4 The wet-shaving market

4.1. In this chapter we describe the structure of the wet-shaving market in the United Kingdom and outline the competitive environment within which razors are manufactured and sold.

HAIR REMOVAL PRODUCTS

4.2. Hair removal products can be divided into three basic types:

(a) *wet-shaving products*-razor blades and razor blade handles;

(b) *dry-shaving products*-electric (battery or rechargeable) razors; and

(c) *depilatory products*-hair removing creams, and lotions, and wax and electric depilators.

Although each of these types of product serves the same general purpose of removing hair, they are regarded as distinct products serving separate markets. Most consumers are either regular wet or regular dry shavers, though some who normally use one method may use the other occasionally.

4.3. As Table 4.1 shows, in 1989 consumers in the United Kingdom spent about £160 million on acquiring various hair removal products (excluding such items as shaving soaps, foams, creams, after-shave etc). About half of this expenditure was on razors and razor blades, and the rest was on dry shavers and on various depilatory products.

TABLE 4.1 **United Kingdom market* for hair removal products, 1980 to 1989**

	1980		*1983*		*1986*		*1989*	
	£m	*%*	*£m*	*%*	*£m*	*%*	*£m*	*%*
Wet-shaving products	43.0	48.6	46.0	45.3	56.0	49.6	81.0	50.6
Dry-shaving products	41.0	46.3	48.5	47.8	47.0	41.6	64.0	40.0
Depilatory products	4.5	5.1	7.0	6.9	10.0	8.8	15.0	9.4
Total	88.5	100.0	101.5	100.0	113.0	100.0	160.0	100.0

Source: Swedish Match NV.

*Based on consumers' expenditure; ie at retail selling prices.

4.4. The market shares of the three types of hair removal products have changed only slowly, and the share of wet-shaving products has tended to be roughly constant over the last ten years, at almost 50 per cent (by value). During the later part of this period, however, the wet-shaving share increased slightly after a decline to about 45 per cent in the early mid-1980s.

4.5. Men and women in the United Kingdom use hair removal products as follows:

(a) Men: around 65 per cent use wet shavers, 27 per cent use dry shavers and 8 per cent are non-shavers. Although sales to men of shaving products overall have been relatively static (increasing at about 1 per cent a year), as Table 4.1 shows there has been a recent trend towards greater use of wet-shaving products.

(b) Women: around 55 per cent use wet shavers, 26 per cent use dry shavers, 15 per cent are non-shavers and 4 per cent use other methods (including depilatory products). An increasing number of women in the United Kingdom are opting to shave (rather than use creams or other methods) for removing unwanted hair.

4.6. The main differences (in volume terms) between the shaving market in one country compared with another are dictated by:

(a) the size of population, and the numbers of male and female shavers;

(b) the frequency with which they shave; and

(c) their preferences for wet or dry shaves.

Table 4.2 shows that while the markets in Italy, France and West Germany are about the same size as that in the United Kingdom, the preference for wet shaving (rather than dry shaving) is very similar in the United Kingdom and France and even more in favour of wet shaving in Italy. But in West Germany the preference is, however, almost exactly the reverse of what it is in the United Kingdom.

TABLE 4.2 **Various EC countries' shaving populations: wet and dry split**

	*Male shaving population** *million*	*Wet* *%*	*Dry* *%*
Italy	21.0	76	24
Greece	3.6	74	26
Eire	1.2	70	30
France	20.8	65	35
United Kingdom	21.5	65	35
Spain	13.8	64	36
Belgium	3.6	52	48
Netherlands	5.7	49	51
Denmark	1.9	40	60
West Germany	22.5	36	64

Source: Swedish Match NV.

*For these purposes the male shaving population includes, depending on the country, males of 15 or 16 years and above.

4.7. Wilkinson Sword manufactures and sells wet-shaving products in the United Kingdom; it also sells related toiletry products (namely, shaving foam, cream and gel, and after-shave balm and lotion). It does not manufacture or sell dry-shaving products or depilatory products.

4.8. Gillette manufactures and sells wet-shaving products in the United Kingdom, together with related toiletry products (namely, shaving foam and gel). The Gillette Company also owns Braun AG, a German company which manufactures and markets consumer electrical products, including dry shavers, and which markets a wide range of products in the United Kingdom including a number of dry shavers. Gillette does not manufacture or sell depilatory products.

THE WET-SHAVING MARKET

Types of wet-shaving products

4.9. The wet-shaving market has three product segments:

(a) *Double edge blades.* Double edge blades, ie single blades with two cutting edges, are designed for insertion into fixed head razors which are sold separately. While sales of double edge razors have accounted for a declining share of the market for many years and are expected to continue to do so, the production and sale of these blades remains a high margin activity.

(b) *Systems razors*. Blades for systems razors are set (bonded) in plastic cartridges which slide into, or clip on to, non-disposable razor handles. Product innovations have led to further segmentation of this high-margin market, including single or twin blades which may be fixed or swivel-mounted, and may or may not have a lubricated or low friction strip on the razor head. As Table 4.3 shows, systems razors have been increasing their share of the market in recent years. The relatively high unit value of systems razors, compared with disposable razors, means that the share of the market held by systems razors is much higher in value terms than in volume terms.

(c) *Disposable razors*. Introduced by Bic in 1975, disposable razors have single or double blades fixed in plastic handles. As with other types of razor, each disposable razor is used several times by male shavers, though re-use by female shavers is thought to be less common. Sales of disposable razors (by volume) have maintained a stable but substantial share of all razors purchased in the United Kingdom (see Table 4.3).

TABLE 4.3 **United Kingdom wet-shaving market: recent trends in retail market share by type of razor**

per cent

	1986	*1987*	*1988*	*1989*	*1990*
By volume					
Systems	23.1	24.4	26.1	27.9	29.4
Disposables	65.1	65.2	65.4	64.9	64.7
Double edge	11.8	10.4	8.5	7.3	5.9
	100.0	100.0	100.0	100.0	100.0
By value					
Systems	41.6	43.9	47.5	49.6	51.8
Disposables	45.1	44.2	43.6	42.9	42.3
Double edge	13.3	11.9	8.9	7.5	5.9
	100.0	100.0	100.0	100.0	100.0

Source: Gillette, based on AC Nielsen.

Note: Figures relate to March/April each year.

Market size and shares

4.10. Total United Kingdom sales by each supplier during 1989 are shown in Table 4.4. It can be seen that a total of almost 594 million razor blades were sold in the United Kingdom in 1989 (this figure of 594 million, based on figures supplied to us by manufacturers, is somewhat higher than the previously widely accepted estimate of about 520 million). Of these, some 40 per cent were sold by Gillette, 30 per cent were sold by Bic and 23 per cent were sold by Wilkinson Sword (made up of 18 per cent under the Wilkinson Sword brand, and about 5 per cent of own-label supplies).

TABLE 4.4 **Total United Kingdom sales of razors and razor blades by supplier, 1989**

Company	*By volume* '000	%	*By value* £'000	%	*Unit values* £/item
Razor blades					
Gillette					
Systems	112,525		19,913		0.18
Disposables	120,196		10,998		0.09
Double edge	4,339		446		0.10
Total	237,060	40	31,357	60	0.13
Wilkinson Sword					
Systems	17,960		2,747		0.15
Disposables	65,750		3,613		0.05
Double edge	21,190		2,022		0.10
Total branded	104,900	18	8,382	16	0.08
Own-label sales	32,580	5	1,795	3	0.06
Total own-label and branded	137,480	23	10,177	19	0.07
Bic					
Disposables	181,871	30	8,172	16	0.04
*Personna**					
Branded	na		875		na
Own-label	na		680		na
Total	na	4†	1,555	3	na
Supermax‡					
Total	12,000	2	na	1§	na
Schick§					
Systems¶	540		113		0.21
Disposables	3,014		371		0.12
Total	3,554	1	484	1	0.14
Total blades	594,200	100	52,500	100	0.09
Razor handles					
Gillette	2,210	53	1,921	63	0.87
Wilkinson Sword	1,946	47	1,137	37	0.58
Total razor handles	4,2000	100	3,100	100	0.74
Total razors and blades	598,400		55,600		0.09

Source: MMC from companies' data.

*Brand name of American Safety Razor Co (American Safety Razor).
†Estimated.
‡Brand supplied by Sterling Four Blades Ltd (Sterling Four Blades).
§Brand name of Warner-Lambert Company (Warner-Lambert).
¶Includes sales of razor handles.

Notes:
1. The unit values column shows manufacturers' average net selling prices.
2. The total figures for blades and for razors have been rounded, reflecting the fact that some of the data are estimates.

4.11. Table 4.4 also shows that in value terms (using manufacturers' average net selling prices) sales of both razors and razor blades amounted to about £56 million in 1989. Of this, Gillette's share was about 60 per cent, Wilkinson Sword's share was about 20 per cent (including about 3 per cent for its sales of own-label razor blades) and Bic's was about 15 per cent.

4.12. Given the relatively wide range in product prices and the existence of different types of razor (disposable, systems, etc), we have taken market shares based on value (rather than on volume) to be the appropriate measure of the relative importance of the different suppliers to the United Kingdom wet-shaving market. In doing so, however, we have kept in mind the fact that Bic's market share by volume is about twice its share by value.

4.13. Between 1984 and 1987 sales volumes grew by about 13 per cent, but since then growth has been less marked, while the value of this market has picked up in real terms. This is partly due to trading up by consumers away from cheap, disposable varieties to the more sophisticated systems models. As it is apparently widely held that a closer shave is obtainable with wet shaving, recent fashion trends towards the `clean cut' image and `hi-tec' products also favour systems models at the expense of dry shavers. Tables 4.1 and 4.3 show market trends.

4.14. Market shares in each of the three main product segments in 1989 are shown in Table 4.5. While Gillette and Wilkinson Sword each have by far the largest single market share in the systems and double edge segments respectively, both Bic and Gillette have very substantial shares in the disposable razors segment.

TABLE 4.5 **Total United Kingdom sales of razor blades by market segment,* 1989**

	By volume		*By value*		*Unit values*
Segment and supplier	*'000*	*%*	*£'000*	*%*	*£/blade*
Systems					
Gillette	112,525	79	19,913	82	0.18
Wilkinson Sword	17,960	13	2,747	11	0.15
Schick	540	-	113	1	0.21
Other (including own-label)	11,715	8	1,437	6	0.12
Total	142,700	100	24,200	100	0.17
Disposables					
Gillette	120,196	28	10,998	44	0.09
Wilkinson Sword	65,750	16	3,613	14	0.05
Bic 181,871	43	8,172	32	0.04	
Schick	3,014	1	371	1	0.12
Other (including own-label)	49,196	12	2,151	9	0.05
Total	420,000	100	25,300	100	0.06
Double edge					
Gillette	4,339	14	446	15	0.10
Wilkinson Sword	21,190	67	2,022	68	0.10
Other (including own-label)	5,940	19	512	17	0.08
Total	31,500	100	3,000	100	0.09

Source: MMC from companies' data and estimates for `Other'.

*Wilkinson Sword's own-label sales are shown under `Other' in this table.

Notes:
1. The unit values column shows manufacturers' average net selling prices.
2. The total figures have been rounded to reflect the fact that some of the data are estimates.

4.15. Razors in both the systems and disposables segments can be further divided by type of blade (single or twin) and by whether the razor has a fixed or a swivel head. Table 4.6 shows the division of the disposable and systems segments in these terms. Market growth has been in twin blade swivel head models for both systems and disposable razors. This is probably due to a trading up by consumers to the apparently more sophisticated razors. In disposables, but not systems, there has also been an increase in sales in the most basic, single blade fixed head.

TABLE 4.6 **Systems razor and disposable razor sales by type, 1986 and 1988**

*per cent**

	Systems		*Disposable*	
	1986	*1988*	*1986*	*1988*
Twin blade, swivel head	62	66	16	18
Twin blade, fixed head	34	32	26	22
Single blade, fixed head	4	2	58	60
Total	100	100	100	100

Source: Mintel.

*Based on sales by value.

Prices

4.16. Prices of razor blades vary considerably according to type. The cheapest are the disposable razors, for which representative retail prices in September 1990 ranged from 7 pence each for single blade disposables, but with Bic's new Microglide being priced at 15½ pence, to 17 pence for twin blade swivel disposables (see Table 4.7).

TABLE 4.7 **Razor blade retail prices by brand, September 1990**

*pence per blade**

Type of razor	*Gillette*	*Wilkinson Sword*	*BiC*	*Schick*	*Boots*
Double edge	15.2	15.9	-	-	11.5
Systems: fixed					
Regular	27.9	26.9	-	-	23.0
Extra/Plus	31.9	29.9	-	31.8†	27.8†
Systems: swivel					
Regular	27.9	26.9	-	-	23.0
Extra/Plus	31.9	29.9	-	31.8†	27.8†
Sensor†	43.3	-	-	-	-
Disposables: twin					
Fixed	16.2	15.9	-	17.8	10.9
Swivel	16.9	15.9	-	-	-
Disposables: single					
Regular	-	6.9	7.3	-	-
Microglide†	-	-	15.4	-	-

Source: MMC, based on data provided by The Boots Company PLC (Boots).

*Packs of ten blades.
†Available only in packs of five.

4.17. For double edge blades, the retail price was between about 12 pence and 16 pence per blade (each blade having two separately usable cutting edges).

4.18. The highest priced blades are the systems blades. Retail prices for these varied from 23 pence each for the Regular fixed blades to 32 pence for Extra/Plus blades. Prices for Gillette's new Sensor blades have been set above the price range of other systems blades, with a price per blade of just over 43 pence.

4.19. Razor blade price movements over the last five years are shown in Table 4.8. This shows that, except for disposable razors (and particularly the single blade disposables), razor blade retail prices have generally increased at a rate considerably above the rate of inflation during this period. From our discussions about this with the companies it appears that a major part of the explanation was the need to recoup increasing advertising costs. We also noted that there had been a decision to move the prices of twin blade disposables closer to those of systems razors and so, it was thought, encourage customers to move from disposables to systems razors (see paragraph 5.25).

TABLE 4.8 **Movements in the retail prices* of certain razor blades in the United Kingdom, 1986 to 1990**

	1986	*1987*	*1988*	*1989*	*1990*
A. Pence per blade					
(a) Double edge					
Gillette Platinum	12.6	14.6	15.5	16.8	17.7
Wilkinson Classic	14.0	15.0	15.9	16.2	17.1
(b) Systems					
Gillette Contour	20.7	21.9	24.4	26.0	29.1
Gillette Contour Plus	-	24.5	27.3	28.3	32.3
Wilkinson Profile Swivel	19.4	21.3	21.2	22.7	26.9
Wilkinson Profile Swivel Extra	-	-	-	26.4	31.4
(c) Disposables					
Bic Standard	6.1	6.4	6.8	6.8	7.9
Wilkinson Twin Fixed	-	-	10.3	13.1	15.4
Gillette Blue II Fixed	10.2	11.0	11.9	14.8	16.7
B. Indexed prices					
(a) Double edge					
Gillette Platinum	100.0	115.9	123.0	133.3	140.5
Wilkinson Classic	100.0	107.1	113.6	115.7	122.1
(b) Systems					
Gillette Contour	100.0	105.8	117.9	125.6	140.6
Gillette Contour Plus	-	100.0	111.4	115.5	131.8
Wilkinson Profile Swivel	100.0	109.8	109.3	117.0	138.7
Wilkinson Profile Swivel Extra	-	-	-	100.0	118.9
(c) Disposables					
Bic Standard	100.0	104.9	111.5	111.5	129.5
Wilkinson Twin Fixed	-	-	100.0	127.2	149.5
Gillette Blue II Fixed	100.0	107.8	116.7	145.1	163.7
Retail prices	**100.0**	**104.1**	**109.2**	**115.1**	**120.1**

Source: Gillette, based on AC Nielsen data.

*Figures relate to average prices in March/April each year.

4.20. Using information provided by Swedish Match NV, from its standard United Kingdom wholesale price list and from the Supply Agreement, we calculated that the prices paid by Gillette for a sample of comparable Wilkinson Sword products under the Supply Agreement for marketing outside the EC and USA areas ranged from 20 to 50 per cent below the equivalent United Kingdom standard wholesale prices for these products. Swedish Match NV told us that it was to be expected that the prices charged to Gillette were below the United Kingdom wholesale prices. Supply to Gillette was for onward sale by Gillette at wholesale level. In addition, no marketing, promotion or sales costs were incurred by Wilkinson Sword in respect of the sales to Gillette.

Advertising and promotion

4.21. Suppliers to the United Kingdom market, particularly Gillette and Wilkinson Sword, spend large amounts each year on advertising, supplemented from time to time by substantial advertising and promotional campaigns in connection with a new product launch.

4.22. Figures produced by MEAL (Media Expenditure Analysis Ltd) show that over the five-year period 1985 to 1989 average annual media advertising expenditure by the three main suppliers to the United Kingdom market was: Gillette £3.2 million; Wilkinson Sword £1.1 million; and Bic £0.5 million.

4.23. Both Gillette's and Wilkinson Sword's own figures on their advertising and promotional expenditure showed that whilst their advertising expenditure tended to concentrate on one or two products, their promotional and other direct marketing expenditures covered their whole product ranges. Generally, Wilkinson Sword's advertising and promotional expenditure, as a percentage of sales during the period 1986 to 1990, was higher (at about 31 per cent) than Gillette's (at about 23 per cent). Gillette's advertising and promotional expenditure for its new Sensor systems razor alone was, however, expected to amount to £8.3 million in 1990.

Production and foreign trade

4.24. Gillette and Wilkinson Sword are the only companies which currently manufacture razors in the United Kingdom. Gillette's Isleworth factory in West London now only produces its Blue II (fixed and swivel) disposable razors, which it manufactures there for all its European markets. Other Gillette razors and blades for sale in the United Kingdom are imported from its Berlin, Seville and Annecy factories, and some too from the USA (see Appendix 4.1).

4.25. Wilkinson Sword has production facilities at Cramlington (to the North of Newcastle) and at Solingen in Germany. Its United Kingdom requirements are mostly produced at its Cramlington factory, though it does import some products (eg its new Kompakt razor and certain own-label disposable razors) from its Solingen plant. Some Wilkinson Sword products sold elsewhere in Europe are also produced at its Cramlington site, particularly its double edge and Retractor disposable razor (see Appendix 4.2).

4.26. Official trade statistics for the United Kingdom distinguish between razors (including disposables) and razor blades (including razor blade blanks in strips). As Table 4.9 shows, total imports in 1989 amounted to about 838 million razors and razor blades valued at £27 million. Export volumes in 1989 were roughly three times the level of imports. Both the import and export figures include razors and razor blades manufactured in the United Kingdom by Gillette and Wilkinson Sword for export to other countries, and manufactured by them in other countries for import into the United Kingdom.

TABLE 4.9 **Imports and exports of razors and razor blades, 1989**

Imports			*Exports*		
Country of origin	*Volume million*	*Value £m*	*Destination*	*Volume million*	*Value £m*
Razors					
France	152.1	4.3	France	209.1	6.5
West Germany	33.6	4.6	Italy	204.3	6.3
USA	21.6	1.4	USA	80.9	3.7
Others	34.5	3.1	Spain	70.2	1.3
Total	241.7	13.5	Greece	43.8	1.7
			Others	215.4	7.0
			Total	823.6	26.6
Razor blades					
West Germany	117.1	8.5	West Germany	383.3	4.7
Netherlands	259.9	0.9	Israel	650.2	2.6
India	195.2	0.9	USSR	139.1	2.5
Spain	17.3	0.7	USA	89.8	2.4
France	6.4	0.3	Eire	99.2	1.6
Total	595.9	13.8	Italy	213.6	1.2
			Libya	26.1	0.3
			Other	936.5	9.5
			Total	2,537.8	24.8

Source: MMC estimates, based on United Kingdom Official Trade Statistics.

Suppliers to the United Kingdom market

4.27. The wet-shaving market in the United Kingdom is dominated by three brands, namely: Gillette, Wilkinson Sword and BiC. As Table 4.5 shows, each of them is particularly strong in a certain market segment: systems, double edge and disposables respectively. Table 4.10 shows recent trends in main shares (by value and by volume) in the wet-shaving market.

TABLE 4.10 **Recent trends in retail market shares in the United Kingdom wet-shaving market, 1987 to 1990**

Brand	*1987*	*1988*	*1989*	*1990**
By value				
Gillette	59.7	61.4	62.4	63.9
Wilkinson Sword†	21.3	17.3	16.4	16.5
BiC 14.4	13.2	12.9	12.5	
Others	4.5	8.1	8.3	7.1
By volume				
Gillette	44.2	44.5	44.5	45.4
Wilkinson Sword†	22.6	18.7	17.6	17.7
BiC 27.6	26.4	27.2	26.8	
Others	5.6	10.4	10.8	10.1

Source: Gillette, based on AC Nielsen data.

*Average for period up to August 1990.
†Excludes own-label sales.

Note: The market share data in this table are estimated from a sample survey, and while they are not directly comparable with the market share data given in Tables 4.4 and 4.5, they are set out here as an indication of trends in market shares in recent years.

4.28. The razors currently marketed in the United Kingdom under Gillette and Wilkinson Sword brand names are listed in Table 4.11. Both companies supply a full range of razors (except that Gillette does not market a single blade disposable razor).

TABLE 4.11 **Razors currently marketed in the United Kingdom under the Gillette and Wilkinson Sword brand names**

Type of razor	*Gillette*	*Wilkinson Sword*
Double edge Single flat blades with two cutting edges for use with fixed head razors	-Platinum double edge razor -Platinum blades (5 and 10 packs)	-Classic double edge razor -Classic blades (5 and 10 packs)
Systems razors Replacement cartridges, incorporating twin mounted blades for use with fixed head or swivel head razor handles. Plus or Extra cartridges also incorporate a lubricating strip, and Regular do not. In Sensor cartridges the twin blades are spring mounted	***Fixed head*** *GII* -Plus razor -Regular cartridges (5 and 10 packs) -Plus cartridges (5 and 10 packs) ***Swivel head*** *Contour* -Plus razor -Regular cartridges (5 and 10 packs) -Plus cartridges (5 and 10 packs) *Sensor* -Razor -Cartridges (5 pack)	***Fixed head*** *Profile* -Fixed razor -Metal fixed razor -Extra cartridges (5 and 10 packs) -Regular cartridges (5 and 10 packs) ***Swivel head*** *Profile* -Swivel razor -Metal swivel razor -Extra cartridges (5 and 10 packs) -Regular cartridges (5 and 10 packs)
Disposable razors Single or twin blades mounted (either in a fixed or a swivel position) on plastic handles	***Twin blade*** -Blue II fixed (5 and 10 packs) -Blue II swivel (5 and 10 packs)	***Twin blade*** -Twin fixed(5 and 10 packs) -Twin swivel (5 and 10 packs) ***Single blade*** -Retractor (5 and 10 packs) -Sensitive retractor (5 and 10 packs)

Source: MMC.

4.29. Within the razors and razor blades market, Gillette has four main product lines. Its share of sales of razors and razor blades is greater by value than by volume, as it has a large share of the more expensive systems razor segment. Until recently the company's flagship product was the Contour Plus systems razor, launched in 1986. Like its sister product, the original Contour, it is a twin blade razor with swivel head, but it has the addition of a Lubrastrip lubricating strip (which is a plastic resin designed to reduce friction). Its fixed head systems razor is the GII, together with the GII Plus (with Lubrastrip) which was launched in 1987. Gillette launched its newest systems razor, the Sensor, in early 1990. The new razor has twin blades individually mounted on springs. The company is again encouraging the consumer to trade up.

4.30. Within the disposable razor segment Gillette has its Blue II brand which comes with either fixed or swivel head. Gillette does not sell any own-label wet-shaving products.

4.31. Gillette has pursued a pricing strategy which reflects its view that it produces premium products incorporating the latest technology. Promotional support has largely taken the form of free extra blade promotions aimed at building brand loyalty and, where appropriate, activities aimed at moving up existing Gillette users to the latest technology product.

4.32. Gillette dominated the United Kingdom market until the late 1950s, when Wilkinson Sword became a major competitor. By the mid-1970s, Wilkinson Sword accounted for nearly half the volume of blades sold. Its strongest product has been in the traditional but declining double edge razor segment. Its brand share (by value) in this segment is estimated to be around 70 per cent. In the systems razor segment, Wilkinson Sword's Profile range now includes Profile Fixed, Profile Swivel and Profile Extra (launched in 1988) in both head styles. This last mentioned product features a low friction Aquaglide strip on the blade, made of a non-soluble polymer substance which becomes extremely slippery when wet. The product is positioned in direct competition to Gillette's Contour Plus. It has recently launched its new systems razor Kompakt (which is designed to allow spare blades to be stored in the handle). Wilkinson Sword also sells disposable razors, under its Retractor and Twin brands, in all blade and head formats.

4.33. Wilkinson Sword's prices are set close to, usually below, those of Gillette. Advertising forms an important part of Wilkinson Sword's marketing strategy. Promotionally, Wilkinson Sword uses free blade and price reductions to generate volume.

4.34. Of the three main suppliers to the United Kingdom market, Gillette and Wilkinson Sword offer similar product ranges, but Bic only supplies single blade disposable razors, for which price is very important (Wilkinson Sword also markets a single blade disposable razor but Gillette does not). Bic's range includes the well established regular BiC razor, BiC Lady Shave range, BiC Orange and more recently the BiC Microglide in the premium sector. BiC Orange is designed for shavers with sensitive skin and has a less acute blade. BiC Microglide (introduced in 1987) has a metal bar-guard which stretches the skin before the blade passes over it. Bic has never accepted that two blades perform better than one, and though it has made product improvements, eg in BiC Orange and BiC Microglide, its general reliance on single blade technology increases the importance of price, particularly in terms of value for money in its sales strategy. Bic does not supply own-label razors.

4.35. Three other branded suppliers have a presence in the United Kingdom market. One is American Safety Razor, which markets a range of razors and razor blades through its subsidiary, Personna International UK Ltd (Personna UK) under the Personna brand. It is also an important supplier of own-label products. Another is Warner-Lambert with its Schick brand. The Schick brand is the market leader in Japan, and its market share in some countries, including France and the Benelux countries, is much higher than it is in the United Kingdom. It introduced its disposable brand, Schick Comfort Plus, in 1988, and its new systems razor, Advantage, in 1989. The other supplier to the United Kingdom market is Sterling Four Blades, which markets products made by Harbans Lal Malhotra & Son Ltd (Malhotra). Its brand is Supermax and it supplies a range of razors and razor blades. It does not normally supply own-label products. The market share of these three brands between them is about 4 per cent (by value) (or about 5 per cent by volume).

4.36. The rest of the United Kingdom market is supplied by retailers' own-label products, notably Boots, Safeway plc (Safeway), Sainsbury plc (Sainsbury), Superdrug Stores PLC (Superdrug) and Tesco PLC (Tesco). Wilkinson Sword is the major supplier of own-label products in the United Kingdom, accounting as it does for around 70 per cent (by value) of supplies of own-label products in the United

Kingdom. The other significant supplier is Personna UK. Own-label sales have increased in importance in the last few years and are now estimated to account for about 5 per cent (by value) of the United Kingdom market (or about 7 per cent by volume).

Product development

4.37. The development, testing and ultimate launch of a completely new product can be a lengthy process, often taking many years. For this reason, unless a particular concept is already under development, razor manufacturers cannot respond instantly to product innovations by their competitors with a completely new product of their own. Companies which supply a range of razor products do, however, pay careful attention to the market and to patent filings to try to anticipate the launch of new products by competitors, and to be ready with an appropriate competitive response.

4.38. In addition to the development of completely new products, the companies may from time to time modify their existing products. This may form part of a strategy to boost flagging sales of a more mature product, or be an attempt to reposition the product in the market in response to a competitor's action.

4.39. In Appendix 4.3 we have drawn together what appear to be the major product developments in the United Kingdom market, in earlier years, together with a more detailed list of the developments in recent years. As the appendix shows, systems razors, as we now know them, first appeared in 1971. The other major innovation in the market in this earlier period was the introduction by Bic of disposable razors in 1975. Both Gillette and Wilkinson Sword underestimated the appeal of disposable razors and did not introduce their own disposable razor products until some years later.

4.40. Although not the first to introduce bonded systems razors into the United Kingdom, Gillette, first with the GII system, then supplemented by the swivel head Contour system and finally with a lubricating strip added to its systems razor blades, now has the largest share in this segment. With its world-wide operations, Gillette has strong marketing and product development capabilities. The latest result of this has been Sensor, a new systems razor positioned at the top end of the market. Its features include the independent mounting of the twin blades on springs, spring-mounted skinguard, pivot head and lubricating strip. The Sensor system was launched in the USA and Europe in early 1990.

4.41. Although Wilkinson Sword was first on to the market with a coated, low friction, double edge blade in 1961 and a bonded single blade systems razor in 1970, it was rather slower to develop and promote its brands in the systems razor segment. In 1988 Wilkinson Sword also launched its own low friction strip blades in the systems razors segment. It launched a fixed twin blade disposable razor in 1978, and a single blade disposable and a swivel twin blade disposable razor in 1980.

4.42. Bic was the originator of the cheap disposable razor which it launched in the United Kingdom in 1975. It serves only this sector, in which it continues to have the largest market share in volume terms (though Gillette has the largest share in value terms). Growth in the United Kingdom razor blades market, although concentrated mostly in both the systems razor and disposable products segments, has been stronger in the systems segment over the last 18 months. There has also been a growth in the share of other disposable brands, notably retailers' own labels.

Ease of entry

4.43. Bic is the only example of a major new entry into the United Kingdom market. It first began manufacturing plastic disposable razors in Greece in the mid-1970s and has since become a significant competitor. There are a number of practical barriers facing suppliers wishing to enter the United Kingdom market as manufacturers of branded blades. These barriers are in two broad categories: production and marketing.

4.44. Setting up as a producer of razors and razor blades does of course require the acquisition and running in of plant and equipment. While suppliers of such plant and equipment, particularly of moulding machinery and tools, are numerous, the new razor supplier will itself need, or have to develop, its own know-how in relation to the manufacturing process (from blade grinding through to assembly, including quality control).

4.45. We received somewhat differing views as to the cost of setting up such a production facility. Warner-Lambert thought that the capital investment needed to set up production `for a competitive volume of blades', ie about 600 million blades a year, would be over £80 million. Wilkinson Sword considered that a minimum competitive volume would be about 500 million blades (if products in all three product segments were produced), and that this would cost about £40 million to £45 million to set up. Gillette said that high quality equipment for manufacturing systems razor blade cartridges would cost about £6 million for a line capable of producing 100 million a year.

4.46. Views differed too, about the levels of R&D expenditure required to remain a serious competitor. Warner-Lambert considered that about £6 million a year was needed to continue producing a full range of quality, high technology wet-shaving products, while Wilkinson Sword thought that £1.5 million to £2 million was in its experience all that was required to be a successful competitor. In 1989 Gillette's total R&D expenditure was $86.4 million (about £48 million), of which some 28 per cent was on razors and blades. The development of particular new products, each of which may take several years, may require the commitment of considerable amounts of R&D expendi-ture over the period (eg Gillette spent some £110 million over a ten-year period to develop its Sensor systems razor and a further £70 million to start up production).

4.47. The major obstacle to marketing new wet-shaving branded products in the United Kingdom is, however, the cost of promoting and advertising them and of setting up an appropriate distribution network. For example, Warner-Lambert, a major company whose Schick brand is well established in other markets (for example, in the USA, Japan, France and the Benelux countries), has only a very small share of the United Kingdom market largely because the cost of advertising and promotion as the means of gaining market share was, in its view, prohibitively high. The strong loyalty that consumers have to their current brand and shaving product (particularly in the double edge and systems segments) is an important reason for this promotional barrier. About 45 per cent of sales of razors and razor blades are through chemists (with Boots alone accounting for about 20 per cent), and 46 per cent through grocery outlets (including about 38 per cent through multiple grocers). Thus, a limited number of national retail chains account for a significant proportion (about 60 per cent) of sales of razor blades, and creating a promotional package that may persuade them to give shelf space to a new brand is not easy, and would be expensive.

4.48. However, a supplier which could lower its prices without noticeably impairing quality could enter the market more easily by supplying own-label products. The major United Kingdom retailers (eg Asda Stores Ltd, Safeway, Sainsbury, Tesco, Boots) all now sell own-label blades. We noted, for example, that Personna UK, in the space of four years, has managed to pick up about 30 per cent of the United Kingdom's own-label business.

World-wide market

4.49. Gillette is the developed world's major supplier of razors and razor blades. Gillette products are marketed, with a few minor exceptions, in every country in the world. As well as in the United Kingdom, it has large market shares (by value) in many major markets, including, for example: the USA (64 per cent), Latin American countries (86 per cent), France (70 per cent), West Germany (63 per cent), Italy (77 per cent) and Spain (83 per cent). In some European markets (for example, Norway, Switzerland, and Denmark) its market share is over 85 per cent.

4.50. Until the sale of its non-EC/US business to Gillette, Wilkinson Sword marketed its full product range in several markets in Europe, the USA, Australia and Japan. In South America and Africa it marketed mainly its double edge blades. Other than the United Kingdom, its main markets were West Germany, France, Italy, Spain, Australia, the USA and Brazil.

4.51. World-wide, the suppliers of wet-shaving products of major significance are: Gillette, Swedish Match NV, Warner-Lambert, Bic, Malhotra, Prago Union Vyrobce Kovopol NP (Prago Union), Leninets, Mostoglamesh, Permatik Celik Sanayi Anonim Sirketi (Permatik), Alexandria Blade Co, Kai Company Ltd/Kaijirushi and American Safety Razor (see Appendix 4.4). Of these only the first four effectively compete in the branded sector in the EC, and only a few have had sufficient resources and know-how to develop the state-of-the-art blade technology and systems razors designs that have characterised the considerable developments and advances in razors to date.