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The U.S. Men's Shaving Cream Market: A Competitive Profile

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Porter identifies high market share with cost leadership strategy which is based on the idea of competing on a price lower than that of the competition. However, in most consumer markets a business should serve the middle class by competing in the *mid-price* segment, offering quality better than that of the competition at a somewhat higher price. It is this path that can lead to market share leadership: a strategy that can be both profitable and sustainable. The U.S. men's shaving cream market consists of two major product-market segments: *gel* and *foam*. We test the hypothesis that the best-selling brand is very likely to be a member of the *mid-price* segment with a price tag that is *higher* than that of the nearest competition. This study is based on annual U.S. sales data for 2008 and 2007 from discount retail stores, food stores, and drug stores. We performed two separate analyses for 2008 and 2007, using cluster analysis as the main analytic tool. The results were remarkably consistent between the two years. In the *gel* segment—by far the most important—the price-quality segmentation analysis supported our hypothesis. An interesting finding is that, for both the *gel* and *foam* segments, we found the rank order correlation of brand unit price between 2007 and 2008 as highly significant. This means that in this market management considers the price of a brand as a *strategic* rather than a tactical variable. Although, technically the results for the *foam* segment were negative, this does not necessarily contradict our hypothesis. Finally, we discovered six strategic groups in the industry and have tried to articulate what their competitive strategy is.

Keywords: an integrated approach to market segmentation, price-quality segmentation, market share leadership, strategic group theory, operationalizing competitive strategy, price a strategic variable

Introduction

Porter (1980, 1985) associates high market share with cost leadership strategy. Mintzberg (1988) calls this strategy as "price differentiation" because it is based on a price that is *lower* than that of the competition. However, according to the PIMS research, customer-perceived quality is much more vital to long-term competitive position and profitability than any other variable (Gale, 1992; Buzzell & Gale, 1987, p. 7). So, a business seeking market share leadership should offer quality that is better than that of the nearest competition (Buzzell, 2004, p. 480; Datta, 2010a, 2010b).

But, how can a business make this idea operational? In most consumer markets the answer lies in catering to the middle class by competing in the *mid-price* segment (Datta, 2010a, 2010b). This is the socio-economic

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segment that represents about 40% of households in America (Datta, 2012). It is also the customer group that Procter & Gamble (P&G)—the leading global consumer products company—has successfully served in the past (Lafley & Charan, 2008, p. 12). But, to become a market share leader a business must also distinguish itself by offering—relative to the nearest competition—a higher customer-perceived quality at a somewhat higher price. This is necessary for two reasons: (1) to maintain an image of quality; and (2) to ensure that the strategy is profitable and sustainable (Datta, 2010a, 2010b).

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 meaningfully be separated from price (Datta, 1996). Today's global economy offers a bewildering array of brands in many markets with diverse grades of quality at different prices that most consumers find difficult to comprehend. Quality, in general, is a complex, multi-dimensional concept that is often not easy to understand. Also, frequently, unbiased data on quality is not available for many products. So, consumers regularly use relative price as a symbol of quality to form broad images of differences in quality among various brands. Such prior attitudes can play an important role in consumer behavior (Oxenfeldt, 1960; Shapiro, 1968).

Businesses, too, often use price to position themselves *within* a price-quality segment (Datta, 1996). A well-known example is Motel 6 which has positioned itself in the *economy* segment of the U.S. motel industry as the brand with a claim of offering "the *lowest* price of any national chain" (Datta, 2010a).

A factor that plays an important role in competition is brand equity (Datta, 2010b). Hamel and Prahalad (1994, pp. 237, 252) suggest that in today's highly competitive markets it is vital for a business to create a "share of mind" among global customers. They say that what convinces a buyer to purchase a product from "Sony, Canon, or Toyota is less the length of the warranty period than the strength of the quality warrant implicit in the *brand*" (*italics* added).

Unfortunately, we could not include quality in our study because data on it was not available for men's shaving cream.

Men's Shaving Cream Market: History and Technology

Shaving serves an important need: personal grooming. It is a multi-technology, multi-product industry of which the men's shaving cream is a relatively small part. Personal grooming, along with body care and oral care, constitute the broader market for personal care (for an overview of this market see Datta, 2010b, Fig. 1).

The U.S. men's shaving cream industry has several product-market segments. With a market share of 69% in 2008, shaving *gel* was by far the largest segment in this market, followed by *foam's* 26%, a distant second. So, we have focused on these two segments that account for 95% of total dollar sales for 2008[1].

At present shaving *gels* dominate the men's shaving cream market. But before gel "there was foam, and before foam there were creams, and before the creams, there was plain old soap" [along with a brush and a mug] (Pinfold, 1999, p. 130).

First Brushless Shaving Cream

The first innovation in the shaving cream market was the *brushless* shaving cream. However, there are conflicting views about which was the first U.S. brand to merit this distinction. Woodward (1939) says that

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[1] For a citation of the source of data in this study, see footnote 8.

Colgate introduced the first *brushless* shaving cream, *Rapid-Shave*, in America in 1914-1915. Nonetheless, according to *Burma Shave*'s chronicler, Rowsome (1965), the British-made Lloyd's *Euxesis* was the *original* brushless shaving cream. But, *Burma Shave*, which was sold in the U.S. from 1925 to 1966, was the first American entry to be successful (Larson & Sundberg, 2006, p. viii; Rowsome, 1965).

In contrast, Perio-Inc., the present owner of *Barbasol*, says that this honor goes to *Barbasol*. According to the company's website, the first brushless shaving cream in the U.S. was invented in 1919 by MIT's Prof. Shields, who called it *Barbasol*. Soon it was endorsed by such celebrities as Babe Ruth and Knute Rockne in newspaper ads[2]. Laura Ries (2006), a well-known marketing expert, also credits *Barbasol* for inventing "the 'brushless' shaving cream, a new category and a successful new brand".

Based on the above evidence, we think *Barbasol*'s claim as the first successful brushless shaving cream seems to have far more merit than the case presented by the backers of *Burma Shave*.

Interestingly, *Burma Shave* became very famous for its roadside signs with catchy jingles that first appeared in Minnesota in 1925 (Rowsome, 1965, p. 14).

Aerosol *Foam* Shaving Cream

The next major advance in this market was the *aerosol* can. The aerosol can was first patented by a Norwegian in 1927 (Sviokla & Paoni, 2005). In the early 1950s *Barbasol* changed its formulation from a thick cream in a tube to a fluffy foam in an aerosol can[3], a practice that was soon followed by others, such as *Gillette Foamy* in 1953 (Howe, 2005).

First *Gel* Shaving Cream

In 1970 S.C. Johnson & Son entered the personal care market by introducing *Edge* Gel—the first shaving *gel* for men for which it was awarded a patent in 1970. This has been the last major innovation in the men's shaving cream industry. In 1966 the company introduced Pledge, the first sprayable furniture polish in an *aerosol* can. In its quest for entering the men's shaving cream market, the company engineers found that *gel* was a better skin *lubricant* than the then-popular *foam* shaving cream. But then how do you go about dispensing *gel* from an aerosol can? The company solved this problem by "introducing an expandable bladder in the bottom of the can" (Sviokla & Paoni, 2005; also see Ries, 2006).

Edge went on to dominate the men's shaving *gel* market and has become a "mega" brand (Ries, 2006). More importantly, while the market for men's shaving *gel* has expanded steadily, the demand for shaving *foam* has relatively become much smaller. This is because, as noted above, *gel* provides *extra* lubrication and protection that is preferred by many consumers over the *foam* shaving cream (Toedt, Koza, & Cleef-Toedt, 2005, p. 57).

Nonetheless, through in-house research, a major competitor in this business has recently learnt that a segment of *foam* users are preferring *foam* over *gel* not because it is more economical, but because they perceive that *foam* offers the benefit of "high lather and a clean rinse feel". The company has not yet documented the size of this segment.

In 2008 total retail sales of men's *foam* shaving cream were $49 million, as opposed to $131 million for *gel* shaving cream. Also while 20 brands were competing in the *gel* segment in 2008, only eleven did so in the *foam* segment.

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2 http://www.perio-inc.com/ourstory/history/#barbasol (Retrieved on June 9, 2011).
3 http://www.perio-inc.com/ourstory/history/#barbasol (Retrieved on June 9, 2011).

In 1989 S. C. Johnson & Son won a lawsuit against *Gillette Foamy* Gel for violating its *gel* patent. However, *Edge* Gel's patent expired in Dec. 1987 (*The New York Times*, 1989). Thus *Edge* may have lost its edge because this event opened the door to potential competitors to jump into the shaving *gel* market (Sloan, 1988). Nevertheless, *Edge* was a clear front runner in 2008 with a market share (units) of 35.9% followed by *Gillette Series* with 22.9% (see Table 1).

In May 2009 S.C. Johnson sold its shaving *gel* business to Energizer Holdings, the owner of *Schick* safety razor and blades (Burke, 2009).

Shaving Cream Technology

The modern men's shaving preparations are intended to do several things: (1) to *lubricate* the skin; (2) to enable the cutting blade to *cut* the protruding hair, but *not* the surrounding skin; (3) to *moisten* and *soften* hair to make it easier to cut them, *cushion* the effect of the razor, and provide a residual film to *soothe* the skin; and (4) to *prevent* skin irritation (Toedt, Koza, & Cleef-Toedt, 2005, p. 55; Berlow, 1993).

The chemistry of shaving cream. The residual film should be of the proper pH value: neither overly alkaline nor too acidic; it should correspond to the skin's [normal] pH level (Berlow, 1993).

Soap is an important ingredient of shaving cream. It creates a *film* on the skin that *reduces* the resistance a blade encounters as it glides along the outermost layer of the skin (epidermal) without cutting into the deeper vascular (vessels carrying blood) dermal skin layer (Toedt, *et al.*, 2005, p. 55).

A vital function performed by soap is that of a *surfactant.* A surfactant lowers the surface *tension* of a liquid, allowing easier spreading, and lowers the interfacial tension between two liquids (Rosen, 2004). A surfactant can loosen, emulsify (disperse in water), and hold soil in suspension (Cole, Browning, & Schroeder, 2003, p. 63).

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; Rosen, 2004).

Shaving creams are typically made out of a mixture of two things. One is a sodium salt—e.g., sodium hydroxide (an alkali) also known as *lye* or *caustic soda*—or a potassium salt (e.g., potassium hydroxide). It is then mixed with a fatty acid, e.g., stearic acid, or palmitic acid. Both stearic acid and palmitic acid are saturated fatty acids; stearic acid is derived from tallow (animal fat); palmitic acid generally comes from the oil of palm trees (Toedt, *et al.*, 2005, p. 56).

However, today manufacturers of shaving cream are using *triethanolamine* instead of (say) sodium hydroxide, to interact with stearic (or palmitic) acid. Triethanolamine is a *synthetic* organic chemical compound that is caustic (or "base"). We found it listed as an ingredient on the shaving cans of all major brands of shaving cream—both *gel* and *foam*. It has several things going for it: (1) Like soap, it is a *surfactant*, but does a better job (Berlow, 1993); (2) It has a pH of 5-6 which is similar to skin pH; so, it is able to act as a pH *balancer* to neutralize excess acid; and (3) It is an *emulsifier* that is able to hold oil and water together on the facial skin[4].

Ingredients of shaving cream. By far the largest component of a shaving cream is *water* which can be as high as 80%. The next most important are *stearic acid* (or palmitic acid) and *triethanolamine* (Berlow, 1993).

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[4] http://www.cosmeticsdatabase.com/ingredient.php?ingred06=706639;http://en.wikipedia.org/wiki/Triethanolamine; http://en.wikipedia.org/wiki/Triethanolamine (Retrieved on June 9, 2011).

In addition, there are numerous others that are listed below (Toedt, *et al*., 2005, p. 56):

a. Skin cleansers and antiseptics (e.g., triclosan, sodium lauryl sulfate);
b. Product thickeners (e.g., acrylate copolymers, cellulose polymer, carrageenan, hydroxyethylcellulose);
c. Lubricants and emollients (e.g., lanolin, allantoin, sorbitol);
d. Hair and skin softeners/hydrating humectants (e.g., propylene glycol, glycerin, PEG compounds);
e. Skin conditioners (e.g., aloe vera gel, sodium cocoyl isothionate, vitamin E acetate, panthenol);
f. Preservatives (e.g., BHT, methylparaben, propylparaben, sodium benzoate);
g. Herbal extracts;
h. Fragrance;
i. Propellants (e.g., isobutane, propane, pentane, butane, isopentane).

An *emollient* is a substance that softens and soothes the skin. A *humectant* is a non-oily ingredient that attracts moisture from the atmosphere, retards evaporation, and promotes water retention[5].

The above ingredients are combined in a three-piece metal can containing *propellants* that dispense *foam* or *gel* to the shaver's skin. Also, the *gel* shaving creams contain a *polymer* and other surfactant materials to create a clear *gel* structure (Toedt, *et al*., 2005, p. 57).

In comparison with *foam* shaving creams, shaving *gels* are more *efficient* because a smaller amount is necessary for each shave. This is because the user lathers the gel while shaving rather than applying an already lathered cream[6].

Price-Quality Segmentation Profile: Men's Shaving Cream Market

We have employed 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 endeavor as objective as possible. First, this study is *not* ad-hoc, but is grounded in a theoretical framework, as indicated earlier. An important part of this framework is that most consumer markets can potentially be divided in *five* price-quality *segments* or groups—from *ultra-economy* to *super-premium.* Third, we have relied on two different cluster analysis techniques—KMeans and Hierarchical—to establish the reliability or consistency of clusters. Fourth, we are fortunate that we were able to get annual sales data for our study for *two* years. Thus, this data has provided a powerful vehicle for subjecting cluster consistency to an additional test. Finally, we have also tried to seek external validity for cluster justification whenever possible. For example, P&G has clearly recognized several of its brands as *premium* brands, one of which is *Gillette Fusion:* a brand that is a part of this study[7].

This analysis is based on U.S. retail sales data for 2008 and 2007 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, Family Dollar, and Dollar Tree[8].

The data provides total dollar and unit sales, no-promotion dollar and unit sales, and promotion[9] dollar

[5] http://en.mimi.hu/beauty/humectant.html (Retrieved on June 9, 2011).
[6] http://www.wisegeek.com/what-is-shaving-gel.htm (Retrieved from June 9, 2011).
[7] http://www.pg.com/en_US/investors/financial_reporting/annual_reports.shtml (2009 report,Retrived on June 10, 2011).
[8] We are extremely grateful to the A.C. Nielsen Co. for their extraordinary generosity in making this invaluable data available. It covers 52 weeks ending December 27, 2008, and December 29, 2007.
[9] For those stores for which, during a week, there were feature ads, coupon ads, display, or temporary price decrease of at least 5%.

and unit sales.

The men's shaving cream market recorded $ 191 million sales in 2008. It runs the gamut of 11 different product segments of which only two are significant: *gel ($131 million)* and *foam* ($49) million[10]. In package size g*el* ranged from 1 to 14.8 oz, and *foam* from 2 to 14.8 oz.

In order to compare apples with apples, we found that the 7-oz *gel* and the 11-oz *foam* were by far the most popular sizes in their respective product category[11].

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 leaders in each product segment (*gel* and *foam*) and determine the price-quality segment—based on *price* data—each is competing in.

Ketchen and Shook (1996) suggest that an *a priori* theory can be quite useful as a non-statistical tool for determining the number of clusters. However, an even more important question is being able to identify before-hand what those clusters or groups really mean, and what they stand for. Most consumer markets can be divided in three *basic* price-quality segments: *premium*, *mid-price*, and *economy* (Datta, 1996). These three basic segments can be extended to *five* with the addition of *super-premium* and *ultra-economy* segments. Thus three represents the minimum and five the maximum number of price-quality segments or groups for conducting cluster analysis in this study.

However, it is important to point out that some groups—price-quality segments—may consist of sub-groups. In such cases we may have *more* clusters than price-quality segments or groups (e.g., see Table 1).

Since 1973 economic inequality has sharply increased in America[12]. An important implication of this economic inequality is that it has distinctly increased the market size of the *premium* segment, and even the *super-premium* segment.

A socio-economic *lifestyle* profile of American households reveals six classes (Datta, 2012). Each class is associated with a price-quality segment typified by the retail stores where they generally shop: each a symbol of their lifestyle:

- The "Poor" (*ultra-economy*[13]);
- The "Near Poor" (*economy*);
- The "Traditional Middle Class" (*mid-price*);
- The "Upper-Middle Class" (*premium*);
- The "The Very Rich/The Rich" (*super-premium*);
- The "Mega-Rich"-"Masters of the Universe"-("*price is no object*").

An empirical analysis of the U.S. toothpaste market found that it consisted of four price-quality segments: *economy, mid-price*, *premium*, and *super-premium* (Datta, 1996). P&G, too, says that many markets in which it operates comprise the same four segments. However, P&G generally competes in all *but* the *economy* segment (Datta, 2010b).

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[10] The third in line was the *cream* segment with $8.6 million in sales for 2008.

[11] For 2008 7-oz *gel* cans accounted for 89% of total *gel* $ sales, while 11-oz *foam* cans were 78% of total *foam* $ sales.

[12] Although the U.S. economy and per-capita income have been growing since 1973, the median family income has virtually remained stagnant. While the average after-tax household income of the middle fifth rose 21% from 1979 to 2005, for the top fifth it went up 80%, and for the top 1% a staggering 228% (Datta, 2012).

[13] The *ultra-economy* segment includes *used* household items that the poor often buy at thrift stores, and most merchandize sold by the "dollar" stores. However, as mentioned earlier, data from the "dollar" stores is not included in this study.

Hypotheses

We offer two hypotheses about the market share leader for each of the two men's major shaving cream markets: *gel* and *foam*:

H1: That the market share leader would be a member of the *mid-price* segment, *and*

H2: That the market share leader would carry a price tag that is *higher* than that of the nearest competition.

Guidelines for Cluster Consistency

We have already laid down a theoretical foundation for the maximum (five) and minimum (three) number of groups—and what they signify in reality. In addition, we set up the following guidelines to enhance cluster reliability or consistency:

- As mentioned before, we have employed *two* clustering techniques—K Means and Hierarchical—to minimize researcher bias and enhance cluster reliability;
- Second, as much as possible, there should be a *clean break* between *contiguous* clusters[14];
- Third, most of the time the above two procedures produced identical results. However, when that was not the case we chose the solution that produced membership of a cluster that was more *stable* from three-to-four or four-to-five clusters, and where there was a clean break between contiguous clusters;
- Fourth, the *anchor* clusters—the top and the bottom—should, in general, 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. If the bottom cluster remains unchanged we tentatively call the four clusters as: *economy*, *mid-price*, *premium*, and *super-premium*. Then we go to five clusters. If the membership of the bottom cluster still remains unchanged from what it was in the four-cluster result, it clearly implies that the *ultra-economy* segment does *not* exist and that the bottom cluster is the *economy* segment. After that if the membership of the top cluster also remains the same from a four- to a five-cluster answer, then the *top* cluster clearly becomes the *super-premium* segment. This means that in such a case we have a five-cluster solution with only *four* price-quality segments: *economy*, *mid-price*, *premium*, and *super-premium*. This implies that either the *premium* or the *mid-price* segment consists of two *sub*-segments (e.g., see Table 1).

Results of Cluster Analysis

The gel segment. For both 2008 (20 cases) and 2007 (20 cases) the *five*-cluster solution provides the best answer. However, the five clusters comprise only *four* price-quality segments in which the *premium* segment consists of two *sub*-segments: *Premium I* and *Premium II* (see Tables 1, 2).

So, how does the year 2007 compare with 2008? Out of a total of 20 brands for each year, this comparison is based on 19 cases that were *common* to both years. Surprisingly, there is a notable consistency between the results for the two years that are virtually identical[15].

Interestingly, the number of brands in the *premium* segment is higher (eight for both years) than those in

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[14] For example, for a five-cluster solution in the *gel* market for 2008 (see Table 1) the unit price for the *top* brand in the *economy* segment—*Old Spice*—is $1.98, while the *bottom* brand in the next higher *mid-price* segment—*Gillette Series*—is $ 2.40.

[15] The only difference is an abrupt shift in the membership of two *minor* players: *Bump Patrol* and *Bump Fighter*. While both were part of the *economy* segment in 2007, the two have become members of the *premium* and *mid-price* segments, respectively, in 2008.

the *mid-price* segment: six for 2008, and five for 2007. This is not surprising because, as we have already pointed out, with increasing economic inequality in America since 1973, one would expect the market for premium goods to go up sharply.

The foam segment. Compared to *gel*, which has 20 cases, the *foam* segment has a much smaller sample: 11 for 2008 and for 2007, or both 2008 and 2007 we considered the *three*-cluster result as the most realistic solution (see Tables 3, 4). Apart from the small sample size, another key factor in choosing this solution was that Noxzema was the *sole* brand that was a member of the top cluster from three- to four- to five-cluster solution.

As in the *gel* segment, there is a remarkable consistency in the overall competitive picture of the *foam* segment between the two years.

Table 1

Shaving Gel for Men (7 oz) 2008: Price-quality Segmentation–Hierarchical/KMeans Cluster Analysis

Price-quality Segment	Brand Name	Cluster Center	$MkShar%	UMkShar%	Uprice	$PrmSales%	UPrmSales%
Super-premium	Nxt	$4.87	0.14	0.08	$5.04	18.12	19.63
	Neutrogena Razor Defense		2.54	1.48	$4.69	11.83	13.39
Premium I	Neutrogena	$3.79	0.01	0.01	$4.11	2.66	5.33
	Aveeno		10.03	6.69	$4.11	11.79	13.34
	Every Man Jack		0.29	0.20	$3.97	7.09	7.80
	Adidas		0.00	0.00	$3.91	1.66	7.53
	Gillette Comp. Skincare		0.51	0.37	$3.76	17.65	24.22
	Clearasil		0.01	0.01	$3.74	10.83	24.04
Premium II	Gillette Fusion		14.32	11.54	$3.40	35.13	41.69
	Bump Patrol	$3.36	0.03	0.03	$3.31	3.49	6.16
Mid-price	Nivea	$2.63	6.45	6.16	$2.87	17.38	19.44
	Gillette Mach 3		4.49	4.40	$2.79	35.06	42.99
	Bump Fighter		0.00	0.00	$2.68	8.46	19.03
	Edge		34.03	35.90	$2.60	34.62	39.42
	Brut		0.12	0.13	$2.44	15.74	19.89
	Gillette Series		20.07	22.89	$2.40	33.75	39.04
Economy	Old Spice	$1.89	0.50	0.69	$1.98	30.97	37.36
	Noxzema		1.89	2.70	$1.92	39.94	44.97
	Private-label group		4.14	6.09	$1.86	21.78	24.43
	Barbasol		0.41	0.63	$1.80	29.10	36.64
			100%	100%		29.9%	35.4%
Total Sales		$2.74	$116,063,358	42,351,415	$2.74	$34,652,211	15,000,413

Notes: [a]F statistic=170, significant at .000 level. [b]Cluster Center means average group price per unit.

Hypotheses Testing: Identifying Market Share Leader

Now it is time to delve deeper into the competitive picture of the *gel* and *foam* segments. Although market share can be defined both in units and in dollars, number of units has to be considered as the primary dimension. The *null* hypotheses are:

a) That the market share leader would *not* be a member of the *mid-price* segment, *and*

b) That the market share leader would *not* carry a price tag that is higher than that of the nearest competition.

The Gel Segment

A clear-cut market share leader is *Edge*: with a market share of 35.9 % in unit sales for 2008 (see Table 1), and 37.8% for 2007 (see Table 2). It is also the undisputed market share leader in dollar sales. Its nearest competitor is *Gillette Series* which is significantly behind, with a market share of 22.9% for 2008 and 21% for 2007. Both are members of the *mid-price*-segment for 2008 and 2007, as hypothesized. It is clear that the Gillette Co., a powerhouse in the shaving business, was unable to overcome the disadvantage of competing against the first-mover S.C. Johnson's *Edge* even after *Edge* lost its patent protection in 1987, as mentioned before.

The average (net) unit price for *Edge* is $2.60 and $2.57, respectively, for 2008 and 2007. The corresponding figures for *Gillette Series* are $2.40 and $2.42: prices that are lower than those of *Edge*.

Thus, we must *reject* both the *null* hypotheses.

Table 2:

Shaving Gel for Men (7 oz) 2007: Price-quality Segmentation—Hierarchical Cluster Analysis

Price-quality Segment	Brand Name	Cluster Center	$MkShar%	UMkShar %	Uprice	$PrmSales %	UPrmSales %
Super-premium	Neutrogena Razor Defense	$4.67	2.7	1.57	$4.67	16.20	18.79
Premium I	High Time Bump Stopper	$4.00	0.01	0.00	$4.25	2.31	2.85
	Every Man Jack		0.16	0.10	$4.07	26.17	27.20
	Clearasil		0.09	0.06	$4.03	17.66	28.83
	Aveeno		10.39	7.12	$3.95	8.99	10.25
	Neutrogena		0.29	0.21	$3.86	27.48	36.93
	Gillette Comp. Skincare		1.03	0.73	$3.83	16.14	21.50
Premium II	Adidas	$3.33	0.00	0.00	$3.40	17.24	21.73
	Gillette Fusion		13.47	11.14	$3.27	36.11	43.22
Mid-price	Gillette Mach 3	$2.60	4.45	4.21	$2.87	26.67	33.48
	Nivea		5.27	5.19	$2.75	11.86	14.36
	Edge		35.84	37.80	$2.57	28.44	32.82
	Gillette Series		18.79	21.00	$2.42	32.17	36.98
	Brut		0.14	0.16	$2.40	15.57	22.01
Economy	Old Spice	$1.77	0.61	0.87	$1.89	33.04	41.09
	Noxzema		1.55	2.23	$1.88	42.46	46.91
	Private-label group		4.54	6.57	$1.87	20.25	22.58
	Bump Patrol		0.01	0.01	$1.75	12.80	26.34
	Barbasol		0.64	1.01	$1.72	30.35	39.02
	Bump Fighter		0.01	0.02	$1.49	29.43	47.32
			100%	100%		26.6%	31.8%
Total Sales		$2.71	$116,324,092	42,982,179	$2.71	30,933,383	13,657,817

Note. [a]F statistic=172, significant at .000 level.

The Foam Segment

The brand with the highest market share is *Barbasol* with 47.6 % in unit sales for 2008 (see Table 3), and 42.7% for 2007 (see Table 4). Its nearest competitor is *Gillette Foamy*, with a market share of 35.9% for 2008 and 35.8% for 2007.

But, in contradiction to our hypothesis, *Barbasol* is a member of the *economy* rather than the *mid-price* segment. However, *Gillette Foamy* is part of the *mid-price* segment.

The average unit price for *Barbasol* is $1.28 and $1.17, respectively, for 2008 and 2007. But the corresponding figures for *Gillette Foamy* are *much* higher at $1.89 and $1.82.

Thus, we *cannot* reject either *null* hypothesis.

Now if we consider market share in *dollars* the winner is *Gillette Foamy* with 44.1% for 2008, and 44.6% for 2007, compared to 39.6% and 34.2%, respectively, for *Barbaso*l. Although sales in dollars is not the primary measure of market share, yet it can provide useful information about which brand is likely to be more profitable in terms of gross margin.

Table 3

Shaving Cream for Men—Foam (11 oz) 2008: Price-quality Segmentation—Hierarchical Cluster Analysis

Price-quality Segment	Brand Name	Cluster Center	$MkShar%	UMkShar%	Uprice	$PrmSales%	UPrmSales%
Premium	Noxzema	$2.24	7.24	4.99	$2.24	17.01	21.62
Mid-price	Gillette Foamy	$1.69	44.05	35.93	$1.89	12.34	15.87
	Private-label I		1.45	1.37	$1.63	35.17	37.46
	Brut		0.06	0.06	$1.53	12.79	21.78
Economy	Private-label II	$1.11	0.19	0.22	$1.34	10.97	12.89
	Barbasol		39.59	47.56	$1.28	18.11	21.57
	Colgate		0.19	0.24	$1.24	7.01	9.63
	Old Spice		6.60	8.67	$1.17	14.45	15.88
	Personal Care		0.60	0.92	$1.00	9.67	10.42
	Rise		0.00	0.00	$0.94	6.81	7.71
	Percara		0.00	0.00	$0.79	26.71	41.08
Total Sales			100%	100%		15.4%	19.1%
		$1.54	$38,465,208	24,947,382	$1.54	$5,926,454	4,763,927

Notes: [a]F statistic=20, significant at .001 level. [b]Excludes Burma Shave because of a very small level of sales for 2008 ($145).

Question mark behind Barbasol's market share leadership? It is easy to realize why the mighty Gillette's *Series* brand lost the market share war to S.C. Johnson's powerful first-mover *Edge* brand in the men's shaving *gel* market. But how can one explain the puzzle that a much weaker rival *Barbasol* was able to move ahead of *Gillette Foamy* and grab the market share leadership in the men's shaving *foam* market?

We submit that the most plausible explanation for this seems to be that perhaps the Gillette Co. saw market share leadership as a means not an end. So, if they wished *Gillette Foamy* to become the market share leader they could easily have done so by lowering its price to a level that was not so far from Barbasol's. However, such a strategy would have been a lot less profitable than Gillette's current strategy. Instead, the company appears to have chosen a smarter strategy that seems much more profitable.

It is important to point out that the shaving *gel* segment was far more competitive, and so price competition was more intense than in the *foam* segment. Because the *foam* market was much smaller and was steadily losing relative market share to the *gel* segment, it was not attracting major competitors. Even Colgate decided to quit the segment in 2008 (Tickner, 2009). In this segment the only major player besides *Gillette Foamy* was a much weaker competitor *Barbasol*. So, Gillette Co. positioned *Gillette Foamy* at the *upper* end of the *mid-price* segment that was very close to the *premium* segment. The end result is that while *Gillette Foamy* did lose the market share leadership to Barbasol in units, it became the market share leader in sales dollars. To generate the same dollar sales in 2008 as *Gillette Foamy*, *Barbasol* would have to sell about half as many more (48%) units than the *Gillette* brand!

Table 4

Shaving Cream for Men—Foam (11 oz) 2007: Price-quality Segmentation—KMeans/Hierarchical Cluster Analysis

Price-quality Segment	Brand Name	Cluster Center	$MkShar%	UMkShar%	Uprice	$PrmSales %	UPrmSales%
Premium	Noxzema	$2.23	8.11	5.32	$2.23	7.10	4.5
Mid-price	Gillette Foamy	$1.65	44.59	35.77	$1.82	40.98	33.7
	Brut		0.27	0.25	$1.59	0.27	0.3
	Private-label I		1.83	1.75	$1.53	2.17	1.8
Economy	Old Spice	$1.09	5.69	6.58	$1.26	5.68	5.7
	Private-label II		0.11	0.13	$1.26	0.14	0.2
	Barbasol		34.20	42.72	$1.17	37.73	43.3
	Colgate		4.67	6.73	$1.01	5.73	10.2
	Personal Care		0.35	0.51	$1.00	0.12	0.1
	Percara		0.13	0.20	$0.99	0.08	0.1
	Rise		0.04	0.06	$0.95	0.01	0.0
Total Sales		$1.46	100%	100%		18.1%	23.4%
			$38,174,407	26,144,741	$1.46	$6,922,880	6,107,524

Notes: [a]F statistic=39, significant at .000 level. [b]Excludes Burma Shave because of a tiny level of sales ($45).

To sum up. Although technically the result of cluster analysis involving the *foam* shaving cream market was negative, we think it does not necessarily negate our hypothesis that market share leaders in most consumer markets are very likely to compete in the *mid-price* segment at a price somewhat *higher* than that of the competition. We submit that although *Barbasol* was able to capture the market share leadership mantle in the shaving *foam* segment, it was in large part because Gillette Co. seems to have facilitated this process by following a path that may have been somewhat short on market share but was likely to be long on profitability.

The Role of Promotion

In the *gel* market promotional sales represented a substantial proportion of total sales. In 2008 they accounted for 29.9% in dollars and 35.4% in units (see Table 1). For 2007 the corresponding figures were 26.6% and 31.8% (see Table 2).

Promotional sales, however, were much lower in the *foam* segment. The comparable figures were 15.4% and 19.1% for 2008 (see Table 3), and 18.1% and 23.4% for 2007 (see Table 4).

Strong Correlation Between Promotional Sales and Total Sales

We performed *correlation* analysis for 2008 and 2007 between total sales and promotional sales both in dollars and in units for both *gel* and *foam*. In every case the result showed a strong *positive* correlation that was significant at the 0.01 level.

Next, we looked at the extent to which each brand relied on sales from promotional discounts. To address this matter requires answering two questions. One is what *proportion* of units was sold for each brand at a discount? The other is how *deep* was the discount (as measured by the average promotional unit price as a *percentage* of the average non-promotional unit price)? If we multiply the above two ratios we can get a *composite* which can be called an *index* of promotional sales[16].

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[16] An alternate way to compute this index is to take the total figure of promotional dollar sales and express it as a percentage of what total dollar sales would have been if all the units were sold *without* any promotion (total actual unit sales times average non-promotional unit price).

Strong Correlation Between Unit Price Rank Data for 2008 and 2007

We wondered how stable the relative price position of a brand from 2007 to 2008 was. So, we ranked each of the *gel* and *foam* brands (common to both years) in terms of average unit price and performed correlation analysis on this ordinal data. Surprisingly—for both the *gel* and *foam* segments—the Spearman's rho as well as Kendall's tau_b coefficient was significant at the 0.01 level.

These results suggest that in the men's shaving cream market *each* brand has tried to maintain its *relative* price position compared to its *nearest* competitors from 2007 and 2008. This implies that in this market management has generally considered price as a *strategic* rather than a tactical variable.

The implication of the above results is that relative price at which a brand wishes to compete is of strategic importance not only for the market share leader—as we have hypothesized here—but for all brands that compete in that market.

Index of Promotional Sales

The gel segment. A three-cluster K-Means analysis produced three groups. For 2008 the "heavy" group includes the market-share leader *Edge,* and all three *Gillette* brands (*Series, Fusion,* and *Mach3*) with almost identical scores. The "moderate" category includes the private-label group and *Nivea*. Finally, in the third group, which we call "light," are *Aveeno* and *Neutrogena Razor Defense*. The results for 2007 are generally comparable to those for 2008.[17] Average brand scores for key players for the two years are shown in Table 5.

From the above information, it is clear that the top-selling *mid-price* brands—*Edge* and *Gillette Series*—and even *economy* brands Noxzema and Old Spice, depend heavily on discounting to maintain their market share. In addition, *Gillette Fusion*, which has the highest market share in the *premium gel* segment, has the promotional sales index that is identical to that of *Edge* and *Gillette Series*.

In contrast, *Aveeno,* which is positioned at the *upper*-end of the *premium* segment, and *Neutrogena Razor Defense*, which is a member of the *super-premium* segment, belong to the "light" promotion group. These two brands are owned by Johnson & Johnson. The "light" promotional footprint implies that the company does not want to dilute the "high-price" image of its brands by engaging in a lot of discounting.

The foam segment. In Table 6 we present an average index for the two years for key brands. Based on this data we think all five brands belong to the "moderate" group.

Table 5

Shaving Gel for Men 2008, 2007: Promotional Sales Index and Intensity Rating—Key Players

Brand Name	Promotional Sales Index 2008	Promotional Sales Index 2007	Av. Promo Sales Index: 2008 and 2007	Av. Promo Sales Intensity Rating: 2008 and 2007
Noxzema	0.37	0.39	0.38	"Heavy"
Edge	0.32	0.27	0.30	
Gillette Fusion	0.32	0.32	0.32	
Gillette Series	0.31	0.30	0.31	
Gillette Mach3	0.31	0.24	0.28	
Old Spice	0.28	0.29	0.29	
Barbasol	0.26	0.27	0.27	
Private-label group	0.21	0.20	0.21	"Moderate"
Nivea	0.17	0.12	0.15	
Neutrogena Razor Defense	0.12	0.16	0.14	"Light"
Aveeno	0.12	0.09	0.11	

[17] Except for *Neutrogena Razor Defense* which joined the "moderate" group, and *Nivea* which fell into the "light" group.

Advertising Not a Major Factor in Both *Gel* and *Foam* Segments

The 2008 *gel* data (see Table 7) reveals only three brands—*Edge*, *Gillette Fusion*, and *Nivea*—while the 2007 data shows only two brands—*Edge* and *Gillette Fusion*.

For 2008 *Edge* spent more than $14 million on advertising—about 36% of its sales—a number that was up sharply from $3.3 million in 2007 (about 8% of sales).

Table 6

Shaving Cream for Men—Foam 2008, 2007: Promotional Sales Index and Intensity Rating—Key Players

Brand Name	Promotional Sales Index 2008	Promotional Sales Index 2007	Average Promotional Sales Index: 2008 and 2007	Average Promotional Sales Intensity Rating: 2008 and 2007
Barbasol	0.17	0.19	0.18	"Moderate"
Noxzema	0.16	0.15	0.16	
Old Spice	0.14	0.18	0.16	
Gillette Foamy	0.12	0.16	0.14	
Colgate	0.07	0.19	0.13	

Table 7

Shaving Gel for Men: Advertising Data for 2008, 2007

Brand Name	Brand Advtg Expenses 2008	Total Sales 2008	Advtg as % of Sales2008	Brand Advtg Expenses2007	Total Sales 2007	Advtg as % of Sales 2007	Joint Advertising 2007
Edge	$ 14,146,000	$ 39,497,934	35.8%	$ 3,310,000	$ 41,685,882	7.9%	
Gillette Fusion	$ 128,000	$ 16,624,404	0.8%	$ 3,886,000	$ 15,668,960	24.8%	$ 2,941,000
Nivea	$ 3,326,000	$ 7,491,634	44.3%				

Gillette Fusion's advertising expenses for 2008 were a mere $128,000. But, the brand's advertising outlay in 2007 was $3.9 million that was about 25% of its sales.

Nivea forked out about $3.3 million on advertising in 2008 that works out to about 44% of its sales. However, for 2007 it didn't spend any money on advertising.

For the *foam* segment (see Table 8) *Barbasol* is the only brand to rely on advertising. It spent about $1.3 million in 2008—8.4% of sales. For 2007, though, its advertising expenditure was only $128,000 that is 1% of its sales.

Table 8

Shaving Cream for Men—Foam: Advertising Data for 2008, 2007

Brand Name	Brand Advtg Expenses 2008	Total Sales 2008	Advtg as % of Sales 2008	Brand Advtg Expenses 2007	Total Sales 2007	Advtg as % of Sales 2007	Joint Advertising 2007
Barbasol	$1,277,000	$15,228,984	8.4%	$128,000	$13,057,310	1%	None

From this picture we can draw the following broad conclusions:

- In general, advertising did not play an important role in both the *gel* and the *foam* markets during 2008 and 2007. One reason seems to be that the men's shaving cream is a mature market that has not seen much innovation for a long time. So, there is not a lot to talk about, except when a brand introduces a new flavor, or when a company introduces an entirely new brand (e.g., *Gillette Fusion*).
- As indicated above, there has been a vast variation between advertising efforts from one year to the next.
- The industry executives rely primarily on promotional discounting and coupons to gain sales.

Promotion Much More Intensive in the *Gel* Segment

There seem to be two main reasons why there is much more discounting in the *gel* segment vs. the *foam* (Table 5 vs. Table 6). As stated earlier, the *foam* market is much smaller and has been steadily losing relative market share to the *gel* segment. So, the *gel* market has attracted a large number of brands, and therefore is much more competitive. Another reason is that there appears to be greater margin in selling *gel* than *foam*. For example, for 2008 the average price of a 7-oz can of *gel* was $2.74 (see Table 1), while the corresponding figure for an 11-oz can of *foam* was 56% of this figure at $1.54 (see Table 3)[18]. Although *gel* brands are generally marketed with higher and more expensive ingredients than *foam*, nevertheless, there seems far less room for a discount in selling *foam* than in selling *gel*.

Major Competitive Groups: By Level of Market Share

The gel segment. Table 9 contains a profile of major groups for the *gel* segment for 2008 and 2007 combined. The groups are classified by level of market share: low, moderate, and high.

The *gel* segment reveals three groups. The "low" market share group shows three major companies:

- J&J with its focus on the *upper*-price segments.
- Beiersdorf's *Nivea* and *Gillette Mach3* competing at the *upper*-end of the *mid-price* segment.
- The private-label group competing in the *economy* segment.

The lone member of the "moderate" group is P&G's *Gillette Fusion* which has positioned itself at the *lower*-end of the *premium* segment.

The "high" market share group has two members both competing in the *mid-price* segment: the market share leader *Edge*, followed by *Gillette Series*.

Table 9

The U.S. Men's Shaving Gel Market 2008 and 2007: Major Groups by Level of Market Share

Corporate Identity	Competitive Strategy	Level of market share	Brand Name	PQ Segment	Av. Uprice	Av. Mkt Share %	Promotion Intensity
Johnson & Johnson	Focus on the *upper*-price segments	Low	Neutrogena Razor Defense	*Super-premium*	$ 4.68	1.5	"Light"
			Aveeno	*Premium (upper)*	$ 4.03	6.9	
Beiersdorf	Compete at the *upper*-end of the *mid-price* segment		Nivea	*Mid-price*	$ 2.81	5.7	"Moderate"
P&G			Gillette Mach3		$ 2.83	4.3	"Heavy"
Private-label group	Compete in the *economy* segment		Store brands	*Economy*	$ 1.87	6.4	"Moderate"
Perio			Barbasol		$ 1.76	0.8	"Heavy"
P&G			Noxzema		$ 1.90	2.5	
			Old Spice		$ 1.94	0.8	
P&G (Gillette)	To be a market share leader in the *premium* segment	Moderate	Gillette Fusion	*Premium (lower)*	$ 3.34	11.3	"Heavy"
	To compete in the *mid-price* segment and hold a "leadership or significant market share position"	High	Gillette Series	*Mid-price*	$ 2.41	22.0	
S. C. Johnson	To compete in the *mid-price* segment *and* be *the* market share leader		Edge		$ 2.59	36.9	

[18] We are assuming that the 7-oz *gel* can and 11 oz aerosol *foam* can provide roughly the same number of shaves.

Table 10

The U.S. Men's Shaving Cream Market—Foam—2008 and 2007: Major Groups by Level of Market Share

Corporate Group	Competitive Strategy	Level of market share	Brand Name	Competitive Strategy		Av. mkt share %	Promotional Intensity
				PQ segment	Av. unit price		
P&G (Gillette)	To compete in the *mid-price* segment and hold a "leadership or significant market share position"	High	Gillette Foamy	*Mid-price*	$1.86	35.9%	"Moderate"
Perio	Compete in the *economy* segment and be *the* market share leader		Barbasol	*Economy*	$1.23	45.1%	"Moderate"
P&G (Other)	Compete in the *premium* segment	Low	Noxzema	*Premium*	$2.24	5.2%	"Moderate"
	Compete in the *economy* segment		Old Spice	*Economy*	$1.22	7.6%	
Private-label group	Compete in the *mid-price* segment		Group I	*Mid-price*	$1.58	1.6%	"Heavy" (2008)
	Compete in the *economy* segment		Group II	*Economy*	$1.30	0.2%	"Light" (2008)

The foam segment. In the *foam* segment there are two groups (see Table 10). The "high" market share group includes the market share leader *Barbasol*, and *Gillette Foamy*. In the "low" market share group the major competitors are P&G's *Old Spice* competing in the *economy* segment, and P&G's *Noxzema*, a member of the *premium* segment.

P&G sold *Noxzema* to Alberto Culver in 2008[19].

Identifying Strategic Groups in the Men's Shaving Cream Market

Table 11 shows the primary area or industrial background of each major corporation, the technological expertise that allowed it to enter the shaving cream market, and the NAICS[20] codes of markets in which the company has a major presence.

Table 11

The U.S. Men's Shaving Cream Market—Technological Competence of Major Corporate Groups

Name of Parent Co.	Year Founded	Primary Area of Technological Competence	Brand Name	Source of Technological Expertise for Entry in the Shaving Cream Market	Major Industry Classification	NAICS Code
Beiersdorf	1911	Skin Care	Nivea	Skin Care	Toilet Preparation Mfg.	32562
Johnson & Johnson	1887	Pharmaceuticals	Aveeno	Dermatology	Pharmaceutical & Medicine Mfg.	32541
			Neutrogena	Skin Care	Toilet Preparation Mfg	32562
P&G (Gillette)	1901	Men's Shaving	Gillette Series Gillette Mach 3 Gillette Fusion Gillette Foamy	Men's Shaving	Safety Razors & Blades Toilet Preparation Mfg.	332211 32562
P&G (other brands)	1905	Soap & Detergents	Noxzema	Skin Care	Toilet Preparation Mfg.	32562
			Old Spice	Skin Care	Toilet Preparation Mfg.	
Perio	1903	Shaving Cream	Barbasol	Men's Shaving	Toilet Preparation Mfg.	32562
S. C. Johnson	1886	Chemical Industry	Edge	Household Chemicals	Soap & Cleaning Compound Mfg. Toilet Preparation Mfg.	32561 32562

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[19] http://www.marketwatch.com/story/alberto-culver-buys-rights-to-noxzema-brand (Retrieved on June 10, 2011).

[20] North American Industrial Classification System.

Finally, based on all the information we have reported and discussed above, we present (see Table 12) a competitive profile of *strategic groups* in the U.S. men's shaving cream market which identifies *six* corporations. We discuss each of them below.

Procter & Gamble (P&G)

P&G is the leading consumer products company in the world. The original expertise of P&G was in soaps and detergents: a technology that plays an important role in making men's shaving cream. Also with the acquisition of the Gillette Co. in 2005, P&G has become the predominant player in the *Shaving* business.

As far as the *shaving cream* market as a whole is concerned, it is clear from Table 12 that P&G is the biggest competitor in this market. It has the widest business scope—both horizontally and vertically. Besides Perio and the private-label group, it is the only major company that is competing in both the *gel* and the *foam* segments; also it has a presence in three out of four price-quality segments: *premium*, *mid-price*, and *economy*.

Table 12

Strategic Groups in the U.S. Men's Shaving Cream Market—2008, 2007: A Competitive Profile

Strategic Group	Source of entry into men's shaving cream market	Business scope		Year brand started	Competitive strategy		Average market share (%)	
		PQ-segment	Brand		Market share goal	Promotion strategy	*Gel %*	*Foam %*
P&G	Safety Razors & Blades	*Premium*	Gillette Fusion	2006	To have the *highest* market share in the *premium gel* segment competing on a price at the *lower* end	"Heavy"	11.3	
		Mid-price	Gillette Series	1992	To be a market share leader or hold a significant market share position	"Heavy"	22.0	
			Gillette Foamy	1953		"Moderate"		35.9
		Economy	Old Spice	Acquired 1990		"Moderate"		7.6
						"Heavy"	0.08	
S.C. Johnson	Household Chemicals	*Mid-price*	Edge	1970: F*irst* shaving *gel* for men	To be *the* market share leader in the *gel* segment	"Heavy"	36.9	
J&J	Skin Care	*Super-premium*	Neutrogena Razor Defense	Acquired 1994	To focus on the *upper*-price *gel* segments	"Light"	1.5	
	Dermatology	*Premium*	Aveeno	Acquired 1999			6.9	
Beiersdorf A.G.	Skin care	*Mid-price*	Nivea	1930s	To compete at the *upper*-end of the *mid-price* segment	"Moderate	5.7	
Perio	Men's shaving cream	*Economy*	Barbasol	1952: *First foam* shaving cream (men)	To be *the* market share leader in the *foam* segment	"Moderate"		45.1
						"Heavy"	0.8	
Private-label group	Retail store channels	*Economy*	Store brands			"Moderate"	6.3	
		Mid-price				"Heavy" (2008)		1.6
		Economy				"Light" (2008)		0.2

In the *mid-price* segment, P&G brands hold the second highest market share: *Gillette Series* in *gel* and *Gillette Foamy* in the *foam* segment. Although, *Gillette Foamy* trails *Barbasol* in market share this seems to have been by design because of which P&G appears to have chosen higher profitability over higher market share. In the *premium gel* segment *Gillette Fusion* has emerged as the market share leader *within* that segment in a very short span of time. Like the market share leader *Edge*, all the *Gillett*e *gel* brands—including *Fusion*—are supported by a strategy of "heavy" promotion.

It appears that P&G has withdrawn *Gillette Mach3 gel* from the market. Two reasons seem to account for this. One is that the brand was able to generate an average market share of only 4.3% (see Table 9): a level that may be considered too low for a *mid-price* brand carrying the famous *Gillette* name. Second, P&G had positioned *Gillette Mach3* at the *upper*-end of the *mid-price* segment. So, *Mach3* not only provided competition for its nearest rival *Nivea*, but may also have taken away some sales from P&G's own brands: the *Fusion* line—positioned not too far above *Mach3* at the *lower*-end of the *premium* segment—as well as the *mid-price Series* line.

As pointed out before, the prime mover of the *Shaving* industry—a multi-technology, multi-product business—is safety razor and blade technology. Yet, P&G is the only enterprise in this study that not only has this know-how, but is also the most innovative and by far the largest undertaking in this field with about 70% of the global market share[21]. This offers P&G several advantages:

- The Gillette brand has had a long history of bringing to market innovative razors and blades after every few years. So, this has allowed *Gillette* to leverage its successful brands, and pursue a *line-extension* strategy by introducing men's shaving *gel*—and other men's shaving products—carrying the same names borne by its highly successful safety razor and blades lines: *Mach3* and *Fusion*.
- This line-extension strategy makes it possible for P&G to employ joint advertising that benefits multiple products. For example, in 2007 it spent $2.9 million on joint advertising under the *Gillette Fusion* brand that covered multiple products for men (see Table 7).
- The constant stream of innovations and improvements by the *Gillette* division frequently provides P&G with a platform to engage in promotional campaigns to generate more sales[22].
- P&G has another major advantage in the promotional arena. Thanks to its extraordinarily broad and successful product line in the consumer market, every month it is able to distribute—through the local newspapers—"P&G brand Saver": a package of discount coupons that are solely for P&G brands.

At this stage we need to offer some comments on two brands. One is *Old Spice* which found itself placed in the *economy* segment for the *gel* and *foam* markets for both 2008 and 2007 (see Tables 1-4). Second is *Noxzema gel* which is a part of the *economy* segment for both years (see Tables 1-2).

P&G bought the *Old Spice* brand in 1990 from Shulton Company[23]. However, in 2001 P&G licensed the rights to the brand to Universal Group, a manufacturer and marketer of personal grooming products[24]. Even so it is important to point out that *Old Spice* does appear as a P&G brand on its website. P&G acquired Noxzema from Noxell Corp. in 1989, but then sold it to Alberto Culver in 2008, which, in turn, has licensed the rights to

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21 http://www.pg.com/en_US/investors/financial_reporting/annual_reports.shtml (2009 report, Retrieved on June 10, 2011).
22 The *Gillette Fusion* razor offers the latest example; see http://www.pg.com/en_US/brands/beauty_grooming/fusion.shtml (Retrieved on June 10, 2011).
23 http://www.cr8on.com/shulton.html (Retrieved on June 10, 2011).
24 http://www.universalgrp.com/ourcompany.html [We could not access this website as of Dec. 24, 2011].

it to Universal Group[25].

We have noted earlier that P&G does not normally compete in the *economy* segment. However, considering the U.S. shaving cream brands P&G currently competes in the only exception is *Old Spice*. So, our inference is that P&G is keeping the *home-grown Gillette* brands away from the *economy* segment; yet, it is willing to compete in the *economy* segment with secondary brands like *Old Spice* which is manufactured and marketed by a third party under license from P&G[26].

Gillette's focus on the "Deep Middle" in the gel segment. In order to understand the competitive strategy of P&G, let us divide the price range of the gel segment into three levels. The top level can be visualized as the "shallow upper": a "high-price low-market share" space that includes the super-premium and the upper-premium segments: an arena that J&J has chosen to concentrate in. The lowest level can be called the "shallow-lower": a "low-price low-market share" neighborhood a major occupier of which is the private-label group.

The middle level can be described as the "deep-middle" in which the competitors seek relatively high market share in both the *lower-premium* and the *mid-price* segments—uniformly supported by "heavy" promotion. It is this domain that P&G's *Gillette* division has embraced.

As we have indicated before, increasing economic inequality in America since 1973 has sharply expanded the *premium* and the *super-premium* segments of the consumer market. Traditionally, *Gillette* had been competing in the *mid-price* segment. So, when P&G launched the *Gillette Fusion* line in 2006 it introduced *Gillette Fusion* as a *premium* brand[27].

In the men's shaving *gel* market *Gillette Fusion*'s major rival is *Aveeno* which J&J has positioned at the *upper* end of the *premium* segment. So, P&G has chosen a strategy of a premium price significantly lower than that of *Aveeno*. One of the core strengths of P&G is the expertise and infrastructure for advertising and product promotion through the mass-market retail channels. Thus, P&G combined *Gillette Fusion*'s price at the *lower* end of the *premium* segment with a strategy of "heavy" promotion, supported by strong advertising from time to time.

This strategy seems to have proved highly successful. It catapulted *Gillette Fusion* into the market-share leadership position *within* the *premium* segment soon after its introduction in 2006. Its market share (units) was 11.5% and 11.1%, respectively, for 2008 and 2007, compared to Aveeno's 6.7% and 7.1% (see Tables 1 and 2).

S.C. Johnson

S.C. Johnson has long been in the chemical industry specializing in household chemicals (see Tables 11-12). As mentioned earlier, the firm entered the personal care market in 1970 by introducing *Edge*—the *first* shaving *gel* for men. As mentioned before, the company discovered that *gel* was a better skin lubricant than the then-popular *foam* shaving cream.

Edge has been the leading brand in men's shaving *gel* market with an average market share of 36.9% for 2008 and 2007, far ahead of its nearest rival, *Gillette Series* which had a comparable figure of 22% (see Table 9). As a first-mover, *Edge* has been able to accomplish this feat by competing in the *mid-price* segment and pursuing a generally *aggressive* strategy of promotion and advertising, based on the data for 2008 and 2007.

However, in 2009 S.C. Johnson sold its shaving cream business to Energizer Holdings—the owner of Schick razors and blades—because this business provided a better fit for the latter.

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25 http://www.universalgrp.com/ourcompany.html [We could not access this website as of Dec. 24, 2011].

26 Although Gillette was technically an acquisition for P&G, yet the brand had been a power house in the shaving business for a long time. So, it seems appropriate to regard long-standing Gillette brands as if they were organically grown for P&G as well.

27 http://www.pg.com/en_US/investors/financial_reporting/annual_reports.shtml (2009 report, Retrieved on June 10, 2011).

Edge offers too much variety? Laura Ries (2008) complains that "the number of *Edge* varieties is mind-boggling". She says *Edge* now comes in "8 flavors: Sensitive skin, extra moisturizing, extra protection, normal skin, tough beards, clean, ultra-sensitive and soothing aloe". She asks the question: How many flavor varieties a brand should have? Then she answers the question herself by suggesting that the number *three* is just about right: "normal, ultra-sensitive skin, and tough beards".

She says S.C. Johnson & Son is wrong in emphasizing "ADVANCED" and "REFRESH YOUR SHAVE," neither "of which is very compelling or something they own". Even though S.C. Johnson invented the *gel* shaving cream, yet the word "gel" appears rather small on the can. She points out that brands should emphasize their own strong position in their advertising and packaging. She therefore suggests that the word *Gel* should appear "large and bold on the can", because that is why customers buy *Edge gel* in the first place.

Perhaps the most critical comment offered by Laura Ries is that S.C. Johnson has failed to bolster its most important asset: that *Edge* is *the* leading brand in the men's shaving *gel* market.

Johnson & Johnson (J&J)

J&J's basic know-how comes from the pharmaceutical industry (see Table 11). J&J acquired Neutrogena in 1994. Neutrogena was a niche player in the premium-priced skin and hair care products. Its leading product, the "clear, clean-smelling" glycerin soap bar established it as a pioneer in the skin care field[28].

J&J bought Aveeno in 1999 for several reasons: (1) its unique use of natural ingredients; (2) the therapeutic benefit of its products to treat skin conditions (such as eczema, psoriasis, etc.); and (3) a long-standing relationship with dermatologists and pediatricians.[29]

Thus, the primary source of expertise for J&J's entry in the shaving cream market has come from skin care and dermatology: areas that lend themselves very well to an image of premium-priced products.

As mentioned earlier, both brands belong to the "light" promotion group. It means that J&J wants to protect the "high-price" image of its brands by not relying too much on discounting.

Beiersdorf A.G.

Beiersdorf A.G. is a German company that produces products for skin care, wound dressing, and sticking tapes.[30] Thus, the entry of *Nivea* in the men's shaving cream *gel* market owes its origin to Beiersdorf's skin care pedigree.

So, Beiersdorf seems to have used its reputation in the skin care business to position *Nivea* gel around the top of the *mid-price* segment (see Table 9) as a cheaper alternative to the *premium*-priced *Aveeno* gel.

Perio

As we have observed earlier, *Barbasol* was not only the first successful *brushless* shaving cream, but also the first to change *Barbasol*'s formulation in the 1950s from a thick cream in a tube to fluffy *foam* in an aerosol can.

From 1962 to 2001 *Barbasol* was owned by the pharmaceutical giant, Pfizer. In 2001, the current owner, Perio—a privately-held company—acquired *Barbasol* from Pfizer.

As previously discussed, *Barbasol* virtually dominates the *foam* shaving cream segment with an average market share in units of 45.1% (see Table 10). However, it has achieved this distinction by pursuing a *low-price*

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[28] http://www.fundinguniverse.com/company-histories/Neutrogena-Corporation-Company-History.html (Retrieved on June 10, 2011).
[29] http://www.aveenoprofessional.com/about-aveeno (Retrieved on June 10, 2011).
[30] http://www.fundinguniverse.com/company-histories/Beiersdorf-AG-Company-History.html (Retrieved on June 10, 2011).

strategy with a price *one-third* lower than that of *Gillette Foamy*, its nearest competitor which had an average market share of 35.9%. In contrast with *Barbasol*, *Gillette Foamy* is competing in the *mid-price* segment at an average price that was a whopping 51% higher, and yet has been able to capture a market share that is lower in units but higher in dollars.

Thus, it is reasonable to suggest that although *Barbasol* has won the market share war, it has been able to achieve this feat by following a strategy that in the long run may not perhaps score well on the profitability front. On the other hand, given that *Barbasol* has been able to capture very close to half the market share of the *foam* segment, it is conceivable that such a strategy may after all produce an adequate rate of return on investment in the long run.

Nevertheless, one major drawback of a low-price strategy is that it can saddle a brand with a "discount" image implying a lower perceived quality even though that may not necessarily be true in reality (Datta, 2010a). This may be one reason *Barbasol* has not been able to leverage its success in the *foam* market onto its *gel* business[31].

Interestingly, *Barbasol* was able to increase its market share significantly from 42.7 % in 2007 to 47.6% in 2008, with a unit price that was 9% higher in 2008, compared to 5% for the *foam* segment as a whole (see Tables 3-4). A major increase in advertising from 1% of sales to 8.4% seems to have played an important role in bringing this about.

The Private-Label Group

This is a group that consists of store brands of discount retail stores, food stores, and drug stores. Since it has to fight against major national and international brands, this group has chosen to compete in the *economy gel* segment. But, unlike national *economy* brands (e.g., Old Spice), it is relying only on a "moderate" promotional push. Yet, as a group, it has the highest market share in the *economy* segment with an average market share of 6.4% (see Table 9).

It is clear that this group has a relatively small presence in the *foam* market (see Table 10). Perhaps *Barbasol*'s dominance of the *economy* segment seems to be the main reason behind this stance.

Conclusion

Contrary to Porter's idea, the best path for seeking market share leadership is not to pursue a low-price cost leadership strategy, but rather to cater to the middle class—that constitutes about 40% of U. S. households (Datta, 2011)—by competing in the *mid-price* segment (Datta, 2010a, 2010b). It is the same customer group that P&G has successfully served in the past (Lafley & Charan, 2008, p. 12).

But, to become a market share leader a business must also offer—relative to the nearest competition—a higher customer-perceived quality at a somewhat higher price. This is necessary for two reasons: (1) to maintain an image of quality; and (2) to make sure the strategy is profitable and sustainable.

First, we explored the history and technology of the U.S. Men's Shaving Cream market. Then we performed cluster analysis for 2008 and 2007 using a single variable—average net unit price—to test the hypothesis that the top-selling brand (in terms of unit sales) is very likely to be in the *mid-price* segment with a price tag that is higher than that of the nearest competition. The results for the *gel* segment—by far the most important—turned out to be positive. Although, technically, the outcome for the *foam* segment was negative,

[31] It is worth noting that for 2008 and 2007 *Barbasol* has only a miniscule average market share (in units) of 0.8% in the *gel* market (see Table 9) even while continuing to compete in the *economy* segment.

the result does not necessarily falsify the above hypothesis.

A remarkable finding is that, for both the *gel* and *foam* segments, we found the rank order correlation of brand unit price between 2007 and 2008 as very significant. This means that managers regard the price of a brand as a *strategic* rather than a tactical variable.

Finally, we identified *six* strategic groups in the industry, and have tried to articulate the competitive strategy each group has adopted in the men's shaving cream market.

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