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Kimberly-Clark Corporation Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Ladies and gentlemen, at this time the floor is now open for your questions. (Operator instructions)
Our first question comes from Ali Dibadj from Sanford Bernstein.

Tom Falk

Morning Ali.

Ali Dibadj – Sanford Bernstein

A few questions. One is first on price realization and, obviously the austicity were, a little bit worse than you suspected. And it looks like at least tissue is kind of creeping more towards one in terms of the austicity. What do you expect in terms of, you know, price, I mean I guess relaxation going forward? How do you think you're going to have to take down your prices, particularly as commodities, maybe do start rolling over here.

Tom Falk

Well at this point, you know we're still trying to focus on realizing price and you're not seeing as much of the commodity cost that's flowed through at this stage. You know, the pulp had just started to crack a bit this last month. You saw a \$60 decline in southern hardwood. But if you look at a lot of the other cost inputs, and things like super absorbents and other things, we're really not seeing much cost declines yet.

So, you know, at this point, you know we've been aggressively pushing price up. We've been taking our promoted price points up where we can. Not everybody in the category has so we know there's going to be some volume exposure while we go through that. The one we'll probably watch closely is things like facial tissue, which the price increase just went in at the end of the quarter. And so obviously we're heading into the cold and flu season. We'll how that performs as we go through that environment.

Ali Dibadj – Sanford Bernstein

But you mentioned a couple things in there. One is some of you may not have seen the decline in commodities just yet. But as that starts happening, hopefully, would you then expect to have to push back on pricing. I say that in the context of, you're already seeing, you know you mentioned it a couple times in your remarks early and also in the press release, a competitive dynamic that is

clearing being aggressive on pricing, whether it be private label, whether it be some of these other branded players.

Tom Falk

Yeah, I think it's something that obviously, we're going to watch closely. We're, if you look at our shares for the quarter, they were basically pretty stable. A little bit of weakness in tissue. A little bit of private label improvements. So that's something that we'll obviously continue to watch. And you know in the end we're going to want to be competitive. But I also think in this environment where there's been so much cost inflation, you know our focus is also to improve our margins in this period.

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