

Channel Distribution Analysis: Huggies Supreme diapers

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INDUSTRY CHANNEL DISTRIBUTION

Major Channel Alternatives:

The major channel alternatives for the disposable diaper industry can be described by the categories Kotler describes in chapter 17, of *Marketing Management*. These categories include, “the number of intermediaries needed, and the terms and responsibilities of each channel member”(Kotler, 2003). The major types of intermediaries needed by this industry are as follows:

1. Retail outlets (including: supermarkets, drug stores, superstores, and warehouse clubs.
2. Online retailers
3. Hospitals (promotional only)

The number of intermediaries used by this highly competitive industry is one of Intensive Distribution. The diaper industry, in general, wants to place their products as close to the customer as possible, and, in turn, making the product highly, and readily available for immediate purchase at any time. Therefore, a supermarket, drug store, and superstore may all exist within the same shopping plaza, which is often the case, and have roughly the same assortment for differing prices. All the while, serving different types of customers; however, it is still about convenience.

Alternatives:

Within the diaper industry of the United States, only 2 manufacturers are competitive on an ongoing basis, with regards to corporate brands. There is a third competitor, however, they focus primarily on providing private-label brands for a number of companies. This has a definite effect on the economic, control and adaptive criteria.

The economic criteria factor involved for the entire industry is relatively large. The retail portion of the diaper industry is the main focus for the manufacturers. The Internet has yet to play any significant role for sales, and often the online purchases of diapers is through the web portals of major brick and mortar retail outlets. Because of the limited entry and competition levels within the industry, a single percentage of market-share for the top two companies is almost \$1 million (based on Huggies Supremes and Pampers Cruisers). The economies of scale and the continued efforts of the manufacturers to recognize that their relationships with not only suppliers, but also distributors and their sales forces can offer the company great rewards through cost savings. We see that both companies have significant strength in consumer products and this, in turn, allows the company to employ representatives that work with each brand and negotiate with distributors and retailers to form better alliances and relationships.

The manufacturers, Kimberly-Clark, and Proctor and Gamble are able to use the extreme volume of consumer products that they offer to, in large part, control some actions of the retailers. One option each of these companies has would be to pull products from retailers who are not performing. This being an option that may not necessarily benefit either company, but has been used before. Today, it is more likely that the manufacturer and retailer would exchange

data and try to develop a solution to cut costs further, or something along those lines. By having distributors spread across the country, the adaptive process is somewhat shortened and the overall markets are better identified. Furthermore, special inventory and supply chain systems available today, along with vendor-managed inventory, allow for even more adaptability.

HUGGIES SUPREME CHANNELS OF DISTRIBUTION

Major Channel Alternatives:

Kimberly-Clark maintains a level 2 category of consumer marketing channels. Typically, the distribution is outsourced to third parties for better efficiency. Kimberly-Clark uses all the major channel alternatives discussed earlier, relative to the end user. Retail stores being the major source of revenue for Huggies Supreme, and their associated products, such as baby wipes.

The justification of channel alternatives in terms of economic, control and adaptive can be seen in the relationships between Kimberly-Clark and, for example, its distributors and large wholesale clubs. “The Wall Street Journal recently reported that Kimberly-Clark has implemented ARPs for 44 retailers of its products. The results? Closer relationships with customers such as Costco and savings of more than \$200 million over the past two years”(Ellinger, 2001). Financially, these alternatives are necessary for continued success in an ever changing and developing technological world. Furthermore, according to Mark Jamison, Vice President of Logistics for the Power Group, “Power has proven its ability to combine the logistics and packaging components of the supply chain that will allow Kimberly-Clark to meet

the changing demands of the consumer”(Battista, 2001). The Power Group also combines both packaging and warehousing for Kimberly-Clark, providing cost savings.

In terms of control, Kimberly-Clark's innovative “Do It Yourself” division, “recognized a need to regain some control within the distribution channel. To do so they sought to capitalize on the opportunities most available to them. They wanted to provide the brokers that distributed their product with service that far exceeded any competing operation”(Effectiv Internet Solutions, 2002). The above provided the following solutions through an extranet devoted to brokers, which, in turn, allowed representatives to closely monitor data related to stores and products:

1. A secure environment exclusively for the Manufacturers’ representatives
2. A means to broadcast promotions/program details and merchandising ideas
3. A catalog containing brand specifications, product information, and digital artwork
4. Sales materials, such as Power Point Presentations, available for download
5. Selling propositions, artwork and merchandising information for reps to download and create their own sales materials

The positioning strategy used in the diaper industry can be described as one of self-service. There need not be any specialist needed in the high volume market. In fact, it would not be feasible to train individuals to be specialists due to the high turnover rate of many retail, and discount stores. The overall positioning used would be a mid (drug stores) to broad (superstores) breadth of products, and low value added category. There are varying levels of prices of diapers,

Huggies Supremes being at the top, yet a diaper is a necessity, and the basic premise of the diaper is always the same.

Bill Lee, Supply Chain Director for Kimberly-Clark, gives us his interpretation of cooperation within relationships of companies: “I would say that every supplier relationship is a little bit different, but that situation is getting much better. We still have to get to a point where supplier and manufacturer trust each other, trust that the information we share is not going to be used solely as a stick to drive prices down even further. Of course, at the end of the day we are looking for opportunities to take unnecessary costs out of the supply chain, but in my opinion sharing information and communicating effectively in a relationship where there are win-win opportunities and good trust established is the key to getting that result”(Keller International Publishing, 2001).

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