

3 The market for domestic mowers

Types and prices of domestic mowers

3.1. There are two main types of mower: a 'walk-behind mower' where the operator walks behind the mower; and a 'ride-on mower' where the operator sits on the machine.

3.2. Walk-behind mowers can be physically distinguished by their source of power:

- (a) 'hand mowers' are walk-behind cylinder mowers which have to be pushed manually to operate their blades;
- (b) 'electrically-powered walk-behind mowers' are walk-behind mowers where the blades are powered by an electric motor which runs off the mains; and
- (c) 'petrol-powered walk-behind mowers' are walk-behind mowers where the blades are powered by a petrol engine which also usually provides the power to propel the machine.

3.3. Ride-on mowers are petrol-powered mowers with an integral seat. They are sometimes called lawn tractors or garden tractors.

3.4. The retail price of a mower is closely related to its source of power. Hand mowers are priced at around £40 to £60. Electrically-powered walk-behind mowers range in price from £40 to £250. Petrol-powered walk-behind mowers start at around £220 and go up to £1,000 although most are priced at £600 or less. Ride-on mowers range in price from £900 to over £2,000.

3.5. Mowers have two types of cutting action:

- (a) 'Cylinder mowers' have four or six helical blades welded together into the form of a cylinder. These blades turn against a fixed blade to cut the grass.
- (b) 'Rotary mowers' have a single horizontal blade which rotates at high speed under a protective skirt, cutting the grass with a scything action. Rotary mowers may be either:
 - (i) 'wheeled rotary mowers', which have either four wheels or two wheels at the front and a roller at the back; or
 - (ii) 'hover rotary mowers', which do not have wheels but the rotary blade of which is designed to produce a cushion of air that lifts the mower off the ground and on which it rides.

3.6. Hand mowers are all cylinder mowers. Electrically-powered and petrol-powered walk-behind mowers can be cylinder, wheeled rotary or hover rotary mowers. Ride-on mowers can cut with either cylinder blades or rotary blades, but domestic machines nearly all use a rotary blade. A summary of the various types of mower by source of power and cutting action is set out in Table 3.1.

TABLE 3.1 **Source of power and cutting action of domestic mowers**

	<i>Cylinder</i>	<i>Wheeled rotary</i>	<i>Hover rotary</i>
Walk-behind:			
Hand mower	*		
Electrically-powered	*	*	*
Petrol-powered	*	*	*
Ride-on	*	*	

Source: MMC.

Overall market

3.7. Around 14 million mowers are owned in the United Kingdom. The most significant change in the market over the last 15 years has been the introduction of electrically-powered walk-behind mowers which have to a substantial extent replaced hand mowers. There has also been a trend towards smaller gardens for new houses. Approximately three-quarters of garden lawns are 150 square metres or less in size. For lawns of this size a hand mower or a small electrically-powered mower are suitable.

3.8. There are no definitive figures for the total United Kingdom market for domestic mowers. Estimates produced by various market research organisations differ. No accurate figures exist on the market shares of the companies involved. We, therefore, undertook a survey of United Kingdom mower manufacturers and importers to obtain information about their sales of ride-on mowers and petrol-powered walk-behind mowers. We obtained information from most of these companies. For electrically-powered walk-behind mowers we have estimated the sales based on information collected and published by the British Lawnmower Manufacturers' Federation and on information from various market research organisations, including Euromonitor Publications Ltd (Euromonitor)¹ and Mintel International Group Ltd (Mintel).² We have used a Euromonitor estimate for the sales of hand mowers in 1989.

3.9. We estimate that in 1989 around 1.5 million domestic mowers were sold in the United Kingdom as shown in Table 3.2.

TABLE 3.2 **Sales of domestic mowers in the United Kingdom, 1989**

	<i>Unit sales '000</i>
Walk-behind mowers:	
Hand mowers	40
Electrically-powered	1,200
Petrol-powered	243
All walk-behind mowers	1,483
Ride-on mowers	23
Total	1,506

Source: MMC.

3.10. Based on our survey, the revenue obtained by manufacturers and importers for petrol-powered walk-behind mowers was £62 million in 1989 and for ride-on mowers it was £24 million. The average manufacturer's or importer's revenue from a petrol-powered walk-behind mower was around £250 and from a ride-on mower was about £1,000. The final price to the public will have been higher because of the retail margin.

¹The Euromonitor information is taken from a report called Gardening into the 1990s: The Complete Gardening Report, published in 1990. The report was prepared by the market analyst Euromonitor and published by Garden Trade News International.

²Mintel is an analyst of consumer markets and has produced various reports on the consumer gardening market.

Demand

3.11. One of the factors which affects the demand for mowers is the weather. Due to low rainfall in 1989, grass did not grow as quickly as normal and there is generally reported to have been an over-supply of mowers as a result. Demand is also seasonal; most sales to the public are made in spring and early summer.

3.12. Sales of mowers have fluctuated from year to year but have not shown any strong upward or downward trend. Table 3.3 shows sales of walk-behind mowers from 1980 to 1988 as estimated by the Economist Intelligence Unit (EIU)¹ based on Flymo Ltd (Flymo) and Retail Business estimates. Mintel has forecast that total mower sales will grow at an annual rate of 3 to 4 per cent.

TABLE 3.3 Sales of walk-behind mowers, 1980 to 1988

	<i>Volume '000</i>
1980	1,313
1981	1,352
1982	1,274
1983	1,300
1984	1,100
1985	1,226
1986	1,260
1987	1,320
1988	1,430

Source: EIU Retail Business No 197, August 1989.

Market segmentation

3.13. Ride-on mowers differ from walk-behind mowers in three ways. First, the average price of a ride-on mower is well above that of a walk-behind mower. Some petrol-powered walk-behind mowers may be as expensive as the cheapest ride-on mower, but most petrol-powered walk-behind mowers are priced between £220 and £600, compared with ride-on mowers which range in price from £900 to over £2,000. Secondly, a ride-on mower is intended for the larger garden and would be impractical for use on most small lawns. Thirdly, the means of operation are different. We consider, therefore, that, despite some overlap, ride-on mowers form a separate market from walk-behind mowers and that market shares need to be calculated separately.

3.14. A distinction is drawn in the industry between the lower end and upper end of the walk-behind mower market. The lower end of the market is mainly made up of the cheaper electrically-powered mowers, but also includes hand mowers. The upper end of the market mainly comprises petrol-powered mowers, but also includes the more expensive electrically-powered mowers. Electrically-powered mowers and petrol-powered mowers each have their own advantages. Electrically-powered mowers are generally lighter and easier to use but require a convenient power point; petrol-powered mowers are not encumbered with a cable and do not require a power point. The distinction between the lower end and the upper end is important when assessing the impact of the merger on the operation of the market. Most mowers in the lower end of the market are sold through do-it-yourself (DIY) stores, mail order companies and high street stores, whereas most mowers in the upper end of the market are sold through specialist outlets, which also sell virtually all ride-on mowers.

3.15. We have identified the market shares of the Ransomes group in both the walk-behind and ride-on markets. We have also determined its shares of the supply of electrically-powered

¹EIU, a division of Business International, is a business information service.

walk-behind mowers and petrol-powered walk-behind mowers. Ransomes does not manufacture a hand mower and the price of the mowers it produces are well above those of hand mowers.

The main manufacturers and their market shares

The manufacturers

3.16. Most of the mowers sold in the United Kingdom are supplied by eight companies or groups which together account for over 80 per cent of the sales in both the walk-behind and the ride-on mower markets. Within the walk-behind market they also supply over 80 per cent of electrically-powered and petrol-powered walk-behind mowers. These suppliers are:

- Black & Decker;
- Blue Circle Industries plc (Blue Circle) which owns Qualcast Garden Products Ltd (Qualcast) and Atco Ltd (Atco);
- Electrolux Ltd (Electrolux) which owns Flymo, Husqvarna Forest & Garden (Husqvarna) and Yard Products (YardPro, formerly Roper);
- Honda UK Ltd (Honda);
- MTD Products Inc (MTD) which manufactures the Lawnflite range;
- Ransomes group (Ransomes, Mountfield, Westwood and Laser);
- Tomkins plc (Tomkins) which owns Hayters plc (Hayters) and The Murray Ohio Manufacturing Company (Murray); and
- The Toro Co (Toro) which owns Toro Wheel Horse UK (Toro Wheel Horse).

Market shares for walk-behind mowers

3.17. Euromonitor estimates that in 1988 three firms, Black & Decker, Blue Circle (Qualcast) and Electrolux (Flymo), together had 86 per cent by volume and 67 per cent by value of the total market for walk-behind mowers. Euromonitor estimates that, for the same year, Ransomes (Mountfield) had 7 per cent by volume and 15 per cent by value, market shares that are in line with our own estimates for Ransomes for 1989. We estimate that the revenue to manufacturers and importers from the sale of walk-behind mowers in the United Kingdom was over £100 million.

3.18. Before the merger Westwood distributed in the United Kingdom petrol-powered walk-behind mowers manufactured in Italy by IBEA SpA (IBEA). Westwood sold about 1,900 IBEA mowers in 1989, representing about 0.2 per cent of the walk-behind market. These competed with Mountfield's products. At the time of the merger Westwood stopped selling the IBEA machine and this make is now sold in the United Kingdom by Salopian Kenneth Hudson Ltd.

Sales of electrically-powered walk-behind mowers

3.19. Most electrically-powered walk-behind mowers are made by Black & Decker, Blue Circle (Qualcast) and Electrolux (Flymo), which together accounted for some 90 per cent of sales in 1989 by value and volume. Ransomes' pre-merger sales of electrically-powered walk-behind mowers in 1989 accounted for 2 per cent of sales by volume, although by value it would have been higher because the Mountfield mower was in the upper price bracket. Westwood does not manufacture or sell electrically-powered walk-behind mowers.

Sales of petrol-powered walk-behind mowers

3.20. Ransomes' (Mountfield) share of petrol-powered walk-behind mower sales in the United Kingdom in 1989 was 26 per cent by value or 33 per cent by volume. Ransomes had the largest share of sales. The next four largest shares of sales together accounted for 56 per cent by value and 53 per cent by volume and individually varied between 8 per cent and 18 per cent by value and by volume. The companies involved were Blue Circle (Qualcast), Electrolux (Flymo), Honda and Tomkins (Hayters). Nearly all the other companies accounted for 1 per cent or less of total sales whether measured by value or volume. The figures are shown in Table 3.4. Westwood's sales of IBEA mowers (see paragraph 3.18) accounted for under 1 per cent of total sales of petrol-powered walk-behind mowers.

TABLE 3.4 **Petrol-powered walk-behind mowers, United Kingdom sales in 1989**

<i>Company</i>	<i>£m</i>	<i>%</i>	<i>Number</i> <i>'000</i>	<i>%</i>
Ransomes (Mountfield)	16	26	79	33
Next four largest	35	56	129	53
Other	11	18	35	14
Total	62	100	243	100

Source: MMC.

Market shares for ride-on mowers

3.21. In 1989 the total value of the ride-on mower market was £24 million. The post-merger Ransomes group had the largest market share of 33 per cent by value and 35 per cent by volume. The next largest competitor was Lawnflite Ltd (Lawnflite) with 25 per cent of the market by value and 21 per cent by volume. These two were followed by four companies each with market shares of between 4 and 6 per cent by value which together amounted to 21 per cent of the market by value and 25 per cent by volume. The four companies concerned were Blue Circle (Atco), Electrolux (YardPro), Tomkins (Murray) and Toro (Toro Wheel Horse). The figures are shown in Table 3.5. Lawnflite ride-on mowers are manufactured by MTD, an American company, and sold in the United Kingdom by an associated company, E P Barrus Ltd (Barrus). Atco ride-on mowers are manufactured in the United Kingdom; the Electrolux group manufactures in the United Kingdom, the United States and Sweden; whilst Murray and Toro manufacture in the United States. Honda and John Deere Ltd were also in the market.

3.22. The acquisition of Westwood increased Ransomes' market share from 4 per cent to 33 per cent by value. Before the merger Ransomes distributed Simplicity Manufacturing Inc (Simplicity) ride-on mowers and Murray ride-on mowers, both of which were imported from the United States. Murray withdrew its distributorship from Ransomes in September 1988. Westwood manufactured a range of ride-on mowers including those sold by Laser under its livery and those sold to Lawnmaster Ltd (Lawnmaster), an independent company, which marketed them under the Lawnmaster label.

TABLE 3.5 **Ride-on mowers: total domestic market, 1989**

<i>Company</i>	<i>£m</i>	<i>%</i>	<i>Number</i>	<i>%</i>
Westwood (including Laser and Lawnmaster)	7	29	7,000	31
Mountfield (including Simplicity)	1	4	1,000	4
Total Ransomes	8	33	8,000	35
Barrus (Lawnflite)	6	25	4,900	21
Next four firms	5	21	5,800	25
Others	5	21	4,200	19
Total	24	100	22,900	100

Source: MMC.

Distribution

3.23. Specialist outlets play an important role in the domestic mower market, particularly in relation to the more expensive petrol-powered walk-behind mowers and ride-on mowers, both of which are normally sold to the public by these outlets. Specialist outlets provide advice on the type of mower which is most suitable for a customer's garden and may demonstrate the mower, particularly if it is a ride-on mower. We consider in paragraphs 3.24 to 3.49 the method of distributing mowers, the role of dealers, potential barriers to entry into the market and the possible restrictions on competition resulting from the relationship between manufacturers and dealers.

Method of distribution

Walk-behind mowers

3.24. The way in which walk-behind mowers are distributed has changed over the last 15 to 20 years. Hardware stores and ironmongers used to sell most mowers. Nowadays most lower priced mowers are sold by DIY stores, mail order companies and high street stores. Higher priced machines are mainly sold by specialist outlets which are able to repair and demonstrate them.

3.25. According to Mintel, 81 per cent of walk-behind mowers are sold by DIY stores, mail order companies and high street stores, 7 per cent by garden centres, 3 per cent by hardware stores and 9 per cent through 'other outlets'. Most electrically-powered walk-behind mowers are sold to the public by DIY stores, mail order companies and high street stores.

3.26. Most petrol-powered walk-behind mowers are sold to the public by specialist outlets which have been appointed as dealers by manufacturers or are sub-dealers. DIY stores, mail order companies and high street stores also sell petrol-powered walk-behind mowers. Ransomes estimated that, in the 1989 season, 72 per cent of its walk-behind mowers would be sold to the public by its dealers or sub-dealers, 6 per cent by mail order companies and 22 per cent by multiple DIY stores and multiple high street stores.

3.27. The result of these changes in the distribution of walk-behind mowers has been a concentration among retail outlets with a higher proportion of sales going through the larger ones.

Ride-on mowers

3.28. Virtually all ride-on mowers are sold to the public through specialist outlets.

Role of dealers

3.29. Manufacturers and importers appoint dealers to sell their machines and to provide a repair and back-up service (including warranty repairs). Dealers sell mowers direct to the public but they may also act as wholesalers selling machines to other retail outlets. For example, Ransomes supplies certain of the smaller walk-behind mowers to the DIY and high street stores through its dealers who then provide the service back-up which those stores do not offer.

3.30. Manufacturers and importers normally expect their dealers to carry a range of their products and to be committed to selling them. In most cases dealers are, in turn, allowed to appoint sub-dealers. Sub-dealers may also provide a repair and back-up service but do not have to take on the commitments of a main dealer: sub-dealers can carry a more limited range of a manufacturer's or importer's products. A retailer may, in practice, be a main dealer for some manufacturers and importers and a sub-dealer for others.

Dealers for ride-on mowers

3.31. Our survey of manufacturers and importers asked them how many dealers they had appointed for their ride-on mowers. Westwood and Laser had 158 main dealers. This is similar to the number of dealers appointed by Barrus (Lawnflite), the largest competitor. The number of dealers appointed by other firms varied considerably but the majority had between 30 and 130. Mountfield's 203 main dealers covered both its walk-behind mowers and its ride-on mowers, although not all stocked its ride-on mowers.

Survey of dealers

3.32. We commissioned NOP Market Research Ltd (NOP) to undertake a telephone survey of Mountfield, Westwood and Laser dealers. The NOP survey covered 393 outlets of dealers and sub-dealers which accounted for over one-quarter of sales of petrol-powered walk-behind mowers and over a half of the ride-on mowers sold in the United Kingdom, but only a small proportion of sales of electrically-powered walk-behind mowers.

3.33. The dealers and sub-dealers were asked to estimate the proportion of their total revenue from selling mowers which came from selling the Mountfield, Westwood and Laser mowers combined. On average, they obtained 38 per cent of their revenue from selling mowers from these three companies and 62 per cent from selling competitors' mowers.

3.34. 365 of the 393 outlets sold Mountfield or Westwood petrol-powered walk-behind mowers (the other outlets were either dealers for Laser or were Westwood dealers which did not stock the Westwood (IBEA) walk-behind mower). Only 9 of these 365 outlets did not sell a competitor's product. All the others sold competitors' models within a similar price range to the Mountfield or Westwood mowers. Over half sold the models of four or more competitors. In most cases these outlets sold one of the major competitors' models: approximately 73 per cent sold Hayters, 66 per cent sold Atco, 60 per cent sold Flymo, 53 per cent sold Qualcast and 27 per cent sold Honda petrol-powered walk-behind mowers.

3.35. 319 of the 393 outlets sold ride-on mowers in the Mountfield, Westwood or Laser ranges. Of these outlets 78 per cent also sold the ride-on mowers of one or more competitors: approximately 29 per cent sold Atco, 23 per cent sold Murray, 18 per cent sold Toro Wheel Horse and 16 per cent sold Lawnflite.

3.36. Where an outlet did not sell one of the main ride-on mowers it was asked how far away was the nearest outlet selling that ride-on mower. Where this was known, the average distance was, for example: 7 miles to a Lawnflite outlet; 12 miles to a Westwood outlet; 15 miles to an Atco outlet; and 21 miles to a Toro Wheel Horse outlet.

3.37. In summary, this evidence shows that Mountfield, Westwood and Laser dealers are not strongly specialised in selling those makes of mower; and that generally the customer does not have to go far to find outlets selling the main makes of ride-on mowers. The detailed results of the NOP survey are summarised in Appendix 3.1.

Barriers to entry for manufacturers and importers of domestic mowers

3.38. There are three main areas where barriers to entry into the market as a whole might occur: setting up manufacture, obtaining distribution channels and barriers to importing.

Setting up manufacture

3.39. The technical barriers to entry to this market do not appear to be high. There are no important patents; Ransomes has no patents for its domestic mowers. Nor is the product highly sophisticated.

Obtaining distribution channels

3.40. There does not appear to be any particular difficulty in obtaining distribution channels. In the upper end of the walk-behind market we found at least 23 makes of petrol-powered mowers.¹ The dealers in our survey carried a large number of different makes of such mowers.

3.41. In the ride-on market Ransomes told us of six United Kingdom and foreign firms which had started to distribute ride-on mowers in the United Kingdom in the last two years.² We have found that at least 21 makes of ride-on mowers are available in the United Kingdom.³ Our survey of dealers showed that dealers often stock two or more competing models.

Barriers to importing

3.42. Most of the competition to Ransomes in the market for ride-on mowers comes from imported machines, including Lawnflite, the main competitor to Ransomes. In total some 60 per cent of the ride-on market was supplied by imported machines in 1989. The common external tariff for mowers is 3.5 per cent. There do not, therefore, appear to be any significant barriers to importing machines. Many of the makes of ride-on mower that are imported into the United Kingdom are also sold in Europe. Most walk-behind mowers are manufactured in the United Kingdom.

Other barriers to entry

3.43. National advertising plays an important role in competition between companies throughout the domestic mower market and has helped develop brand image. For a company to develop a new brand image may require substantial expenditure.

Barriers to entry for potential dealers

3.44. At the distribution level, appointed dealers are in many cases small businesses which have developed from providing mower maintenance services to selling mowers. It is not difficult to obtain mowers to sell in this market, although it may be more difficult to become a main dealer for a well-established brand. There appear to be no serious barriers to entry.

The merger and entry barriers

3.45. There has been concern that the merger between Ransomes and Westwood would enable Ransomes to reduce the number of competing mowers that its dealers sell, either directly or indirectly. Ransomes could try to do this directly by limiting the number of competing models its dealers were allowed to sell. There is, however, no evidence that Ransomes has tried to restrict the competing products which its dealers can sell. Moreover, we have been told that customers generally expect to see a range of makes of mower on show.

3.46. Ransomes might indirectly, but not necessarily intentionally, restrict the availability of competing models by requiring some of its dealers to carry models that they do not currently stock. This could occur when Ransomes combines the Mountfield, Westwood and Laser dealerships, if that is what Ransomes eventually decides to do. If a dealer agreed to stock more types of Ransomes' mowers it might not have the capacity or resources to carry all the competitor models it currently

¹ AL-KO, Ariens, Atco, Flymo, Hayters, Homelite, Honda, Husqvarna, IBEA, Iseki, John Deere, Lawn King, Lawnflite, Mountfield, Qualcast, Roper/YardPro, Sabre, Snapper, Speedy/Sigma/Asuka, Stiga, Toro, Victa, Yamaha.

² Dynamow, Electrolux (Flymo), Iseki UK Ltd, Kubota (UK) Ltd, Wolf Tools for Garden and Lawn Ltd, Yamaha.

³ AL-KO, Ariens, Atco, Bolens, GCL, Homelite/Jacobson, Honda, Husqvarna, Iseki, John Deere, Kubota, Lawnflite, Murray, Rally, Roper/YardPro, Simplicity, Snapper, Stiga, Westwood/Laser, Toro Wheel Horse, Yamaha.

stocks. Mountfield had 203 main dealers of which 53 were main dealers for Westwood and/or Laser. Westwood and Laser together had 158 main dealers. If the dealership networks were combined this would produce a network of 308 main dealers.

3.47. The terms of dealer agreements might increase barriers to entry, although the Ransomes group's dealer agreements have not been affected by the merger. Relevant provisions in the dealer agreements of Mountfield and Westwood are summarised in Appendix 3.2. The requirement by Mountfield that dealers carry a representative range of products and that they place minimum orders in the winter stocking period prior to the start of the selling season may potentially increase the barriers to entry in the market. These requirements are common practice in the industry and they apply only to the main dealers. Other retail outlets may obtain mowers in smaller numbers if they become sub-dealers. There is no evidence that the Ransomes group has refused to supply any outlet.

Restrictions on competition between dealers by manufacturers

3.48. Manufacturers, through their agreements with dealers, might attempt to limit the level of competition between their own dealers by trying to control the price at which mowers are sold, so reducing the opportunity for price competition between dealers; limiting the area within which any dealer can sell; and limiting the number of retail outlets that can sell their product. The Mountfield agreement commits a dealer not to supply other outlets at a discount higher than a specified maximum. The Westwood agreement limits the discount that can be given by a main dealer to a retail customer to 7.5 per cent; and provides a small incentive of £20 per sale when the registration card for each mower sold by the dealer or its sub-dealers is returned provided, inter alia, this is accompanied by a copy of the invoice showing that no more than a 7.5 per cent discount has been given. This small incentive is also designed to encourage dealers to confine their sales to an area within which they can give a satisfactory after-sales service. Neither agreement attempts directly to restrict the number of sub-dealers a dealer appoints, although both require sub-dealers to be approved by Mountfield or Westwood.

3.49. There is some evidence from our telephone survey that manufacturers, including Ransomes, had tried to hold up prices in the market by putting pressure on their dealers not to discount the prices of mowers.

Commercial grass-cutting equipment

3.50. A number of manufacturers of domestic mowers, including Ransomes, also make commercial grass-cutting equipment. We have considered whether there are overlaps between the markets for domestic mowers and for commercial grass-cutting equipment. We take the view that these are separate markets because:

- (a) the customers are different, being mainly private householders in the domestic market, whereas in the commercial market they are mainly local authorities, operators of golf courses and contractors;
- (b) the machinery supplied to the commercial sector is more expensive being more sophisticated and designed for larger areas and more intensive use; and
- (c) the distribution channels differ: distributors of domestic mowers do not generally sell commercial mowers.