Kotex, Kleenex, Huggies
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Kotex, Kleenex, Huggies: Kimberly-Clark and the Consumer Revolution in American Business.
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THE HISTORY OF Kimberly-Clark is one of the most intriguing chapters in the annals of the paper and consumer products industries. During the interwar decades the company accomplished a coveted but rare feat in marketing by making its trademarked brand names synonymous with household items in the minds of consumers. Needing to wipe or blow one’s nose, one could ask for a Kleenex and safely expect to be handed a disposable handkerchief. At drugstores, customers could ask for Kotex and receive a box of sanitary napkins. Kimberly-Clark shared the distinction of introducing new words into consumer vocabulary with companies like Johnson & Johnson, whose brand name Band-Aid relegated the term “adhesive bandage” to relative obscurity, as well as Dow Chemical (Styrofoam), Room & Haas (Plexiglas), and U.S. Gypsum (Sheetrock). Bayer Corporation had paved the way in the late nineteenth century when it invented the word “Aspirin” to market an acetylsalicylic acid–based painkiller.

While Kleenex, Band-Aid, and Plexiglas were semantic inventions whose widespread use simply gave clever marketers a competitive advantage in consumer markets, Kotex served more subtle functions. Menstruation and menstrual hygiene were ill-understood phenomena that received little attention from the medical profession until the turn of the century, when the terms started to appear in a few medical journals and books. During subsequent decades menstruation remained burdened with cultural taboos that left millions of women...
who wanted to purchase feminine hygiene products grappling for words because they often felt self-conscious vis-à-vis the overwhelmingly male sales force who staffed most interwar drugstores. Most found even the technical and somewhat antiseptic term “sanitary napkin” too embarrassing to utter in public. Kimberly-Clark, which started to market sanitary napkins in 1919, provided a remedy with the artificial word Kotex (a combination of “cotton” and “texture”) and inserted it into the consumer lexicon with a multimillion-dollar advertising campaign. To make the product available to the woman who was loath to ask a clerk at a drugstore counter to hand her a box of Kotex from the shelf behind him, Kimberly-Clark encouraged merchants to display the product on countertops, enabling the customer to take a box and pay for it with minimal communicative action. Thus Kotex became one of the first self-service items in the history of American retailing.

Little in its Victorian background suggested that Kimberly-Clark would launch something of a consumer culture revolution. Founded in 1872 in Neenah, Wisconsin, as Kimberly, Clark and Co., it manufactured a wide range of paper products from newsprint and wrapping paper to book and magazine grades. By the turn of the century conventional but reliable investment strategies had turned Kimberly-Clark into the largest midwestern paper company. Shortly before World War I, it gained a competitive advantage by creating R&D and marketing capabilities for its magazine paper business, laying the groundwork for the success of its consumer nondurables in the interwar years. In World War I it developed a side business in surgical wound dressings for hospitals, the Army, and the Red Cross, but the market collapsed after the Armistice in November 1918. A large inventory—perhaps the only factor that could persuade businessmen of that era to even think about menstrual hygiene—precipitated the search for alternative uses of the cellulose product that led to the introduction of Kotex. Together with the less controversial Kleenex paper tissue, Kotex underwrote much of the company’s financial success during the interwar years, especially during the Depression when many competitors struggled to stay afloat.

This book, the first scholarly study of the company, examines Kimberly-Clark’s corporate history in the context of the paper and consumer industries and in the wider framework of U.S. economic history. The firm’s attempts to establish and maintain strongholds in consumer nondurables—the defining theme of this book—were hardly unique. Major U.S. pulp and paper firms frequently searched for
alternatives to newsprint, the industry’s bread-and-butter product whose demand structure was highly cyclical, yielding increasingly mediocre returns after the turn of the century. Papermakers’ numerous attempts to develop cellulose-based consumer nondurables, from paper dresses and shoes to the more successful paper cup, highlighted the inability of newsprint markets to sustain reliable long-term growth. Some firms became successful niche market specialists for bond and artist papers. Others lowered their exposure to newsprint through heavy investments into kraft grades for linerboard cartons, liquid packaging containers, and wrapping papers, with varying degrees of success. Many firms found it difficult to decipher secular trends in markets for consumer nondurables. International Paper, for example, invested heavily into kraft production capacities in the 1920s, only to watch demand stagnate toward the end of the decade. Brown Paper mill, St. Regis Paper, and other kraft producers barely survived the Great Depression of the 1930s. Viewed in this context, Kimberly-Clark’s attempt to develop hygiene products in the 1920s ranks among the more successful diversification strategies in the pulp and paper industry, not least because it enabled the company to weather the Depression virtually without negative earnings.¹

From the late 1940s to the 1970s the major challenge facing Kimberly-Clark was how to maintain its competitive advantage. During this period the company invested $400 million into plants, equipment, and other programs. The firm’s financial performance left much to be desired, however. Sales continued to grow rapidly, but profitability declined. Kimberly-Clark was particularly affected by the swift rise of resourceful competitors in sanitary napkins and facial hygiene, where the market shares of Kotex and Kleenex declined precipitously. Kimberly-Clark’s attempts to break into the tampon market were derailed by inept R&D and had to be abandoned at a major loss. Its traditional stronghold in printing papers, which had been a reliable source of growth in past decades, deteriorated in the 1960s as a result of ill-advised capital investment programs. Ending more than half a century of leadership in magazine papers, Kimberly-Clark abandoned the product in the 1970s to concentrate on rebuilding its consumer nondurables business.

If the Taurus was the car that saved Ford,² Huggies were the diapers that rescued Kimberly-Clark. Like the Taurus, Huggies were the result of a years-long product design, engineering, and marketing effort that incorporated the painful lessons of past failures. Introduced in a clever marketing campaign, the diaper featured refastenable tape
and an hourglass shape designed to reduce leaks. As a result, Kimberly-Clark was able to wrest market leadership in disposable diapers from Procter & Gamble, which had created and dominated the market since the 1960s.

Our study both profits from and contributes to a range of scholarly debates. It explores the historical dimensions of product diversification, an issue that has received attention in recent studies of corporate strategy. Students of the subject agree that successful diversifiers link new products to extant capabilities in R&D and marketing and avoid product lines that require major new investments in these areas. The history of Kimberly-Clark confirms this analysis. Largely as a result of attempts to develop specialty magazine paper after the turn of the century, the company’s basic R&D capabilities were already in place by World War I. This enabled Kimberly-Clark to launch the research effort that culminated in the introduction of Kotex in 1919. Although the firm lacked extensive marketing experience, it was more sensitive to the need to advertise consumer non-durables than most competitors, motivating it to recruit experienced vendors to handle advertising.3

Our account of Kimberly-Clark’s more recent history contributes to the literature on the transformation of American manufacturing in the postwar decades. As early as the 1970s economists identified overdiversification as a chief villain in the story of American industrial decline, launching penetrating and often harsh critiques of postwar corporate strategy in the literature. Only painful “strategic refocusing,” accelerated by corporate raiders and leveraged buyouts that left companies’ unwise acquisitions of the 1960s as economic roadkill, presumably turned the tide in the 1980s. Within limits, this approach helps explain the emergence and resolution of the structural crisis that bedeviled Kimberly-Clark in the 1960s.

However, the structural crisis of American business and its resolution cannot be fully understood without a detailed analysis of product R&D and organizational capabilities. In more ways than one, the crisis was attributable to factors that had contributed to the Depression forty years earlier. “Low-tech industries” like food and tobacco with limited or nonexistent R&D capacities had largely exhausted their potential for product innovation, precipitating conglomeration as firms sought more profitable markets through acquisitions-based product diversification. By contrast, chemicals, microelectronics, and other advanced industries had not reached technological maturity, enabling many firms to maintain their economic viability by flexing
their R&D muscle in the 1970s and 1980s. In “stable-tech industries,” opportunities for incremental product innovation did exist, but many established firms failed to invest into the prerequisite R&D programs, contributing to the decline of the American automobile and consumer electronics industries.4

Our study confirms the significance of incremental product innovation in stable-tech industries during the 1970s and 1980s. Most consumer hygiene products—sanitary napkins, tampons, and disposable diapers—had been developed decades earlier, rendering market leaders like Kimberly-Clark vulnerable to price competition. Parallel efforts to improve the firm’s performance through product development initially yielded disappointing results, as evidenced by the failed tampon development initiatives of the 1960s. The multimillion dollar Huggies R&D program—launched as a last-ditch effort to maintain the company’s viability as a major contender in consumer hygiene products—succeeded as a result of incremental but crucial product design changes. Combined with effective consumer research and shrewd marketing, the Huggies program raised profitability to levels the company had last enjoyed in the 1920s.