

Structure-Conduct-Performance Analysis of China's Sanitary Napkin Industry[★]

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Abstract

Sanitary napkins are indispensable personal care products for women. China is the largest market for feminine hygiene products in the world. China's sanitary napkin industry is also large and stable, with annual sales reaching billions. However, despite the promise and potential of China's sanitary napkin industry, there are few studies on it. In this study, anchored on industrial organisation theory and the structure-conduct-performance (SCP) paradigm, the characteristics of China's sanitary napkin industry will be explored through three specific aspects: structure, conduct, and performance. Structure refers to the degree and nature of competition for products and services of an industry. Conduct is the market policies sellers adopt to achieve certain objectives, such as pricing and non-pricing. Performance is the outcomes reflecting the effects of market operation. The analysis will be conducted from the three aspects respectively. The results demonstrate that: (i) the market type of China's sanitary napkin industry has shifted from competition to oligopoly V and has highly advertising-dependent product differentiation; (ii) cost-plus pricing conduct is adopted, and advertising sponsorship and channels construction have become a focus in this industry; (iii) the profit level of China's sanitary napkin industry is relatively high but declining, and the industry scale structure needs to be improved. This study provides a theoretical perspective on the current standing of China's sanitary napkin industry, which can assist the industry in growing steadily.

Keywords: China's Sanitary Napkin Industry; Market Structure; Market Conduct; Market Performance

1 Introduction

Sanitary napkins, or sanitary pads, are disposable feminine hygiene products (GB/T 8939-2018). According to the Euromonitor compiled by Forward, the economist, China's feminine hygiene

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products industry can be subdivided into sheet sanitary napkins, pads, and tampons. Among them, the sheet sanitary napkins industry dominates with 91.06% of the shares, followed by pads (8.14%) and tampons (0.8%). This study refers to sheet sanitary napkins [1].

Sanitary napkins play a vital and indispensable role in women's daily life. In China, the sanitary napkin market is large and stable. According to the seventh national census released by the National Bureau of Statistics of China, the population of China was 1.41 billion, with 688 million women. Notably, menstrual women account for about 63.35% [2]. The younger age of menarche and the older age of menopause make the age width of menstrual women even larger, and the group of menstrual women will be further expanded. Also, with the popularisation of science education, the concept of timely replacement of sanitary napkins has gradually gained ground. Chinese women gradually realise the harm of long-term non-replacement of sanitary napkins, so they consciously increase the frequency of replacements of sanitary napkins. In addition, female consumers' functional and non-functional requirements for sanitary napkins have improved, and female consumers have gradually become high-end in product selection. The increased penetration rate of high-end products will further broaden the market size. Under the influence of these factors, the market scale of sanitary napkins in China will be further expanded. In 2022, the market size of Chinese feminine hygiene products reached 74.31 billion yuan, of which the market size of sanitary napkins was 63.59 billion yuan. The rise of environmental awareness and more frequent utilisation of higher-quality and environment-friendly raw materials play a key role in the evolution and growth of China's sanitary napkin industry.

China's sanitary napkin industry is not developed overnight, and its development can be divided into four stages: introductory period, stable development period, integration growth period, and consumer upgrading period. China's sanitary napkin industry is now in the fourth stage. In this stage, this market is saturated, domestic brands are relying on the Internet to develop, the importance of brand concept is rising, and the added value of products is increasing.

However, in contrast to its importance, few academic studies have examined this thriving industry, and some studies only focus on sanitary napkins themselves (material, kind, and function) rather than the industry. Therefore, based on the SCP paradigm, this study explores China's sanitary napkin industry in three aspects: market structure, conduct, and performance. The specific research questions are as follows:

- (i) How is China's sanitary napkin industry like under the framework of structure-conduct-performance?
- (ii) What are the reasons behind the status quo of China's sanitary napkin industry?

This paper aims to provide a theoretical reference for sanitary napkin companies to optimise their organisational structure and compete more effectively by analysing these two aspects.

2 Literature Review

2.1 Industrial Organization

The theory of Industrial Organization (IO) is an important branch of microeconomics, which deals with the structure of industries and the behaviour of firms and individuals in imperfectly competitive markets [3]. In other words, IO mainly concerns the firm, markets, and industries [4]. To be more specific, IO takes the market structure, market conduct, market perfor-