quality segment to compete in? Most consumer markets can be divided in three *basic* price-quality segments: *premium*, *mid-price*, and *economy*. These can be extended to five by adding two more: *ultra-premium* and *ultra-economy* (Datta, 1996, 2012, 2017). The solution lies in serving the *middle* class by competing in the *mid-price* segment. This is the socio-economic segment that embodies about 40% of households in America (Datta, 2011). It is also the segment that P&G, one of the leading global consumer products company, has successfully served in the past (Datta 2010a, 2010b, 2012, 2017).

### *1.1 Strategic Importance of Price Positioning*

The second step is to position the brand at a price that is *somewhat* higher than that of the closest competition in the *mid-price* segment. This is in accord with P&G's practice based on the idea that although higher quality does deserve a "price premium", it should *not* be excessive (Datta, 2010b). A higher price offers two advantages: (1) it promotes an image of quality, and (2) it ensures that the strategy is both profitable and sustainable in the long run (Datta, 2017, 2012, 2010a, 2010b).

A classic example of price positioning is provided by General Motors (GM). In 1921 GM rationalized its product line by offering "a car for every purse and purpose"—from Chevrolet to Pontiac, to Oldsmobile, to Buick, to Cadillac. More importantly, GM positioned each car line at the *top* of its

segment (Datta, 1996, 2010a, 2017).

A more recent and familiar example is the *economy* chain, Motel 6, which has positioned itself as “offering the *lowest* price of any national chain”. Another case is Fairfield Inn. When Marriott introduced this new chain, it targeted it at the *economy* segment. And then it decided to position it at the *top* of that segment (Datta, 1996, 2017).

### 1.2 Close Link between Quality and Price

As mentioned above, customer perceived quality is the most important variable contributing to the long-term success of a business. However, quality cannot really be separated from price (Datta, 1996). Quality, in general, is a complex multi-dimensional concept that is difficult to understand. So, consumers generally use relative price—and a brands’ reputation—as a symbol of quality (Datta, 2017, 2012, 2010b).

## 2. U.S. Shampoo Industry: Brief History and Technology

### 2.1 A Brief of History of Shampoo

This section is based on the history of shampoo by Adriana Sassoon (Note 1).

- Shampoo was introduced to Britain from colonial India where it meant head massage. The word shampoo in English is derived from the Hindi word *chāmpo*. In India the term was used for head massage with some form of hair oil.
- In the 1900s, the meaning of the word shifted from massage to that of applying soap to the hair. Before regular soap had been used for washing hair. However, soap left a dull film on the hair which made it “uncomfortable, irritating, and unhealthy looking”.
- Originally, soap and shampoo were products that were similar to each other, both containing a *surfactant*, a type of detergent.
- Modern shampoo was first introduced in the 1930s with *Drene*, the first synthetic shampoo.

### 2.2 The Chemistry of Shampoo

The main function of a shampoo is to clean hair and scalp so that it does not become oily and greasy by a substance called *sebum*. The purpose is to remove unwanted build up without too much sebum which can then make hair unmanageable. Sebum keeps hair healthy, but it also attracts dirt that causes the hair to become greasy. Shampoos contain *surfactants* that when mixed with water get oily substances out of hair (Note 2).

Shampoo is often followed by use of a conditioner which enhances the ease of combing and styling.

A surfactant is an organic compound with a long molecule each end of which has different properties. One end of this molecule, the “tail”, is “hydrophobic” (“water hating”), and the other end, the “head”, is “hydrophilic” (“water loving”). While the hydrophobic end is attracted to dirt and grease, the hydrophilic side attracts water. Thus, the surfactant grabs the dirt and grease and dissolves it in water (Cole, Browning, & Schroeder, 2003, pp. 63-64).

Most common forms of surfactants are sodium laureth sulfate, or sodium lauryl sulphate. It is used with

a co-surfactant, usually cocamidopropyl betaine. Other important ingredients are sodium chloride (salt), used for adjusting viscosity, a preservative, and fragrance (Robbins, 2009).

Other ingredients are also used in making shampoo to produce the following benefits (Note 3):

- Pleasing foam
- Ease of rinsing
- Minimal skin and eye irritation
- Thick or creamy feeling
- Pleasant fragrance
- Low toxicity
- Good biodegradability

Shampooing hair every day results in removal of sebum. Then the oil glands compensate by producing more oil. So, Michelle Hanjani, a Columbia University dermatologist, recommends that one should shampoo hair no more than two or three times a week (Aubrey. 2009).

### 2.3 Trend toward Shampoos for Men

The shampoo market has been dominated by unisex products for a long time. In this study we found only three brands aimed especially at men: salon brand American Crew (Table 4), Suave for Men, and P&G's Gillette. But, that is now changing.

American Crew is the leading brand of products for men's grooming in the world. Founded in 1994, it is the first brand for men (Note 4).

Axe introduced a men's line in 2009, followed by Dove's line for men in 2013, and P&G's Old Spice men's line in 2014.

P&G's Janet Allgaier says that in their advertising campaign they are trying to reassure men that there is nothing unmanly about enlarging their hair routine. She said that the new message required "that tone of voice that gives guys permission to experiment without primping", and "groom without preening" (Newman, 2014).

## 3. U.S. Shampoo Industry: Price-Quality Segmentation Profile

This study is based on U.S. retail sales for 2008 and 2007 (Note 5). The data includes total dollar and unit sales, no-promotion dollar and unit sales, and promotion (Note 6) dollar and unit sales.

Total U.S. retail shampoo sales for 2008 were \$1.4 Billion.

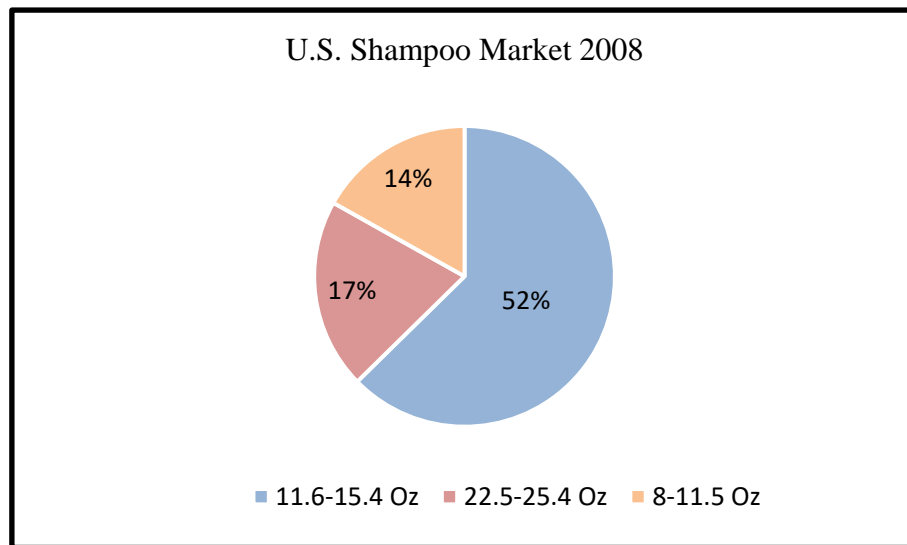
One feature of this market is the abundance of bottle-sizes that ranged all the way from 1 to 42 oz. These can be classified into three broad size groups: medium, large, and small. By far the largest is the *medium* group (11.8-15.4 oz) with a market share of 52%; next is the *large* group (22.5-25.4%) with a 17% market share; and *small* (8-11.5 oz) with a market share of 14% (Figure 1).

The U.S. Shampoo market is very competitive. In 2008 a total of 452 brands participated in the market. However, we have concentrated our attention on 60 brands with 2008 sales >\$1 Million, representing 97% of total shampoo sales for 2008.

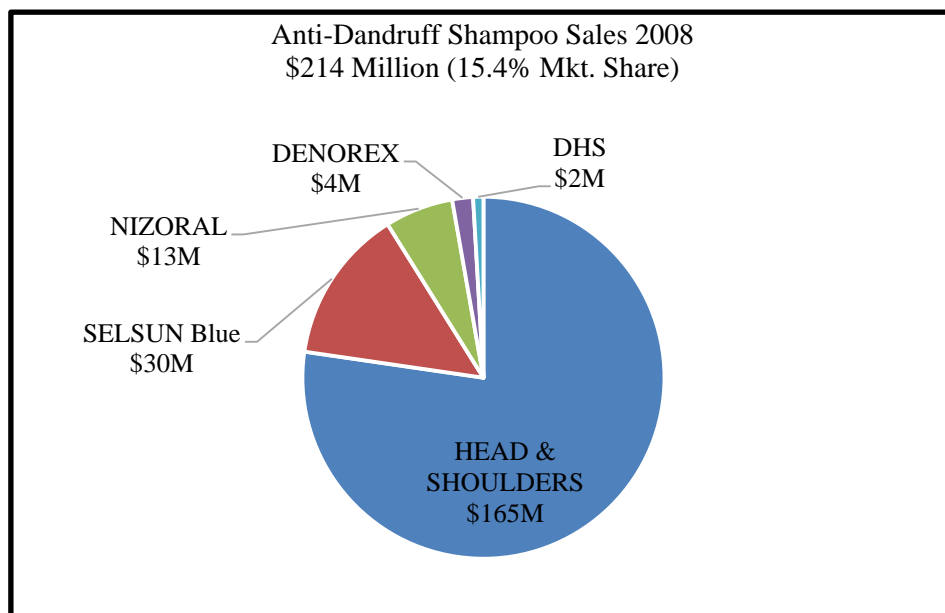
Most shampoos are sold at supermarkets, drug stores, discount stores, and department stores. However, many *premium* and *super-premium* brands—called salon brands—are sold by beauty salons (and also by other stores). These can be divided in two groups: corporate-owned, and independent (Figures 3 and 4).

In 2008 the market share of all salon brands was 11.4% (Note 7).

Most brands covered in this study are general-purpose shampoos—with the exception of five anti-dandruff (Figure 2) and two psoriasis (Note 8) brands—and almost all are aimed at women. However, three are for men, three for kids, and one for babies.



**Figure 1. Major Bottle-Size Groups—Percentage of Total Sales**



**Figure 2. Major Anti-Dandruff Brands**

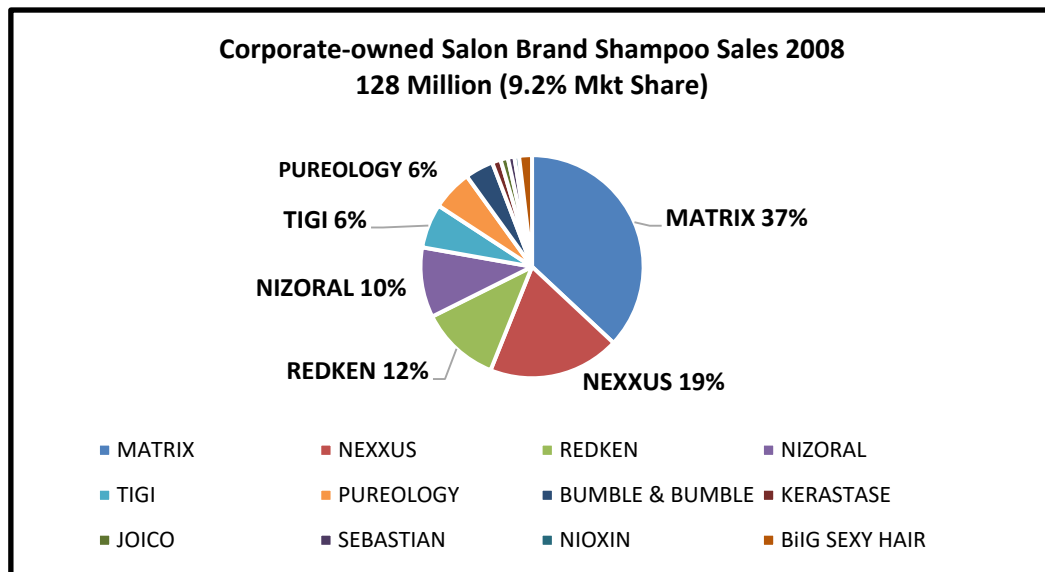


Figure 3. Corporate-Owned Salon Brands 2008

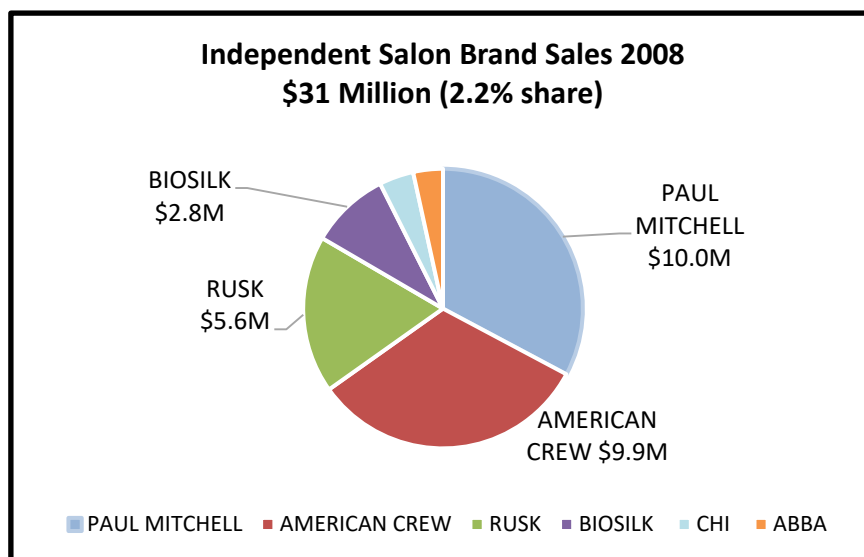


Figure 4. Independent Salon Brands 2008

### 3.1 Hierarchical Clustering as the Primary Instrument of Statistical Analysis

We have used *cluster analysis* as the prime statistical tool in this study. As suggested by Ketchen and Shook (1996), we have taken several steps to make this effort as objective as possible.

First, this study is *not* ad-hoc, but is founded in a theoretical framework as laid out below.

Second, we are fortunate that we were able to get sales data for our study for *two* years. Thus, this data provided a robust vehicle for subjecting cluster consistency and reliability to an *additional* test.

Third, we wanted to use two different techniques—KMeans and Hierarchical—to add another layer of cluster consistency and reliability. However, we found that the Hierarchical analysis proved to be superior in meeting that test. So, we did not consider it necessary to use the KMeans technique.

### 3.2 Theoretical Foundation for Determining Number of Clusters—And Their Meaning

As already stated, a major purpose of this paper is to identify the market share leader and determine the price-quality segment—based on unit *price*—it is competing in.

As mentioned before, an important question in performing cluster analysis is determining the *number* of clusters based on an *a priori* theory. Most consumer markets can be divided in three *basic* price-quality segments: *premium*, *mid-price*, and *economy*. These three basic segments can be extended to *five*: with the addition of *super-premium* and *ultra-economy* segments (Datta, 1996).

Therefore, *three* represents the *minimum* and *five* the *maximum* number of clusters (Datta, 2017, 2012). An equally crucial issue is to figure out what each cluster (e.g., *economy*, *mid-price*, and *premium*) really *means*.

Perhaps a good way to understand what each price-quality segment stands for in real life is to look at a socio-economic *lifestyle* profile of America. It reveals *six* classes. Each class is associated with a price-quality segment typified by the retail stores where they generally shop: each a symbol of their lifestyle (Datta, 2011) (Note 9).

### 3.3 Guidelines for Cluster Consistency and Reliability

In addition to laying a theoretical foundation for the number of clusters, we set up the following guidelines to enhance cluster consistency and reliability (Datta, 2017, 2012):

- In general, there should be a *clean break* between *contiguous* clusters.
- The *anchor* clusters—the top and the bottom—should be *robust*. In a cluster-analysis project limited to a range of three to five clusters, a robust cluster is one whose membership remains constant from three- to four-, or four- to five-cluster solutions.
- Finally, we followed a step-by-step procedure to determine the optimal solution. First, we start with *three* clusters. Thus, the bottom cluster obviously becomes the *economy* segment and the top cluster the *premium* segment. Next, we go to four clusters, and *tentatively* call them: *economy*, *mid-price*, *premium*, and *super-premium*. Then we go to five clusters. If the membership of the bottom cluster remains unchanged from what it was in the four-cluster result, it clearly implies that the *ultra-economy* segment does *not* exist. Next, if the membership of the top cluster also remains the same from a four- to a five-cluster solution, then the *top* cluster becomes the *super-premium* segment. This means that even in a five-cluster solution we have only *four* price-quality segments: *economy*, *mid-price*, *premium*, and *super-premium*. It implies that either the *premium* or the *mid-price* segment consists of two *sub-segments* (Table 1).

In addition, whenever possible, we have tried to seek *external* evidence to validate the results of cluster analysis. For example, many companies identify on their websites a certain brand(s) as a *premium* or luxury brand. Another case is that P&G clearly says it does not compete in the *economy* segment (Datta, 2010b).

### 3.4 Testing Hypotheses

- I—That the market-share leader would be a member of the *mid-price* segment, and

- II—That the market-share leader would carry a price tag that is *higher* than that of the nearest competition.

### 3.5 Medium Bottle-Size Group: 11.6-15.4 Oz

In Table 1 we present the results of 2008 Hierarchical cluster analysis for 11.6-15.4 Oz: by far the largest bottle-size group with a market share of 52%. This analysis is restricted to 37 brands with overall sales over \$1 Million.

### 3.6 Results of Cluster Analysis

Table 1 shows that Pantene is the clear market leader with a 2008 market share of 15.6%, followed by 11.8% for Head & Shoulders—and both are members of the *mid-price* segment. Thus, the result strongly supports Hypothesis I, that the market share leader is very likely to be a member of the *mid-price* segment.

However, the unit price of Head & Shoulders is \$4.86, which is much higher than the \$3.95 for Pantene. So, Hypothesis II, which says that the unit price of the nearest competition to the market leader should be somewhat lower, is not supported. The obvious reason for this is that Head & Shoulders is an anti-dandruff shampoo: a specialty type that is generally priced higher than general-purpose shampoos. Other highlights of this study are (Table 1):

- All four members of the *super-premium* segment are salon brands.
- Contrary to Head & Shoulders' membership of the *mid-price* segment, anti-dandruff shampoos Denorex and Selsun Blue occupy the *premium* segment.
- Unilever's top brand, Suave finds itself in the *economy* segment along with Unilever's Alberto VO5.

**Table 1. Hierarchical Cluster Analysis: 2008 Shampoo 11.6-15.4 Oz (37 Cases)**

Price-Quality Segment	Brand Name	ClusCtr	Upr	Overall MktShr
<b>Total Shampoo Sales 2008</b>	<b>\$1394 Million</b>			
<b>Super-Premium: Cluster 1</b>	CHI 12 OUNCES	<b>\$10.95</b>	\$12.34	0.10%
	BIOSILK 11.6,12 Oz		\$10.95	0.20%
	TIGI 12.8 OUNCES		\$10.58	0.60%
	RUSK 13 OUNCES		\$9.92	0.40%
<b>Premium I: Cluster 2</b>	NEXXUS 13.5 OUNCES	<b>\$8.22</b>	\$8.87	1.80%
	DENOREX 12 OUNCES		\$8.70	0.30%
	BURT'S BEES 12 OUNCES		\$7.70	0.20%
	UMBERTO 12 OUNCES		\$7.61	0.10%
<b>Premium II: Cluster 3</b>	MARC ANTHONY 12.9 OUNCES	<b>\$5.90</b>	\$6.57	0.20%
	ORGANIX 13 OUNCES		\$5.78	0.70%



	SELSUN BLUE SALON 13 OUNCES		\$5.35	2.10%
<b>Mid-Price: Cluster 4</b>	<b>HEAD &amp; SHOULDERS 14.2 Oz</b>	<b>\$3.62</b>	<b>\$4.86</b>	<b>11.80%</b>
	GILLETTE 12.2 OUNCES		\$4.59	0.30%
	SAMY 12 OUNCES		\$4.57	0.30%
	THICKER FULLER HAIR 12 Oz		\$4.43	0.20%
	<b>PANTENE PRO-V 12.6 OUNCES</b>		<b>\$3.95</b>	<b>15.60%</b>
	DOVE 12 OUNCES		\$3.92	3.20%
	MOTIONS 13 OUNCES		\$3.89	0.10%
	L'OREAL VIVE PRO 13 OUNCES		\$3.63	3.60%
	JOHNSON'S/Baby 15 OUNCES		\$3.56	1.40%
	JOHNSON & JOHNSON 13 OUNCES		\$3.50	0.30%
	GARNIER FRUCTIS 13 OUNCES		\$3.32	6.00%
	SUNSILK 12 OUNCES		\$3.26	1.50%
	CLAIROL 12 OUNCES		\$3.24	7.00%
	CTL BRAND 13.5 OUNCES		\$3.23	3.50%
	AUSSIE 13.5 OUNCES		\$3.22	1.90%
	PERT PLUS 13.5 OUNCES		\$3.05	2.50%
	PRELL 15.2 OUNCES		\$2.89	0.30%
	FREEMAN 11.5 OUNCES		\$2.86	0.10%
	FINESSE/PLUS 15 OUNCES		\$2.81	0.80%
<b>Economy: Cluster 5</b>	<b>CITRE SHINE 13.5 OUNCES</b>	<b>\$1.42</b>	\$2.30	0.10%
	SUAVE KIDS/MEN/PROFENALS		\$2.05	4.10%
	REVLON FLEX 15 OUNCES		\$1.66	0.10%
	SUAVE NATURALS 15OZ		\$1.04	3.40%
	PERSONAL CARE/KIDS 15 Oz		\$1.00	0.10%
	WHITE RAIN 15 OUNCES		\$0.98	0.60%
	ALBERTO VO5 15 OZ		\$0.94	2.30%

For 2007 the same pattern was repeated.

Next, we looked at the much smaller 22.5-25.4 Oz segment (17% market share) and the results were identical to those for the 11.6-15.4 Oz segment: for both 2008 and 2007. We found that Unilever's 2<sup>nd</sup> largest brand, Tresemmé, was part of the *mid-price* segment.

Finally, we examined 8-11.5 Oz, the smallest segment (14% market share) with the smallest bottle size. For both 2008 and 2007, the results were similar to those for the other two bottle-size groups.

Unlike its larger sisters, this segment is dominated by salon brands populating the *super-premium* and *premium* segments. This strategy seems to be based on the notion that a small bottle size blends much better with a high premium price than a large bottle.

Finally, we need to point out an interesting observation about Tresemmé, Unilever's second best-selling brand. It did not have a presence in both the medium and small bottle size segments. Instead, the brand is concentrated in the large segment, especially the 32 oz bottle which accounted for 90% of Tresemmé's 2008 sales.

### 3.7 The Role of Ultra High Prices and Salon Brands

During this analysis we came across an interesting development that deserves attention. In Table 1 we first included Matrix 13.5 Oz. shampoo with a unit price of \$15.53, much higher than the \$12.34 of the next lower brand Chi.

Matrix shampoo is a major salon brand owned by L'Oréal. In 2008 it was the eighth largest, with sales of \$47 Million (Table 2). So, while performing cluster analysis for the 11.6-15.4 Oz segment, Matrix came out on top, but with an intriguing twist.

First, Matrix became the sole occupier of the new *super-premium* segment, pushing down four members of this group from *super-premium* (Table 1) to *premium* segment.

But, most importantly, the inclusion of Matrix pushed down Pantene, Head & Shoulders, and many other brands from the *mid-price* to the *economy* segment!

Clearly, such a quirky result is totally unrealistic. Most consumers would not generally associate best-selling brands—e.g., Pantene and Head & Shoulders—with an *economy* segment. Also, as we have noted earlier, P&G has openly stated that it does *not* compete in the *economy* segment. So, the only solution was to treat Matrix as an *outlier* and exclude it from cluster analysis. Table 1 reflects this change following which Pantene and Head & Shoulders have found their rightful home: the *mid-price* segment!

In performing cluster analysis for 8-11.5 Oz, we ran into a problem similar to that with Matrix above. For 2008, at the top was a salon brand Nioxin with a unit price of \$14.31. Following the example of Matrix above, we excluded Pureology 10.1 Oz (\$25.43), Bumble & Bumble 8 Oz (\$22.26), and Fekkai 8 Oz (\$21.85). However, the most intriguing exclusion was Kerastase with an unbelievably unit price of \$32.05 for an 8.5 Oz bottle!

## 4. Relative Price a Strategic Variable

Finally, we performed one more test to determine the consistency and reliability of the results of cluster analysis in this study. So, we *ranked* the unit price of each brand—both for 2008 and 2007—for the three bottle-size groups.

Surprisingly, in *all* three cases, and *all* three measures of bivariate correlation—Pearson, and non-parametric measures Kendall's tau<sub>b</sub>, and Spearman's rho—were found to be significant at an amazing 0.01 level!

We believe these surprising results—that cover such a large number of brands—became possible only because management in the U.S. Shampoo market must have been treating relative price as a *strategic* variable, as we have suggested.

While the price of a brand, compared to its nearest competition, may change over time, it is *unlikely* to differ much from one year to the next. This is important not only for the market share leader, but also for every brand no matter which price-quality segment it is competing in.

Another conclusion one can draw from such unbelievable results is that the U.S. Shampoo market is highly competitive.

#### 4.1 A Pattern Emerging for Consumer Markets

It is time to compare the results of this study so far to similar studies of consumer products. In the U.S. Men's Shaving market study (Datta, 2012) Edge Gel, the market leader, was a member of the *mid-price* segment. In addition, its unit price was somewhat higher than the number two brand, Gillette Series Gel. Likewise, in the U.S. Beer industry (Datta, 2017), the market leader, Bud Light was not only a member of the *mid-price* segment, its unit price was also somewhat higher than that of the runner-up Miller Light.

Similarly, all three studies concluded that relative price was a *strategic* variable.

### 5. The Role of Promotion

For 2008, promotional sales averaged 32% of total net sales for 60 brands with sales over \$1 Million that represented 97% of total net shampoo sales. We performed bivariate correlation between total (net) sales vs. promotional (PROMO) sales. The results were significant for *all* three measures—Pearson, Kendall, and Spearman—at the 0.01 level.

In Table 2 we present promotional shampoo sales data for 2008 for 23 brands with sales over \$10 Million. We have divided the brands in four broad groups in terms of level of promotion.

The following are the highlights of this data:

- Pantene, the market leader, finds itself in the *heavy* group, implying that P&G is relying on a high level of promotion to build and protect its high market share.
- Head and Shoulders anti-dandruff shampoo—the runner up—on the other hand, is in the *moderate* group. It seems that because of the specialty nature of this shampoo it is not necessary to depend on heavy promotion.
- Like Pantene, the L'Oreal group has chosen the path of *heavy* promotion for its two main brands—both *mid-price*—Garnier Fructis, and L'Oreal.
- Unilever has made use of *heavy* promotion for its *mid-price* brands: Tresemmé, Finesse and Sunsilk. But, it has employed only a *moderate* level of promotion for its best seller, Suave, an *economy* brand. Perhaps, this is not only based on affordability, but more importantly, on the idea that an *economy* brand does not need heavy promotion.
- Interestingly, Unilever has also employed *very heavy* promotion for Albero VO5, an *economy* brand. May be, Unilever has its own reasons, but as we have suggested above, such an idea does not seem to make an economic sense.

- Unilever's *mid-price* Dove has relied on *moderate* promotion, contrary to its rival, L'Oreal's Garnier Fructis which is a step above in the *heavy* group.
- Johnson & Johnson, however, is banking on *low-moderate* promotion for its *mid-price* brands Neutrogena, and Johnson's.
- The salon brands show a *light* level of promotion with the exception of Nexxus. This appears to be based on the notion that high *premium* prices and high promotion do not generally go well together.

## 6. Strategic Groups in the U.S. Shampoo Market

We found *four* strategic groups in the industry (Figure 5, Table 3).

1. *Beauty/Personal Care Group*
  - Procter & Gamble: Market Leader
  - Unilever: Runner-up I
  - L'Oreal Group: Runner-up II
2. *Beauty & Pharmaceutical Group*
  - Coty
  - Johnson & Johnson
3. *Other Corporate Brands*
4. *Minor Brands*

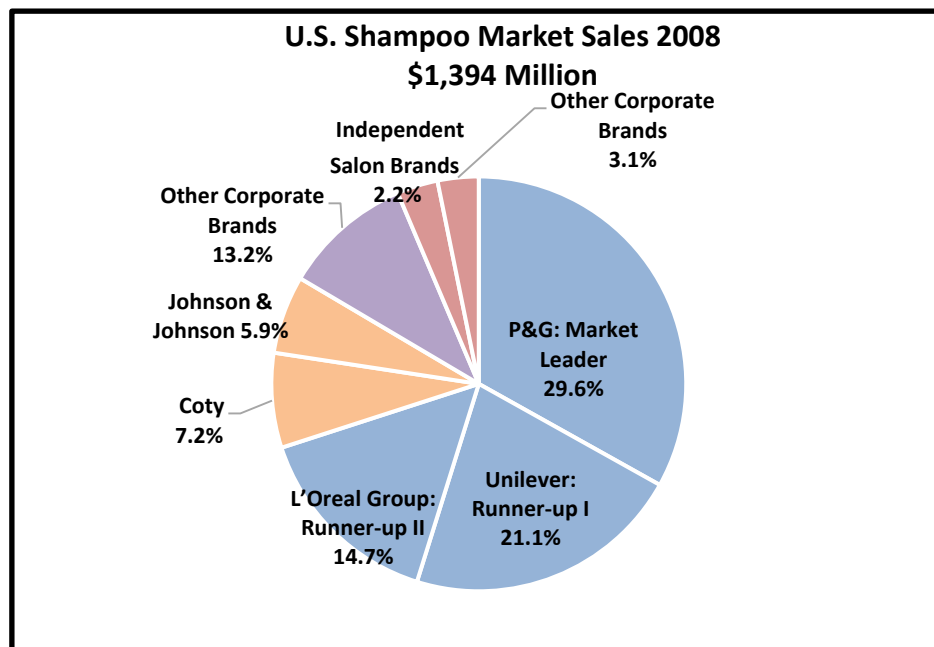


Figure 5. Strategic Groups: U.S. Shampoo Market 2008

**Table 2. Promotional Sales 2008 as a % of Total net Sales: Brands with Sales >\$10M**

Main Brand	Parent	Level of Promotion	%PROMO	Sales Dollars 2008	MktShare 2008	
Brands with Sales >\$10M (23 cases)				\$1,394,408,293	100.0%	
ALBERTO VO5	Unilever	Very Heavy	51.3%	\$31,996,532	2.3%	
L'OREAL	L'Oreal		Heavy	46.3%	\$50,688,349	3.6%
GARNIER FRUCTIS	L'Oreal			42.7%	\$83,392,260	6.0%
TRESEMME	Unilever	42.7%		\$47,451,934	3.4%	
PANTENE	P&G	Moderate	41.6%	\$217,287,168	15.6%	
FINESSE	Unilever		40.5%	\$11,152,481	0.8%	
SUNSILK	Unilever		39.3%	\$21,068,006	1.5%	
CLAIROL	Coty		35.8%	\$97,818,162	7.0%	
DOVE	Unilever		35.7%	\$44,849,184	3.2%	
SUAVE	Unilever		35.3%	\$104,276,590	7.5%	
JOHN FRIEDA	Kao Brands		33.9%	\$33,773,735	2.4%	
HEAD & SHOULDERS	P&G		31.3%	\$165,131,453	11.8%	
PERT PLUS	Helen of Troy		29.0%	\$34,512,583	2.5%	
AUSSIE	P&G		28.5%	\$26,146,239	1.9%	
NEXXUS	Unilever	Low-Moderate	23.8%	\$24,520,580	1.8%	
CTL BRAND	CTL Brand		23.6%	\$48,695,211	3.5%	
JOHNSON'S	J&J		22.6%	\$19,411,778	1.4%	
SELSUN Blue	Sanofi		18.4%	\$29,501,075	2.1%	
NEUTROGENA	J&J		17.5%	\$45,015,231	3.2%	
NIZORAL	J&J		Light	9.5%	\$13,049,054	0.9%
MATRIX	L'Oreal			7.0%	\$47,453,984	3.4%
REDKEN	L'Oreal			6.3%	\$14,833,427	1.1%
PAUL MITCHELL	Paul Mitchell			4.9%	\$10,043,064	0.7%
Total Brands with Sales >\$10M				33.0%	\$1,222,068,077	87.6%

**Table 3. Strategic Groups in the U.S. Shampoo Market 2008**

Strategic Groups	# Brands	MktShr2008	Sales\$2008
<b>Total Shampoo Sales</b>		<b>100%</b>	<b>\$1,394,408,29</b>
<b>Beauty/Personal Care Leader Group</b>			
Proctor & Gamble: <i>Market Leader</i>	4	29.6%	\$413,179,349
Unilever: <i>Runner-up I</i>	8	21.1%	\$293,554,921
L'Oreal: <i>Runner-up II</i>	6	14.7%	\$205,485,030

<b>Total Beauty/Personal Care Leader Group</b>	<b>18</b>	<b>65.5%</b>	<b>\$912,219,300</b>
<b>Beauty &amp; Pharmaceutical Group</b>			
Coty	3	7.2%	\$99,904,274
Johnson & Johnson	4	5.9%	\$82,344,183
<b>Total Beauty &amp; Pharmaceutical Group</b>	<b>7</b>	<b>13.1%</b>	<b>\$182,248,458</b>
<b>Other Corporate Brands</b>	<b>12</b>	<b>13.2%</b>	<b>\$183,787,342</b>
<b>Minor Brands</b>			
Independent Salon Brands	6	2.2%	\$30,634,799
Other Brands	17	3.1%	\$43,145,383
<b>Total Minor Brands</b>	<b>23</b>	<b>5.3%</b>	<b>\$73,780,182</b>
<b>Total Sales</b>	<b>60</b>	<b>97%</b>	<b>\$1,352,035,281</b>

## 7. Beauty/Personal Care Group

### 7.1 Procter & Gamble

P&G was founded in 1837 in Cincinnati, Ohio, USA (Note 10).

Its global sales were \$65 Billion in 2017 (Note 11).

P&G's was a clear market leader of the shampoo industry with a market share of 29.6% in 2008 (Table 3), that included two major players: the market leader, Pantene (15.6%), and runner-up, Head & Shoulders (11.8%) (Table 2). It also had two minor players: Aussie and Gillette.

In 1995 P&G was awarded the National Medal of Technology: the highest the U.S. government bestows for accomplishment in technology (Note 10).

In 1961 P&G introduced Head & Shoulders, the world's top-selling anti-dandruff shampoo (Chesters, 2011).

In 1987 P&G launched Pert Plus: a *two-in-one* shampoo that combined both shampoo and conditioner. By 1990 it had become the top-selling shampoo in the U.S. with a 12% market share. Eventually, however, the company sold it to Helen of Troy in 2010 (Newman, 2011).

In 1956 Lawrence and Joan Gelb introduced Clairol: the first at-home hair color *kit*. Until the 1950s there was a stigma against coloring hair, and so women got it done in complete secrecy. They would enter salons through the back door and then get into private booths. And now it is a Billion dollar industry (Note 24).

In 2001 P&G acquired Clairol from Bristol-Myers Squibb (Note 25). The deal included, along with Clairol color line, Clairol Herbal Essences shampoo line, and Aussie and Infusium shampoo brands. P&G sold Infusium to Helen of Troy in 2009 (Note 26).

P&G sold Clairol to Coty in 2015 (Note 23). Clairol had a market share of 7.0% in 2008 (Table 2).

Pantene was first introduced in Europe in 1945 by Hoffmann-La Roche of Switzerland, which branded the name based on *panthenol* as a shampoo ingredient. P&G acquired it in 1985 (Note 12).

P&G claims that Pantene shampoo and conditioner systems "are consumer blind test winners vs. our

best competition in North America, China and Japan” (Note 11).

Finally, it is important to underscore that P&G’s extraordinary success is due to a fundamental belief, and that is: a “*deep understanding* of consumers and placing them at the *center* of all decision making” (Datta, 2010b).

### 7.2 Unilever: Runner-up I

Unilever is a huge British-Dutch international company with sales of \$73 Billion in 2017, of which Personal Care division accounted for 39%. It is a dual-listed company consisting of Unilever NV in Rotterdam, and Unilever PLC in London (Note 13).

Unilever’s Shampoo market share in 2008 for its eight brands was 21.1% (Table 3).

*Working Mother* magazine recognized Unilever U.S. as one of the 2017 *Working Mother 100 Best Companies* “for its strong leadership in creating progressive programs for its workers in the areas of advancement of women, flexibility, childcare and paid parental leave” (Note 14).

Unilever introduced Dove hair care products in the U.S. from Europe from what used to be a beauty bar soap (Neff, 2002).

All the other brands were the result of acquisitions.

Unilever’s biggest purchase was Suave and Finesse when it bought Helene Curtis in 1996 (Collins, 1996).

In 2010 Unilever acquired Alberto Culver, which included brands like Tresemmé, Alberto VO5, and the salon brand, Nexxus (Nicholson, 2010).

### 7.3 L’Oreal Group: Runner-up II

L’Oreal Group is a global cosmetics company with sales of \$31 Billion in 2017 (Note 15).

L’Oreal was founded in 1909. Now it has become the number *one* cosmetics group in the world (Note 16).

L’Oréal received two awards in recognition of its commitment to ethics and transparency. The Group received the Grand Prix de la Transparence for its *Code of Ethics*. Second, it was also named as a 2017 *World’s Most Ethical Company* by the Ethisphere Institute for the 8th time (Note 17).

It acquired Garnier, its largest brand in the U.S., in 1965 (Cocke, 2017).

L’Oreal launched Garnier hair care line in the U.S. in 2003 at the same time Unilever introduced Dove. However, it is clear that Garnier has been much more successful than Dove (Neff, 2005). According to Table 2, Garnier had a shampoo market share of 6.0%, vs. 3.2% for Dove in 2008. This may perhaps in part be due to a *heavy* level of promotion by Garnier, as opposed to a *moderate level* for Dove, as we have reported earlier.

Kerastase was launched as an upper-end salon in 1964 (Note 18). Later, L’Oreal acquired three more salon brands: Redken (Note 19) in 1993, Matrix (Note 20) (from Bristol Myers) in 2000, and Pureology (Note 21) in 2007.

## 8. Beauty & Pharmaceutical Group

### 8.1 Coty

Coty is a beauty care company. Its sales for the fiscal year, that ended June 30, 2017, were \$2.2 Billion (Note 22).

Coty acquired 43 brands from P&G in 2015, including three shampoo brands: Clairol, and salon brands Sebastian and Nioxin (Note 23). Clairol had a market share of 7.0% in 2008 (Table 2).

### 8.2 Johnson & Johnson (J&J)

J&J is world's largest health care company with global sales of \$76 Billion in 2017 (Note 27).

J&J's market share in the shampoo market in 2008 was 5.9% (Table 3) with four brands: Neutrogena, Johnson's, anti-dandruff salon brand Nizoral, and Johnson & Johnson. By far the largest, Neutrogena's 2008 market share was 3.2% (Table 2). J&J acquired Neutrogena in 1994 (Note 28).

The company was named to the *Fortune Change the World* list, and *Fortune's Most Admired Companies* list in 2017 (Note 29).

## 9. Other Corporate Brands

There are 11 brands in this group which had a market share of 13.2% in 2008 (Table 3).

The largest four are: CTL brand (3.5%), Pert Plus (2.5%), John Frieda (2.4%), and Selsun Blue (2.1%) (Table 2).

As mentioned earlier, Pert Plus, a 2-in-1 shampoo, was sold by P&G to Helen of Troy in 2010.

Kao Corp., a Japanese Co., acquired John Frieda in 2005 (Note 30).

In 2009, the French drug maker Sanofi-Aventis purchased anti-dandruff shampoo Selsun Blue from Chattem (*The New York Times*, 2009).

Estee Lauder, the top maker of cosmetics sold in department stores, acquired a majority stake in salon brand Bumble and Bumble in 2000 (*The New York Times*, 2000a).

German company Henkel purchased salon brand Joico in 2017 (Note 31). Earlier, it had acquired salon brand Big Sexy Hair in 2014 (Note 32).

## 10. Minor Brands

This group includes 6 independent salon brands (Figure 4) with a 2008 market share of 2.2%, and 17 other minor brands also with a 3.1% share (Table 3).



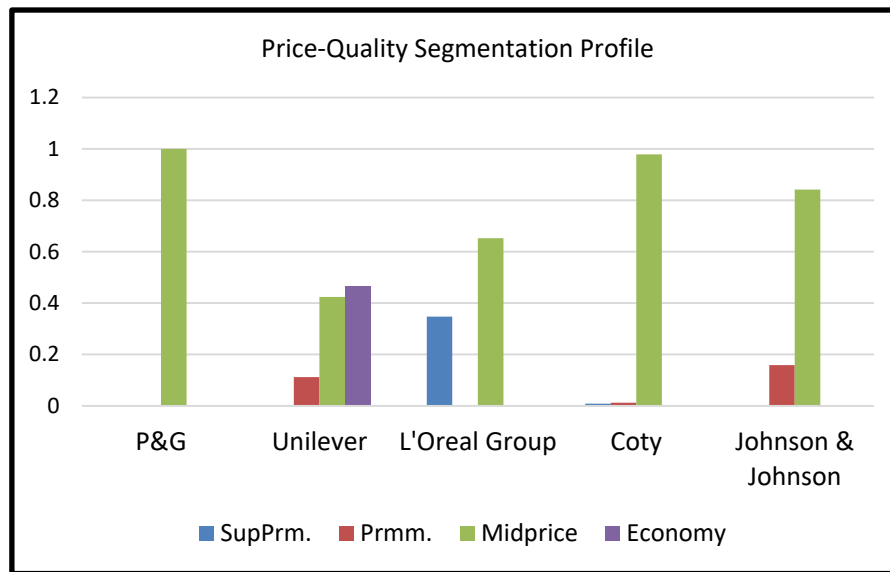


Figure 6. Shampoo Market 2008: Major Competitors

### 11. Price-Quality Segmentation Profile 2008

Figure 6 shows the price-quality segmentation profile of major competitors in this market for 2008.

The following are the highlights of this profile:

- All four brands of P&G, including the market leader Pantene and runner-up Head & Shoulders, are part of the *mid-price* segment.
- Among all the competitors above, only Unilever has *economy* brands whose market share exceeds that of the *mid-price* brands. These *economy* brands are: Suave and Alberto VO5, and they are the only *economy* brands in Figure 6.
- Unilever's *premium* brands are represented by salon brands Nexxus and Tigi.
- L'Oreal has six brands of which two, Garnier and L'Oreal, occupy the *mid-price* segment. On the other hand, all four salon brands are in the *premium* segment.
- Coty has three brands. One is Clairol which sits in the *mid-price* segment. Next is salon brand Sebastian, a member of the *premium* group. Last is salon brand Nioxin which belongs to the *super-premium* segment.
- For J&J, Neutrogena, Johnson's, and Johnson & Johnson are three *mid-price* brands, but the anti-dandruff salon brand Nizoral is a member of the *premium* group.

### 12. Supermarket vs. Salon Shampoos

#### 12.1 Big Companies Gobble up Salon Brands

"Another one bites the dust: L'Oreal buys Pureology". And, so goes a headline in a 2007 blog from *The Beauty Brains* (Note 21).

Over the last two decades large corporations have steadily been buying salon brands so much so that they owned 12 with a market share of 9.2% in 2008 (Figure 3), leaving way behind six

independently-owned salon brands with a market share of 2.2% (Figure 4).

As we have mentioned before, there has been a great increase in the income of the *upper class*, and a significant rise in the income of the *upper middle class*. So, the reason the big companies are raising their presence in the salon market is, because it is the luxury market where the action is likely to be in the future.

### 12.2 Supermarket Shampoos

Paula Begoun (2004), author of *“Don’t go shopping for hair-care products without me”*, offers the following comments (Morales, 2005):

- There is no need to go to a salon store to get great products. One can find them in a drug store at a fraction of the cost.
- It is not necessary to buy a special shampoo that prevents color from fading, because regular shampoos can do the job just as well.
- If one likes big, bouncy hair, one can use a volumizing shampoo. But the boosting ingredients can build up, so one should not use this shampoo every day.
- Expensive does not necessarily mean better, and one should spend no more than \$6 on a shampoo.
- “There is absolutely no difference between expensive products and inexpensive products, and I say that unequivocally”.

Laura Waters (2017), Principal Enterprise Fellow, University of Huddersfield, conducted a study for BBC. She found that all shampoos contain ingredients that are similar. She collected samples of unwashed hair from two Ph.D. students. Then she discovered that all samples, regardless of the kind of shampoo that was used, or its price, “were equally clean after washing”.

Waters says there was no difference between samples from a mid-range shampoo, and one with a price tag of £40 per bottle. However, she cautions against buying the very cheapest brands.

Consumers often think that shampoos with a thick texture are better than thinner one. However, Waters points out that there is no difference between the two.

### 12.3 Salon Brand Shampoos

Waters (2017) asks that if all shampoos clean hair just as well, then why the salon brands cost much more? She says the higher cost is for fragrances and extra conditioners. The extra conditioners help avoid static hair and leave it “more manageable, softer and easier to style”.

She states that even if a shampoo contains a conditioner, one should also use a more expensive conditioner to get the best results.

Waters suggests that if you like a particular brand of expensive shampoo because it works for you, and you like its fragrance, you don’t need to switch. However, if you just want clean hair you can save a lot of money over the long haul if you switch over to a supermarket brand.

According to Rod Sinclair, professor of medicine at The University of Melbourne, and director of Sinclair Dermatology, supermarket brands differ from salon brands mostly that they are lower in price.

However, some salon brands use natural or organic ingredients, and some may also be sulphates free (Naughton, 2016).

Abba shampoo is a good example of hair care products that contain 100% plant-derived botanicals. The company claims that the botanicals protect hair and color for a longer period of time (Note 33).

Sinclair points out that salon brands “aim for superior fragrance, shine and usability and sometimes may have fewer ingredients”.

He says that some consumers are worried about sulphates in their shampoo and conditioner, but he is not concerned about it.

Salon brand Bumble & Bumble offers sulphate-free shampoos with conditioners (Note 34). Others like, Pureology and Kerastase, too, offer shampoos that are sulphate free.

Pureology argues that the ability of sulphates to attract dirt make them ideal for cleaning hair, but they can sometimes be “too powerful and mess with your hair”. The reason is that “sulphates grab onto buildup in your hair, they also strip hair color and oils along with it” (Note 35).

### 13. Why Hair is Important to Women

This section is based on an article in *Time*, that is grounded in scholarly work (Fabry, 2016):

- While fashions may change over time, the association between “women and long hair is an ancient one”.
- The tradition dates back to the Greeks and Romans. The Bible, too, has said that if a woman has long hair “it is a glory to her”.
- Hair is highly communicative that allows individuals to send messages of health, sexuality, religiosity, and power on first glance.
- “Inferences and judgments about a person’s morality, sexual orientation, political persuasion, religious sentiments, and in some cultures, socio-economic status...can sometimes be surmised by seeing a particular hairstyle”.
- In order to have long hair it is necessary to be healthy. “You have to eat well, have no disease, no infectious organisms, you have to have good rest and exercise”.
- Long hair is also a status symbol, especially complex hairstyles that need outside help implying that “you have the wealth to do it”.

Women often see their hair as a reflection of their identity because it is both “personal and public”, and a symbol of their femininity (Ellery, 2014).

Long hair has been an integral part of a woman’s beauty in India’s ancient culture.

In India beauty is considered an expression of godliness, in which “long, lustrous, thick, black hair” plays a central role: a role that is actively promoted by Bollywood (Note 36).

#### 13.1 Need for Esteem from Others: Physical Appearance

In Maslow’s hierarchy of needs, fourth toward the top of the pyramid are *esteem* needs, which can be divided in two parts: *self-esteem*, and *esteem from others*. One channel to pursue *esteem from others* is to

try to get *attention*, and the best way to accomplish that is through *physical appearance* (Datta, 2010c). As stated above, women often see their hair as a reflection of their identity. Thus, physical appearance is critically important to them. Although many women may be proud of their physical appearance, it is not unreasonable to argue that the primary stimulus for this constant focus is driven by their basic need of seeking “*esteem from others*” (Datta, 2010c).

For example, in the 2008 U.S. presidential campaign Hillary Clinton had to spend an hour and a half every morning to get ready: doing her hair, putting on her makeup, and thinking about what to wear. In contrast, it took Barack Obama at the most 20 minutes to put on one of a dozen identical dark blue suits, a white shirt and a red tie (Datta, 2010c).

### 13.2 Need for Self-Esteem: Affordable Luxuries

We have just talked about the need for *esteem from others*. Now it is time to discuss the *self-esteem need*. One avenue for achieving this objective is through *personal enrichment*. One way to accomplish this is via *self-indulgence* (Datta, 2010c).

One example of this is driving a high-powered sports car. Another that most people can relate to is to indulge in “*affordable luxuries*”.

Pressured by an increasingly hectic schedule, many busy, stressed-out members of the middle class are allowing themselves the indulgence of small “*affordable luxuries*”: such as, a \$4.50 tall Starbucks latte, a \$10 six-pack of Heineken beer, a gourmet take-out dinner, and so on (Datta, 2010c).

Another example that is particularly relevant to this study is L’Oreal’s famous ad slogan “Because I am worth it” (Datta, 2010c).

As we have reported before, women often see their hair as a reflection of their identity because it is both “personal and public”, and a symbol of their beauty and femininity. And this may be the impetus that may be inducing even some middle-class women—especially working women—toward splurging money on *salon* brands.

## 14. Increasing Economic Inequality in America

Economic inequality in America has been going up unrelentingly, squeezing the middle class for more than four decades. America’s income inequality has now widened so much that it has even exceeded the highest level recorded in 1928 that led to the Great Depression of 1929. Likewise, there is an extraordinarily high concentration of wealth at the very top (Datta, 2011).

There are myriad of factors behind the increasing income inequality in America. One of them is long-term demographic changes, triggered by social movements and changing social mores (Note 37). Another development is a significant increase in families in which both husband and wife are professionals. And that, over time, has further accentuated income inequality (Datta, 2011).

In 2008, the *upper middle class* occupied the 80-99.5<sup>th</sup> percentile, with an income range of \$100,240-\$558,726 (Datta, 2011). After adjusting for the consumer price index, the above range would be between \$117,000 and \$654,000 for 2018.

Members of middle management, physicians, dentists, attorneys, small business owners, engineers, scientists, accountants, architects, and professors from top universities are usually the kind of people who belong to this group (Datta, 2011).

In 2008, the pre-tax income share of the *top* 0.5% (99.5-100<sup>th</sup> percentile) was 82% vs. 18% for the *bottom* 0.5% (99-99.5<sup>th</sup> percentile) (Datta, 2011).

It is clear that the two halves of the *top* 1% belong to very different neighborhoods: first being part of the *upper class*, and the second the top earners among the *upper middle class*. So, what is behind this gaping disparity?

The higher we go up into the top 0.5%, the more likely it is that their income and wealth is in some way tied to the investment industry, and borrowed money, than from personally selling goods or services—or labor—as do most in the bottom 99.5%. They are much more likely to have built their net worth from stock options, capital gains in stocks, and real estate: *not* from income which is taxed at a much higher rate. Those opportunities are largely unavailable to the bottom 99.5% (Datta, 2011).

#### 14.1 From a Mass to a Class Market

During the post-World-War-II period 1947-1973, America experienced a sustained period of widespread prosperity. By the end of the 1970's American consumers had become tired of the standardized goods churned out by the country's vaunted mass-production machine (Datta, 2011, 2017).

The failure of the mass-circulated, general-purpose magazines—*Life*, *Look*, and *Saturday Evening Post*—during the seventies symbolized the demise of the mass production era (Datta, 2011).

This is the time when America had reached a stage where the era of bland food was grinding to a halt. Symbolizing this trend was the opening of the first Starbucks in 1971 (Datta, 2017).

Another notable development in fragmentation of the U.S. mass market was the opening of two major discount chains in 1962—Wal-Mart and K-Mart—that aimed at catering to the *economy* segment (*ibid*). Thus, the mass market of yesterday was fragmenting into a *class* market of today (Datta, 2011, 2017).

An important implication of this development has been a sharp increase in the luxury market—*premium* and *super-premium* segments—on the one hand, and *economy* segments on the other: a phenomenon, aided and abetted by increasing income inequality in America (Datta, 2011).

An excellent example is this study of the U.S. Shampoo market.

#### 14.2 Upper Middle Class Driving the Salon Market

The *upper middle class* consists mostly of professionals. They are more likely to engage in foreign travel and have a cosmopolitan taste. But, most importantly, their lifestyle and opinions exert considerable influence over the entire society (Datta, 2011, 2017).

Members of the *upper middle class* regularly travel to foreign countries, because they consider this as an extension of their education, and because it can give them a better understanding of different cultures in today's global economy. Since they engage in foreign travel frequently, they tend to acquire a more cosmopolitan taste.

One concrete example is the U.S. Beer market. As many Americans began to travel to Europe in large numbers in the 1970s, they became fond of European beer. Thus, the upper middle class played the primary role in giving rise to two transformative events in the U.S. Beer industry: the birth of the *import* and *craft* markets (Datta, 2017).

Similarly, Americans visiting Paris, home of L’Oreal, are likely to have learnt a lot about the latest developments in cosmetics and hair care from the number *one* cosmetics group in the world: L’Oreal.

#### 14.3 Luxury Salon Brands Status Goods

We have noticed earlier, that the salon shampoo segment had captured 11.4% of market share in 2008 that amounted to \$159 million. While some middle-class women may be using salon brands, as we have mentioned above, such a big market cannot be explained alone by the notion that “I am worth it”. As we have mentioned above, one reason why salon brands cost more is for their superior fragrance, shine, usability, and extra conditioners. Another is that some may have organic or natural ingredients. Third is that some may have no sulphates.

But, as we have reported before, how do you explain a price of \$32.05 for an 8.5 Oz bottle of Kerastase, or \$25.43 for a Pureology 10.1 Oz bottle, compared with just 5.05 for an 8.5 Oz bottle of Pantene?

The answer is you cannot!

One characteristic of salon stores is that they are run by hairstylists. As Paula Begoun later says, most hair care companies make bogus or misleading claims about their products. And most of the knowledge hairstylists have about hair care products comes directly from hair care companies: the very companies that make false or misleading claims about their products.

Thus, this may be an important factor contributing to the high prices of salon brands.

Drucker says *status* goods are those for which high price itself is an integral part of their appeal. He identifies liquor and perfume as examples (Datta, 2010b).

We would like to suggest that *super-premium*—and beyond—or luxury shampoo brands should also be added to that list.

Johnny Walker Blue Label 750 ml whiskey costs \$193—a fortune for most people. But the Black Label costs, relatively speaking, only \$32 (Note 38)! However, most people cannot tell the difference between the two. Nevertheless, the rich and the very affluent buy brands like Blue Label primarily because they *are* so expensive!

As we have discussed above, women often see their hair as a reflection of their beauty, identity and a symbol of their femininity. So, for affluent women a luxury salon shampoo would score far higher than a bottle of Blue Label whisky: even though most cannot tell the difference between a mid-price shampoo and one with a price tag of £40 per bottle!

## 15. An Overview of the Hair Care Industry from Paula Begoun

Paula Begoun, author of several successful books on the cosmetics industry, is an astute student of the hair care market. So, we believe there is no better way to conclude this study than to present her insights into the industry. And here is what she has to say (Begoun, 2004, Ch. 1):

- Hair care industry has gone through a lot of changes over the years. On the one hand, it has become more “technical and specific”, and therefore more complicated. But on the other, it has remained the same.
- As far as skin care and makeup is concerned, there are “literally thousands of ingredients that can have a positive impact on the skin”. However, only a limited number of ingredients—that can be effective—are available to a hair-care chemist.
- Hair care marketing is full of hype. So, relying on such hype would not be helpful because most of the claims by hair-care companies “just aren’t possible”.
- Skin-care products can frequently be harmful to the skin. However, it is not the same with hair care. There are far more great hair-care products than bad ones.
- Most hair care companies make “bogus or misleading claims about what their products can and can’t do”.
- Most of the knowledge hairstylists have about hair care products comes directly from hair care companies. Thus, hairstylists are being trained by the “very companies that make the false or misleading claims about their hair care products”.

## 16. Conclusion

This study is based on the idea that in most consumer markets, a business seeking market share leadership should try to serve the middle class by competing in the *mid-price* segment; and offering quality better than that of the competition: at a somewhat higher price to connote an image of quality, and to ensure the strategy is both profitable and sustainable in the long run.

Quality, however, is a complex concept consumers generally find difficult to understand. So, they often use relative price and a brand’s reputation as a symbol of quality.

The U.S. Shampoo market is very competitive and consists of a large number of brands. Most brands are sold at supermarkets, drug stores, discount stores, and department stores. However, many *premium* and *super-premium* brands—called salon brands—are sold by beauty salons.

Yet, as for as quality is concerned, we discovered that there is not much difference between supermarket brands, and the far more expensive salon brands.

Through the extraordinary generosity of A.C. Nielsen Co. we were fortunate to get the U.S. Shampoo retail sales data for 2008 and 2007. We examined this data for 2008 and 2007 that contained three bottle-size groups. For the year 2008, by far the largest is the medium group (11.6-15.4 oz) with a market share of 52%; next is the large group (22.5-25.4 oz) with a 17% market share; and small (8-11.5 oz) with a market share of 14%.

For 2008 the U.S. Shampoo sales were \$1.4 Billion.

The main objective of this study is to test two hypotheses: (1) that the market-share leader would be a member of the *mid-price* segment, and (2) that the market-share leader would carry a price tag *higher* than that of the nearest competition.

Employing Hierarchical cluster analysis, we found that P&G's Pantene, the market leader, was a member of the *mid-price* segment for both years—and for all three bottle-size groups.

However, the results did not support the second hypothesis. This is because the runner-up happened to be P&G's Head & Shoulders anti-dandruff shampoo: a type of specialty shampoo generally priced higher than general-purpose shampoos.

To determine the consistency and reliability of the results of cluster analysis, we found bivariate correlation of unit price *rank* data of each brand for 2008 and 2007 to be significant at an amazing 0.01 level—for all three bottle-size groups.

An important conclusion that one can draw from such a remarkable result is that management in the U.S. Shampoo market must have been treating price as a *strategic* variable, as we have suggested.

We compared the results of this study with similar studies of the U.S. Men's Shaving Cream Market, and the U.S. Beer Market, and found the results to be very similar, indicating a pattern emerging for consumer markets.

Bivariate correlation between net sales and promotional sales was significant at 0.01% level for both years, implying that promotion played an important role in the industry.

The shampoo market has been dominated by unisex products for a long time. However, there is now a clear trend toward shampoos for men.

Women often see their hair as a reflection of their identity, because it is both “personal and public”, as well as a symbol of their beauty and femininity. So, physical appearance is critically important to them: and the primary stimulus for this constant focus is driven by their basic need of seeking *esteem from others*.

And then there is the need for *self-esteem*. One avenue for achieving this need is through *personal enrichment*, and one way to accomplish it is through *self-indulgence*. An example that is particularly relevant to this study is L'Oreal's famous ad slogan “Because I am worth it”.

And this may be the impetus that may be driving even some middle-class women—especially working women—toward splurging money on *salon* brands.

Economic inequality in America has been going up unrelentingly, squeezing the middle class for more than four decades. In contrast, there has been a large increase in the income of the *upper middle class*. And it is this class that is driving the growth of the *salon* brands.

We suggest that the luxury *salon* brands be regarded as *status* goods, such as liquor and perfume, for which high price itself is an important part of their appeal. That is why large companies are gobbling up *salon* brands: because it is the luxury market where the action is likely to be in the future.

Finally, we discovered the following four strategic groups in the industry:



Beauty/Personal Care Group	Market Share
• P&G: Market Leader	29.6%
• Unilever: Runner-up	21.1%
• L'Oreal Group	14.7%
Beauty & Pharmaceutical Group	
• Coty	7.2%
• Johnson & Johnson	5.9%
Other Corporate Brands	13.2%
Minor Brands	5.3%

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## Notes

- Note 1. <https://www.adrianasassoon.me/tag/history-of-shampoo/>
- Note 2. <https://www.bcachemistry.wordpress.com/tag/shampoo/>
- Note 3. <https://www.en.wikipedia.org/wiki/Shampoo>
- Note 4. <https://www.americancrew.com/about-american-crew>
- Note 5. This data is from food stores (supermarkets) with sales of over \$ 2 million, and drug stores over \$ 1 million; it also includes discount stores, such as Target and K-Mart, but *excludes* Wal-Mart as well as warehouse clubs, e.g., Sam’s Club, Costco, and BJ’s. It also does not include the “dollar” stores, such as Dollar General, and others.
- Note 6. For those stores for which, during a week, there were feature ads, coupon ads, display, or temporary price decrease of at least 5%.
- Note 7. There is no objective way to define what a salon shampoo is because many so-called salon shampoos are sold by supermarkets and drug stores. So, we have classified only those brands that are being sold by salon stores in the Orlando area.
- Note 8. Dermarest and MG217.
- Note 9. The six classes are: “The Poor”, “The Near Poor”, “Traditional Middle Class”, “The Upper-Middle Class”, “The Very Rich/The Rich”, and “The Mega Rich—Masters of the Universe”.
- Note 10. [https://www.pg.com/translations/history\\_pdf/english\\_history.pdf](https://www.pg.com/translations/history_pdf/english_history.pdf)
- Note 11. [https://www.pg.com/fr\\_FR/downloads/annual\\_reports/PG\\_Annual\\_Report\\_2016.pdf](https://www.pg.com/fr_FR/downloads/annual_reports/PG_Annual_Report_2016.pdf)
- Note 12. <https://www.pantene.com.ph/en-ph/about-us/the-history-of-pantene>
- Note 13. <https://www.unilever.com/investor-relations/unilever-shares/about-shares/unilever-shares-the-basics/>
- Note 14. <https://www.unileverusa.com/our-stories/stories/unilever-usa-named-to-2017-working-mother-100-best-companies.html>
- Note 15. [http://www.loreal-finance.com/en/annual-report-017/LOreal\\_2017\\_Annual\\_Report.pdf](http://www.loreal-finance.com/en/annual-report-017/LOreal_2017_Annual_Report.pdf)
- Note 16. <https://www.loreal.com/group/history/>
- Note 17. <http://www.loreal-finance.com/en/annual-report-2017/ethics/transparency-awards>
- Note 18. <http://www.kerastase.in/en-in/home>

- Note 19. <https://www.loreal.com/brand/professional-products-division/redken>
- Note 20. <https://www.loreal.com/media/press-releases/2000/apr/1%E2%80%99or%C3%A9al-acquires-matrix-essentials>
- Note 21. <http://www.thebeautybrains.com/2007/05/another-one-bites-the-dust-loreal-buys-pureology/>
- Note 22. <https://www.coty.com/in-the-news/press-release/coty-Q4-earnings-FY17>
- Note 23. [https://www.cosmeticsbusiness.com/news/article\\_page/PG\\_confirms\\_names\\_of\\_all\\_43\\_brands\\_sold\\_to\\_Coty/110199](https://www.cosmeticsbusiness.com/news/article_page/PG_confirms_names_of_all_43_brands_sold_to_Coty/110199)
- Note 24. <https://www.clairol.com/en-US/inside-clairol>; <http://www.adweek.com/brand-marketing/how-clairol-hair-color-went-taboo-new-you-147480/>
- Note 25. <http://www.evaluategroup.com/Universal/View.aspx?type=Story&id=28231>
- Note 26. <https://www.bizjournals.com/cincinnati/stories/2009/03/02/daily38.html>
- Note 27. [http://www.investor.jnj.com/\\_document/2017-annual-report?id=00000162-2469-d298-ad7a-657fef1c0000](http://www.investor.jnj.com/_document/2017-annual-report?id=00000162-2469-d298-ad7a-657fef1c0000)
- Note 28. <https://www.neutrogena.com/why-neutrogena.html>
- Note 29. <https://www.jnj.com/latest-news/johnson-and-johnson-makes-fortune-2017-change-the-world-list>
- Note 30. [https://www.happi.com/contents/view\\_breaking-news/2005-11-11/kao-corp-acquires-john-frieda](https://www.happi.com/contents/view_breaking-news/2005-11-11/kao-corp-acquires-john-frieda)
- Note 31. <https://www.behindthechair.com/news/breaking-news-henkel-acquires-shiseido-owned-joico-zotos/>
- Note 32. <https://www.reuters.com/article/us-henkel-kga-hair-care/henkel-to-buy-three-u-s-hair-care-brands-for-370-million-idUSKBN0ED0TC20140602>
- Note 33. [http://www.beautycarechoices.com/abba/land/6339440?gclid=Cj0KCQjw0PTXBRCGARIsAKNYfG2TBJaWCXc4H6dHjyKdIS6hf3a2433exT0trh3tfM12vRuTHzwfcU8aAknPEALw\\_wcB](http://www.beautycarechoices.com/abba/land/6339440?gclid=Cj0KCQjw0PTXBRCGARIsAKNYfG2TBJaWCXc4H6dHjyKdIS6hf3a2433exT0trh3tfM12vRuTHzwfcU8aAknPEALw_wcB)
- Note 34. [https://www.bumbleandbumble.com/hair-shampoo-conditioner?gclid=Cj0KCQjwre\\_XBRDVARIsAPf7zZg259d6XmQkPVBxer45K5t4gd6LhDMNJnVC9wCtdDdNdJ7IALDpMdkaAsGTEALw\\_wcB&gclsrc=aw.ds&dclid=CNG10vDyi9sCFYx\\_wQod0V4K2A](https://www.bumbleandbumble.com/hair-shampoo-conditioner?gclid=Cj0KCQjwre_XBRDVARIsAPf7zZg259d6XmQkPVBxer45K5t4gd6LhDMNJnVC9wCtdDdNdJ7IALDpMdkaAsGTEALw_wcB&gclsrc=aw.ds&dclid=CNG10vDyi9sCFYx_wQod0V4K2A)
- Note 35. <https://www.pureology.com/blog/lifestyle/everything-to-know-about-sulfate-free-shampoo.html>
- Note 36. <https://www.loreal.com/media/beauty-in/beauty-in-india/a-culture-of-beauty>
- Note 37. These changes include a high divorce rate, marital separations, births out of wedlock, and increasing age at first marriage. This has led to a significant rise in *single-parent* families and *nonfamily* households which tend to have *lower* income—compared to married-couple households.
- Note 38. [http://www.totalwine.com/scotch/blended-scotch/johnnie-walker-double-black/p/118717750-1?glia=true&s=920&pid=cpc:Shopping+US+FLOR+ENG+SPART:::google:&gclid=CjwKCAjw8\\_nXBRAiEiwAXWe2yYH6EXh-nW2Onw-9orBMiS1wUZb1MgPOTxiz\\_OKFIoOQf6qqrcc6dBoCU90QAvD\\_BwE&gclsrc=aw.ds](http://www.totalwine.com/scotch/blended-scotch/johnnie-walker-double-black/p/118717750-1?glia=true&s=920&pid=cpc:Shopping+US+FLOR+ENG+SPART:::google:&gclid=CjwKCAjw8_nXBRAiEiwAXWe2yYH6EXh-nW2Onw-9orBMiS1wUZb1MgPOTxiz_OKFIoOQf6qqrcc6dBoCU90QAvD_BwE&gclsrc=aw.ds)