

Original Paper

The U.S. Canned Soup Market: A Competitive Profile

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Received: May 17, 2020

Accepted: May 25, 2020

Online Published: May 28, 2020

doi:10.22158/jepf.v6n2p153

URL: <http://dx.doi.org/10.22158/jepf.v6n2p153>

Abstract

This paper follows the path of eight studies of U.S. markets: Men's Shaving Cream, Beer, Shampoo, Shredded/Grated Cheese, Refrigerated Orange Juice, Men's Razor-Blades, Women's Razor-Blades, and Toothpaste.

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. However, customer-perceived quality—not low cost—should be the underpinning of competitive strategy, because it is far more vital 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 price somewhat higher, to signify an image of quality, and to ensure that the strategy is both profitable and sustainable in the long run.

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

In 2008 the U.S. retail sales for the Canned Soup market were \$3.44 Billion. The market leader Campbell had a commanding share of 52.5%, followed by a far-distant second Progresso with a share of 17.8%. A notable feature of this market was the tremendous variety of soups, albeit many with minor variations, that equaled the unbelievable figure of 1011!

We focused our attention on the two best-selling varieties of soup: (1) Chicken Broth canned, the market leader, with 11.1% market share, and (2) Chicken Noodle Soup canned, with a 7.4% share. Within each variety we chose the can-size range with the highest sales.

Using Hierarchical Cluster Analysis, we tested Hypotheses I that a market leader is likely to compete in the mid-price segment. Employing U.S. retail sales data for 2008 and 2007, we found that for both Chicken Broth and Chicken Noodle Soup—for 2008 and 2007—the market leader Campbell was a

member of the mid-price segment.

For Hypothesis II we wanted to test the proposition that the unit price of the market leader would be somewhat higher than that of the nearest competition. For Chicken Broth we could not test this hypothesis because Progresso, the runner-up, could not be included in this analysis.

However, for Chicken Noodle Soup the results did not support the hypothesis because Progresso happened not to be a part of the mid-price, but that of the premium segment.

Finally, we discovered four strategic groups in the industry.

Keywords

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

1. Introduction

This work follows the footprints of *eight* studies of U.S. markets: Men's Shaving Cream, Beer, Shampoo, Shredded/Grated Cheese, Refrigerated Orange Juice, Men's Razor-Blades, Women's Razor-Blades, and Toothpaste (Datta, 2012, 2017, 2018a, 2018b, 2018c, 2019a, 2019b, 2020).

This research is based on the notion that the path 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 premise—according to the PIMS (Note 1) 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 *better* than that of the nearest competition (Datta, 2010a, 2010b, 2012, 2017, 2018a, 2018b, 2018c, 2019a, 2019b, 2020).

To make this idea *operational* calls for *two* steps. The first 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, 2018a, 2018b, 2018c, 2019a, 2019b, 2020). The answer lies in serving the *middle* class by competing in the *mid-price* segment. This is the socio-economic segment that represents about 40% of households in America (Datta, 2011). It is also the segment that Procter & Gamble (P&G), a leading global consumer products company, has successfully served in the past (Datta, 2010b, 2012, 2017, 2018a, 2018b, 2018c, 2019a, 2019b, 2020).

1.1 The Strategic Importance of Price Positioning

In a competitive market one would normally expect more than one major brand competing in the *mid-price* segment. So, the second step for a business seeking market share leadership is to position itself at a price that is *somewhat* higher than that of the nearest 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 (*ibid*).

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, 2018a, 2018b, 2018c, 2019a, 2019b, 2020).

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 example is the Fairfield Inn. When Marriott introduced this chain, it targeted it at the *economy* segment. And then it positioned it at the *top* of that segment (Datta, 1996, 2017, 2018a, 2018b, 2018c, 2019a, 2019b, 2020).

1.2 Close Link between Quality and Price

As mentioned above, *customer*-perceived quality is the most important factor contributing to the long-term success of a business. However, quality cannot really be separated from price (Datta, 1996). Quality, in general, is an intricate multi-dimensional concept that is difficult to comprehend. So, consumers often use *relative* price—and a brand’s reputation—as a symbol of quality (Datta, 2010b, 2012, 2017, 2018a, 2018b, 2018c, 2019a, 2019b, 2020).

2. A Brief History of the Campbell Soup Co.

A history of the U.S. Canned Soup industry is in reality a history of the Campbell Soup Co., the *inventor* of the *condensed* soup which has made the company “as the nation’s leading purveyor of nutritious, convenient, and inexpensive meals” (Note 2).

We could not have chosen a better source for this section than the incisive book by Collins and Dupree (1994). So, we have taken the liberty of primarily relying on their work for our coverage of this section.

2.1 The Birth of the Campbell Soup Co.

Joseph A. Campbell, a fruit merchant, and Abraham Anderson, an icebox manufacturer, formed a partnership that one day would become Campbell Soup Company (hitherto called Campbell Co). They opened their first plant in Camden, NJ in 1869 (Note 3).

In 1882 Anderson left the partnership and was replaced by Arthur Dorrance to form a new company. In 1994 Joseph Campbell retired from the company, and was succeeded by Arthur Dorrance as President.

In 1914 his nephew, John T. Dorrance, who joined the company in 1897, became President (Note 3).

Around the time when this business was founded, America was slowly making a transition from an agrarian to an industrial economy. This created an urgent need to ensure that fresh food—meat, poultry, fish, vegetables—remained unspoiled during its trip from rural farms to urban consumers (Collins & Dupree, 1994, pp. 13-14).

One of the early technologies to preserve food was discovered by Italian abbot, Lazzaro Spallanzani, who found that everyday *air*, although generally life-giving, promoted *spoilage*. He argued, *rightly*, that if meat extract was cooked at a high temperature, and then sealed *airtight*, the contents would remain uncontaminated indefinitely. However, after successfully testing his idea, Spallanzani did not pursue his bright idea any further (*ibid*, p. 18).

In 1809 a French entrepreneur, Nicholas Appert, won a prize of 12,000 francs from Napoleon for a technology that preserved food. Now Appert is known as the “father of canning”. And that is how *commercial* canning was born (*ibid*, p.19).

Far more important to the growth of the canning industry in Europe and America was Englishman Peter Durand’s invention of a *light, durable can* that could replace the heavy, breakable, *glass* bottles that were central to Appert’s canning process (*ibid*, p. 20).

Although tin cans were initially expensive, yet they were lightweight, unbreakable, and easy to ship, and therefore, perfect for food producers. By the beginning of the American Civil War in 1861canning had become quite popular. However, one problem with the tin can was that its manufacture was *labor* intensive that required highly skilled labor (*ibid*, pp. 20-21).

When Anderson joined Campbell in partnership in 1869, he brought with him his knowledge of working with *tin*, and that meshed perfectly with that of Campbell, a farm boy, who was a purchasing agent for a local fruit-and *vegetable* wholesaler (*ibid*, p. 21).

2.2 John Dorrance Invents Condensed Soup

John T. Dorrance was the nephew of Arthur Dorrance, the President of Campbell. A bright student, he went to MIT to study Chemistry and graduated in 1895. But he did not rest on his laurels, and went on to the University of Göttingen, Germany to get a Ph.D. degree. And within one year he was able to earn this degree (*ibid*, p. 30).

John T. asked his uncle Arthur for a job in his company. Unbelievably, for a man of his qualification, he was able to get a salary of just \$7.50 per week (*ibid*, p. 30).

At that time there were *just* two major soup producers in the U.S.: Franco American, and Huckins. Both companies were selling ready-to-serve soups in *bulky* half-pint, pint, and quart cans. But, because of this excessive weight they were *expensive* to ship. However, John Dorrance had a *solution* to this problem, which on the face of it was quite simple, yet only a person of his creativity and genius could figure it out. And that solution was to cut down the weight of each can by *halving* the quantity of its heaviest ingredient: *water*!

At that time Gail Borden, the maker of condensed milk, had produced condensed food by chemically extracting the water. However, in the case of soup the process was much simpler: add *less* water to begin with (*ibid*, p. 32).

John Dorrance realized that to manufacture condensed soup successfully he needed a strong *stock* that would hold its flavor even after being diluted by water. What he was looking for was a soup “so concentrated in its taste that the correct dilution would turn it into a delicious *table* soup” (*ibid*, p. 34; *italics* added).

2.3 A Glossary of Soup Terminology

Before we proceed further it is necessary that we introduce a *glossary* of the important terms that are commonly used in the soup industry. It can be found in the *Appendix* toward the end of this paper.

2.4 John Dorrance Introduces Five Soups

Within a year he came up with *five* varieties of condensed soups: *Tomato, Consommé, Vegetable, Chicken, and Oxtail* (Note 4).

Dorrance chose these five soups because “each was quite *simple* in character: rich, flavorful, but uncomplicated in taste and texture”. He believed they would appeal most to the American public. At the same time, these soups had the “nice blend of sophistication and solid value”, and a combination of “English thoroughness and French art”. This was an idea that was articulated by then famous author and culinary expert, Fannie Merritt Farmer (*ibid*, p. 37; *italics* added).

Now Dorrance was confronted with *two* new challenges. One, how to maintain *quality*, and two, how to *market* the soups to the American consumer?

At the turn of the century, America was *not* a soup-eating country, but a meat and vegetables nation. So, Dorrance felt it was easier for Campbell to *make* soup than to sell it. What he was hoping was to inculcate in Americans the habit of making high quality, nutritious, and tasty soup an integral part of their *daily* diet (*ibid*, p. 38).

At that time two soup companies, Franco American, and Huckins, had been trying to accomplish the same thing, but their soups were sold at a *high* premium price, and therefore had a very small market. Dorrance, however, was looking for a much larger *mass* market. But he faced two challenges. One was to *induce* American public to eat more soup, and second to convince them that Campbell soups were truly of *high* quality (*ibid*, p. 38).

As it turned out, Campbell soups were an instant *success*. At the Paris Exhibition in 1900, they were awarded a *gold* medal (*ibid*, p. 41).

Once Americans were convinced of the high quality of Campbell soups, they realized that the price of 10 cents a can was indeed a bargain (*ibid*, p. 41).

An important benefit of Dorrance’s soups was *convenience*. This was the time when American housewives were beginning to make a slow transition from wood-and coal stoves to those burning natural gas. They discovered that heating up a can of soup was *quicker* and *cheaper* than making soup from scratch (*ibid*, p. 41).

2.5 John Dorrance’s Culinary Accomplishment of 21 Soups

Within *five* years of introducing his first five soups, as mentioned above, Dorrance expanded Campbell soup line to twenty-one varieties. Except for Mock Turtle and Pepper Pot, all are included in Auguste Escoffier’s 1904 famous book, *Fine Art of French Cuisine* (*ibid*, p. 65).

These soups fall into *two* groups which are discussed following this section.

Although this list of 21 soups looks pretty familiar today, the composition of this product line was quite *radical*. It was the result of a well thought out and “sophisticated understanding of the history, taxonomy, and character of soup” (*ibid*, p. 66).

In developing this product line, Dorrance had two objectives. One was to *persuade* Americans to serve “high-quality, rich, and well-prepared soups” on a *regular* basis. Second, he believed that even more

important was that the soups be *tasty* (*ibid*).

Dorrance realized that, ironically, his major competitor in this *taste*-test battle were going to be American housewives who would compare Campbell soups with their own home-made soups. This was an *odd* rivalry that “pitted the pride of the housewife against the reputation of Campbell’s chefs” (*ibid*).

Dorrance pursued a smart strategy to win this battle. First, Campbell Co. manufactured soups that tasted *good*. Second, he argued that because making soup at home was so *labor* intensive, there was hardly any need to follow this laborious path (*ibid*, p. 69).

To *increase* Campbell Co’s sales Dorrance wanted to promote the idea of inducing Americans to eat soup on a *regular* basis, at least once a day. As such, he wanted to produce *good*-tasting soups that American public would feel *comfortable* with, and *not* be confused about. So, if one analyzes the initial list of five soups, one would conclude that it was a *masterpiece*: “a product so well put together that each item played its own role in enhancing the appreciation, and thus the sales, of Campbell’s Condensed Soups” (*ibid*).

2.5.1 A Review of the 21 Condensed Soups

The twenty-one soups very “cleverly intermingled: the *exotic* (Mulligatawny) with the *commonplace* (Chicken); the *foreign* (Printanier) with the *native* (Clam Chowder); the rich and *delicate* (Consommé) with the substantial and *heavy* (Vegetable); the *gelatinous* (Oxtail) with the smooth and *creamy* (Asparagus); and the *universal* and international (Tomato) with the *regional* (Tomato Okra)” (*ibid*, p. 72).

Most importantly, “there was soup for everyone, no matter what the individual preference, habit or desire” (*ibid*).

As mentioned above, these soups can be divided in two broad groups: (1) American, (2) Cosmopolitan.

2.5.2 The American Group

The *American* group included: Beef, Chicken, Chicken Gumbo, Clam Bouillon, Clam Chowder, Mock Turtle, Oxtail, Pepper Pot, Tomato, Tomato Okra, and Vegetable (*ibid*, p. 69).

The American group had soups that have either American heritage, or were very familiar to the American public. *Beef*, *Chicken*, and *Vegetable* top this list, followed by *Tomato* (*ibid*).

Clam Chowder and *Pepper Pot* are also considered American dishes. Although *Clam Bouillon* has a French name, it, too, has an American pedigree. Similarly, *Mock Turtle* soup is meant to be an alternative to ocean-going terrapin where it is not available in this country. Also, *Chicken Gumbo* and *Tomato Okra* have *native* roots with the addition of *okra* (*ibid*).

2.5.3 The Cosmopolitan Group

The second group is the *Cosmopolitan* group that included: Asparagus, Bouillon, Celery, Consommé Julienne, Mulligatawny, Mutton, Pea, Printanier, and Vermicelli Tomato.

This is the group of soups Americans were not familiar with. Two of these were either British (*Mutton*), or have a *British* association (*Mulligatawny*). All the remaining ones were *French* in origin.

Traditionally, Americans considered French cooking as too *showy* or ostentatious. Bucking tradition by offering many soups of French origin, Dorrance hoped to either change or eliminate this *prejudice* (*ibid*, p. 70).

However, it seems that Dorrance was only *partially* successful in his ambitious goal because several soups in the Cosmopolitan group did not survive in the American market, as revealed by our 2008 retail sales data. This includes Julienne, Mulligatawny, Mutton, Printanier, and Vermicelli Tomato.

To sum up, Dorrance was able to offer a product line with a *cosmopolitan* origin on the one hand, and a more familiar *American* heritage on the other: one that blended Fannie Farmer's goal of combining "British thoroughness and French art" (*ibid*).

2.6 How Skillful Advertising Has Contributed to Campbell Co's Success

Clearly, the invention of *condensed* soup by John Dorrance was the pre-eminent contributor to the phenomenal success of the Campbell Soup Co. In addition, offering a product line of good *quality* soups that also tasted *good*, the *convenience* of ready-to-eat soup, and the *bargain* price of 10 cents a can were also important factors in the company's accomplishment.

However, there is still *another* factor that also contributed to this success: a *smart* advertising strategy.

In 1898, a company executive attended the annual Cornell-Penn football game. He was so impressed by Cornell's bright red-and-white uniform, that he was able to convince Campbell management to use the colors on the soup *labels* (Note 3).

As it turned out, the red-and-white design proved to be the *most* important promotional decision the company ever made (*ibid*, p. 46).

In 1904 the Campbell Co. made another momentous decision: the creation of *Campbell Kids*. This happened when an artist sketched them for a series of advertisements in street cars. Afterwards, Campbell Kids played several roles, including army doctors during WWI, and athletes training for the Winter Olympics (Note 3).

Even now Campbell Kids "remain fixtures of the company's visual presentation" (*ibid*, back of front cover).

By 1962, the Campbell soup *can* had become such an icon of American life, that pop artist, Andy Warhol, memorialized it in several dozen works of art. Warhol said that he did so, at least partly, because he had grown up on Campbell's Tomato Soup (*ibid*).

In 1941 the Campbell Co. opened *Test Kitchens* to develop recipes using condensed soups, a tradition that still continues (Note 3).

2.7 Campbell Co. Acquires Swanson Soup Co.

In 1955 Campbell Co. acquired C. A. Swanson Co. of Omaha. Swanson is primarily a maker of beef, chicken, and vegetable *broth* (Note 3).

2.8 Campbell Co. Launches Chunky Soup

In 1970 Campbell Co. introduced Chunky Soup (Note 3).

2.9 Campbell Co. Introduces Home Cooking Soups

In 1983 Campbell Co. launches Home Cooking soups, which in 2013 became Campbell's Homestyle soups (Note 3).

2.10 Campbell Co. Introduces Ready-to-Serve Soups

In 2000 Campbell Co. launches ready-to-serve soups with easy-open pop-top lids (Note 3).

2.11 Campbell Celebrates its 150th Anniversary

In 2019 Campbell Co. celebrated its 150th anniversary (Note 3).

3. The Progresso Soup Co.

Progresso was a *runner-up* to Campbell Soup Co. in 2008 with a market share of 17.8%—way behind Campbell's 52.5% share. It was founded in 1949 by Italian immigrants Vincent Taormina, and Joseph Uddo. Pillsbury Co. acquired Progresso in 1989. General Mills acquired Pillsbury Co. in 2001 (Note 5). Most of Campbell soups are *condensed*. However, Progresso offers soups that do *not* require, unlike Campbell, addition of water. And that is why Progresso cans are generally *larger* than Campbell cans (Note 5).

4. Private Brands

It is important to clarify what *private* brands are. These are brands made exclusively for individual *retailers*, e.g., a supermarket, or a drug store. Usually, such brands are targeted at the *economy* segment, and, as such, are generally sold at prices *lower* than those of major name brands. One reason, retailers *like* private brands is because private brands tend to be more profitable than name brands (Datta, 2018b, 2018c).

In 2008 Private Brands had 11% market share of the U.S. Canned Soup market.

5. The U.S. Canned Soup Market—Price-Quality Segmentation Profile

This study is based on U.S. retail sales for 2008 and 2007 (Note 6). The data includes total dollar and unit sales, no-promotion dollar and unit sales, and promotion dollar and unit sales (Note 7).

The U.S. retail Canned Soup sales for 2008 were \$3.44 Billion, with Campbell, the market leader, carrying a share of 52.5%, followed way-behind by Progresso with a market share of 17.8%.

5.1 Hierarchical Clustering as the Primary Instrument of Statistical Analysis

We have used cluster analysis as the *primary* 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 grounded in a theoretical framework, as laid out below.
- Second, we are fortunate that we were able to get national 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 Hierarchical cluster analysis to be *superior* in meeting that test. So, we did *not* consider it necessary to use the KMeans technique.

5.2 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.

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, 2012, 2017, 2018a, 2018b, 2018c, 2019a, 2019b, 2020).

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 (Note 8). 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).

5.3 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, 2012, 2017, 2018a, 2018b, 2018c, 2019a, 2019b, 2020):

- 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 means that either the *premium* or the *mid-price* segment consists of two *sub-segments* (see Table 1).

5.3.1 External Evidence to Validate Results of Cluster Analysis

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. A case in point is that of P&G which says that its plan is to compete in all “price points”: *super-premium*, *premium*, and *mid-price: except the economy* segment (Datta, 2010b).

5.4 Testing Hypotheses

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

The retail sales data presented us with a tremendous variety that equaled as many as 1011 types of soups in 2008: many with minor variations. That included a total of 222 brands, many very small, with just 29 brands topping 2008 sales over \$1 million.

It is important to point out that canned soups are sold in *two* formats: *condensed*, that require the addition of *water* before they can be eaten, and larger cans that do *not*.

We focused our attention on the *two* best-selling varieties of soup: (1) *Chicken Broth* canned, the market leader, with 11.1% market share, and (2) *Chicken Noodle Soup* canned, with a 7.4% share.

5.5 Results of Cluster Analysis

5.5.1 Chicken Broth

In Table 1, we present results of cluster analysis for 2008 that focuses on the *most* popular can sizes—between 13.25- and 16 oz—except for Campbell which had only the 10.5-oz version. Where a brand had multiple can sizes in this range, we chose the *best-selling* size.

Since *Chicken Broth* is essentially a *liquid*, the general industry practice seems to be to sell *larger* cans that do not need the addition of water. Nevertheless, Campbell seems to an exception which offers even *Chicken Broth* cans in a *condensed* version.

The results *support* Hypothesis I: That the market leader—Campbell—with a market share of 52.5%—would be a member of the *mid-price* segment. For 2007, too, the results were *identical*.

One brand that is *missing* from this analysis is *Progresso* because it offered only *one* huge can size of 32 oz which was way beyond the 16 oz size: the largest in this analysis.

So, we were *unable* to test Hypothesis II for the *Chicken Broth* segment.

5.5.2 Chicken Noodle Soup

Table 2 contains the results of cluster analysis for 2008 for this segment. The can size ranges from 10.5- to 19 oz.

5.5.3 Condensed vs. Non-condensed Soup Cans

Our data does *not* indicate whether a soup can contains condensed soup or not. So, we looked at the internet and discovered that all brands with 10.5-10.75 oz cans fall in the *condensed* group.

According to the instructions on Campbell’s *Chicken Noodle* soup 10.75-oz can label, you are supposed to add *one* can of *water* to the soup. So, we think the brands with these two different formats are by and

large comparable.

Like Table 1, the results *support* Hypothesis I: That the market leader—Campbell—would be a member of the *mid-price* segment. For 2007, too, the results were *alike*.

However, the results for *Chicken Noodle Soup* did *not* support Hypothesis II, because Progresso was found to be a part of the *premium*, *not* the *mid-price* segment.

5.5.4 Progresso Competing in the Premium Segment

One *notable* result of the above analysis is Progresso's membership of the *premium* segment for both 2008 (and 2007). Apart from matters of quality that consumers like, perhaps Progresso's 18.5 oz can does have more soup than Campbell's 10.75-oz. can. Nevertheless, Progresso's \$1.89 unit price is *double* that of Campbell's \$0.89!

5.6 Negative Results Do Not Negate Our Proposition Behind Hypothesis II

As mentioned above, the results of cluster analysis did *not* support Hypothesis II for Chicken Noodle Soup because the *runner-up* Progresso turned out to be a member of the *premium*, *not* the *mid-price* segment.

As we have mentioned earlier, in a competitive market one would usually expect more than one major brand competing in the *mid-price* segment. So, the second step for a business seeking market share leadership is to position itself at a price that is *somewhat* higher than that of the nearest competition in the *mid-price* segment.

Now while Progresso did manage to become the *runner-up* in the canned soup market, its market share was just *one-third* that of Campbell's. Therefore, it *cannot* be considered a direct competitor of Campbell.

So, here is a market that has a very *large* number of small competitors, but one *giant* company that dwarfs everyone else. Thus, given a structure that is not very common, a market of this kind does *not* lend itself to a situation where the proposition behind Hypothesis II becomes relevant and, as such, can then be tested.

5.7 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 for 2008 and 2007, for *Chicken Broth*, and *Chicken Noodle Soup*.

For both soup varieties, all *three* measures of *bivariate* correlation—Pearson, and non-parametric measures Kendall's tau_b, and Spearman's rho—were found to be *significant* at an amazing 0.01 level! We believe these surprising results became possible only because management in the U.S. Canned Soup industry 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 change much from one year to the next. This is significant 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 impressive results is that the U.S. Canned Soup market is

quite *competitive*.

These results are also in *accord* with *eight* earlier U.S. studies involving: Men's Shaving Cream, Beer, Shampoo, Shredded/Grated Cheese, Refrigerated Orange Juice, Men's Razor-Blades, Women's Razor-Blades, and Toothpaste (Datta, 2012, 2017, 2018a, 2018b, 2018c, 2019a, 2019b, 2920).

5.8 The Role of Promotion

For 2008 promotional sales of the U.S. Canned Soup market *averaged* 36.1% of net retail sales. We performed bivariate correlation between total (net) retail sales vs. promotional (PROMO) sales. The results were significant for *all* three measures—Pearson, Kendall, and Spearman—at the 0.01 level.

Table 3 presents a measure of the promotional intensity of 17 brands. The following are the highlights:

- Progresso, the runner-up, is a member of the *Heavy* group with a 49% score. One reason for this may be for Progresso to support its *premium* prices.
- Campbell, the market leader is in the *Moderate* group with a 33% rating.
- Private Brands, too, are in the *Moderate* group with a score of 34%. Private Brands normally compete in the *economy* segment as Tables 1 and 2 show. So, if you are competing on *low* price, it is reasonable to suggest that you do not need to rely much on promotional discounts. However, it seems this group thinks low price alone is not enough, and that it has to depend more heavily on promotion in order to increase or to protect its market share.

5.9 Pattern Emerging in Price-Quality Segmentation Analysis

This study is the *ninth* in an analysis of competitive profiles of individual U.S. consumer markets. All these studies involved a testing of two hypotheses: (1) That the market leader would be a member of the *mid-price* segment, and (2) That the unit price of the market leader would be somewhat higher than that of the nearest competitor, also expected to be a member of the *mid-price* segment.

In seven of the nine studies—that exclude Men's and Women's Razor-Blade markets—a *pattern* has emerged, and so let us look at it.

The *seven* market leaders were: (1) Edge Men's Shaving Gel, (2) Bud Light Lager Beer, (3) Pantene Shampoo, (4) Kraft Grated/Shredded Cheese, (5) Tropicana Refrigerated Orange Juice, (6) Crest Toothpaste, and (7) Campbell *Chicken Broth* and *Chicken Noodle Soup*.

In *all* seven cases the market leader was a member of the *mid-price* segment, as we have hypothesized in this study.

In *five* of these markets—Men's Shaving Gel, Lager Beer, Shredded/Grated Cheese, Refrigerated Orange Juice, and Toothpaste—the unit price of each market leader was somewhat *higher* than that of its runner up, all of whom were also members of the *mid-price* segment.

In the Shampoo market, the *runner-up* was Head & Shoulders which found itself in the *premium not* the *mid-price* segment.

However, a simple explanation of this deviation is that while the market leader Pantene is a *regular* shampoo, Head & Shoulders is a *specialty anti-dandruff* shampoo: a *kind* that is always more expensive.

We could not test Hypothesis II for *Chicken Broth*, but for *Chicken Noodle Soup*, the *runner-up* Progresso was competing in the *premium*, not the *mid-price* segment.

This deviation, too, can be explained easily. As we have noted earlier, that while Progresso did manage to become the *runner-up* in the canned soup market, its market share was just *one-third* that of Campbell's. Therefore, it *cannot* be considered a direct competitor of Campbell, and therefore this deviation is not relevant in this case.

6. Strategic Groups in the U.S. Canned Soup Market, 2008

We found *four* strategic groups in this market. Their market shares are as follows:

1. *Market leader*: Campbell Soup Co.
 - Campbell: 52,5%
 - Swanson: 7.4%
2. *Runner-up*: General Mills
 - Progresso: 17.8%
3. *Medium-size Player*:
 - Private Brands: 11%
4. *Minor Players*
 - College Inn: 2.3%
 - Healthy Choice: 1.2%

6.1 *The Campbell Soup Co.*

According to its 2019 Annual Report, Campbell Soup Co's annual sales were \$8.1 Billion (Note 9).

The company's portfolio is focused on *two* distinct businesses in the core North American market: (1) Snacks, and (2) Meals & Beverages. Campbell's Canned Soup business and Swanson are part of the Meals and Beverages Division (Note 3).

6.2 *General Mills*

The company's 1918 Annual Report says in 2018 it had sales of \$15.7 Billion (Note 10). Progresso is part of one of the *six* global divisions the company has.

6.3 *Private Brands*

These are brands made exclusively for individual retailers, e.g., a supermarket, or a drug store. Usually, such brands are targeted at the *economy* segment.

Table 1. Hierarchical Cluster Analysis: The U.S. Chicken Broth Canned Market, 2008

Price-Quality Sgmt	Brands: Chicken Broth Canned	UPr2008	ClusCtr	MktShr%	BrndSales	ThisClusA
					(\$M)	(\$M)
Super-premium	IMAGINE/SOUP 16 Oz	\$2.65	\$2.65	0.5%	\$18.7	\$0.5
Premium I	HEALTH VALLEY/SOUP 14.25 Oz	\$2.25	\$2.03	0.3%	\$10.2	\$0.4
	PRITIKIN/SOUP 14.5 Oz	\$2.19		0.0%	\$0.7	\$0.1
Premium II	DOMINIQUE'S/SOUP 13.25 Oz	\$1.97		0.0%	\$0.7	\$0.0
	SHELTON'S/SOUP 14 Oz	\$1.72		0.0%	\$0.4	\$0.1
Mid-Price	CAMPBELL'S/SOUP 10.5 Oz	\$1.31	\$1.20	52.5%	\$1,806.6	\$11.9
	CENTO/SOUP 13.75 Oz	\$1.09		0.0%	\$0.4	\$0.1
Economy	MANISCHEWITZ/SOUP 14.5 Oz	\$0.90	\$0.69	0.1%	\$4.0	\$0.1
	SWANSON/SOUP 14 Oz	\$0.83		7.4%	\$255.6	\$63.5
	COLLEGE INN/SOUP 14.5 Oz	\$0.81		2.3%	\$78.5	\$23.6
	VALLEY FRESH/SOUP 14.5 Oz	\$0.75		0.0%	\$0.1	\$0.1
	COLONIAL INN/SOUP 13.75 Oz	\$0.66		0.0%	\$0.5	\$0.2
	SWEET SUE/SOUP 14.5 Oz	\$0.66		0.2%	\$8.0	\$4.2
	PRIVATE BRANDS/SOUP 14.5 Oz	\$0.63		11.0%	\$380.4	\$27.3
	LA RUSSA/SOUP 13.75 Oz	\$0.58		0.0%	\$1.1	\$0.5
	BUTTERBALL/SOUP 14.5 Oz	\$0.54		0.1%	\$3.1	\$3.1
	GREAT AMERI/SOUP 14.5 Oz	\$0.51		0.0%	\$0.1	\$0.1
	Total Sales			74.6%	\$2,568.8	\$135.9
	Grand Total Sales			100.0%	\$3,442.9	\$380.7

Table 2. Hierarchical Cluster Analysis: The U.S. Chicken Noodle Soup Canned Market, 2008

Price-Qlty Sgmnt	BRANDS--Chicken Noodle Canned Soup	UPr2008	ClusCtr	BrndMSh%	BrndSales	ThisClusA
					(\$M)	(\$M)
Super-premium I	MUIR GLEN /SOUP CAN 18.8 Oz	\$2.91	\$2.88	0.2%	\$7.5	\$1.1
	SHELTON'S/SOUP CAN 15 Oz	\$2.85		0.0%	\$0.4	\$0.0
Super-premium II	HEALTH VALLEY/SOUP CAN 15 Oz	\$2.52	\$2.52	0.3%	\$10.2	\$0.1
Premium	PROGRESSO/SOUP CAN 18.5 Oz	\$1.94	\$1.84	17.8%	\$613.9	\$25.7
	CENTO/SOUP CAN 15 Oz	\$1.88		0.0%	\$0.4	\$0.0
	RIENZI/SOUP CAN 19 Oz	\$1.70		0.0%	\$0.5	\$0.0
Mid-Price	CAMPBELL'S/SOUP CAN 10.75 Oz	\$0.89	\$0.86	52.5%	\$1,806.6	\$142.4
	NALLEY SELECTS/SOUP CAN 15 Oz	\$0.83		0.0%	\$0.0	\$0.0
Economy	PRIVATE BRANDS/SOUP CAN 10.5 Oz	\$0.57	\$0.50	11.0%	\$380.4	\$21.7
	AMERICAN BEAUTY/SOUP CAN 10.5 Oz	\$0.56		0.0%	\$0.0	\$0.0
	HARVEST CHOICE/SOUP CAN 10.75 Oz	\$0.54		0.0%	\$0.1	\$0.0
	TASTY CLASSICS/SOUP CAN 10.5 Oz	\$0.51		0.4%	\$14.7	\$0.1
	LITTLE CHEF/SOUP CAN 10.5 Oz	\$0.50		0.0%	\$0.1	\$0.0
	AYLMER/SOUP CAN 10.5 Oz	\$0.49		0.0%	\$0.0	\$0.0
	GREAT AMERICAN/SOUP CAN 10.5 Oz	\$0.35		0.0%	\$0.1	\$0.0
	Total Sales			82.3%	\$2,834.7	\$191.2
	Grand Total Sales			100.0%	\$3,442.9	\$253.3

Table 3. Percentage of Promotional Sales to Total Sales: U.S. Canned Soup Market, 2008

Brands with 2008 Sales >\$4M	Promo Intensity	MkSh%	Brand\$Sales2008	%Promotion
HEALTHY CHOICE	Heavy	1.8%	\$60,474,792	50.1%
WOLFGANG PUCK		0.8%	\$27,687,505	49.6%
PROGRESSO		17.8%	\$613,851,606	48.7%
TASTY CLASSICS		0.4%	\$14,712,972	46.4%
SWEET SUE		0.2%	\$8,043,754	43.0%
SNOW'S		0.2%	\$5,692,544	40.9%
COLLEGE INN	Moderate	2.3%	\$78,455,287	36.8%
PRIVATE BRANDS		11.0%	\$380,356,427	34.0%
CAMPBELL		52.5%	\$1,806,567,027	33.2%
IMAGINE		0.5%	\$18,694,243	32.8%
MANISCHEWITZ		0.1%	\$4,006,459	31.5%
JUANITA'S		0.6%	\$21,743,193	31.4%
PACIFIC FOODS	Low-Moderate	0.2%	\$7,417,945	29.5%
PACIFIC		0.5%	\$18,595,605	29.5%
MUIR GLEN		0.2%	\$7,497,108	29.3%
SWANSON		7.4%	\$255,613,302	28.7%
EMERIL'S		0.2%	\$5,890,125	26.1%
HEALTH VALLEY		0.3%	\$10,220,442	24.9%
KITCHEN BASICS		0.8%	\$28,999,402	24.2%
NATURAL FOODS		0.3%	\$9,064,684	23.2%
AMY'S	Low	0.6%	\$21,778,231	16.4%
Total		98.9%	\$3,405,362,653	36.1%
Grand Total Canned Soup Sales		100%	\$3,442,889,506	36.1%

7. Conclusion

This study is based on the idea that in most consumer markets, a business in pursuit of market-share leadership should try to serve the *middle* class by competing in the *mid-price* segment; and offering quality *superior* to that of competition: at a somewhat *higher* price to connote an image of quality, and to ensure that the strategy is both profitable and sustainable in the long run. The *middle* class is the socio-economic segment that represents about 40% of households in America.

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

Joseph A. Campbell, and Abraham Anderson formed a partnership that one day would become Campbell Soup Co. They opened their first plant in Camden, NJ in 1869. In 1994 Campbell retired

from the company, and was succeeded by Arthur Dorrance as President. In 1914 his nephew, John T. Dorrance became President.

Around the time when this business was founded, America was slowly making a move from an agrarian to an industrial economy. This created an urgent need to ensure that fresh food remained unspoiled during its trip from rural farms to urban consumers.

Two important inventions proved valuable to the development of the canned soup industry. One was the invention of *canning* in 1809 by the French Nicholas Appert who is called the “father of canning”. But, much more important to the growth of the canning industry was Englishman Peter Durand’s invention of a *light, durable can* that could replace the heavy, breakable, *glass* bottles that were central to Appert’s canning process.

John Dorrance—a nephew of the President Arthur Dorrance—an MIT Chemistry graduate, with a Ph.D. from the University of Göttingen, Germany, joined Campbell Co in 1897.

At the turn of the century, America was *not* a soup-eating country, but a meat and vegetables nation. What John Dorrance was hoping that he could inculcate in Americans the habit of making high quality, nutritious, and tasty soup an integral part of their *daily* diet.

At that time there were *just* two major soup producers in the U.S which were selling ready-to-serve soups in *bulky* cans. But, because of this excessive weight they were *expensive* to ship. However, John Dorrance had a solution. And that solution was to cut down the weight of each can by *halving* the quantity of its heaviest ingredient: *water*!

Within a year he came up with *five* varieties of condensed soups: *Tomato, Consommé Vegetable, Chicken, and Oxtail*. Dorrance chose these five because each was quite *simple* in character: rich, flavorful, but uncomplicated in taste and texture. He believed they had the nice blend of sophistication and solid value, and a combination of “English thoroughness and French art”.

As it turned out, Campbell soups were an instant *success*. At the Paris Exhibition in 1900, Campbell soups were awarded a *gold* medal. Once Americans were convinced of high quality of Campbell soups, they realized that the price of 10 cents a can was indeed a bargain.

John Dorrance wanted to promote the idea of inducing Americans to eat soup on a *regular* basis, at least once a day. So, if one were to analyze the initial list of five soups, one would conclude that it was a *masterpiece*: a product so well put together that each item played its own role in enhancing the appreciation, and thus the sales, of Campbell’s condensed soups.

An important benefit of Campbell’s soups was *convenience*. This was the time when American housewives were beginning to make a slow transition from wood-and coal stoves to those burning natural gas. They discovered that heating up a can of soup was *quicker* and *cheaper* than making soup from scratch.

Within *five* years of introducing his first five soups, Dorrance expanded Campbell soup line to twenty-one varieties.

The *twenty-one* soups very “cleverly intermingled: the *exotic* (Mulligatawny) with the *commonplace*

(Chicken); the *foreign* (Printanier) with the *native* (Clam Chowder); the rich and *delicate* (Consommé) with the substantial and *heavy* (Vegetable); the *gelatinous* (Oxtail) with the smooth and *creamy* (Asparagus); and the *universal* and international (Tomato) with the *regional* (Tomato Okra)".

Most importantly, "there was soup for everyone, no matter what the individual preference, habit or desire".

Clearly, the invention of *condensed* soup by John Dorrance was the pre-eminent contributor to the phenomenal success of the Campbell Soup Co. But, offering a product line of good quality soups that also *tasted* good, the *convenience* of ready-to-eat soup, and the *bargain* price of 10 cents a can, were also important factors in the company's achievement.

Another factor that contributed to the company's success was following a skillful *advertising* strategy. In 1898, a company executive was so impressed by the bright red-and-white uniform of Cornell's football team, that he was able to convince Campbell management to use the colors on the soup *labels*. The *red-and-white* design proved to be the *most* important promotional decision the company ever made.

In 1904 the Campbell Co. made another momentous decision: the creation of *Campbell Kids*. Even now Campbell Kids remain fixtures of the company's visual presentation.

This study is based on U.S. retail sales for 2008 and 2007. The U.S. retail Canned Soup sales for 2008 were \$3.44 Billion, with Campbell, the market leader, with a share of 52.5%, followed way behind by Progresso with a market share of 17.8%. The cluster analysis is restricted to the two *most* popular variety of soups: *Chicken Broth*, and *Chicken Noodle Soup*.

We first tested the hypothesis that the market-share leader would be a member of the *mid-price* segment. Using Hierarchical Cluster Analysis, we found that the *market leader*, Campbell was indeed a member of the *mid-price* segment—both for 2008 and 2007—for *Chicken Broth* as well as *Chicken Noodle Soup*. One brand that is *missing* from this analysis for *Chicken Broth* is *Progresso* because it offered only *one* huge can size of 32 oz which was way beyond the 16 oz size: the largest in this analysis. So, we were *unable* to test Hypothesis II for the *Chicken Broth* segment.

However, the results for *Chicken Noodle Soup* did *not* support Hypothesis II, because Progresso was found to be a member of the *premium* segment, *not* the mid-price segment.

Now while Progresso did manage to become the *runner-up* in the canned soup market, its market share was just *one-third* that of Campbell's. Therefore, it *cannot* be considered a direct competitor of Campbell.

So, here is a market that has a very *large* number of small competitors, but one *giant* company that dwarfs everyone else, that does *not* lend itself to a situation where the proposition behind Hypothesis II becomes relevant and, as such, can then be tested.

As we have hypothesized, we found that *relative* price was a strategic variable. We *ranked* the unit price of each brand for both *Chicken Broth* and *Chicken Noodle Soup*, for 2008 and 2007, and discovered that all *three* measures of *bivariate* correlation—Pearson, and non-parametric measures

Kendall's tau_b, and Spearman's rho—were significant at an amazing 0.01 level!

This result is also in *accord* with eight earlier studies that we have mentioned before.

We also found four strategic groups:

- The Campbell Soup Company
- General Mills
- Private Brands
- Minor Brands

Finally, a *pattern* is emerging in *price-quality* segmentation analysis. This is the *ninth* study in the analysis of competitive profiles of individual U.S. consumer markets. All these studies involved a testing of *two* hypotheses: (1) That the market leader would be a member of the *mid-price* segment, and (2) That the unit price of the market leader would be somewhat *higher* than that of the *nearest* competitor, also expected to be a member of the *mid-price* segment.

In *seven* of the nine studies—that exclude Men's and Women's Razor-Blade markets—the results supported Hypothesis I, while *five* of the studies supported Hypothesis II.

Acknowledgements

We are immensely grateful to A.C. Nielson Co. for their extraordinary generosity for the invaluable U.S. national retail sales data of the U.S Canned Soup Market for 2008 and 2007, without which this project would *not* have been possible.

We also acknowledge our debt to Douglas Collins and Natalie Dupree for their masterful book on the history of the Campbell Soup Co.

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Notes

Note 1. Profit Impact of Market Strategies.

Note 2. Collins and Dupree (1994), back of front jacket.

Note 3. <https://www.campbellsoupcompany.com/about-campbell/>

Note 4. Soup that is made with beef tails.

Note 5. <https://www.en.wikipedia.org/wiki/Progresso>

Note 6. This data is from food stores 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 7. For those stores for which, during a week, there were feature ads, coupon ads, display, or temporary price decrease of at least 5%.

Note 8. 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 9. <https://www.investor.campbellsoupcompany.com/static-files/a26c10bf-1f5c-4d69-a8a7-eb2a5584bd2e>

Note 10. <http://www.annualreports.com/Company/general-mills-inc>

Note 11. e.g., Chicken bones for Chicken Noodle soup, and Beef bones for Beef Noodle soup.

Note 12. <https://www.askdifference.com/broth-vs-soup/>

Note 13. <https://www.en.wikipedia.org/wiki/Consomm%C3%A9>

Appendix: Glossary of Soup Terminology

Broth vs. Bouillon

In the U.S., broth and bouillon, the way they are sold in stores, are quite *different* things despite meaning exactly the *same* thing. Bouillon, French for broth, is a *dehydrated* compressed *cube* or granular powder that can be rehydrated into broth. Broth is a flavored *liquid* made through a cooking process (Clifton, 2015).

Stock

Stock is a flavorful *liquid* made by *simmering* bones (Note 11), along with *aromatic* vegetables like carrots, celery, and onions, plus seasonings and spices like black pepper and fresh herbs. It forms the *foundation* of many dishes, especially soups, stews, and sauces (Alfaro, 2019).

Broth

Broth is a flavorful *liquid* made by *simmering* meat and vegetables, but *not* bones (Alfaro, 2019).

Stock vs. Broth

Both Stock and Broth are *liquids*. While broth may be *seasoned*, stock may *not*. While broth is considered a *finished* product, stock is *not* (Rattray, 2019).

Soup

Soup is mainly liquid *food*, usually served warm or hot, that is made by *combining* ingredients of meat or vegetables with *stock*, juice, water, or some other liquid that lend it flavor and texture (Note 12).

Consommé Soup

Consommé is a type of *clear* soup made from richly flavored stock or bouillon that has been clarified through a process that uses egg whites to remove fat and sediment (Note 13).

Bisque vs. Chowder Soup

Bisques and chowders are simply two types of *thick* soups. *Bisque* is usually *smooth* while chowder is *chunky*. Both have a long history mostly with *seafood*. The word chowder comes from the French word for the cauldron in which fishermen made their stew.