

## Original Paper

# The U.S. Facial Tissue Market: A Competitive Profile

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### **Abstract**

*This is the thirteenth project that follows the footsteps of twelve studies that have tried to analyze the competitive profiles of U.S. consumer markets: Men's Shaving Cream, Beer, Shampoo, Shredded/Grated Cheese, Refrigerated Orange Juice, Men's Razor-Blades, Women's Razor-Blades, Toothpaste, Canned Soup, Coffee, Potato Chips, and Alkaline AA Batteries.*

*Michael 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, consumers generally find difficult to understand. So, they often use relative price, and a brand's reputation, as a symbol of quality.*

*For 2008 the U.S. Facial Tissue market had sales of \$1035 million.*

*Using Hierarchical Cluster Analysis, we tested two hypotheses: (I) That the market leader is likely to compete in the mid-price segment, and that (II) Its unit price is likely to be higher than that of the nearest competition.*

*For both 2008 and 2007 the results supported Hypothesis I. The market leader Kleenex was a member of the mid-price segment, as hypothesized.*

*However, the results did not support Hypothesis II for both 2008 and 2007, because the runner-up, Puffs was a member of the premium segment with a higher price tag to match.*

*We found that relative price was a strategic variable, as hypothesized.*

*A pattern is emerging in price-quality segmentation analysis. In ten of the thirteen studies—that exclude Men's and Women's Razor-Blades, and Ground Coffee—the market leader was found to be a member of the mid-price segment, as we have hypothesized.*

*Moreover, results in seven markets supported Hypothesis II.*

*We also discovered three strategic groups in the industry.*

### **Keywords**

*U.S. Facial Tissue market, market segmentation, cost leadership strategy, price-quality segmentation, market-share leadership, relative price a strategic variable, strategic groups*

## **1. Introduction**

This is the thirteenth paper that follows the footsteps of twelve studies that have tried to analyze the competitive profiles of U.S. consumer markets: Men's Shaving Cream, Beer, Shampoo, Shredded/Grated Cheese, Refrigerated Orange Juice, Men's Razor-Blades, Women's Razor-Blades, Toothpaste, Canned Soup, Coffee, Potato Chips, and Alkaline AA Batteries (Datta, 2012, 2017, 2018a, 2018b, 2018c, 2019a, 2019b, 2020a, 2020b, 2020c, 2020d, and 2021).

This research relies on a broader, *integrated* framework of market segmentation which includes *both* the demand *and* supply sides of the competitive equation. This approach is based on the idea that, *starting* with 'product' characteristics is both an *easier* and more *actionable* way of segmenting markets, than the traditional marketing approach that typically begins with the customer or 'people' characteristics (Datta, 1996).

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 Michael 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, 2020a, 2020b, 2020c, 2020d, and 2021).

To make this idea *operational* requires *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, 2020a, 2020b, 2020c, 2020d, and 2021).

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, 2020a, 2020b, 2020c, 2020d, and 2021).

### 1.1 The Strategic Importance of Price Positioning

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. 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*).

As mentioned above, the *middle* class constitutes about 40% of households in America. So, in a *competitive* market one would normally expect more than one major brand competing in the *mid-price* segment.

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, 2012, 2017, 2018a, 2018b, 2018c, 2019a, 2019b, 2020a, 2020b, 2020c, 2020d, and 2021).

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 Fairfield at the *top* of that segment (Datta, 1996, 2012, 2017, 2018a, 2018b, 2018c, 2019a, 2019b, 2020a, 2020b, 2020c, 2020d, and 2021).

### 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, 2020a, 2020b, 2020c, 2020d, and 2021).

## 2. A Short History of the U.S. Facial Tissue Industry

The story of facial tissues started during the First World War when Kimberly Clark developed a *crepe* paper, to be used as a *filter* within anti-gas masks. The tissues were also used to clean wounded soldiers (Note 2).

The company introduced the first facial tissue in 1924. These tissues were associated with Hollywood make-up departments, and were approved by movie stars who used Kleenex to remove their makeup (Note 3).

Kleenex was the *first* disposable paper-based facial tissue in the Western world (Note 4).

In America, the Kleenex brand was able to achieve so much popularity, that the word Kleenex became synonymous with *generic* facial tissue. Even the Merriam-Webster and Oxford dictionaries define Kleenex as absorbent *facial tissue* (Note 4).

Like Kleenex, *Edge Gel*, too, followed the “Fist-to-market” strategy (Ansoff & Stewart, 1967; Datta, 2010b, 2012) that gave the brand a big *long-lasting* edge. *Edge Gel* went on to dominate the men’s *shaving gel* market and became a “mega” brand (Datta, 2012).

Similarly, the Kleenex innovation has paid rich dividends for Kimberly Clark. Thanks to its “first-to-market” strategy, Kleenex has dominated the facial tissue market so much so, that in 2008 it had about *half* (48%) the share of the U.S. market (Table 1).

After P&G acquired Charmin facial tissues, it replaced Charmin with Puffs Basic Facial Tissues in 1960. In the 1980s, Puffs released its Puffs Plus Lotion, making it the *first* facial tissue brand to add *moisturizer* to its tissues (Note 5).

Puffs was the *runner-up* in 2008. And its significantly *higher* quality enabled it to compete in the *premium* segment with a market share of 26% (Table 1).

### 3. Private Brands

Another *major* player in the Facial Tissue market in 2008 was the 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 *mid-price* brands. One reason retailers *like* private brands, is because private brands tend to be more *profitable* than leading name brands (Datta, 2018b, 2018c, 2020b, 2020c, 2021).

However, in the Facial Tissue market, the Kleenex brand was the *only* major brand that was dominating the *mid-price* segment. So, this provided a fortuitous opening to the Private Brands to compete in the *mid-price* rather than the usual *economy* segment.

In 2008 Private Brands had managed to achieve a market share of 20% (Table 1).

### 4. The U.S. Facial Tissue 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).

For 2008 the total U.S. retail sales of the Facial Tissue market were \$1,035 million (Table 1). The pack sizes varied from 360 to 6: with the 160-216 *pack-size* being the *most* popular with an 18% share and with sales of \$185 million. So, we have focused cluster analysis on this pack size.

#### 4.1 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.

#### 4.2 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 to figure out 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, 2020a, 2020b, 2020c, 2020d, 2021).

An equally crucial issue is to find 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).

#### 4.3 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, 2020a, 2020b, 2020c, 2020d, and 2021):

- 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.
- Then, 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 signifies 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 consist of two *sub-segments*.

#### 4.4 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. 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.

#### 5.1 Results of Hierarchical Cluster Analysis

In Table 1 we present the cluster analysis results for 2008 that focused on 160-216 *pack* facial tissues involving 11 brands with total sales of \$185 Million. The results for *both* 2008 and 2007, *support* Hypothesis I. The market *leader* Kleenex was a member of the *mid-price* segment with 2008 sales of \$94 million.

However, the results for both 2008 and 2007 did *not* support Hypothesis II, because the runner-up Puffs was a *not* a member of the *mid-price* segment, but rather the *premium* segment.

### 6. Why the Cluster Analysis Results Did Not Support Hypothesis II

As mentioned above, the *middle* class constitutes about 40% of households in America. So, in a *competitive* market one would normally expect more than one major brand competing in the *mid-price* segment.

For example, if we look at the twelve studies preceding this one, there are *eight* that support this argument: Men’s Shaving Gel, Lager Beer, Shampoo, Shredded-Grated Cheese, Refrigerated Orange Juice, Toothpaste, Potato Chips, and Alkaline AA Batteries.

However, as we have mentioned earlier, the Kleenex innovation has paid rich dividends for Kimberly Clark. Due to its “first-to-market” strategy, Kleenex has dominated the U.S. Facial Tissues market so much so, that in 2008, it had a market share of 48% (Table 1), and the word Kleenex became synonymous with *generic* facial tissue.

P&G acquired the Charmin facial tissue brand in 1960. In the 1980s, P&G introduced Puffs Plus Lotion, making it the *first* facial tissue brand to add *moisturizer* to its tissues.

So, *instead* of competing head-to-head in the *mid-price* segment with the goliath Kleenex, P&G--relying on Puff’s distinctly *higher* quality--positioned Puffs in the *premium* segment with a significantly *higher* price than that of Kleenex. For example, for 2008, Puffs (216 count) facial tissue had a unit price of \$2.53, that was 27% *higher* than the \$1.99 for the market leader Kleenex--200 count (Table 1).

However, in spite of a much higher price, Puffs was still able to garner a market share of 26% vs. 48% for Kleenex in 2008: clearly a more profitable strategy.

So, based on the above discussion, we submit that our basic argument that the price of the market leader is likely to be *higher* than that of the runner-up, still remains generally *valid*.

### 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 facial tissues. 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 Facial Tissue industry *must* have been treating *relative* price as a strategic variable, as we have suggested.

### 8. The Role of Promotion

In Table 2, we present the promotional intensity of the Facial Tissue market for 2008.

The average score is 40%.

What we are seeing in Table 2, is a pattern: *higher* a brand's sales, *higher* its promotional intensity.

It is interesting to see that Kleenex (market share 48%), has a promo score of 43%; Puffs with a 26% share, has a promo score of 34%; and the Private Brands (20% market share) have a 35% score.

It is interesting to see that *Scotties*, has chosen the path of *heavy* discounting, even though it is competing in the *Economy* segment, with a small market share of 6%.

### 9. Promotion History of Non-Food vs. Food Groups

As mentioned earlier, this is the *thirteenth* study to analyze the competitive profile of individual U.S. consumer markets.

These studies fall into *two* groups: Non-Food and Food. In the *Non-Food* group (Note 9), the promotional intensity scores are: Men's Shaving Gel, 30%; Shampoo, 32%; Toothpaste, 37%; Facial Tissue, 40%; and Alkaline AA Battery 41%—the highest in the group.

The numbers in the *Food* group are: 36% (Canned Soup), 44% (Coffee), 46% (Refrigerated Orange Juice), 46% (Shredded/Grated Cheese), and 48% (Lager Beer).

The question is why discount intensity in the *non-food* group is much *lower* than that of the food group. We believe one reason is that all the products in the non-food group--*except* AA Batteries--serve *personal care* needs for which most customers are willing to pay *higher* prices than those for most products in the food group. That is why the discount for Alkaline AA 4-pack Battery is closer to that for the *food* group rather than the non-food group.

Second, while most of the products in the *food* group have many substitutes, that is generally *not* the case for the *non-food* group. Third, consumers have to go to the supermarkets frequently to buy food.

So, manufacturers offer *higher* discounts for food products to entice them to spend more money and to shop even *more* often.

### 10. Pattern Emerging in Price-Quality Segmentation Analysis

This is the *thirteenth* study that encompasses analysis of competitive profiles of U.S. consumer markets. In each study we have tested two hypotheses:

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

### 11. Men's and Women's Razor-Blade Markets Did Not Support our Theory

In the Men's Razor-Blade market for 2008, the *market leader* was Gillett Mach 3 in the *premium* segment, and Gillette Fusion, the *runner-up*, was in the *super-premium* segment (Datta, 2019a)

In the Women's Razor-Blade market for 2008, the market leader Gillett Venus, the *market leader*, and Schick Intuition Plus, the *runner-up*, were *both* were members of the *premium* segment (Datta, 2019b).

So, what are the factors that these two markets have deviated *radically* from our theory? (Datta, 2019a):

- The technology for making Men's and Women's Razors and Blades has now become quite intricate, based as it is on *three* fields: metallurgy, chemistry, and electronics, which, in turn, raises the *cost* of production,
- Gillette has been pursuing a strategy of *innovation* and constant improvement, offering new features—and benefits—than ever before, which has consequently made it possible for it to charge *premium* prices.
- Gillette's virtual *monopoly* of the industry is another factor, that has enabled it to position itself in the *premium* and *super-premium* segments: rather than the *mid-price* segment.
- Many men—and women--consider shaving an important part of *personal grooming*, for which they are willing to pay *premium* prices: because they regard it an “affordable luxury.”

### 12. Results in Ten Markets Support Hypothesis I

In *ten* of the thirteen studies—that *exclude* Men's and Women's Razor-Blades, and Ground Coffee—the market leader was found to be a member of the *mid-price* segment, as we have hypothesized. Those market leaders are:

- (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,
- (7) Campbell Chicken Broth, and Chicken Noodle Soup,
- (8) Lay's Potato Chips,
- (9) Energizer Alkaline AA Battery, and
- (10) Kleenex Facial Tissue.

One important exception to these results is the *Ground Coffee* market. The *market leader*, Folgers, and the *runner-up* Maxwell House, were both members of the *economy* segment, although Folgers' unit

price was *higher* than that of Maxwell House, as we have hypothesized (Datta, 2020c).

This is truly an *astonishing* result! In all ten studies mentioned above, *not* a single market leader—or even the runner-up—competed in the *economy* segment.

This implies that both Folgers and Maxwell House were following the *cost leadership* strategy based on *lower* price, rather than better quality, and treated coffee as a *commodity* to gain market share. So, it is not unreasonable to conjecture that such a strategy is not likely to have been very profitable (Datta, 2020c).

### 13. Results in Seven Markets Support Hypothesis II

In *three* of the ten markets mentioned above, the results did *not* support Hypothesis II.

In the Chicken Noodle Soup market, the *runner-up* Progresso, was a member of the *premium* segment.

In the Facial Tissue market, the *runner-up* Puffs, was a member of the *premium* segment.

In the Shampoo market, the *runner-up*, Head & Shoulders, was a member of the *mid-price*. Yet, its price was *higher* than that of the *market leader*, Pantene. However, this result did *not* negate Hypothesis II, because it was due to the fact that the former was a *specialty* shampoo, which always sells at a *higher* price.

However, in *seven* markets the *runner-up* brands, like the market leaders, were members of the *mid-price* segment with a price tag that was *lower*, than that of the market leader.

### 14. Strategic Groups in the U.S. Facial Tissue Market, 2008

We found *three* strategic groups in this market. Their 2008 market shares (Note 10) are as follows:

- Kimberly Clark—Market Leader
  - Kleenex—48%
  - Scotties—6%
- Procter & Gamble
  - Puffs—26%
- Private Brands—20%

#### 14.1 Kimberly Clark Corporation

Kimberly Clark is an American multinational corporation that produces mostly personal-care *paper-based* consumer products: among others, facial tissue, feminine hygiene products, toilet tissues, and disposable diapers (Note 11).

In 2022 it celebrated its 150<sup>th</sup> anniversary (Note 12).

The company's net sales for 2022 were \$20.2 Billion (Note 12).

#### 14.2 Procter & Gamble (P&G) Corporation

P&G is an American corporation that is one of the world's *leading* consumer product companies.

For 2022 P&G has reported net sales of \$80.2 Billion (Note 13).

#### 14.3 Private Brands

Private brands are those made exclusively for individual *retailers*, e.g., a supermarket, or a drug store.

**Table 1. Hierarchical Cluster Analysis: The U.S. Facial Tissue Market, 2008 (160-216 Ct.)**

PQ Segment	Brand Name	UPr.	MktSh%	Sales \$M	Total Brand Sales\$M	Brand MktSh%
<b>Super-Premium</b>	SEVENTH GENERATION 175 Ct.	\$2.77	0.1%	\$0.1	\$0.5	0.0%
<b>Premium</b>	<b>PUFFS 216 Ct. (runner-up)</b>	<b>\$2.53</b>	<b>27.6%</b>	<b>\$51.1</b>	<b>\$264.7</b>	<b>25.6%</b>
<b>Mid-Price</b>	<b>KLEENEX 200 Ct. (market leader)</b>	<b>\$1.99</b>	<b>50.7%</b>	<b>\$93.6</b>	<b>\$496.4</b>	<b>48.0%</b>
	GREEN FOREST 175 Ct.	\$1.79	0.2%	\$0.3	\$0.3	0.0%
	PRIVATE BRANDS 200 Ct.	\$1.78	8.5%	\$15.8	\$202.7	19.6%
<b>Economy</b>	SOFT 'N GENTLE 175 Ct.	\$1.31	0.2%	\$0.4	\$0.8	0.1%
	SCOTTIES 160 Ct.	\$1.21	11.5%	\$21.3	\$60.7	5.9%
	MARCAL 160 Ct.	\$1.15	0.9%	\$1.6	\$3.9	0.4%
	SOFITELLE 200 Ct.	\$1.09	0.1%	\$0.2	\$0.8	0.1%
<b>Ultra-Economy</b>	DELICATE TOUCH 175 Ct.	\$0.99	0.1%	\$0.2	\$0.4	0.0%
	SOFT & SILKY 200 Ct.	\$0.96	0.1%	\$0.2	\$0.2	0.0%
<b>Total</b>			<b>100.0%</b>	<b>\$184.8</b>	<b>\$1,031.4</b>	<b>99.6%</b>
<b>Total Brand Sales</b>				<b>17.9%</b>	<b>\$1,035.1</b>	<b>100.0%</b>

**Table 2. Percentage of Promotional Sales to Total Sales: U.S. Facial Tissue Market, 2008**

Brand Name	PQSegment	Promo Intensity	Promo%	Brand MkSh%
SCOTTIES	Economy	<b>Heavy</b>	61.6%	5.9%
SOFT & SILKY	Ultra-economy		58.5%	0.0%
<b>KLEENEX</b>	<b>Mid-price</b>	<b>Moderate</b>	<b>43.2%</b>	<b>48.0%</b>
MARCAL	Economy		41.3%	0.4%
SOFITELLE	Economy		37.4%	0.1%
<b>PRIVATE BRANDS</b>	<b>Mid-price</b>		<b>34.5%</b>	<b>19.6%</b>
<b>PUFFS</b>	<b>Premium</b>		<b>33.5%</b>	<b>25.6%</b>
SEVENTH GENERATION	Super-premium	<b>Low</b>	16.1%	0.0%
SOFT 'N GENTLE	Economy		14.8%	0.1%
DELICATE TOUCH	Ultra-economy	<b>Very Low</b>	4.7%	0.0%
PETALS	Mid-price		0.4%	0.0%
			<b>40.0%</b>	<b>99.6%</b>
<b>Total Sales All Brands</b>				<b>100%</b>

## 15. Conclusion

The path to market share leadership does *not* lie in *cost leadership* strategy: a path that is grounded in a *price that is lower* than that of the competition, as Michael Porter has suggested. Rather, 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 the 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.

For 2008 the total U.S. retail sales of the Facial Tissue market were \$1,035 million (Table 1). The pack sizes varied from 360 to 6: with the 160-216 *pack-size* being the *most* popular with a 18 % share: and with sales of \$185 million. So, we have focused cluster analysis on this size.

We tested two 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.

The results, for *both* 2008 and 2007, *support* Hypothesis I. The market *leader*, Kleenex was a member of the *mid-price* segment with 2008 160-216 *pack-size* sales of \$94 million.

However, the results for both 2008 and 2007 did *not* support Hypothesis II, because the runner-up, Puffs was a *not* a member of the *mid-price* segment, but rather the *premium* segment. But there is a good reason for this deviation.

Kimberly Clark followed the "first-to-market" strategy when it introduced the *first* facial tissue Kleenex in 1924. In America, the Kleenex brand was able to achieve so much popularity, that the word Kleenex became synonymous with *generic* facial tissue. Kleenex has dominated the facial tissue market so much so, that in 2008, it had about *half* (48%) the share of the U.S. market.

So, *instead* of competing head-to-head in the *mid-price* segment with the goliath Kleenex, P&G--relying on Puff's distinctly *higher* quality--positioned Puffs in the *premium* segment with a significantly *higher* price than that of Kleenex. Yet, in spite of a much higher price, Puffs was still able to garner a market share of 26% vs. 48% for Kleenex in 2008: clearly a more profitable strategy.

We also found that *relative* price was a strategic variable, as we have hypothesized.

A *pattern* is emerging in price-quality segmentation analysis. In *ten* of the thirteen studies—that exclude Men's and Women's Razor-Blades, and Ground Coffee—the results *supported* Hypothesis I: that the *market leader* was going to be to be a member of the *mid-price* segment.

Also, results in *seven* markets supported Hypothesis II: that the *runner-up* was also going to be a member of the *mid-price* of the segment, and that its price was going to be *lower* than that of the market leader.

We discovered *three* strategic groups in the industry.

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## Notes

Note 1. Profit Impact of Market Strategies.

Note 2.

[https://www.google.com/search?rlz=1C1RXQR\\_enUS1053US1053&sxsrf=AB5stBj4W05soT1ujD1qoLg2mwkAAOZWpQ:1689653781407&q=were+facial+tissues+originally+used+in+anti-gas+masks&spell=1&sa=X&ved=2ahUKEwjRmrzrspeAAxWoTTABHT53DCgQBSgAegQIBxAB&biw=1187&bih=652&dpr=2](https://www.google.com/search?rlz=1C1RXQR_enUS1053US1053&sxsrf=AB5stBj4W05soT1ujD1qoLg2mwkAAOZWpQ:1689653781407&q=were+facial+tissues+originally+used+in+anti-gas+masks&spell=1&sa=X&ved=2ahUKEwjRmrzrspeAAxWoTTABHT53DCgQBSgAegQIBxAB&biw=1187&bih=652&dpr=2)

Note 3.

[https://www.google.com/search?q=history+of+facial+tissues&rlz=1C1RXQR\\_enUS1053US1053&oq=&aqs=chrome.0.35i39i362l8.722973503j0j15&sourceid=chrome&ie=UTF-8](https://www.google.com/search?q=history+of+facial+tissues&rlz=1C1RXQR_enUS1053US1053&oq=&aqs=chrome.0.35i39i362l8.722973503j0j15&sourceid=chrome&ie=UTF-8)

Note 4. <https://en.wikipedia.org/wiki/Kleenex>

Note 5.

[https://www.google.com/search?q=history+of+facial+tissue+puffs&rlz=1C1RXQR\\_enUS1053US1053&sxsrf=AB5stBi4cwy34YDUyz97H\\_iZ0MVkpjAFGA%3A1688652763255&ei=28umZlieD9arwbkPgu21sAk&oq=history+of+facial+tissues+puffs&gs\\_lcp=Cgxnd3Mtd2l6LXNlcnAQAARgBMgUIIRCgATIICCEQFhAeEB0yCAghEBYQHhAdOgoIABBHENYEELADogUIIRCrAkoECEEYAFDzCljMIW DNNmgBcAF4AIABdIgbzQSSAQM1LjGYAQCgAQHAAQHIAQg&sclient=gws-wiz-serp](https://www.google.com/search?q=history+of+facial+tissue+puffs&rlz=1C1RXQR_enUS1053US1053&sxsrf=AB5stBi4cwy34YDUyz97H_iZ0MVkpjAFGA%3A1688652763255&ei=28umZlieD9arwbkPgu21sAk&oq=history+of+facial+tissues+puffs&gs_lcp=Cgxnd3Mtd2l6LXNlcnAQAARgBMgUIIRCgATIICCEQFhAeEB0yCAghEBYQHhAdOgoIABBHENYEELADogUIIRCrAkoECEEYAFDzCljMIW DNNmgBcAF4AIABdIgbzQSSAQM1LjGYAQCgAQHAAQHIAQg&sclient=gws-wiz-serp)

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. We have excluded Men's and Women's Razor-Blade market because they do not support our theory.

Note 10. This market share data comes from Table 1.

Note 11. <https://en.wikipedia.org/wiki/Kimberly-Clark>

Note 12. KMB 2022 FORM 10K ([kimberly-clark.com](http://kimberly-clark.com))

Note 13. <https://us.pg.com/annualreport2022/>