

5 The market

Introduction

5.1. Together with towels and panty liners, tampons fall within the sanpro¹ sector. Figure 5.1 sets out the various types of sanpro products currently available. Whereas tampons are internally-worn products, towels and panty liners are external forms of protection, typically relying on an adhesive pad being placed in the undergarment. Both tampons and towels have the specific function of providing menstrual protection for women.

Tampons

5.2. There are two different types of tampon available: those which are inserted by using a finger to push it into place (referred to as digital or non-applicator tampons) and those which come complete with an applicator. With both types, the tampon is made from either cotton or rayon or a blend of the two. The absorbent material has a strong withdrawal cord incorporated and the whole assembly is compressed tightly to form a tampon. The tampons are individually wrapped and packed into cartons containing various quantities.

5.3. In the case of applicator tampons, the tampon is supplied contained within the applicator. The design of the applicator is critical to comfortable use. Applicators are made either of paper or plastic. Paper applicators have the advantage of being more easily disposable; plastic applicators are represented as being more comfortable to use.

5.4. Menstrual patterns vary widely between women in a number of respects. To reflect variations in flow volumes, tampons are available in a range of absorbencies: 'regular' (or 'normal'); 'super'; and sometimes 'super plus'. In addition to these, a few manufacturers offer a slender applicator version of a low-absorbency 'mini' tampon, aimed specifically at first-time users.

Towels

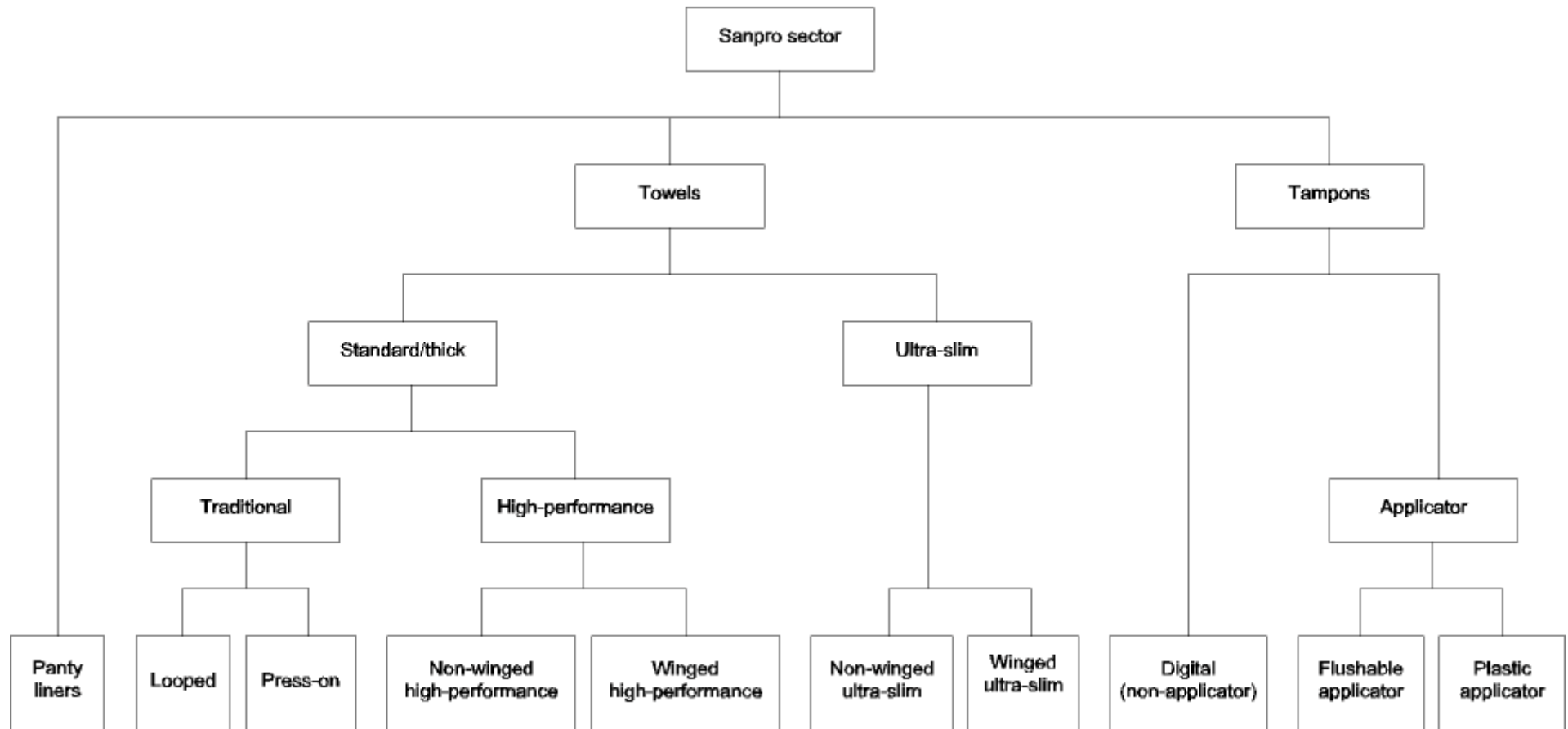
5.5. Towels offer external menstrual sanitary protection by combining an absorbent core with an impermeable back-sheet. Whereas in the past towels required belts or pins to be worn, nowadays almost all towels are adhesively-backed, permitting them to adhere to the undergarment. As with tampons, towels are available in a range of absorbencies (mini, regular or normal, super and super plus).

5.6. In recent years there have been significant product developments. Ultra-slim towels were first introduced to the UK in 1991 by Johnson & Johnson Ltd (Johnson & Johnson) under the Vespré Silhouettes brand name, followed in 1992 by Procter & Gamble under the Always brand name. Ultra-slim towels are typically around 3mm to 5mm thick and are intended to have an advantage over thicker towels in terms of discretion and greater comfort. Since 1992 a number of other manufacturers have followed suit in launching ultra-slim towels (see Appendix 5.1).

¹This is to be distinguished from the broadly-defined sanitary protection sector which extends beyond feminine sanitary protection products to include baby nappies and adult incontinence products.

FIGURE 5.1

The sanpro sector



Source: Tambrands.

5.7. Other innovations which have been incorporated in ultra-slim towels as well as in thicker high-performance towels are: the option of 'wings' or side-flaps designed to fold around the gusset to keep the towel in place and prevent bunching (introduced in 1991); the development of top-sheets using technology from nappy design, ensuring that the surface of the towel remains dry; and curved towels with gathered sides intended to provide greater comfort.

Panty liners

5.8. Panty liners are similar in general design to towels but tend to be smaller and have a lower absorbency. Panty liners are potentially suited to menstrual sanitary protection on days of lighter flow. They can also be used during menstruation as a means of supplementing menstrual sanitary protection in conjunction with a tampon. On their own, however, panty liners do not provide a comprehensive means of menstrual sanitary protection, and the majority of their use is non-menstrually-related,¹ addressing feminine hygiene concerns at times other than menstruation.

Demand base

5.9. The nature of sanpro products ensures that their demand base is generally stable and limited. The average age for menarche is 13 years and, for most women, the menopause happens in their mid to late forties. There are, however, wide variations between women both for the onset and cessation of menstruation. Some girls experience their first periods as early as nine years old; others do not start until they are 16. Some women may reach 60 years of age before experiencing the menopause. Table 5.1 compares the UK female population in 1989 with that in 1994 and with projections for 1999. In aggregate, the female population in 1999 is expected to have increased by about 3 per cent as compared with 1989. The greatest increase is, however, expected within the 45- to 54-year-old age group, with younger age groups showing smaller increases or indeed decreases (most notably the 15- to 24-year-old age group).

TABLE 5.1 UK female population by age group, 1988 to 1999

	1989 '000	1994 '000	1999 '000	% change 1989 to 1999
0-4	1,857	1,926	1,931	+ 4.0
5-14	3,416	3,638	3,757	+ 10.0
15-24	4,271	3,693	3,508	-17.9
25-34	4,258	4,575	4,449	+ 4.5
35-44	3,931	3,893	4,182	+ 6.4
45-54	3,199	3,644	3,870	+ 30.0
55-64	3,016	2,956	2,981	-1.2
65+	5,382	5,455	5,466	+ 1.6
Total	29,330	29,780	30,144	+ 2.8

Source: *Sanitary Protection and Feminine Hygiene Products*, Mintel 1995.

5.10. Other factors which may affect menstruation and hence the demand base for sanpro products include pregnancy and contraception. The number of births in the UK has stayed broadly constant between 1988 and 1993.² Use of the contraceptive pill, users of which tend to experience lighter than normal flow, has also remained stable in recent years.³

¹Tambrands told us that it believed about one-third of panty liner use is menstrually-related.

²Figures reported by Mintel in a report on *Sanitary Protection and Feminine Hygiene*, October 1993, imply that the number of births in the UK has fluctuated by less than 3 per cent between 1989 and 1994.

³*The General Household Survey 1993* (Office of Population Censuses and Surveys) indicates that between 1986 and 1993 the proportion of women using the pill as a usual method of contraception has remained between 22 and 25 per cent.

Consumer preferences

5.11. A woman's choice of sanitary protection is highly individual and personal. The basic requirement is that of leakage protection, but there are a host of factors which will affect a woman's preference. These might include comfort, discretion, social and physical freedom and health concerns, hygiene, disposability, biodegradability and price.

5.12. TSS, which is associated with internal product use, has had an impact on the choice between internal and external products. TSS is a rare and serious condition which, in extreme cases if not treated quickly and properly, may be fatal. About half of the average of 40 cases of TSS reported each year in the UK occur in menstruating women using tampons (amongst a population of around 10 million tampon users).¹ A survey carried out in 1995 reported that 89 per cent of menstruating women were aware of TSS, and that 12.5 per cent claimed to be 'very concerned'.²

5.13. Concern about TSS is, however, only one of a number of factors affecting a woman's choice between internal and external forms of sanitary protection. More generally, internal protection traditionally has the advantages of not constraining lifestyle (particularly sporting activities), easy carriage and disposability, odourlessness and comfort. External sanpro products, on the other hand, do not involve the insertion of a foreign body and are not associated with risk of TSS. Other factors may also enter into the choice of internal or external sanpro. Religious considerations may be important (some Muslim and orthodox Jewish communities effectively preclude the use of tampons) and the importance of cultural factors is apparent from contrasting patterns of use across different countries. Table 5.2, for example, shows the division of sales volumes between tampons and towels for France, Germany, the USA, the UK, Spain and Italy in 1994/95.

TABLE 5.2 Tampons and towels volume shares for selected countries,* 1994/95

	<i>per cent</i>	
	<i>Tampons</i>	<i>Towels</i>
France	28	72
Germany	41	59
Italy	5	95
Spain	13	87
UK	45	55
USA	41	59

Source: A C Nielsen Co (Nielsen).

*Panty liners are not included in the breakdown as their main use is not related to menstruation.

5.14. The development of ultra-slim towels has had an impact on the choice between internal and external products. By offering users increased discretion and comfort, ultra-slim towels are widely seen as having reduced the constraints on lifestyle previously associated with traditional towels. Notably, with the exception of swimming, ultra-slim towels have enabled women to use external products when participating in sporting activities during their periods.

5.15. Only half of users rely either solely on towels or solely on tampons for sanitary protection. Table 5.3 sets out the broad patterns of usage since 1991. The proportion of users relying either on tampons alone, or on tampons together with panty liners, has decreased significantly since 1991, while the proportion of those relying solely on towels, or towels together with panty liners, has risen. The proportion of dual users (ie users of both towels and tampons), including dual users who also use panty liners, has increased since 1991. Dual usage may in principle be due to consumers' perceiving towels and tampons as serving quite different specific functions, or alternatively from a willingness on the part of

¹All tampon manufacturers include a warning concerning TSS on their packs, and on the instruction leaflets inside them, alerting the user to the symptoms of TSS and what to do if she suspects that she may have the symptoms. In addition, the tampon industry supports the Toxic Shock Information Service to provide information to consumers, the medical profession, educators and others.

²Taylor Nelson Personal Care Panel 1995.

consumers to substitute between towels and tampons on the basis of considerations such as price. A survey carried out in January 1993 on behalf of the OFT asked 127 women who said that they had used internal and external products (either simultaneously or at different stages of a period) how they would respond to a 10 per cent rise in the price of internal products with the price of external sanpro products remaining unaltered. For these purposes, the women were told that external products included panty liners (as well as minipads and press-on or looped towels). 80 per cent of respondents said that they would still use the same number of internal products, while only 12 per cent said that they would use fewer internal products and a further 6 per cent said that they would cease using internal products altogether.

TABLE 5.3 **Sanpro usage**

<i>User type</i>	<i>per cent</i>			
	<i>1991</i>	<i>1992</i>	<i>1993</i>	<i>1994</i>
Solus tampon users	30.1	26.5	23.7	22.2
Solus tampon/panty liners	<u>15.5</u>	<u>13.2</u>	<u>14.3</u>	<u>13.7</u>
	45.6	39.7	38.0	35.9
Dual users	14.8	15.6	15.0	14.8
Dual users/panty liners	<u>7.9</u>	<u>9.6</u>	<u>9.4</u>	<u>10.6</u>
	22.7	25.2	24.4	25.4
Solus towel users	21.5	23.4	24.5	27.3
Solus towel/panty liners	<u>10.2</u>	<u>11.7</u>	<u>13.4</u>	<u>11.4</u>
	31.7	35.1	37.9	38.7

Source: Tambrands, based on Taylor Nelson Personal Care data.

5.16. With respect to the factors affecting a woman's choice of tampon brand, the same OFT survey asked 249 tampon users about the factors which encouraged them to continue using their favoured product rather than an alternative brand of tampon. The responses are summarized in Table 5.4. Effectiveness, comfort and quality, discretion and hygiene were the most common factors cited.

TABLE 5.4 **Factors encouraging users to continue with favoured tampon brand**

	<i>% of respondents*</i>
Price	14
Availability	19
Effectiveness	47
Comfort/quality	56
Lack of confidence in other untried brands	9
Mother or sister used brand/it was the first brand tried	10
Discreetness	22
Hygiene	28
Habit	1
Recommendation	1
Most effective for me	1
Other	2

Source: 1993 survey carried out by Research Services Limited on behalf of the OFT.

*Base: 249 respondents.

5.17. It is notable that in the OFT survey, price was only mentioned by 14 per cent of respondents as a factor that had encouraged the user to continue to use her favoured brand of tampon. This corresponds with the views of Tambrands, which ranked price as the ninth most important factor out of a total of 12 cited. The relatively low emphasis placed on price by tampon users may be attributed to the important function of the product and the need for confidence in its quality. Sanpro products have traditionally been characterized by a high level of consumer loyalty, so competitive pressures find expression in forms other than price competition, notably through advertising and other forms of promotional activity. Tambrands, however, stressed that for some consumers pricing was important. This, it told us, was

evidenced by the success of its own price promotions. Own-label suppliers had also been able to take advantage of this price sensitivity. The OFT survey had given price as the most important factor mentioned by those who regularly used own-label tampons. Price trends and advertising are discussed in paragraphs 5.43 to 5.55.

The sanpro sector

5.18. Tables 5.5 and 5.6 respectively give the volume and value of sales in the sector, broken down between internal and external products. The data contained in Tables 5.5 and 5.6 are based on a sub-sample of retailers examined by the market survey company Nielsen. The information has subsequently been scaled up by comparing Tambrands' actual total sales with the equivalent figure reported in the survey. For consistency, we have compared these estimates with data from IRI InfoScan which are derived from bar-code readings of products in suitably-equipped stores. The estimates based on Nielsen data are presented here as they are available for a longer time series. The breakdown of external product sales between thick towels and panty liners is not available for the years prior to 1992. Ultra-slim towels, as mentioned in paragraph 5.6, were first introduced into the UK in 1991.

TABLE 5.5 Volume of sales in sanpro sector, 1984 to 1994

Year	Tampons					'000 SUs	
		Ultra-slim towels	Thick towels	Panty liners	Total external products	Total sanpro	Tampons as % of total sanpro sector
1984	790	*	†	†	1,060	1,840	42.7
1985	840	*	†	†	1,140	1,990	42.4
1986	850	*	†	†	1,180	2,030	41.7
1987	900	*	†	†	1,260	2,170	41.7
1988	940	*	†	†	1,310	2,250	41.8
1989	970	*	†	†	1,260	2,230	43.5
1990	990	*	†	†	1,240	2,230	44.2
1991	980	†	†	†	1,270	2,260	43.5
1992	930	140	790	440	1,380	2,320	40.2
1993	890	160	770	470	1,450	2,330	38.0
1994	850	260	700	490	1,460	2,320	36.9
Growth 1984 to 1994 (%)	8.6	-	-	-	38.5	25.8	

Source: Tambrands, based on Nielsen data. ‡

*Product unavailable in these years.

†Product available but disaggregated data not available.

‡Tambrands told us that the breakdown provided was not fully consistent with the totals as the data had been extracted from more than one statistical source.

TABLE 5.6 Value of sales in sanpro sector at retail prices, 1984 to 1994

£ million (at 1994 prices)

Year	Tampons	Ultra-slim towels	Thick towels	Panty liners	Total external products	Total sanpro	Tampons as % of total sanpro sector
1984	83	*	†	†	115	198	41.9
1985	89	*	†	†	122	211	42.3
1986	92	*	†	†	122	214	43.0
1987	100	*	†	†	127	227	44.0
1988	106	*	†	†	129	235	45.1
1989	108	*	†	†	127	235	46.1
1990	115	*	†	†	123	238	48.4
1991	124	†	†	†	129	253	49.2
1992	126	34	100	26	160	285	44.3
1993	132	44	106	28	178	313	42.2
1994	130	57	95	32	184	317	41.0
Change 1984 to 1994 (%)	57.0	-	-	-	59.8	60	-

Source: Tambrands, based on Nielsen data and adjusted by MMC.

*Product unavailable in these years.

†Product available but disaggregated data not available.

5.19. Table 5.5 shows that the total sanpro sector has grown in volume terms since 1984. Tampon sales volumes in 1994 also show an increase compared with 1984, although this has taken place at a slower rate than for external products and, hence, for the sector as a whole. The result has been that tampons, although showing an increase in volume terms, constituted a lower proportion of total sanpro sales in 1994 than in 1984. The increase in the value of sanpro sales has outstripped volume growth, and in contrast with Table 5.5, Table 5.6 shows that between 1984 and 1994 the increase in the value of the sanpro sector was fairly evenly shared between internal and external products.

5.20. Focusing on more recent years, Table 5.5 shows that the volume of tampon sales reached a peak in 1990, but since that time it has been declining; between 1990 and 1994 tampon sales fell by 13 per cent. Over the same period, however, sales values increased also by about 13 per cent, implying real increases in the unit value of sales over that period. Retail price trends are discussed in paragraphs 5.47 to 5.49.

5.21. Table 5.7 sets out the volume shares of branded products by major suppliers. In order to separate out sales of retailers' own-label products, only branded products are attributed to the particular supplier. [

Details omitted. See note on page iv.

] such as Hygieia which is discussed in paragraph 5.29. Again, the data contained in Table 5.7 are based on the Nielsen sample of retailers. For more recent years, data from IRI Infoscan are available, and these are based on a larger sample of retailers. The estimates presented in the table are, however, broadly consistent with those reported by IRI Infoscan.

TABLE 5.7 Tampon brand shares by volume, 1984 to 1994

Year	<i>per cent</i>			
	<i>Tambrands</i>	<i>Smith & Nephew*</i>	<i>Kimberly-Clark</i>	<i>Own label and other</i>
1984	59.1	37.2	3.5	0.2
1985	59.7	35.9	3.7	0.6
1986	59.8	35.7	2.6	1.9
1987	60.5	35.8	2.0	1.7
1988	62.2	34.4	1.8	1.7
1989	62.0	34.8	0.1	3.1
1990	62.0	33.7	0.7	3.6
1991	61.3	31.1	2.0	5.6
1992	54.9	29.5	2.5	13.1
1993	55.9	29.0	1.9	13.2
1994	57.7	29.5	1.0	11.8

Source: Tambrands, based on Nielsen data.

*Figures for Smith & Nephew branded products only.

5.22. As Table 5.7 shows, Tambrands accounted for approximately 58 per cent of tampon sales in 1994. Although as compared with 1984, when it accounted for 59 per cent of tampon sales, Tambrands' share of tampon sales has fallen slightly, in the years since 1992 Tambrands' share has been increasing. Smith & Nephew, the second largest tampon supplier, had a 29.5 per cent share for its branded products in 1994, with the remainder of the segment being served by retailer own-label brands and a number of other branded suppliers. Table 5.7 highlights the increase in retailer own-label sales. Since the time of the 1986 report, the number of retailers supplying own-label products has increased from three to nine. Tambrands attributed the particularly large increase in retailer own-label share between 1991 and 1992 to the launch of new own-label products and to a large price rise in Tambrands' products. New product launches are discussed in paragraph 5.36.

Tambrands

5.23. Tambrands described to us the three types of tampon which it markets in the UK and Table 5.8 sets out their respective sales volumes from 1984 to 1994:

- (a) *Tampax flushable applicator tampon*. This is Tambrands' original product upon which it has built the strength of the Tampax brand in North America, the UK, France and elsewhere. It has a fully biodegradable open-ended flushable applicator. The tampon itself has a three-way expansion method. The product has undergone a considerable number of improvements over the years, most recently in 1994. It is available in three different absorbencies: regular, super and super plus. In addition, a mini version, which is a regular absorbency tampon with a slender applicator, is available which is particularly targeted at first-time users.
- (b) *Compak plastic applicator tampon*. Tambrands said that this tampon, launched in the UK in October 1992, has an innovative plastic applicator which offers added discretion and portability because of its compact size. The applicator's smooth surface offers comfort benefits on insertion. Compak is available in two absorbencies, regular and super.
- (c) *Tampets digital tampon*. In May 1994, following its withdrawal from the UK sector in 1985, Tambrands re-entered the digital tampon segment, a segment where Smith & Nephew's Lil-lets traditionally has the largest brand share in the UK. Tambrands said that Tampets has an improved shape for comfort on insertion, with an indented base and smooth outer cover, and is positioned to challenge other digital tampons and the new towel ranges. It is currently available in two absorbencies, regular and super.

TABLE 5.8 Tambrands' sales volumes by product, 1984 to 1994

Year	'000 SUs		
	<i>Tampax</i> (flushable applicator)	<i>Compak</i> (plastic applicator)	<i>Tampets</i> (digital)
1984	462	-	3.2
1985	501	-	1.7
1986	506	-	0.1
1987	546	-	-
1988	586	-	-
1989	600	-	-
1990	611	-	-
1991	602	-	-
1992	510	-	-
1993	480	14.6	-
1994	454	25.7	13.3

Source: Tambrands, based on Nielsen data.

Smith & Nephew

5.24. The Smith & Nephew Group had a total world-wide turnover of £965.0 million in 1994, with UK turnover of £100 million. Smith & Nephew's largest area of UK business is in toiletries (accounting for about 45 per cent of sales). Feminine hygiene accounts for about 33 per cent of sales with its remaining business being in the areas of first-aid dressings and cotton wool.

5.25. Smith & Nephew is the leading supplier of branded and own-label digital tampons. Smith & Nephew's branded tampons are primarily sold under the Lil-lets name, although a small proportion of its tampon sales are under the Dr White's Contour label. Although the Lil-lets brand is a wholly-owned Smith & Nephew brand, the technology with which it is produced in the UK is licensed from Johnson & Johnson. [

Details omitted. See note on page iv.

] In 1994 Smith & Nephew launched applicator tampons under the Lil-lets brand name. [

Details omitted. See note on page iv.]

5.26. Smith & Nephew also has a presence in the towel segment, both through its branded products (Dr White's and Maxi-slits Ultra) and in manufacturing retailer own-label brands.

Kimberly-Clark

5.27. Kimberly-Clark, which is a sizeable player in the global sanpro market, is part of a large healthcare group, with total 1993 sales of \$6,973 million. Its presence in the UK tampon sector is, however, relatively small, with a 1 per cent market share in 1994. In this country, Kimberly-Clark is only active in the digital segment under the brand names Kotex and Simplicity Freedom. Within the broader sanpro sector Kimberly-Clark's main presence is in external products (both towels and panty liners) with the Kotex brand name.

Johnson & Johnson

5.28. Johnson & Johnson is one of the world's largest and most comprehensive manufacturers of healthcare products, with total 1994 sales of \$15,734 million, including \$4,504 million in Europe. Although across Europe Johnson & Johnson is the largest tampon producer (primarily under the o.b label, which is particularly strong in Germany, and the Nett brand in France), in the UK Johnson & Johnson's operations are through licensing agreements. One such agreement is held with Smith & Nephew (as described in paragraph 5.25). In addition to this, Johnson & Johnson has agreed to establish a joint venture with Confab Corporation, the principal own-label supplier in the USA, and the present

supplier of own-label products to Tesco. Two further supply agreements are held with Playtex Corporation, one giving Johnson & Johnson the rights to the Playtex plastic applicator tampon in certain countries, and another covering markets outside North America relating to the cardboard applicator products.

Hygieia

5.29. Hygieia manufactures applicator tampons and towels. Founded in 1988, the company is presently owned by Interbrand, a US company, although we were told that it operated as a separate business specializing in feminine hygiene products. In 1994/95 Hygieia had a turnover of approximately US\$16 million. Hygieia has sought to develop its business through the supply of retailer own-label and small brand products (ie products backed with only limited brand support), under the Confident name, to large retailers in the UK and Europe. At its outset Hygieia manufactured external products alone, with its activities within the internal sector starting more recently in 1991.

5.30. In its evidence to us Hygieia compared its experiences of launching internal and external sanpro products. The company told us that it had been significantly harder to secure profitable entry within the market for internal products. This could be attributed partly to the greater difficulty of purchasing the technology, partly to the difficulty of selling sufficient volumes to exploit scale economies and partly to the particularly strong positions of branded internal products.

Bodywise UK Ltd

5.31. Bodywise UK Ltd (Bodywise) specializes in towels and tampons which are made entirely from natural cotton and sold under the Natracare label.

Retailer own-label brands

5.32. At the time of the 1986 report, only three retailers were selling own-label brands, namely Boots, Sainsbury's and Superdrug. This position has now changed and, as Appendix 5.1 shows, tampon lines are offered by most major retailers. Table 5.9 presents a summary of the number of retailer own-label lines presently available in the sanpro sector. New entry into the sector is discussed in paragraphs 5.36 and 5.37.

TABLE 5.9 Number of retailer own-label sanpro products in the UK in October 1995

	<i>SKUs</i>			
	<i>Towels</i>	<i>Tampons</i>	<i>Panty liners</i>	<i>Total</i>
Boots	20	9	3	32
Tesco	10	8	2	20
Superdrug	9	8	2	19
Sainsbury's	8	8	2	18
Safeway	3	6	1	10
Asda	2	6	1	9
Somerfield	5	0	1	6
Total	57	45	12	114

Source: Smith & Nephew survey.

Other sanpro producers

5.33. A number of companies mentioned above are active both within the towel market and the tampon market. In 1994 Procter & Gamble and retailer own-label brands had the largest shares of the towel segment (both with about one-quarter). Other major suppliers include Mölnlycke Ltd (Mölnlycke), Kimberly-Clark, Johnson & Johnson and Smith & Nephew.

Procter & Gamble

5.34. Procter & Gamble is a major consumer products group, operating world-wide, with a turnover of \$33,434 million in 1994/95, of which \$11,019 million was in Europe, the Middle East and Africa. Procter & Gamble entered the sanpro sector in 1992 with the launch of the Always towel in ultra-slim and regular thickness versions. At an early stage Always achieved a high share of the towel market, and the brand remains the leader within the towel market. The launch of Always had a pronounced effect on the sanpro sector, particularly in terms of advertising and in product development as discussed in paragraph 5.45.

Mölnlycke

5.35. Mölnlycke is a sanpro business which forms part of the Swedish SCA group. In 1994 group turnover stood at \$4,375 million. In March 1995 Mölnlycke announced that it had bought out Scott Paper (UK) Ltd's 50 per cent share in Sancella Ltd (which had until then been a sanpro manufacturing joint venture between Mölnlycke and Scott Paper (UK) Ltd) and is active in the UK towel market and panty liner segments under the Bodyform, Libra and Pennywise names. Mölnlycke's products are currently distributed in the UK by Scott Paper (UK) Ltd.

New entrants

5.36. Table 5.10 lists those tampon lines which have entered the market since October 1985. The new products can be divided into three categories: those launched by existing suppliers to the sanpro sector; those launched by suppliers new to the UK sector; and, lastly, retailer own-label products. Of the three categories, it is through retailer own-labels that entry has been most common. Significantly, fewer entrants have been new suppliers with branded products, the largest of these being Hygieia which had branded sales amounting to about 2 per cent of total tampon sales in 1994.¹ Launches by established suppliers, Tambrands and Smith & Nephew, have most recently been into segments of the market other than those where they traditionally have a stronger position. Thus, Tambrands relaunched a digital tampon, Tampets, into a segment where Smith & Nephew has had the most strongly-established presence, as well as a plastic applicator product, Compak (presently the only product of its type available in the UK). Similarly, Smith & Nephew launched an applicator version of the Lil-lets tampon.

¹Volume shares reported by IRI Infoscan.

TABLE 5.10 **New tampon products launched since 1985**

<i>Supplier</i>	<i>Type</i>	<i>Brand</i>
<i>Existing suppliers</i>		
Tambrands	Plastic applicator	Compak
Tambrands*	Digital	Tampets
Smith & Nephew	Flushable applicator	Lil-lets applicator
Kimberly-Clark	Digital	Simplicity then Kotex
<i>New suppliers</i>		
Hygieia	Flushable applicator	Confident
Ontex	Flushable applicator	Helen Harper's Classics
Ontex	Digital	Helen Harper's Classics
Bodywise	Flushable applicator	Natracare
<i>Retailers</i>		
Tesco	Flushable applicator	Tesco then Pour Femmes
Tesco	Digital	Tesco then Pour Femmes
Superdrug	Flushable applicator	Superfems then Options
Superdrug	Digital	Superfems then Options
Safeway	Flushable applicator	Elle
Safeway	Digital	Elle
Asda	Flushable applicator	Asda
Asda	Digital	Asda
Lloyds	Flushable applicator	Lloyds
Lloyds	Digital	Lloyds
Co-op	Flushable applicator	Co-op
Co-op	Digital	Co-op
Spar	Flushable applicator	Spar

Source: MMC.

*An old version of this product was withdrawn in 1985 and a newly-designed product was relaunched in 1994.

5.37. Entry on a larger scale has been witnessed in the towel market. Largely this has been associated with the emergence of ultra-slim towels, which on recent estimates have come to comprise about 40 per cent of the volume of all towel sales. As mentioned in paragraph 5.6, Procter & Gamble was amongst the first to launch such products in the UK and it has since remained the largest supplier of these products. In value terms, Procter & Gamble is presently the second largest supplier of sanpro products in the UK, accounting for 17 per cent of the combined sales of tampons, towels and panty liners. A number of suppliers, of both branded and own-label products, have followed into the ultra-slim towels, as can be seen from Appendix 5.1.

Retail outlets

5.38. Although widely distributed in a variety of retail outlets, most tampons are purchased from supermarkets, chemists or drugstores. Table 5.11 gives the value shares of tampon sales by retailer for 1994. About two-thirds of sales in 1994 were in the grocery sector, with Sainsbury's and Tesco accounting for the largest individual shares. In the same year, tampon sales accounted for less than 0.2 per cent of total sales for those multiple retailers on Tambrands special contract terms.

TABLE 5.11 Value shares of tampon sales by retail outlet, 1994

	<i>per cent</i>	
	<i>Tambrands*</i>	<i>All tampons</i>
Sainsbury's	11.9	16.8
Tesco	10.2	16.0
Asda	5.7	10.5
Safeway	6.7	6.5
Kwik Save	2.1	2.4
Somerfield	2.4	1.7
Other grocers	29.2 [†]	13.3
Total grocers	68.2	67.0
Boots	12.6	12.8
Superdrug	6.0	9.0
Other chemists/drugstores	11.5	7.2
Total chemists/drugstores	30.2	29.0
Others	1.6	4.0
Total	100.0	100.0

Source: Tambrands and AGB Superpanel.

*Tambrands' figures are based on trade prices and some differences between the two columns may be attributable to differences in retailer margins.

[†]Figure includes independent wholesalers as well as grocers. Some sales from independent wholesalers may be to retailers other than grocers.

5.39. By way of comparison, figures for Tambrands are also included in Table 5.11, although, since the Tambrands figures are based on trade prices rather than retail prices, the comparison between the two columns must be qualified due to differences in retailers' margins. Nonetheless, Table 5.11 indicates that Tambrands' sales follow a similar pattern to those of tampons in general in terms of the split between grocery sales and chemist/drugstore sales. This stands in contrast to the state of affairs described in the 1986 report, where figures for 1984 revealed chemists (including Boots) constituting over 40 per cent of sales and grocers about 46 per cent of sales (multiple grocers alone accounting for 27 per cent of sales).

5.40. Appendix 5.2 lists the product lines stocked by major retailers on special terms (as described in Chapter 3) in 1994/95. It only sets out product lines and not the pack sizes of each product line stocked by retailers. As discussed in Chapter 3, Tambrands has agreed that certain major retailers need not stock all available pack sizes.

5.41. A number of retailers, in evidence to us, have described the basis upon which they allocate shelf space described in Chapter 6. Generally, the allocation of shelf space for tampons depends upon the amount of space given to health and beauty products as a whole and sanpro products within that. We heard that, with the launch of Always, the space allocated to tampons had tended to decline in favour of towels. A number of retailers allocated shelf space centrally according to predetermined matrices. Most retailers we spoke to operated a rule about the minimum quantity of a product line which should be on display at a time, or about the minimum number of facings given to an individual product. In addition to other strategic decisions and considerations of customer choice, one central factor underlying this decision, we were told, was the average value of sales, otherwise known as rate of sale. Table 5.12 ranks sanpro lines by rate of sale for May 1995. The table also indicates the extent to which the products listed are distributed to retailers in terms of value-weighted retail distribution, measured as the proportion of total turnover generated by the retail outlets stocking the particular product to the total turnover of all retailers sampled.

TABLE 5.12 Cash rate of sale ranking of towels and tampons in multiple grocers, May 1995

<i>Brand-absorbency</i>	<i>Pack size</i>	<i>Product type</i>	<i>Rate of sale £</i>	<i>Value-weighted distribution %</i>
Always Ultra-normal plus	14	Ultra-slim towel (+ wings)	171.5	90
Always Ultra-super plus	12	Ultra-slim towel (+ wings)	159.4	88
Tampax-super	32	Flushable applicator tampon	143.7	87
Always Ultra-normal	16	Ultra-slim towel	139.6	88
Tampax-regular	32	Flushable applicator tampon	118.4	84
Tampax-regular	16	Flushable applicator tampon	88.6	68
Tampax-super	10	Flushable applicator tampon	88.5	75
Tampax-super	16	Flushable applicator tampon	85.8	68
Tampax-regular	10	Flushable applicator tampon	76.3	76
Tampax-super plus	32	Flushable applicator tampon	73.4	61
Lil-lets-super	16	Digital tampon	69.3	89
Bodyform Invisible Ultra-regular	16	Ultra-slim towel	66.8	76
Kotex-super	10	High-performance thick towel	66.5	32
Always Ultra-super	14	Ultra-slim towel	65.0	80
Kotex-Night Time	10	High-performance thick towel	64.2	93
Always-super plus	14	High-performance thick towel (+ wings)	63.0	75
Kotex-super	18	High-performance thick towel	60.8	88
Lil-lets-super	32	Digital tampon	59.4	75
Lil-lets-regular	16	Digital tampon	58.0	92
Tampax-super plus	10	Flushable applicator tampon	56.8	92
Always-normal plus	16	High-performance thick towel (+ wings)	56.5	76
Kotex-normal	10	High-performance thick towel	54.4	16
Bodyform Invisible Ultra-super	14	Ultra-slim towel (+ wings)	54.1	76
Lil-lets-regular	32	Digital tampon	52.5	75
Always	24	Panty liner	48.3	69
Bodyform-regular plus	16	High-performance thick towel (+ wings)	44.7	74
Lil-lets-super plus	32	Digital tampon	44.0	63
Lil-lets-super plus	16	Digital tampon	43.9	82
Carefree Deodorant	20	Panty liner	38.5	83
Tampets-regular	16	Digital tampon	37.8	63
Always-normal	18	High-performance thick towel	37.0	28
Bodyform-super plus	14	High-performance thick towel (+ wings)	35.5	78
Tampets-super	16	Digital tampon	35.2	64
Carefree	20	Panty liner	35.0	89
Compak-regular	16	Plastic applicator tampon	34.5	64
Bodyform	24	Panty liner	34.0	85
Vespré-slim	18	High-performance thick towel	32.6	45
Compak-super	16	Plastic applicator tampon	31.1	61
Bodyform	45	Panty liner	30.0	15
Simplicity-slms	22	Standard thick towel	29.8	25
Kotex-normal	20	High-performance thick towel	28.6	82
Bodyform-regular	20	High-performance thick towel	27.9	67
Kotex Curved-super	14	High-performance thick towel	26.8	58
Bodyform-Good Night	12	High-performance thick towel (+ wings)	26.4	50
Always Light	38	Panty liner	26.1	11
Kotex Curved-super	16	High-performance thick towel	25.5	16
Carefree	42	Panty liner	24.7	47
Kotex Ultra-normal plus	14	Ultra-slim towel (+ wings)	24.4	63
Bodyform Solo-regular	16	Standard thick towel	22.7	17
Carefree Light	20	Panty liner	22.3	60
Bodyform	20	Panty liner	22.3	47
Always-super	16	High-performance thick towel	22.2	25
Tampax-mini	32	Flushable applicator tampon	22.2	14
Freedom-super	20	Digital tampon	22.1	13
Tampax-mini	10	Flushable applicator tampon	22.0	53
Lil-lets Applicator-regular	16	Flushable applicator tampon	21.7	42
Libra Slims Purse-regular	17	Standard thick towel	20.9	10
Brevia	24	Panty liner	20.3	41
Lil-lets Applicator-super	16	Flushable applicator tampon	19.6	40
Kotex Ultra-normal	16	Ultra-slim towel	19.4	58
Bodyform-super	18	High-performance towel	19.3	45
Kotex Curved-normal	16	High-performance towel	19.2	25
Lil-lets-mini	16	Digital tampon	19.2	59
Brevia	50	Panty liner	17.6	34
Confident-Regular	8	Flushable applicator tampon	16.7	14
Carefree Long	20	Panty liner	16.5	37
Libra Slims Purse Packs-super	18	Standard thick towel	15.0	10
Silhouettes Plus-regular	12	High-performance thick towel (+ wings)	14.9	43
Vespré Silhouette Ultra-super	10	Ultra-slim towel	14.2	23
Silhouette Plus-super	10	High-performance thick towel (+ wings)	14.1	34
Vespré Silhouette Ultra-regular	12	Ultra-slim towel	13.3	25
Brevia Plus	18	Panty liner (+ wings)	12.8	36
Freedom-regular	20	Digital tampon	11.5	10
Brevia Long	18	Panty liner	10.7	31
Kotex Curved-normal	18	High-performance thick towel	9.4	14
Carefree Comfort	20	Panty liner	9.2	54
Lil-lets Applicator-mixed	6	Flushable applicator tampon	7.5	23

Source: Nielsen.

5.42. It is to be accepted that retailers will be subject to a variety of influences in their stocking decisions, such as product size, profitability, market share and strategic issues. Whilst recognizing this, a limited analysis may focus on rate of sale. On the assumption that rate of sale is the main factor determining whether a retailer stocked a product, then it is to be expected that products with a higher rate of sale will achieve a wider distribution. Moreover, a comparison of rate of sale with value-weighted distribution enables an assessment of whether products are achieving a level of distribution commensurate with their rate of sale. This comparison is made diagrammatically in Figure 5.2.

Advertising and product promotion

5.43. The 1986 report noted that there had been a doubling of advertising and promotional expenditure as a proportion of gross sales between 1974 and 1984. Since 1984 this increase has continued. For Tambrands, for instance, total promotional expenditure in 1994 stood at £14.8 million, or 29 per cent of gross sales, in contrast with a 1984 figure of 13 per cent. Table 5.13 shows the breakdown of expenditure on brand support activity for Tambrands in 1990 to 1994.

TABLE 5.13 Tambrands' brand support activity (including overheads), 1990 to 1994

Brand support	£'000, 1994 prices				
	1990	1991	1992	1993	1994
Promotion-trade (price promotion and non-price promotion)	[
Promotion-indirect trade (in-store advertising, point of sale materials etc)					
Promotion-consumer (pack promotions/coupon redemption and sponsorship, public relations (TSSIS* and other direct marketing)			<i>Figures omitted. See note on page iv.</i>		
Advertising					
Education, selling and marketing overheads]
Total	5,336.5	5,672.4	5,857.7	10,930.0	14,836.9

Source: Tambrands.

*Toxic Shock Syndrome Information Service.

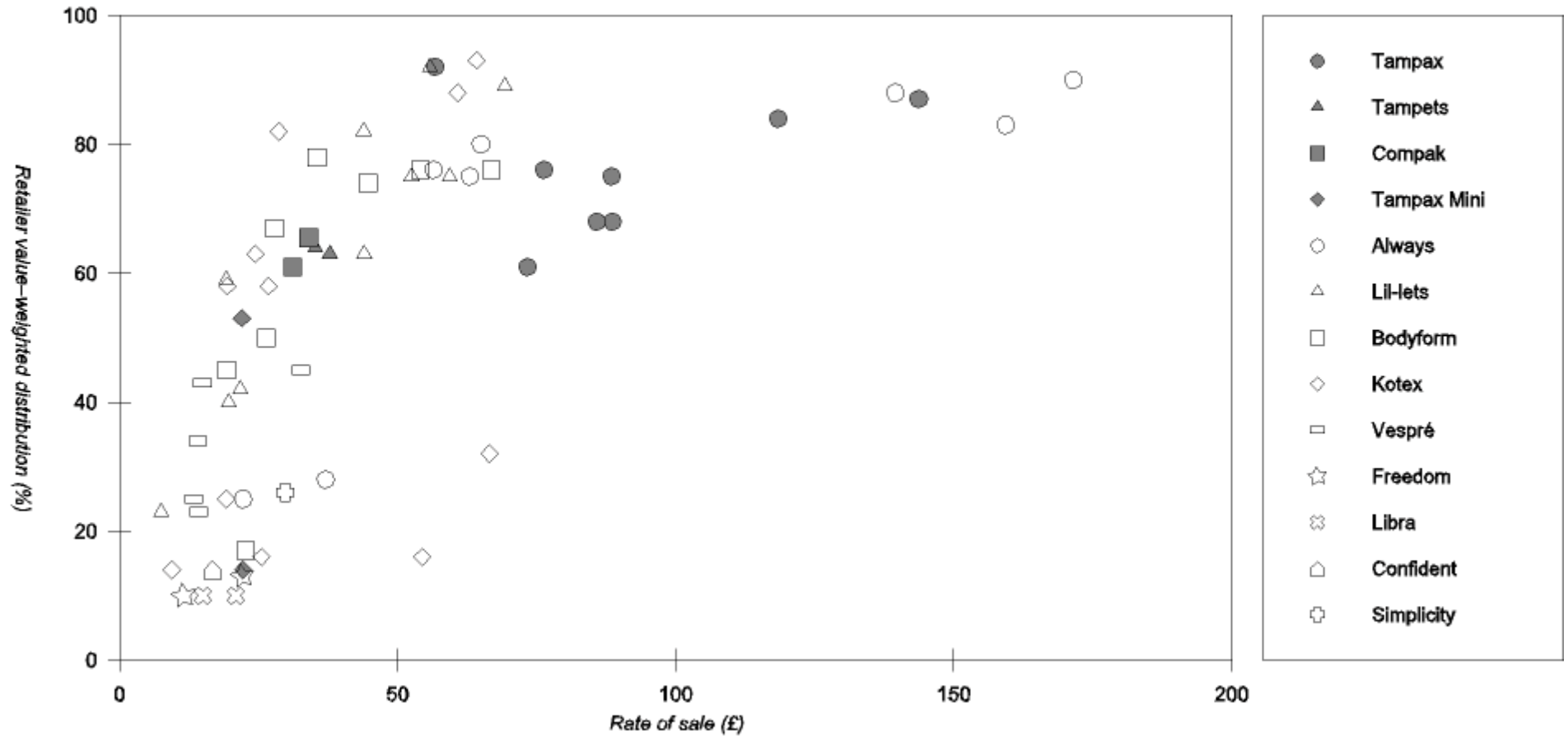
5.44. One factor underlying this increase is the relaxation of television advertising controls. Sanpro advertising has been allowed on Channel 4 since 1986. The Independent Broadcasting Authority (IBA) in 1988 agreed to allow ITV to show sanpro advertising, albeit subject to strict timing restrictions. In 1990 the IBA also agreed that unwrapped products could be featured, although in 1992 the ITV timing restrictions were extended to Channel 4. These continuing restrictions are intended to reduce the likelihood of advertising being seen during family viewing times and sanpro advertising is restricted to after 9.00 pm and between 9.00 am and 4.00 pm during school terms.

5.45. In the last few years, the increase in advertising and promotional expenditure has been most obviously associated with changing spread of demand across the internal and external product markets. Figure 5.3 is based on estimates derived from Media Expenditure Analysis Limited (MEAL) which enable a comparison to be made between media advertising expenditure of leading sanpro producers.¹ The diagram provides an indication of the substantial advertising expenditure which Procter & Gamble committed to the launch of Always in 1992. It also draws attention to the responses of other sanpro producers. On the basis of MEAL's estimates, Tambrands' expenditure on media promotion between

¹We understand that MEAL's estimates are derived by monitoring media use by individual brands and applying common estimates of the cost of such a promotion (for example, the cost of a page advertisement in a Sunday newspaper or of a 30-second television advertisement at a certain time of day). As such, whilst sufficient for comparative purposes, the resultant expenditure figures may well differ from the actual expenditure of companies.

FIGURE 5.2

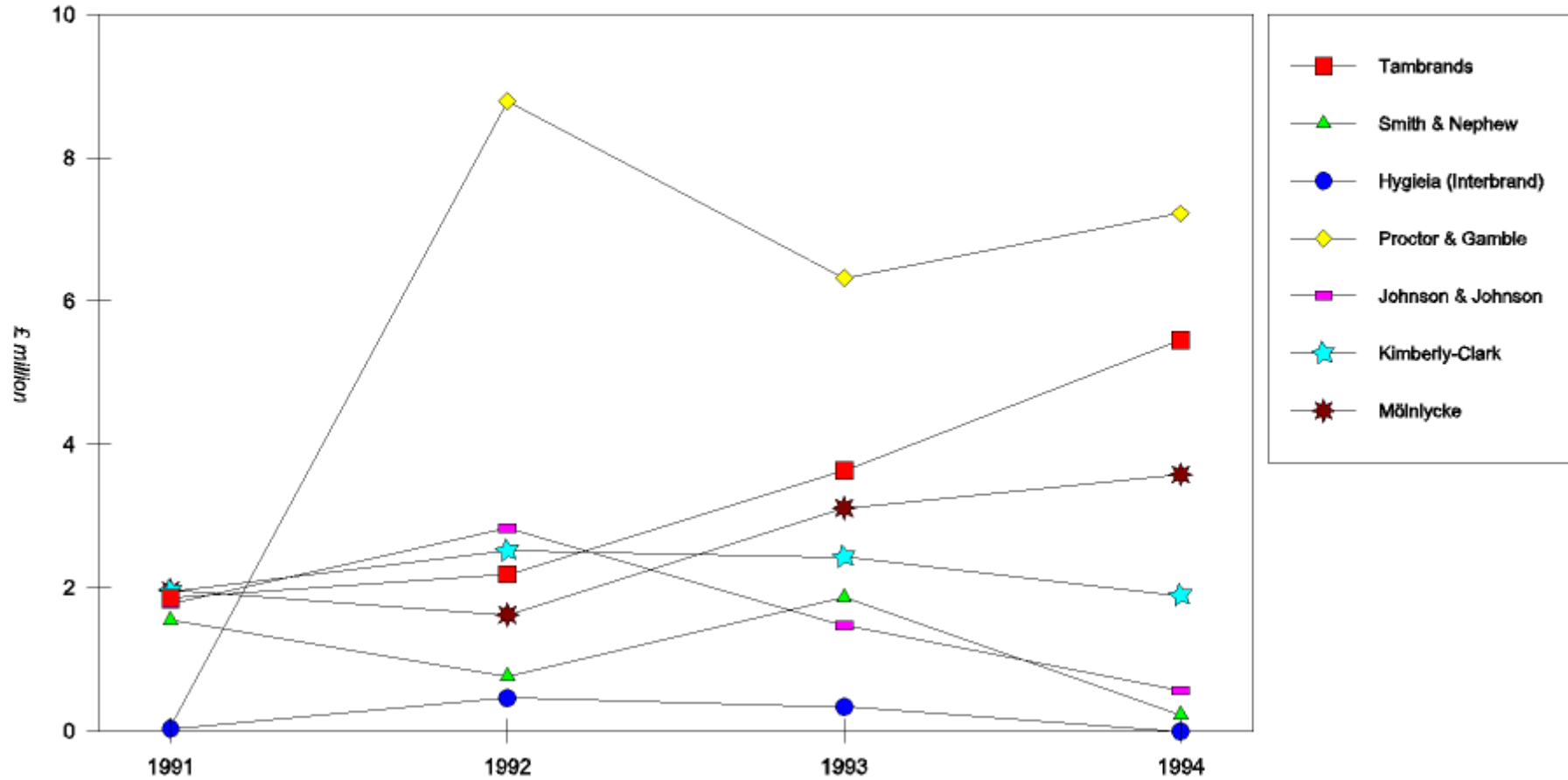
Value-weighted distribution against cash rate of sale



Source: MMC, based on Nielsen data for May 1995.

FIGURE 5.3

Advertising expenditure, 1991 to 1994 (1994 prices)



Source: MEAL.

1991 and 1994 almost trebled in real terms. Other manufacturers appear to have responded differently, for example Kimberly-Clark maintained expenditure at similar levels throughout 1991 to 1994, and Smith & Nephew reduced media expenditure substantially in 1994 but relaunched Lil-lets in 1995 as an improved product with new packaging and a significant increase in advertising expenditure.

Trade prices

5.46. Table 4.5 sets out the average unit value of trade sales of Tambrands' products since 1979. A comparison with increases in the RPI shows that since 1979 annual price rises have typically been higher than inflation. For more recent years, in particular since 1991, the increase in average unit trade prices apparent in Table 4.5 is, in part, due to the launch of new products and adjustments in pack size. Notably, Compak, which was launched in 1992, is priced as a premium product significantly higher than the remainder of the Tambrands range. Appendix 5.3 illustrates trade price increases for individual products in the Tambrands range and provides evidence that trade prices have been increasing since January 1993.

Retail prices

5.47. The average retail prices of various pack sizes of Tambrands products are given in Table 5.14. The figures reported are on the basis of a ten-pack equivalent. Although this enables a comparison of unit prices for a given product and pack size, it does not, however, allow an overall assessment of Tambrands' retail price trends, as such an assessment must take account of the volumes in which the various pack sizes and products are sold. Of note in this respect is Tambrands' restaging of flushable applicator pack sizes, with the smaller pack size reducing from ten to eight tampons in spring 1992, and the larger pack size from 40 to 32 tampons. Other significant restagings in the flushable applicator range include the introduction of the 16 pack for regular and super absorbencies in spring 1993 and the subsequent readjustment of the smaller packs from eight to ten tampons in autumn 1993.

TABLE 5.14 Tambrands' average monthly retail prices, 1989 to 1995

Brand	Type	Absorbency	Pack size	Price per ten tampons (p, at May 1995 prices)						
				1989	1990	1991	1992	1993	1994	1995*
Tampax	Applicator	Mini	8	-	-	-	105.5	105.5	105.8	109.0
		Regular	8	-	-	-	119.4	120.9	122.5	117.0
		Super	8	-	-	-	127.7	129.2	132.3	150.2
		Super plus	8	-	-	-	141.7	142.8	143.5	140.0
Tampax	Applicator	Slender	10	78.9	80.5	84.6	-	-	-	-
		Mini	10	-	-	88.4	83.4	76.3	108.1	108.6
		Regular	10	88.7	90.8	97.4	98.7	92.5	115.9	113.3
		Super	10	94.4	96.8	104.4	105.2	100.6	126.0	124.8
		Super plus	10	101.2	104.4	113.3	114.3	108.1	145.4	146.4
Tampax	Applicator	Regular	16	-	-	-	-	108.8	107.2	105.2
		Super	16	-	-	-	-	115.3	114.7	112.0
Tampax	Applicator	Mini	32	-	-	-	80.2	81.2	84.4	83.5
		Regular	32	-	-	-	94.0	93.3	94.0	93.9
		Super	32	-	-	-	99.0	98.6	101.1	99.7
		Super plus	32	-	-	-	111.9	112.7	115.9	113.9
Tampax	Applicator	Slender	40	63.7	61.3	-	-	-	-	-
		Mini	40	-	-	66.5	68.9	72.0	-	-
		Regular	40	64.5	69.6	74.8	73.7	66.5	64.6	62.5
		Super	40	67.9	73.9	81.0	81.0	70.4	66.1	64.6
		Super plus	40	77.9	82.0	89.8	88.9	74.9	70.4	68.7
Tampets	Digital	Regular	16	-	-	-	-	135.1	120.7	112.7
		Super	16	-	-	-	-	139.5	125.7	117.9
Compak	Plastic applicator	Regular	16	-	-	-	154.0	164.4	150.8	155.9
		Super	16	-	-	-	168.0	177.4	161.3	167.4

Source: MMC from Nielsen data.

*Based on figures up to June 1995.

5.48. Given these changes, overall price trends may be better examined by regarding the unit values of sales, which are determined by dividing the total retail value of products sold with the equivalent volume sold. This measure implicitly allows for the adjustments in pack size, effectively by deriving a price per unit sold. The central drawback of this measure is, however, that it might not in all instances allow for changes in the type of product sold, resulting, for example, from improvements to existing products. Table 5.15 reports these figures separately for Tampax, Tampets and Compak since 1985. Focusing on more recent years shows that the average prices of Tampax flushable applicator products have been rising in real terms, with the largest increase taking place along with the adjustment of pack sizes in 1992. Tambrands has indicated that this followed the launch of Always by Procter & Gamble and was required to finance increased advertising expenditure (see paragraphs 5.43 to 5.45).

TABLE 5.15 Unit values of retail sales of Tambrands range, 1994 prices

	<i>Tampax flushable applicator (p per 10 tampons)</i>	<i>Annual change %</i>	<i>Tampets digital tampons (p per 10 tampons)</i>	<i>Annual change %</i>	<i>Compak plastic applicator (p per 10 tampons)</i>	<i>Annual change %</i>
1984	74.5	-	-	-	-	-
1985	73.8	-0.9	-	-	-	-
1986	76.3	3.4	-	-	-	-
1987	77.4	1.5	-	-	-	-
1988	77.0	-0.6	-	-	-	-
1989	77.3	0.5	-	-	-	-
1990	80.2	3.8	-	-	-	-
1991	87.3	8.8	-	-	-	-
1992	99.3	13.7	-	-	-	-
1993	106.2	6.9	-	-	162.9	-
1994	108.3	2.0	117.5	-	149.8	-8.1

Source: MMC from Tambrands and Nielsen data.

5.49. Figure 5.4 diagrammatically illustrates the unit value of retail sales for the major tampons ranges. The figure shows that retail prices generally rose in real terms for all tampon lines throughout the period 1984 to 1994. The retail prices of Lil-lets digital tampons have moved in line with those of the Tampax applicator range, providing evidence of price competition between the digital and applicator tampon segments of the tampons market. The retail prices of own-label products have tracked those of the major brands, although since 1984 the prices of own brand as a percentage of the prices of major brands have increased from about 50 to about 80 per cent.

Price competition between tampons and towels

5.50. In paragraph 8.20 of the 1980 report the MMC concluded that there was '... little effective pressure on tampon prices from external devices and that tampons would be likely to maintain their share of the market even if there was some increase in their price relative to those of external devices ...'.

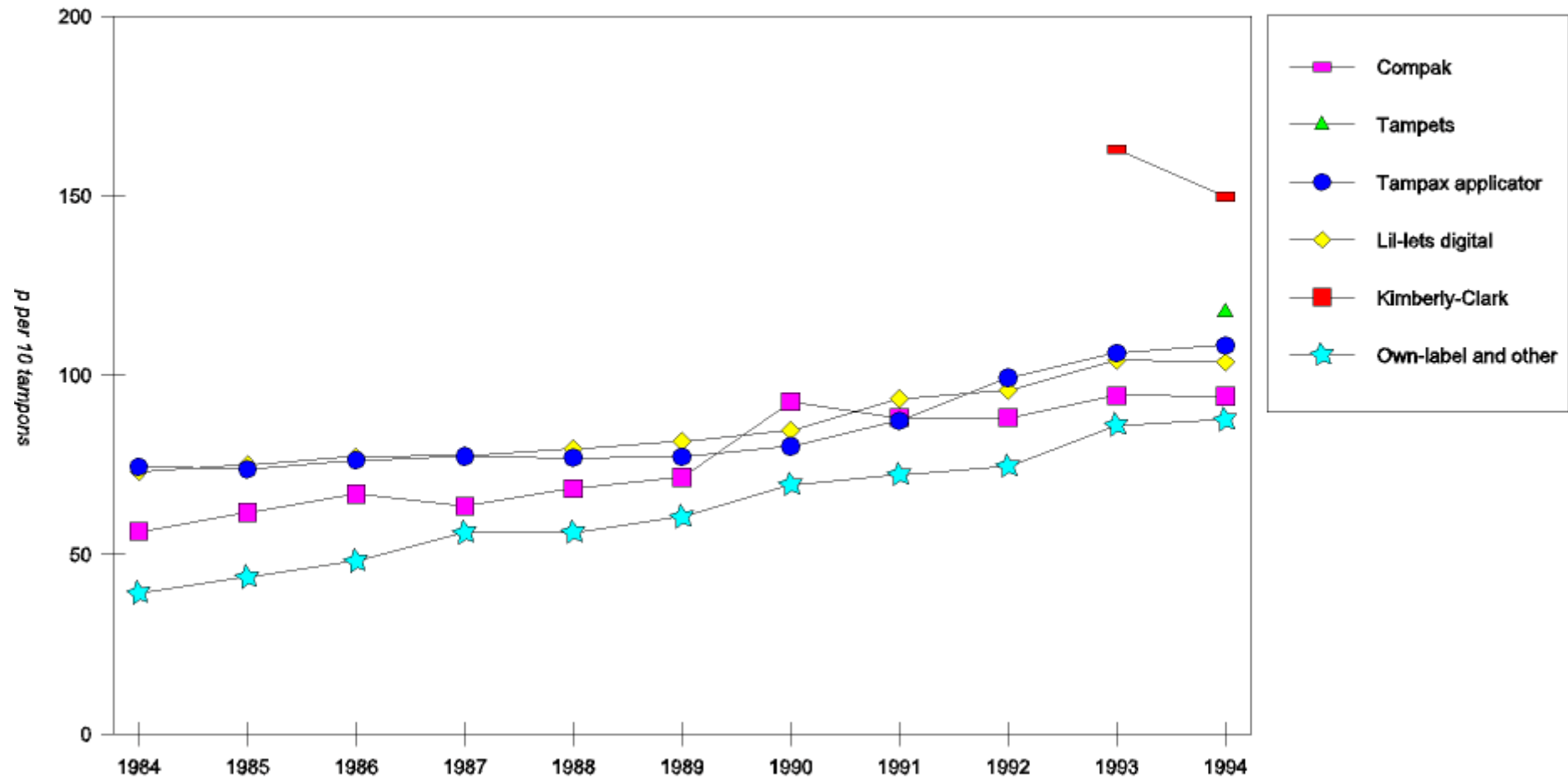
5.51. By the time of the 1986 report, however, the MMC concluded (in paragraph 8.17): '... Because of the nature of the product it is difficult to judge how far price plays a part in the choice between internal and external sanitary protection; but we believe that external products, being both improved and now comparable in price, are likely to act as a more effective constraint or ceiling on tampon prices than was previously the case'.

5.52. Since that time towels have developed further, incorporating innovations which have addressed a number of specific disadvantages which they have in the past had compared to tampons (see paragraphs 5.6, 5.7 and 5.14). Most significantly, the ultra-slim towel has allowed external users a degree of discretion previously only associated with tampon usage.

5.53. Whilst these developments on their own may be regarded as increasing consumers' willingness to substitute between internal and external sanpro products, other developments in consumer usage patterns must also be taken into account. First, there is the increased awareness about TSS which may be

FIGURE 5.4

Retail prices of tampons, 1984 to 1994 (1994 prices)



Source: MMC based on Nielsen data.

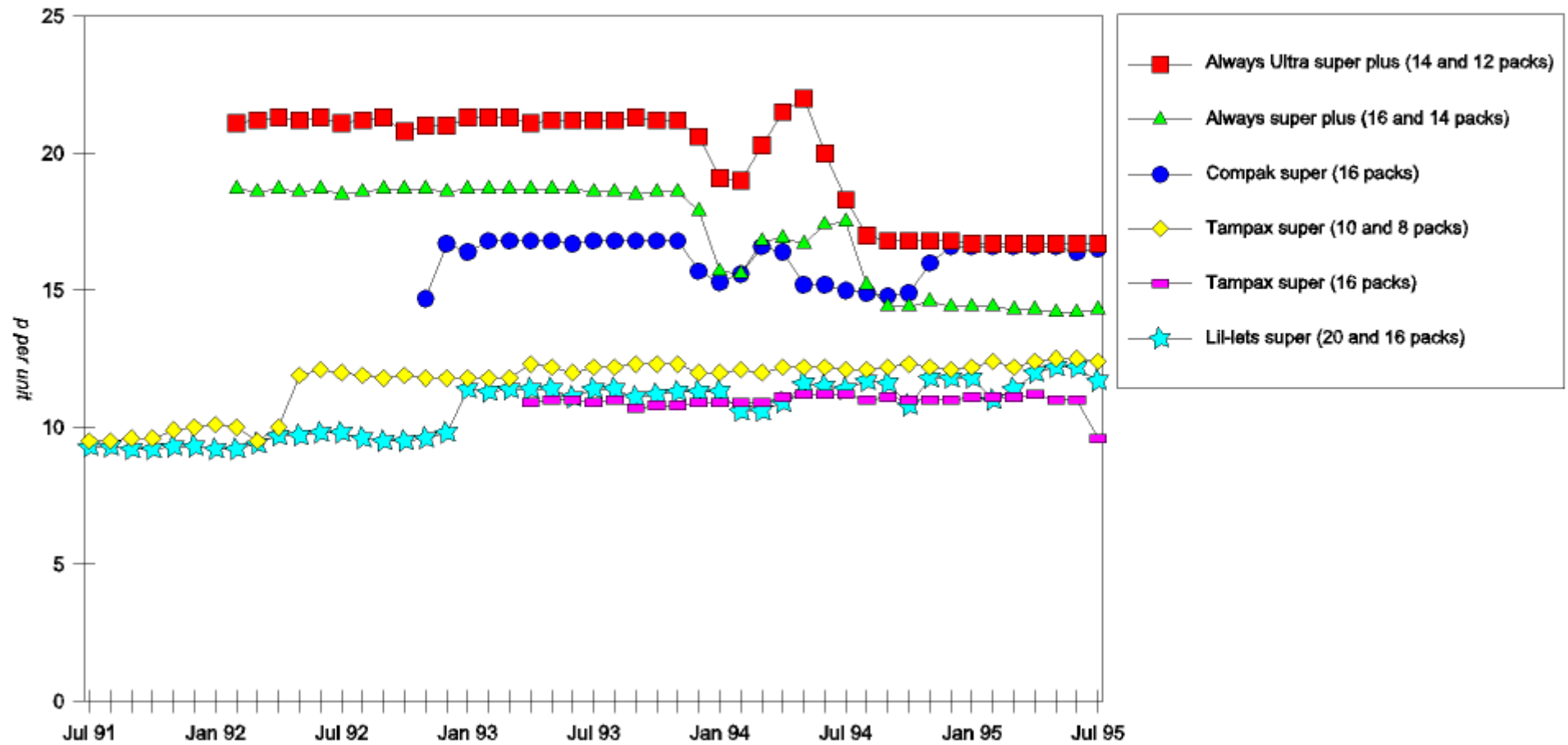
seen as reducing the perceived substitutability between tampons and towels. Secondly, since the introduction of ultra-slim towels, dual usage has increased. There is evidence to suggest that this phenomenon is indicative of internal and external products being seen by consumers as serving different functions and, hence, not being substitutable on the basis of price (see paragraph 5.15). Moreover, whilst the overall volume share of tampons in the sanpro sector has been declining over recent years (see Table 5.5), the average retail prices of tampons have been increasing in real terms (as illustrated in Figure 5.4).

5.54. Figure 5.5 illustrates price trends for leading towels, applicator tampons and digital tampons since 1991. In general, there are similarities in the price trends and the price levels of the major applicator and digital brands shown (Tampax super and Lil-lets super). The exception to this is the new Compak brand, which is marketed as a premium product and is consequently priced at a significantly higher level than other tampons. Figure 5.5 also shows that when Always was introduced it was priced at a relatively high level, but that unit prices were subsequently reduced in mid-1994. The diagram provides evidence that there has been little price competition between the tampon and towel sectors. In particular, the introduction of Always was followed by price rises on the part of tampon suppliers. Furthermore, although the unit price of Compak has recently been at a level similar to that of Always, in the recent past Tambrands was able to increase the price of Compak despite the simultaneous large reduction in the unit price of Always.

5.55. Tambrands strongly disagreed with this assessment of the nature of competition in the sanpro sector and its views regarding the definition of the market are summarized in Chapter 7. Tambrands pointed to a number of factors which it held to be indicative of price competition between tampons and towels. Referring to Figure 5.5, it said that the rise in the price of the leading tampon brands had followed the introduction of Always, a high-performance towel priced at a significantly higher level than other towels (which were generally priced at levels close to or even below the leading tampon brands) and for the last 12 months the premium Compak tampon had been priced at a similar level to the premium Always towel. The company added that the introduction of tampon pack sizes of 16s, which were more comparable with Always and other high-performance towels, had been in order to compete more directly on price. Tambrands told us that at one extreme these premium towel products had acted as an effective ceiling on tampon prices. At the other extreme, however, Tambrands argued that many standard towels (including own-label products) were now significantly cheaper than tampons (and the premium towels), providing a further constraint on tampon prices. In addition, Tambrands told us that in recent years price had become a more significant factor in influencing consumers' purchasing patterns. In support of this the company cited a recent market study which referred to brand names no longer being as important a factor as they had been in the past; that the majority of menstruating women were now dual users, with price affecting the tampon/towel mix used; and that price was a factor influencing the consumer's choice between branded and own-label products. The company also told us that while it was not aware of any data directly relating to cross-price sensitivity between tampons and towels, Nielsen data on Tambrands' product promotions in certain stores illustrated substantial increases in the number of Tambrands products sold, and similar data showed that price reductions by Procter & Gamble had been accompanied by increases in sales of Always. Tambrands said that this sensitivity to price for products in the different segments of the sanpro market and the increased trend towards dual usage meant that there was inevitably increased price awareness and sensitivity across the market as a whole.

FIGURE 5.5

Retail prices of leading towel, applicator and digital brands, 1991 to 1995



Source: Nielsen.