

3 The market for applied shoe care products

Introduction

3.1. This chapter examines the United Kingdom market for applied shoe care products, and in particular the market for a range of products which we describe as shoe polish products. It covers the following topics: the range of applied shoe care and shoe polish products available within the United Kingdom (in paragraphs 3.3 to 3.11); consumer demand, brand loyalty and advertising in the market for shoe polish products (in paragraphs 3.12 to 3.20); the size and structure of the market for shoe polish products (in paragraphs 3.21 to 3.50); the European and North American markets (in paragraphs 3.51 to 3.54); competition and industry pricing (in paragraphs 3.55 to 3.60); supply conditions (in paragraphs 3.61 to 3.74); and ease of entry and competition from imported products (in paragraphs 3.75 to 3.90).

3.2. The market for applied shoe care and shoe polish products is small in comparison with many other consumer products and one on which there is limited published information available. The only two sources of market research data known to us are the Euromonitor and the Nielsen Marketing Research studies, which are considered in paragraph 3.45, Appendix 3.2 and paragraphs 3.35 to 3.38 respectively. Apart from these sources, we have depended mainly on manufacturers and suppliers for information concerning the market for these products in the United Kingdom.

Applied shoe care products

3.3. The shoe care market includes a wide range of individual products which are used by consumers to clean, polish, care for, change the colour of, make more comfortable, or otherwise extend the life of various forms of footwear, including shoes and boots made from leather, suede or synthetic materials, as well as training/sports/casual footwear. The three main categories of shoe care products are as follows:

- (a) *chemical products*: comprising polishes of various types (pastes, liquids, creams etc), desalters, colour changers/dyes, soaps and shampoos, deodorisers and shoe stretch chemicals;
- (b) *insoles*: comprising inserts to improve the fit or comfort of footwear, to provide an anti-slip action or as an anti-bacterial or anti-odour measure; and
- (c) *accessories*: comprising shapers and shoe trees, laces, brushes, dusters, shoe horns and toe protectors.

3.4. Sara Lee estimated that for these three groups of products taken together the total value of the market in the United Kingdom at producer prices was currently around £28.5 million a year, within which chemical products accounted for 60 per cent (£17 million), insoles accounted for 23 per cent (£6.5 million) and accessories accounted for 17 per cent (£5 million).

3.5. These three categories of product are essentially complements to each other rather than being substitute products and they may therefore be regarded as forming separate product markets from the point of view of the consumer. Although, before the merger, both Sara Lee and Reckitt & Colman supplied a range of accessories (mostly bought in from other companies), almost no competition concerns relating to these products have been put to us by third parties. Moreover, our terms of reference (see Appendix 1.1) concern chemical products only and specifically applied shoe care products which are taken to be polishes intended for use on any type of footwear. For the remainder of this chapter, therefore, we largely ignore

insole products, accessories and also those chemical products which are clearly not polishes. We concentrate on a sub-set of chemical products comprising shoe polishes and other products (eg white cleaners and aerosols-see paragraph 3.11) that serve a similar function. For convenience, we refer to this sub-set as shoe polish products.

Shoe polish products

3.6. As indicated by our terms of reference, shoe polishes may be in the form of wax pastes, creams, liquids, gels or impregnated sponges or cloths and may be supplied in various sizes and forms of container (eg metal tins, glass jars and plastic containers). For any given colour, these products perform essentially the same function of cleaning and restoring the surface finish of footwear, usually giving a gloss or shine to leather shoes, and are therefore clearly substitutes for each other at the level of the individual consumer. Some products, for example white cleaners (or whiteners) for white casual or sports shoes, and some aerosols, are not strictly polishes as such but nonetheless perform a similar function in maintaining the surface finish of particular types of footwear. By and large, suppliers within the shoe care trades regard these latter products, though not all aerosol products, as being part of the same market as shoe polishes.

3.7. On the supply side, there is also the potential for substitution between at least some of these shoe polish products, particularly those where containers are cold-filled. Whiteners and liquid shoe polish products, for example, are both produced using essentially the same type of chemical mixing, filling-line and packaging equipment. In contrast, paste shoe polish products and aerosol products require different types of filling-line equipment. The manufacturing technology used to produce the various types of shoe polish products is considered further in paragraphs 3.61 to 3.64. The six main types of shoe polish products are described in the following paragraphs.

3.8. *Paste shoe polishes*, supplied in small circular metal tins (usually containing either 44 ml or 50 ml of wax paste), are the longest-established and most traditionally used of the various types of shoe polish products. They are available in a relatively limited range of colours (eg black, brown, grey and neutral usually, though up to about 11 colours in all) and need to be applied with brushes or cloths. Some paste polishes have special applications, such as for waterproofing leather or for treating riding saddles and riding boots. We were told that some (and possibly many) consumers regard tinned paste shoe polishes as rather messy and inconvenient to use. Nonetheless, as shown in Table 3.5, paste products account for some 26 per cent by value of total sales of shoe polish products.

3.9. *Liquid shoe polishes* (often supplied in 85 ml plastic containers), as well as impregnated *sponges* or *cloths*, are generally regarded as being cleaner and easier or simply more convenient to use than paste products. Liquid shoe polishes are generally available in a narrower range of colours than paste-typically five or six colours. Although usually more expensive to buy per container or pack, liquid shoe polishes, sponges and impregnated cloth products have become more popular with consumers in recent years. Liquid shoe polishes now account for 13 per cent by value of the total sales of shoe polish products; and sponges and cloths together account for 10 per cent (see Table 3.5).

3.10. *Cream shoe polishes* (supplied in both glass jars and plastic or metal tubes) also tend to be sold at a higher price to the consumer than paste in tins, but these products offer consumers a far wider range of colours. Cream shoe polishes account for some 24 per cent by value of all shoe polish product sales (see Table 3.5).

3.11. *Whiteners* (often supplied in 85 ml plastic containers) are for use on white shoes, usually for casual or sports wear. Whiteners account for around 5 per cent of total sales of shoe polish products (see Table 3.5). *Aerosols and pump action sprays* are used mostly for cleaning suede or nubuck shoes or as a waterproofer. They account for some 23 per cent by value of total sales of shoe polish products (see Table 3.5). Sara Lee pointed out that in the case of whiteners, the same product as is marketed for use on canvas shoes is in fact marketed under other labels for use on leather and other white shoes, and that in the case of aerosols, a number of products which are clearly polishes-for example, Meltonian all-leather shine-are sold in aerosol containers.

Consumer demand, brand loyalty and advertising in the market for shoe polish products

3.12. The market for shoe polish products is mature. Paste shoe polishes, for example, have been widely used in this country and elsewhere for over 100 years, and during that time the chemical formulation of the basic product has not changed greatly. Reflecting this maturity, overall consumption in the United Kingdom market over the past decade or so has been fairly static in value terms (inflation-adjusted). We were told that the market showed some growth in the early 1980s, though recent trends in fashion and lifestyle have led to a slight decline in the use of some types of product (eg paste shoe polishes) and a modest increase in certain other types. In particular, greater use of 'trainers' and other casual styles of footwear in place of leather shoes has contributed to a modest reduction in demand for conventional 'gloss' polishes-though this may also have led to an increase in demand for whiteners. More generally, the shoe cleaning habit is said to be in decline. There has also been a modest shift in demand away from traditional paste shoe polishes and towards the cleaner and more convenient forms of shoe polish, ie liquid products with applicators, sponges and impregnated cloths.

3.13. Individual products are relatively inexpensive to purchase-typically from 50p up to £1.50 (see paragraph 3.58)-and usually last for some time. As a consequence, individual consumers or households may purchase as few as one or two containers a year. These infrequent purchases will often be either an ancillary or an impromptu purchase, made, for example, when buying a new pair of shoes, when having shoes repaired, or when doing the weekly shopping at a supermarket. Most consumers appear to be relatively unaware of either the comparable prices of shoe polish products in different retail outlets or the differences in prices that may exist as between different brands. We were told that overall consumer demand for such products is generally insensitive to the level of product price. Consumers appear to be willing to pay a higher price for branded products than for own-label in supermarkets; and also for the convenience associated with certain types of shoe polish products.

3.14. In choosing between different products and between similar products from different manufacturers, most consumers will attach at least some importance to the expected quality of the product. The level of quality of shoe polish products is not, however, an easy matter for consumers to judge, either when purchasing the product or even having previously used a particular product or brand. That is, whilst most consumers may be able to judge whether a particular shoe polish gives a reasonable shine, they may find it difficult to judge whether it gives a better shine than some other product or whether it is beneficial to leather and thereby prolongs the life of their shoes.

3.15. Choosing to purchase a particular brand of shoe polish may therefore be a convenient (and rational) means of overcoming part of the difficulty of determining relative quality, where that brand is associated in the mind of the consumer with the desired level of quality. The extent of brand awareness and brand loyalty in the market for shoe polishes is of considerable importance both to understanding how the market operates and to considering the likely effect of the merger on competition in this market. Table 3.1 provides details of the different brands of shoe polish products available, which manufacturers supply them, brief details of the range of products and the year when the brand name was first established in the United Kingdom market.

TABLE 3.1 Suppliers and associated brands of shoe polish products available in the United Kingdom in 1991

<i>Supplier</i>	<i>Brands (year when first established in United Kingdom)</i>	<i>Product types</i>
Sara Lee	Kiwi (1911)	All types (up to 11 colours) and accessories: widely available.
	Tuxan (1947)	Paste and creams only (up to 15 colours): sold mainly in shoe repairers and retailers.
Reckitt & Colman	Cherry Blossom (1906)	All types (up to 10 colours) and accessories: sold mainly through grocery outlets.
	Meltonian (1820)	All types (up to 36 colours) and accessories: sold mainly in shoe repairers and retailers.
	Wrens (1884)	Paste/dubbin only: sold mainly in shoe repairers and retailers.
	Properts (1836)	Paste, liquid, cream, pump spray: sold in shops selling equestrian products.
Punch*	Punch (1963)	} All types (large colour range): sold mainly in shoe repairers and retailers.
	Lady Esquire (1963)	
S C Johnson†	One-Step (1983)	Sponges only: sold only in grocery outlets.
CDM	Carr & Day & Martin (1770)	All types (limited colour range): sold in a limited number of retail outlets.
Dunkelman & Son Ltd (Dunkelman)‡	Dasco (early 1960s)	All types (wide colour range): sold only in shoe retailers.
Dougmar Ltd (Dougmar)§	Own-label only	Mainly aerosols and some liquids: sold only in Clarks Shoes (Clarks) and British Shoe Corporation (BSC) shoe shops.
Salamander AG (Salamander) (German company)¶	Woly (around 1965)	All types (wide colour range) but mainly creams: sold mainly in shoe retailers.
Salzenbrodt GmbH & Co KG (Salzenbrodt) (German company)	Collonil (early 1980s)	All types (wide colour range) except pastes and whiteners: sold only in shoe retailers.
The Mars Oil Company Ltd (Mars Oil)	Mars Oil (1901)	Paste and whiteners only for sportswear: sold mainly in sports shops and shops selling equestrian products.

Source: Shoe polish suppliers.

*Distribution only. All Punch shoe polish products are sourced from the Punch parent company based in the Republic of Ireland.

†Distribution only. All S C Johnson shoe polish products (sponges only) are manufactured in the United Kingdom by a different company.

‡Distribution only. Almost all Dunkelman shoe polish products are made abroad to Dunkelman's specification.

§Distribution only. All Dougmar shoe polish products (aerosols and liquids only) are manufactured in the United Kingdom by a different company.

¶Distributed in the United Kingdom by Hancock & Roberts Ltd (Hancock & Roberts), which also manufactures and supplies insoles and laces, some of which are sold under the Hanro brand name and some of which are sold to Sara Lee (and were sold to Reckitt & Colman prior to the merger) for sale under its brand names. Woly was previously owned by Unilever plc (Unilever) and was sold to Salamander in 1991: see paragraph 3.90.

3.16. As indicated in Table 3.1, the brands currently available have been established for many decades in most instances and for over 100 years in some. Most consumers in the United Kingdom are familiar with at least the Kiwi brand of Sara Lee and the Cherry Blossom and Meltonian brands of Reckitt & Colman. These brands are also well-known in many other countries (see paragraphs 3.51 to 3.54). The views of the main parties on the strength of brand loyalty are given in Chapters 4 and 5. Sara Lee told us that brand awareness was high in this market (at least for paste products) but that brand loyalty was low. In support of this view, it provided to us some independent market research evidence (from which four tables are included in Appendix 3.1) which suggested that amongst consumers of Kiwi and Cherry Blossom products, half were relatively indifferent as to which brand they bought. Reckitt & Colman, on the other

hand, told us that shoe polish was not a commodity market: there was still some importance attached to brand names, many of which had been established for a very long time and therefore relied on their 'heritage' and the residual image created by advertising from long ago.

3.17. The views of other parties on the strength of brand loyalty in this market are given in Chapter 5. These views varied. A number of witnesses suggested that, particularly in the case of paste shoe polish products, there was considerable loyalty to the Kiwi and Cherry Blossom brands, in that consumers would tend to choose one or other of these brands in preference to any other brand (or own-label product) even if the alternative product was cheaper. Consumers were nonetheless relatively indifferent as between the Kiwi and Cherry Blossom paste shoe polish brands. As regards other types of shoe polish, we were told that the strength of individual brands was more variable; in liquid and cream shoe polish products, for example, the Kiwi, Meltonian and Punch brands were often preferred to other brands, but consumers were relatively indifferent as between these three.

3.18. Own-label products are also a feature of the shoe polish market, though less so than for some other types of consumer product. Sainsbury and Superdrug Stores PLC (Superdrug), for example, both sell a range of own-label shoe polishes (at a lower price than branded products), but other supermarket chains do not, one such chain being in the process of discontinuing its own-label product. A number of the multiple shoe retailers also sell own-label polishes, though they are in most instances priced *above* the level of the suppliers' suggested retail prices (SRPs) for similar branded products.

3.19. Most suppliers of shoe polish products advertise to the distributive trades in order to promote their brands and products. The pattern of media advertising to consumers is different. Table 3.2 gives details of the expenditure on media advertising to consumers associated with the main brands for the period 1986 to 1990 together with Sara Lee's estimates of industry level advertising/sales ratios. This shows that Kiwi accounted for over 90 per cent of such media advertising in the past two years. In the year to 30 June 1991, Sara Lee's advertising and promotion expenditure on applied shoe care products (including own-label) constituted 12.7 per cent of the value of its sales (see Table 2.11), though Sara Lee told us that relatively little of this represented media advertising to consumers. In contrast, the Reckitt & Colman brands have received very little advertising support in recent years. The expenditures in 1986/87 by S C Johnson for One-Step and by Werner & Mertz for the 'Frog' brand were associated with market launch campaigns for particular products. Direct marketing and selling expenditures by suppliers may also contribute to brand promotion at the level of wholesale and retail outlets. Sara Lee's marketing and selling costs for applied shoe care products constituted around 8 per cent of the value of sales in the year to 30 June 1991 (see Table 2.11 and also paragraph 3.70).

TABLE 3.2 **Media advertising to consumers and industry advertising/sales ratios**

		£'000				
<i>Brand/supplier</i>		1986	1987	1988	1989	1990
Kiwi	} Sara Lee	6.1	274.0	131.0	415.6	237.0
Tuxan		49.2	20.2	-	-	-
Meltonian	} Reckitt & Colman	-	-	-	-	-
Cherry Blossom		-	-	-	7.0	10.3
CDM		-	-	-	-	-
Punch		33.0	0.2	102.3	20.2	-
One-Step (S C Johnson)		190.3	235.6	3.8	3.8	-
Frog (Werner & Mertz)		<u>167.4</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total		446.0	529.9	237.0	446.5	247.3
		<i>per cent</i>				
Industry advertising/sales ratio		3.3	3.7	1.5	3.0	1.5

Source: Sara Lee.

3.20. As indicated in Table 3.1, some shoe polish products are imported to the United Kingdom from other EC countries, in particular the Republic of Ireland (Punch products) and Germany (Woly and Collonil products). The wider European market for shoe care products is considered, as well as the markets in the USA and Canada, in paragraphs 3.51 to 3.54. Competition from imports is considered in paragraphs 3.87 to 3.90.

Size and structure of the market for shoe polish products

3.21. At the retail level, shoe polish products (as well as the more comprehensive category of applied shoe care products) are widely available to consumers in the United Kingdom through some tens of thousands of individual retail outlets, including almost all shoe repair shops, most shoe retailers, most grocery outlets, many hardware stores and a variety of other general retailers, such as the Woolworths plc (Woolworths) chain of high street stores.

3.22. It is generally acknowledged in the trade that outlets for shoe polish products fall within two separate and distinct categories: what are known as the 'special trades' sector, comprising shoe repairers and shoe retailers (and the associated wholesalers), and the 'self-selection' sector, comprising grocery, hardware and other retail outlets (together with the associated wholesalers). It is clear from the evidence given to us that there are marked differences between these two sectors in the range of products and brands available to consumers in each sector, in the level of prices charged and also in the nature of consumer behaviour. We therefore examine each sector separately, and then consider (in paragraphs 3.45 to 3.50) the market for shoe polish products in the United Kingdom as a whole.

Special trades sector

3.23. The special trades sector is generally regarded as comprising shoe repair shops (both independents and multiple chains such as Mister Minit plc (Mister Minit); shoe retailers (independents, multiple chains such as those comprising the BSC and also those department stores that sell new shoes); and the associated wholesalers. Most of the multiple shoe repairers and multiple shoe retailers are relatively large purchasers of shoe polish products and as such they usually deal directly with the manufacturers and suppliers of shoe polishes concerning the product range, volume in a given period and the level of price of their purchases, as well as other conditions such as speed of delivery, credit facilities etc. In many instances, these multiple chains (both shoe repairers and shoe retailers) have their own distribution facilities. Accordingly, they usually arrange for deliveries from the suppliers of shoe polishes to go to their own distribution depots and themselves undertake subsequent transport and distribution to the individual outlets within their chains.

3.24. The independent shoe repairers and shoe retailers, as well as smaller multiples with only a few outlets, generally obtain all or most of their supplies of shoe polishes (together with insoles and accessories) from specialist shoe trade wholesalers. In some instances, the larger multiples also obtain some of their supplies of other shoe care products, particularly insoles and accessories, from these specialist wholesalers. The largest such wholesaler is Charles Birch Ltd, which following a recent merger now includes the Enterprise Group. Charles Birch told us that it now accounted for around 55 per cent of sales of shoe care products (ie including insoles and accessories) to the independent specialist shoe repair trade. The next largest specialist wholesaler is Marshall Pocock Ltd, and there are a number of other smaller wholesalers operating in this sector. The views of these and other third parties operating in the special trades sector are given in Chapter 5.

3.25. Most shoe repairers, both independents and multiples, sell only branded shoe polish products and usually offer a wide range of both different product types (ie pastes, liquids, creams etc) and also different colours of shoe polish. Many stock only a single brand of shoe polish as a matter of administrative and stocking convenience and, in some cases, we were told, in order to limit the scope for consumers to make price comparisons with nearby competitors. Nonetheless, some shoe repairers stock perhaps two (but rarely more) of the leading brands in order to offer their customers a measure of choice between brands. Own-label shoe polish products are rarely stocked by shoe repairers.

3.26. Shoe polish products are usually on open display in shoe repair shops so that consumers can easily choose for themselves whatever product they wish to purchase, though part of the service offered in such outlets is advice on which polish products are most suitable for particular functions or shoe types. We were told by a number of those who gave evidence to us that because the primary reason for consumers going to such outlets was for shoe repair services, the purchase of shoe polish was often an ancillary and unplanned (or impromptu) purchase. We were also told that consumers were relatively insensitive to the level of price

charged compared with that in other retail outlets (eg supermarkets); and that most shoe repairers priced their shoe polish products at or above the level of the supplier's SRP.

3.27. Mister Minit, Automagic Ltd and Timpson Shoe Repairs Ltd (Timpson) are the three largest chains of shoe repairers in the United Kingdom, and there are a large number of smaller chains and independent shoe repairers, virtually all of which stock and sell shoe polish products.

3.28. Shoe retailers consider that their main commercial purpose, and therefore the main service they offer to consumers, is the stocking and sale of footwear of various types, though most such retailers also stock a range of shoe polish products for sale, at least partly as a service to their customers. In most cases, however, and in contrast to the shoe repairers, shoe shops generally do not offer shoe polish products on open display. Sales staff either respond to requests for shoe polish products from consumers or they may suggest or recommend such a purchase to a customer who has just bought a pair of new shoes. A further difference *vis-à-vis* shoe repairers is that although some and possibly many shoe retailers also stock branded shoe polish products, they are far more likely to stock own-label shoe polish products. BSC told us that its current trading policy was to stock branded shoe polish products for the most part, though this policy might change in the future, depending on market conditions (see paragraph 5.107). Many other shoe retailers, however, particularly those selling the higher quality and expensive ranges of footwear, sell shoe polish products under their own label.

3.29. One of the similarities between shoe repairers and shoe retailers is that they both consider it part of the service that they offer to customers to advise on or otherwise recommend which products are most suitable for particular functions or types of footwear. Additionally, as with shoe repairers, customers' purchases of shoe polish in shoe shops are often an ancillary or impromptu purchase and we were told that consumers are generally either relatively unaware of or insensitive to the price charged: the purchase cost of a container of shoe polish is usually very small in comparison with the price of a new pair of shoes, and in part consumers are paying for the advice and service provided. Likewise, we were told that shoe shops tend to charge for branded shoe polish products either at or above the level of the supplier's SRP and that there was little direct competition with supermarkets, or even between shoe shops, in sales of shoe polish products.

3.30. BSC is by far the largest chain of shoe retailers, accounting for around 20 per cent of all shoe sales in the United Kingdom. It is also the largest single retail buyer of shoe polish products, with purchases of £2.4 million in 1991, that is around 18 per cent of total purchases (valued at producer prices) of such products. Clarks, The Oliver Group plc and Stead & Simpson Ltd are also leading shoe retailers and accordingly are major purchasers of shoe polish products. There are also a number of smaller chains and many independent shoe retailers which sell shoe polish products.

3.31. Table 3.3 gives the value of sales (at producer prices) of shoe polish products in the special trades sector and market shares by supplier in 1991. The table shows that the total value of sales in this sector of the market in 1991 was £7.5 million, of which £1.7 million or 23 per cent was in own-label products. Punch was the largest supplier, mainly but not exclusively selling under its Punch brand name, with a market share of 37.9 per cent. Reckitt & Colman's and Sara Lee's market shares were 27.3 per cent and 9.2 per cent respectively. Reckitt & Colman's sales in this sector, to both shoe repairers and shoe retailers, were mostly under its Meltonian brand name. Sara Lee's sales were of the Kiwi brand, which is sold mainly in shoe repair outlets rather than in shoe retailers, and the Tuxan brand, which is sold in both types of outlet. The effect of the merger therefore was to increase the market share in sales of shoe polish products in the special trades sector directly under the control of Sara Lee from 9.2 per cent to 36.5 per cent. Dunkelman was the third largest supplier prior to the merger, with a market share of 10.2 per cent. Dunkelman supplies shoe polishes mainly but not exclusively under its Dasco brand name and sells only through shoe retailers. Although Dunkelman is an independent company, it sources almost all of its supplies of shoe polish products from Sara Lee, mainly through a French subsidiary of the Sara Lee group. As a result, an effect of the merger is that, of the shoe polish products sold in the special trades sector, nearly a half by value (46.7 per cent) is now manufactured by the Sara Lee group.

TABLE 3.3 Sales (at producer prices) of shoe polish products in the special trades sector and market shares in 1991

<i>Supplier/brand</i>	<i>Sales £'000</i>	<i>Market share %</i>
<i>Sara Lee</i>		
Branded	685.0	
Own-label*	6.0	
Total	691.0	9.2
<i>Reckitt & Colman†</i>		
Branded	2,040.0	27.3
Own-label	19.0	
Total	2,059.0	
<i>Punch</i>		
Branded	2,003.9	
Own-label	848.0	
Total	2,851.9	37.9
<i>S C Johnson</i>	Nil	
<i>CDM</i>		
Branded	28.0	
Own-label	18.0	
Total	46.0	0.6
<i>Dunkelman</i>		
Branded	658.7	
Own-label	109.0	
Total	767.7	10.2
<i>Dougmar‡ (all own-label)</i>	400.0	5.3
<i>Woly§ (all branded)</i>	300.0	4.0
<i>Collonil</i>		
Branded	4.3	
Own-label	354.8	
Total	359.1	4.8
<i>Mars Oil</i>		
Branded	60.0	
Own-label	Nil	
Total	60.0	0.8
Total	7,534.7	100.0¶

Source: Shoe polish suppliers.

*Direct sales to Dunkelman.

†Reckitt & Colman's estimate of sales for the year based on actual sales in the first eight months.

‡Mainly (two-thirds) aerosol products, which are sold only through shoe shops.

§Sold only through shoe shops.

¶Total differs from the sum of individual market shares due to rounding.

3.32. Five other suppliers (CDM, Dougmar, Woly (through Hancock & Roberts), Collonil and Mars Oil) each had shares of 5 per cent or less of the market in the special trades sector. All sales of shoe polish products supplied by Dougmar, Woly and Collonil are through shoe shops only. Mars Oil products are rather more specialised, and are sold primarily through sports goods shops: they are not generally available through shoe retailers or shoe repairers. Other than CDM, none of these suppliers also competes in or supplies through the self-selection sector.

3.33. Table 3.4 provides a breakdown by product type and by supplier of market shares in sales of shoe polishes in the special trades sector in 1991. As shown in this table, the combined market shares of Sara Lee and Reckitt & Colman are 81 per cent in pastes, 53 per cent in liquids, 24 per cent in creams, 49 per

cent in whiteners, 45 per cent in sponges and 24 per cent in aerosols/pump action sprays. Punch is the next largest supplier of most types of shoe polish product, with a market share of over 40 per cent in creams, sponges and aerosols/sprays and over 30 per cent in whiteners. Of the other suppliers, Dunkelman has a share of 15 per cent in creams and 13 per cent in aerosols/sprays; Dougmar has a 16 per cent share in liquids and 9 per cent in aerosols/sprays; Collonil has a 9 per cent share in creams and 17 per cent in sponges. All other market shares are less than 5 per cent.

TABLE 3.4 Market shares (by value) in sales of shoe polish products in the special trades sector in 1991

Supplier/brand	per cent						
	Pastes	Liquids	Creams	Whiteners	Sponges	Aerosols/ pump sprays	Total
Sara Lee	51.5	6.0	4.5	4.8	7.1	0.3	9.2
Reckitt & Colman	<u>29.1</u>	<u>47.1</u>	<u>19.2</u>	<u>44.3</u>	<u>37.4</u>	<u>23.9</u>	<u>27.3</u>
Sara Lee and Reckitt & Colman combined	80.6	53.1	23.7	49.1	44.5	24.2	36.5
Punch	4.3	21.2	45.9	38.4	31.3	48.7	37.9
CDM	4.4	0.1	0.0	0.5	0.0	0.0	0.6
Dunkelman	3.3	0.4	14.9	4.0	1.6	13.3	10.2
Dougmar	0.0	15.7	0.0	0.0	0.0	9.3	5.3
Woly	2.1	5.2	6.3	5.3	5.9	1.9	4.0
Collonil	0.0	4.2	9.2	0.0	16.6	2.7	4.8
Mars Oil	<u>5.3</u>	<u>0.0</u>	<u>0.0</u>	<u>2.7</u>	<u>0.0</u>	<u>0.0</u>	<u>0.8</u>
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Shoe polish suppliers.

Self-selection sector

3.34. As indicated in paragraph 3.22, the self-selection sector is generally regarded within the shoe care business as comprising retail grocery outlets, hardware stores and a variety of other general retailers such as the Woolworths chain of high street stores. In these types of retail outlet, shoe polish products are in almost all cases on open display, consumers being left to choose for themselves which products they wish to purchase. In other words, they generally 'self-select' their shoe polish purchases. In most cases, the retailers do not offer advice on or otherwise recommend the purchase of particular shoe polish products. We were told, and our observations confirmed, that some retailers in the self-selection sector, most particularly the supermarket chains (though not the independent grocers), tended to price shoe polish products at below the supplier's SRP.

3.35. Within the self-selection sector, grocery outlets and particularly the multiple chains (including Tesco Stores (Tesco), Sainsbury, Asda Stores Ltd (Asda), Safeway plc (Safeway) etc) account for the majority of sales of shoe polish products. Nielsen Marketing Research (Nielsen) regularly collects market information on sales of shoe polish and other products sold in the grocery sector, and we commissioned a study from Nielsen on sales of shoe polishes in Great Britain and supplier market shares over the past two years. The Nielsen study indicated that the total value in real terms of sales of shoe polish products through grocery outlets had been static over the past two years, though volumes had declined by around 4 to 5 per cent. According to the Nielsen study, the multiple grocers have increased their share of sales in recent years, so that they now account for around 80 per cent of shoe polish sales through grocery outlets, compared with around 10 per cent sold through Co-op stores and around 10 per cent through independent grocers.

3.36. Table 3.5 gives details of the percentage shares of sales in 1991 by product type (ie pastes, liquids, creams etc) sold through each of the three types of grocery outlet and for the grocery sector as a whole. It also provides comparable data on the special trades sector, the self-selection sector as a whole and the United Kingdom market as a whole. As shown in this table, independent grocers tend to sell a higher proportion of paste and whitener products and a lower proportion of liquids and creams than either the Co-ops or multiples. Overall, pastes accounted for 43.4 per cent of sales of shoe polish products through grocery outlets, liquids 19.2 per cent, creams 13.2 per cent, whiteners 6.9 per cent, sponges 11.5 per cent

and aerosols 5.9 per cent. A comparable breakdown for the self-selection sector as a whole is given in paragraph 3.44 and Table 3.9.

TABLE 3.5 Market shares in shoe polish products, 1991

	<i>per cent</i>						
	<i>Co-op</i>	<i>Grocery stores*</i>		<i>Total grocery</i>	<i>Total self-selection†‡</i>	<i>Special trades‡</i>	<i>Total market‡</i>
		<i>Independent</i>	<i>Multiple</i>				
Pastes	39.3	66.8	41.2	43.4	43.4	12.6	
	25.8						
Liquids	19.9	9.7	20.2	19.2	12.2	12.6	12.5
Creams	14.4	1.0	14.5	13.2	13.4	31.7	23.9
Whiteners	6.9	10.2	6.5	6.9	5.3	5.0	5.1
Sponges	17.0	11.2	10.8	11.5	20.5	2.2	10.1
Aerosols	<u>2.5</u>	<u>1.1</u>	<u>6.9</u>	<u>5.9</u>	<u>5.1</u>	<u>35.8</u>	<u>22.7</u>
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Shoe polish suppliers and Nielsen.

*Data supplied by Nielsen.

†Including grocery stores and other self-selection outlets.

‡Source: MMC and shoe polish suppliers.

3.37. Table 3.6 gives details of market shares by value of sales through grocery outlets in 1991 for each of the main suppliers, broken down by type of shoe polish product. As the table shows, following the merger, Sara Lee's market share in pastes, liquids, creams, and whiteners is now between 72 per cent and 83 per cent depending on product type. Except for whiteners and a small amount of creams, which Reckitt & Colman sold under the Meltonian brand, the increase in Sara Lee's market share in these product types arises from its acquisition of the Cherry Blossom brand. In the other two product types, Sara Lee's market share in sponges increased from 19 to 48 per cent as a result of the merger: in aerosols, its share doubled from 20 to 40 per cent.

TABLE 3.6 Market shares in shoe polish products sold through grocery outlets, 1991

	<i>per cent</i>						
	<i>Pastes</i>	<i>Liquids</i>	<i>Creams</i>	<i>Whiteners</i>	<i>Sponges</i>	<i>Aerosols</i>	<i>Total</i>
Sara Lee	47.1	36.5	37.7	35.4	19.0	20.4	38.2
Reckitt & Colman	<u>36.3</u>	<u>42.1</u>	<u>34.7</u>	<u>40.4</u>	<u>29.3</u>	<u>20.1</u>	<u>35.7</u>
Sara Lee and Reckitt & Colman combined	83.4	78.6	72.4	75.8	48.3	40.5	73.9
Punch	N/A	18.7	10.2	0.5	0.3	0.5	5.3
S C Johnson	N/A	N/A	N/A	N/A	51.4	N/A	5.9
Other*	<u>16.7</u>	<u>2.6</u>	<u>17.4</u>	<u>23.7</u>	<u>0.0</u>	<u>59.0</u>	<u>14.9</u>
Total†	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Nielsen.

*Minor brands (eg CDM) and own-label products.

†Totals may differ slightly from the sum of the market shares in each column due to rounding.

Note: N/A = not available, but probably zero.

3.38. Table 3.7 gives the changes in market share by value of sales through grocery outlets over the period 1989 to 1991 for each of the main suppliers, broken down by product type. As shown in this table, Sara Lee's market share declined by 4.3 per cent over this period, whilst that of Reckitt & Colman increased by 3.6 per cent. This information is consistent with the evidence put to us that Reckitt & Colman had competed more aggressively over the past two years in the market for shoe polish products than it had done in previous years. The table also shows that minor brands and supermarket own-label shoe polish products increased their share of sales by 4.6 per cent overall, by 15.2 per cent in creams and by 23.6 per cent in whiteners.

TABLE 3.7 Changes in market shares of shoe polish products sold through grocery outlets in the period 1989 to 1991

	Change in market share						per cent
	Pastes	Liquids	Creams	Whiteners	Sponges	Aerosols	Total
Sara Lee	(8.5)	2.6	2.5	(5.5)	(9.7)	0.3	(4.3)
Reckitt & Colman	5.9	(1.3)	(10.8)	(18.7)	28.3	(0.9)	3.6
Punch	N/A	0.3	(8.7)	0.5	0.1	0.5	(0.4)
S C Johnson	N/A	N/A	N/A	N/A	(18.8)	N/A	(3.5)
Other*	2.8	(1.4)	15.2	23.6	0.0	0.1	4.6

Source: Nielsen.

*Minor brands (eg CDM) and own-label products.

Notes:

1. N/A = not available, but probably zero.
2. () = negative value.

3.39. As in the special trades sector (see paragraph 3.23), the larger retailers (and also the wholesalers) in the self-selection sector, particularly the supermarket chains, Woolworths and the Co-ops, usually deal directly with the suppliers of shoe polish products. That is, they negotiate directly with them on pricing terms and other relevant conditions of sale. Moreover, these larger retailers mostly have their own distribution facilities and accordingly they usually arrange for deliveries from suppliers to be made to their own distribution depots and themselves undertake subsequent distribution to the individual outlets within their chains.

3.40. Independent grocers and other small retailers selling shoe polish products normally obtain their supplies from general grocery wholesalers and cash-and-carry organisations, such as Booker Cash & Carry Ltd (Booker) and Nurdin & Peacock Ltd. In some cases, they may also obtain supplies from the specialist shoe trade wholesalers considered in paragraph 3.24.

3.41. The views of companies operating in the self-selection sector concerning both the effects of the merger and also the general characteristics of this market are given in Chapter 5. Most of those who gave evidence to us considered that consumers generally buy shoe polish products in self-selection outlets as an unplanned or impromptu purchase: they do not generally shop around for the lowest prices. However, as a matter of general commercial policy, the supermarkets attempt to keep their prices in line with their main supermarket competitors and below those of independent grocery and other outlets. Because of the infrequency of purchases, low unit prices and limited price awareness, we were told that overall consumer demand for shoe polish products in this sector was insensitive to the level of price. We were also told by a number of the supermarket chains, though not Sainsbury, that own-label shoe polish products were not economic to introduce because of the low sales volumes. Sainsbury has taken a different view and has been successful in promoting its own-label shoe polish products, which now account for half its sales of such products, and which are priced at around 15 to 20 per cent below the comparable branded shoe polishes which it stocks.

3.42. Table 3.8 gives the value of sales (at producer prices) of shoe polish products in the self-selection sector as a whole and market shares by supplier in 1991. The total value of sales in this sector of the market in 1991 was £5.7 million, of which own-label shoe polish products accounted for £0.7 million or 11.5 per cent. Sara Lee was the largest supplier with a market share of 43.7 per cent. Sara Lee's sales of shoe polish products in this sector were mainly under its Kiwi brand name, with only some 6 per cent of sales under own-label (through Superdrug stores). Reckitt & Colman was the second largest supplier in this sector with a market share of 30.2 per cent. As explained in paragraph 3.37, except for whiteners and some small sales of other products, mainly creams, sold under the Meltonian brand, all of Reckitt & Colman's sales of shoe polish products through the self-selection sector were under the Cherry Blossom brand name: Reckitt & Colman did not supply own-label products through this sector. The effect of the merger, therefore, was to increase Sara Lee's market share in this sector from 43.7 to 73.9 per cent.

TABLE 3.8 Sales (at producer prices) of shoe polish products in the self-selection sector and market shares in 1991

Supplier/brand	Sales £'000	Market share %
<i>Sara Lee</i>		
Branded	2,317.0	
Own-label	154.0	
Total	2,471.0	43.7
<i>Reckitt & Colman*</i>		
Branded	1,708.0	
Own-label	Nil	
Total	1,708.0	30.2
<i>Punch</i>		
Branded	394.0	
Own-label	138.5	
Total	532.5	9.4
<i>S C Johnson (all branded)†</i>	420.0	7.4
<i>CDM</i>		
Branded	163.0	
Own-label	358.0	
Total	521.0	9.2
<i>Others</i>	Nil	
Total	5,652.5	100.0‡

Source: Shoe polish suppliers.

*Reckitt & Colman's estimate of sales for the year based on actual sales in the first eight months.

†Sponge products only.

‡Total differs from the sum of the individual market shares due to rounding.

3.43. After Sara Lee and Reckitt & Colman, the next largest supplier in this sector was Punch, with a market share of 9.4 per cent, which sells mainly but not exclusively under its Punch brand name. Of a similar size was CDM with 9.2 per cent. Most of CDM's sales of shoe polish products are own-label paste shoe polish products, [§]. S C Johnson, which supplies sponge products only (ie its One-Step branded product) and supplies exclusively through the self-selection sector, had a market share of 7.4 per cent. There are no other suppliers of shoe polish products selling through the self-selection sector.

3.44. Table 3.9 provides a breakdown by product type and by supplier of market shares of the 1991 sales of shoe polish products in the self-selection sector. As shown in this table, the combined market shares of Sara Lee and Reckitt & Colman are 84 per cent in pastes, 76 per cent in liquids, 67 per cent in creams, 85 per cent in whiteners, 52 per cent in sponges, and 84 per cent in aerosols/pump action sprays. Punch is the next largest supplier, having market shares of 15 per cent in liquids, 28 per cent in creams, 12 per cent in sponges and 16 per cent in aerosols/sprays. Of the only other two suppliers, S C Johnson has a share of 36 per cent in sponges only; and CDM has a share of 16 per cent in pastes, 9 per cent in liquids, 6 per cent in creams and 5 per cent in whiteners.

TABLE 3.9 Market shares (by value) in sales of shoe polish products in the self-selection sector, 1991

Supplier/brand	per cent						
	Pastes	Liquids	Creams	Whiteners	Sponges	Aerosols/ pump sprays	Total
Sara Lee	54.6	58.8	43.9	27.1	13.5	53.4	43.7
Reckitt & Colman	<u>28.9</u>	<u>17.1</u>	<u>22.8</u>	<u>58.3</u>	<u>38.3</u>	<u>30.3</u>	<u>30.2</u>
Sara Lee and Reckitt & Colman combined	83.5	75.9	66.7	85.4	51.8	83.7	73.9
Punch	0.2	14.9	27.8	9.6	12.0	16.2	9.4
S C Johnson	0.0	0.0	0.0	0.0	36.3	0.0	7.4
CDM	16.3	9.3	5.5	5.0	0.0	0.0	9.2
Others	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Shoe polish suppliers.

§Details omitted. See note on page iv

Total market for shoe polish products in the United Kingdom

3.45. A recent study by Euromonitor (see Appendix 3.2) on the market in the United Kingdom for household polishes, including shoe polish products, estimated that total sales of shoe polish in 1989 were around £30 million at suppliers' SRPs. Reckitt & Colman was found to be the market leader with a market share of 33 per cent and Sara Lee's share was estimated at 24 per cent. Our own analysis of the 1991 sales of shoe polish within the United Kingdom market as a whole is given in Table 3.10. As this table shows, the total value of sales at producer prices in 1991 of shoe polish products was £13.2 million, of which £2.4 million or 18 per cent was in own-label products. As mentioned earlier, shoe polish products in the special trades sector are mostly sold either at or above the supplier's SRP, whereas in the self-selection sector consumer prices on average are below the SRP because of keen pricing by the supermarket chains. For the market as a whole, consumer prices on average are probably close to the level of the suppliers' SRPs, with average retail margins being of the order of 50 per cent or so of the retail selling price. This would suggest that the value of total sales of shoe polish products in the United Kingdom in 1991 at actual retail prices was between £26 and £27 million.

TABLE 3.10 **Sales (at producer prices) in 1991 of shoe polish products and market shares**

<i>Supplier/brand</i>	<i>Sales £'000</i>	<i>Market share %</i>
<i>Sara Lee</i>		
Branded	3,002.0	
Own-label	<u>160.0</u>	<u>—</u>
Total	3,162.0	24.0
<i>Reckitt & Colman*</i>		
Branded	3,748.0	
Own-label	<u>19.0</u>	<u>—</u>
Total	3,767.0	28.6
<i>Punch</i>		
Branded	2,397.9	
Own-label	<u>986.5</u>	<u>—</u>
Total	3,384.4	25.7
<i>S C Johnson (all branded)†</i>	420.0	3.2
<i>CDM</i>		
Branded	191.0	
Own-label	<u>376.0</u>	<u>—</u>
Total	567.0	4.3
<i>Dunkelman</i>		
Branded	658.7	
Own-label	<u>109.0</u>	<u>—</u>
Total	767.7	5.8
<i>Dougmar‡ (all own-label)</i>	400.0	3.0
<i>Woly‡ (all branded)</i>	300.0	2.3
<i>Collonil</i>		
Branded	4.3	
Own-label	<u>354.8</u>	<u>—</u>
Total§	359.1	2.7
<i>Mars Oil (all branded)</i>	60.0	0.5
Total	<u>13,187.2</u>	<u>100.0¶</u>

Source: MMC and shoe polish suppliers.

*Reckitt & Colman's estimate of sales for the year based on actual sales in the first eight months.

†Sponge products only, sold only through self-selection outlets.

‡Mainly (two-thirds) aerosol products, which are sold only through shoe shops.

§Sold only through shoe shops.

¶Total differs from the sum of individual market shares due to rounding.

3.46. As explained in paragraphs 3.13, 3.29 and 3.41, consumers are generally unaware of price differentials as between different brands of shoe polish products and the prices in different types of retail outlet. In both the retail sectors as we have defined them, consumer purchases of shoe polish are usually an ancillary or impromptu purchase: consumers rarely shop around to seek out the lowest prices for these products. As a result, overall consumer demand for shoe polish products is relatively insensitive to the level of price.

3.47. As shown in Table 3.10, Reckitt & Colman was the largest supplier with a market share of 28.6 per cent, most of Reckitt & Colman's sales of shoe polish being made under its two main brand names of Meltonian (in the special trades sector) and Cherry Blossom (in the self-selection sector). Punch was the second largest supplier with a 25.7 per cent share of sales: nearly 30 per cent of Punch's total sales were in own-label shoe polishes. Sara Lee was the third largest supplier with a market share of 24.0 per cent, with 95 per cent of its sales under its brand names of Kiwi and Tuxan. The direct effect of the merger, therefore, was to increase Sara Lee's market share from 24.0 to 52.6 per cent. Dunkelman's share was 5.8 per cent in 1991. As explained in paragraph 3.31, Dunkelman, an independent company, sources almost all of its supplies of shoe polish products from the Sara Lee group. As a result, an effect of the merger is that, of all shoe polish products sold in the United Kingdom, some 58.4 per cent is now manufactured by Sara Lee.

3.48. Table 3.11 provides a breakdown of Reckitt & Colman's sales in 1991 of shoe polishes under its various brand names. As shown in this table, Meltonian's market share in the special trades sector was 20.2 per cent and 6.8 per cent in the self-selection sector, the latter share arising mainly from sales of whitener products. In contrast, Cherry Blossom's share in the special trades sector was far less than Meltonian's at only 1.7 per cent, but was far larger, at 21.9 per cent, in the self-selection sector. Market shares of the other two Reckitt & Colman brands of shoe polish, Properts and Wrens, were much smaller, being between 0.2 and 2.5 per cent.

TABLE 3.11 **Estimated sales of Reckitt & Colman branded shoe polish products and market shares, 1991**

	<i>Special trades sector £'000</i>	<i>Market share %</i>	<i>Self- selection sector £'000</i>	<i>Market share %</i>	<i>Total sales £'000</i>	<i>Market share %</i>
Cherry Blossom	125	1.7	1,240	21.9	1,365	10.4
Meltonian	1,521	20.2	384	6.8	1,905	14.4
Properts	54	0.7	24	0.4	78	0.6
Wrens	190	2.5	12	0.2	202	1.5
Other*	169	2.3	48	0.8	217	1.7
Total	2,059		1,708		3,767	

Source: Reckitt & Colman.

*Own-label and other sales of shoe polish products.

3.49. Table 3.12 gives suppliers' shares of the 1991 sales of shoe polish products, broken down by the different types of product. The effect of the merger has been to increase the share of sales of shoe polish products supplied directly by Sara Lee from 54 to 83 per cent in pastes; from 28 to 63 per cent in liquids; from 14 to 34 per cent in creams; from 15 to 65 per cent in whiteners; from 13 to 51 per cent in sponges; and from 6 to 30 per cent in aerosols/pump sprays. For shoe polish products other than whiteners and aerosols, the effect of the merger is to increase Sara Lee's market share from 31 to 59 per cent.

TABLE 3.12 Sales at producer prices and market shares (by value) of shoe polish products in the United Kingdom 1991

£

million

Supplier/brand	Pastes	Liquids	Creams	Sponges	Sub-total	Whiteners	Aerosols/ pump sprays	Total
Sales	3.4	1.6	3.2	1.3	9.5	0.7	3.0	13.2
								<i>per cent</i>
Sara Lee	53.7	28.2	14.0	12.7	30.5	14.7	5.5	24.0
Reckitt & Colman	<u>29.0</u>	<u>34.5</u>	<u>20.1</u>	<u>38.2</u>	<u>28.3</u>	<u>50.5</u>	<u>24.5</u>	<u>28.6</u>
Sara Lee and Reckitt & Colman combined	82.7	62.7	34.1	50.9	58.8	65.2	30.0	52.6
Punch	1.3	18.5	41.5	14.4	19.4	25.6	45.6	25.7
S C Johnson	0.0	0.0	0.0	31.7	4.4	0.0	0.0	3.2
CDM	13.0	4.0	1.4	0.0	5.8	2.5	0.0	4.3
Dunkelman	0.9	0.2	11.3	0.2	4.1	2.2	12.0	5.8
Dougmar	0.0	9.1	0.0	0.0	1.6	0.0	8.4	3.0
Woly	0.6	3.0	4.8	0.8	2.4	2.9	1.7	2.3
Collonil	0.0	2.4	7.0	2.1	3.0	0.0	2.4	2.7
Mars Oil	<u>1.5</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.5</u>	<u>1.5</u>	<u>0.0</u>	<u>0.5</u>
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Shoe polish suppliers.

3.50. In pastes, leaving aside Sara Lee/Reckitt & Colman combined, only CDM has a market share greater than 2 per cent. Punch is a significant supplier of most other types of shoe polish product, and particularly of creams and aerosols/pump sprays, where its market share is over 40 per cent. S C Johnson is a significant supplier of sponge products, with a market share of 32 per cent.

European and North American markets

3.51. The Kiwi, Meltonian and Cherry Blossom brands have been supplied for many years, and are therefore well-known, in a number of other countries around the world. Sara Lee as a company has also been expanding in various European countries other than the United Kingdom in recent years, mainly through the acquisition of other shoe care companies, trade marks and distribution rights. Table 3.13 gives details of all such acquisitions by the Sara Lee group of shoe care companies (including accessory and insole businesses) and associated trade marks etc within Europe since 1980.

TABLE 3.13 Acquisitions of shoe care companies, trade marks and distribution rights by Sara Lee in Europe, 1980 to 1992

<i>Company/assets acquired</i>	<i>Year of acquisition</i>	<i>Bought from</i>	<i>Countries*</i>
Nicholas Kiwi (total business)	1984	Public offer	World†
Distribution rights for insoles	1991	Bama‡	France Benelux Switzerland Austria
Reckitt & Colman's UK and USA shoe care business and trade marks	1991	Reckitt & Colman	United Kingdom (and exports) United States, Australia, Kenya and Zimbabwe§
Tobler (trade mark and associated business)	1991	Toko AG	Switzerland and Austria
Pessi Gutalin SpA	1992	Pessi family and Werner & Mertz	Italy (and export markets)

Source: Sara Lee.

*Countries where the acquisition entitled Sara Lee to use the branded names acquired.

†Excluding Australia, where the rights to the Kiwi brand names were acquired in 1986.

‡Bama Werke Curt Baumann OGH.

§See paragraphs 2.35 to 2.40 for full details.

3.52. The United Kingdom is of course a full member of the EC, within which there are no tariff or other formal barriers to trade between member states in the supply of shoe polish products. Table 3.14 gives Sara Lee's estimates of market shares, including those of Sara Lee and also Reckitt & Colman, where relevant, for all shoe care products (that is, including shoe polish, other chemical products, insoles and accessories) in most of the European countries, not all of which are members of the EC, as well as in the USA and Canada. As shown in this table, total sales in Europe of the more comprehensive market for shoe care products as defined above were around £200 million at producer prices in 1991. Sara Lee was the market leader in a number of different European countries, including France, Italy, the Netherlands and Denmark: Sara Lee also supplies shoe care products in Germany, the Republic of Ireland, Belgium, Spain, Austria and Switzerland. Overall, Sara Lee estimates its market share of all European markets to be around 22 per cent, though it has emphasised to us that no published data are available on these markets and Sara Lee's estimates are therefore based on its own market intelligence: Sara Lee told us that this information was incomplete and could not therefore be relied upon. Accordingly, Sara Lee was not able to provide estimates of European market shares for the narrower market for shoe polish products.

3.53. As also indicated in Table 3.14, there are several other important suppliers and producers of shoe care products operating in Europe, mainly based in Germany, which supply to a number of different countries. Salzenbrodt (Collonil), for example, told us that it supplies to some 80 different countries around the world. Our estimates of European market shares for some of the main suppliers of shoe care products are given in Table 3.15: these data are based on the limited information available to us and should be interpreted therefore as giving no more than a broad indication of the size of market shares for the individual suppliers included (all of which are German companies, other than Sara Lee). As shown in this table, Werner & Mertz is the second largest supplier, mainly by virtue of its dominance in the German market, and its share of the European market for shoe care products is around 21 per cent; Joh Benckizer's GmbH (Benckizer) share is 5 per cent; Henkel's KGAA (Henkel) is 3 per cent; Salzenbrodt's is 10 per cent; and that of Salamander (Woly products), which mainly supplies Switzerland and Austria, is 8 per cent. Import competition and entry into the United Kingdom market by such suppliers is considered in paragraphs 3.87 to 3.90.

TABLE 3.14 Suppliers/brands of all shoe care products* and market shares in European markets, USA and Canada, 1991

Country (size of market, £m at producer prices)	Supplier/brand	Market share %
United Kingdom (28.5)	Sara Lee	13
	Reckitt & Colman	17
	Punch	28
	Dunkelman	11
Germany (68.8)	Werner & Mertz	53
	Collonil	18
	Henkel	5
	Sara Lee†	3
France (30.8)	Sara Lee†	31
	Benckizer	16
	Collonil	11
	Werner & Mertz	9
	Tensai	6
	Coxy	3
	Woly	3
Italy (17.0)	Sara Lee†	44
	Reckitt & Colman	13
	Ibara	10
	Marga	9
Spain (18.3)	Sara Lee†	23
	Reckitt & Colman‡	32
	Werner & Mertz	6
	Henkel	5
Netherlands (7.6)	Sara Lee†	36.5
	Benckizer	20
	Comforta	2.5
Belgium (7.5)	Benckizer	40
	Sara Lee†	20
Denmark (2.3)	Sara Lee†	23
	Boston	16
	Collonil	14
	S C Johnson	7
	Woly	6
	Henkel	4
Ireland (0.8)	Punch	62
	Sara Lee†	36
Austria (9.5)	Collonil	37
	Werner & Mertz	19
	Tobler§	9
	Henkel	7
	Woly	5
	Sara Lee†	3
Switzerland (9.4)	Sutter	35
	Migros	22
	Tobler§	15
	Woly	12
	Coop	12
	Sara Lee†	4
USA (152)	Sara Lee¶	45
	Reckitt & Colman	6
Canada (33)	Sara Lee¶	58
	Reckitt & Colman	1

Source: Sara Lee's estimates.

*Including shoe polishes and other shoe treatment chemicals, insoles and accessories.

†Market shares for Sara Lee include the share acquired from Reckitt & Colman which in all European countries other than the United Kingdom was less than 5 per cent.

‡Reckitt & Colman business not included in the acquisition, eg sales under the Nugget brand.

§Tobler is now part of the Sara Lee group (see Table 3.13).

¶Not including Reckitt & Colman pre-merger share which is given separately.

TABLE 3.15 European market shares in shoe care products, 1991

<i>Supplier/brand</i>	<i>Market share %</i>
Sara Lee	22
Werner & Mertz	21
Collonil	10
Woly (Salamander)	8
Benckizer	5
Henkel	3
Others	<u>31</u>
Total	100

Source: MMC.

3.54. In North America, Sara Lee's acquisition of the Reckitt & Colman business, brands and trade marks has resulted in Sara Lee having a market share estimated by it to be of around 51 per cent in the USA market for all shoe care, and a 59 per cent share in Canada, as also shown in Table 3.14.

Competition and industry pricing

3.55. Most suppliers of shoe care products indicate SRPs for their products to retailers in both the special trades and the self-selection sectors. Prior to the merger, Sara Lee's and Reckitt & Colman's SRPs for comparable products were at a similar level, though not in all cases the same. For a 50 ml tin of paste polish, for example, Reckitt & Colman's SRP was 74p; Sara Lee's SRP for a 44 ml container was 69p, which is equivalent to 78p for 50 ml.

3.56. As explained earlier (in paragraphs 3.29 and 3.45), retailers do not always follow the supplier's SRP. In the special trades, retailers tend to set their prices for the main branded products at or above the corresponding SRP, giving retail margins of around 50 to 60 per cent, we were told. Own-label shoe polish products sold through these outlets are generally priced above the level of the main branded products. Retailers in this sector do not generally consider that they are in direct price competition with each other or with the self-selection sector in sales of shoe care products.

3.57. In the self-selection sector, where the supermarkets are the main outlets, retail prices are generally below the supplier's SRPs, though the range of shoe polish products available is more limited than in the special trades sector. Sainsbury and Superdrug also offer own-label shoe polish products at around 15 to 20 per cent below the prices charged for branded products.

3.58. We made a number of observations of the level of retail prices of shoe polish products in several shoe repairers and grocery stores in two small areas of London, though we did not undertake a full or rigorous survey of retail prices. We noted, however, that the price of a tin (44 ml or 50 ml) of branded black shoe polish varied between 50p in one supermarket and 99p in one shoe repair shop: the lowest price that we observed for a comparable product was 40p for an own-label polish in a supermarket. Similarly, a container of a particular brand of shoe cream polish that cost £1.15 in a supermarket was priced at £1.29 in one independent grocery store and as much as £1.69 in one shoe repair shop.

3.59. Most suppliers of shoe polish products also issue trade price lists. In some cases, of which Reckitt & Colman was one, separate lists are issued for the special trades and the self-selection sectors. These price lists show the quantity discounts offered by the suppliers. Sara Lee's trade price list, for example, indicates a maximum quantity discount of 15 per cent for paste polishes; Reckitt & Colman offered a maximum discount of 20 per cent for larger quantities of its comparable product. Many trade customers are also able to negotiate additional discounts from suppliers, including both Sara Lee and Reckitt & Colman. Sara Lee, for example, gives discounts to some of its customers based on the aggregated level of sales of all Sara Lee products supplied, including products other than shoe polishes: in some instances, these discounts are applied retrospectively in what are known as 'override discounts'. Sara Lee told us that suppliers, including itself, dislike giving such discounts; they are given if the customer insists. Prior to the merger,

Sara Lee had no 'solus' or exclusive selling arrangements with its trade customers, whereas Reckitt & Colman did have such agreements with several of its customers: all except one of these agreements could be terminated at will by the customer.

3.60. Prior to the merger, Sara Lee and Reckitt & Colman were in direct competition in the market for shoe polish products, particularly in the self-selection sector. Appendix 3.3 gives details of the 50 largest customers (for shoe care products) of both Sara Lee and Reckitt & Colman, prior to the merger. It shows clearly that Sara Lee and Reckitt & Colman supplied many of the same trade customers. We were also told that over the past two years, and following the reorganisation of Reckitt & Colman's shoe care business, Reckitt & Colman had been competing aggressively on price terms to trade customers in order to expand its market share. As explained in paragraph 3.38, Reckitt & Colman's share of sales in the grocery sector increased by some 3.6 per cent over the period 1988 to 1991, whilst that of Sara Lee declined by some 4.3 per cent.

Supply conditions

Production technology

3.61. Paste, liquid and cream shoe polish products are each made from various blends of natural and synthetic waxes together with solvents, to which dyes or pigments are added to give the required colour. Different manufacturers tend to use slightly different formulations though we have been told that the final performance of shoe polish products of a given type does not vary greatly. Whitener products consist of non-wax chemicals, though the production and filling process is similar to that used for liquid shoe polish. The production of sponges and aerosols is considered in paragraph 3.65.

3.62. In the production of paste and cream shoe polish products, waxes are first melted in steam-jacketed vessels, and solvents and pigments are then added. For pastes, the resulting hot liquid is pumped to the appropriate filling line and used to fill metal containers, which are then usually passed through a cooling tunnel for the hot liquid to set. For creams, the hot liquid is allowed to cool naturally before the containers are filled. For liquid polishes and whiteners, the materials are blended as a cold mix and stored in tanks before being pumped to the filling line.

3.63. Filling-line technology varies between manufacturers in the degree of automation employed, depending mainly on the scale of production. Smaller suppliers such as CDM use low- or medium-capacity, semi-automatic equipment, whereas for larger scale production, as used by Sara Lee, and also by Reckitt & Colman prior to the merger, the mixing of chemicals and the filling process is more highly automated. Even on Sara Lee's filling lines at its Honley factory, however, staff are employed on some lines to undertake capping functions, for quality control and for packaging of the filled containers. Most filling lines at Honley are operated on a single daily shift basis, undertaking essentially batch production of shoe polish products: some lines, for example, produce a number of different colours of shoe polish (40 or so for some creams), with production being switched from one colour to another as necessary in order to meet changes in demand and to maintain adequate stock levels.

3.64. None of the equipment used employs highly specialised or patented technology and similar machinery is commonly used in many other industries. Sara Lee told us that the capital cost of a new processing and filling line with a reasonably efficient level of production capacity would be around £350,000 to £380,000.

Contract packing/third party suppliers

3.65. The manufacture of sponge shoe polish products and, more especially, aerosols involves more specialised production and container filling facilities-with higher capital costs-than for most other shoe polish products. As a result, the main suppliers of sponge products (ie S C Johnson, Sara Lee and Punch, but not Reckitt & Colman which manufactured its own products) employ specialised third party suppliers to manufacture their sponge products. Similarly, apart from Punch, which manufactures in the Republic of Ireland, all of the main suppliers of aerosols (ie including Sara Lee, Reckitt & Colman prior to the merger, and Dougmar) use third party suppliers to manufacture their aerosol products.

3.66. More generally, Sara Lee and others have told us that there are a number of third party suppliers-which are known within the shoe polish trades as 'contract packers'-which are able to manufacture all the different types of shoe polish and to undertake all the necessary container filling, labelling and packaging operations. Hence, for a supplier (either actual or potential) of shoe polish products, these contract packers constitute a technical and commercial alternative to own-production. As mentioned in Chapter 5, Reckitt & Colman had itself considered using contract packers for all of its products as an alternative to continuing with and possibly re-equipping its factory at Hull. Sara Lee told us that there were a number of such contract packers operating in the United Kingdom, including amongst others Robert McBride Ltd, Earnshaws Ltd, Universal Ltd and Staffordshire Packaging Ltd.

Distribution arrangements

3.67. As explained in paragraphs 3.23 and 3.39, a number of the larger retail organisations and wholesalers that deal with shoe polish products (ie the multiple shoe retailers and repairers, the larger wholesalers and also the supermarket chains) have their own distribution depots and transportation facilities. Suppliers of shoe polish products to these customers, therefore, generally arrange delivery of bulk orders to these intermediate depots, and the customers arrange subsequent distribution to the individual outlets within their organisations or, in the case of wholesalers, to the outlets of their own customers. We were told that these larger customers in particular attached importance to prompt and reliable delivery and service by suppliers of shoe polish products, in order to limit their own stockholdings and to contain their own costs of supply.

3.68. Smaller retail organisations and wholesalers that deal directly with the suppliers of shoe polish products, but buy in smaller quantities and possibly less frequently, may also in some instances have their supplies delivered directly by the suppliers. In most instances, however, deliveries to such customers are arranged either through third party distributors or via the parcel-post system. Hence, both Sara Lee and Punch have central warehousing facilities and use their own transportation for most of their distribution requirements, particularly to their larger customers, but they also use third party distributors and the parcel-post system for the delivery of smaller orders. Reckitt & Colman, in contrast, distributed direct (using its own transport) only to its largest customer, Mister Minit. For all its other customers, Reckitt & Colman used third party distributors and the parcel-post system. Similarly, the smaller domestic suppliers of shoe polish products, CDM and Mars Oil, use either third party distributors or parcel post.

3.69. Imports from mainland Europe are distributed by various means. Generally, such supplies are delivered to the United Kingdom distribution depots of the shoe retailer customers, for subsequent distribution by them. Woly (Salamander) products, on the other hand, are distributed by a United Kingdom-based manufacturer of shoe care accessories and supplier/distributor of shoe care products, Hancock & Roberts.

Cost structure

3.70. At our request, Sara Lee provided to us a breakdown of the main elements of its costs of producing and supplying shoe polish products and also its estimates of the effects of the merger on its costs. Table 3.16 gives details of Sara Lee's costs prior to the merger of producing and supplying tinned paste polish and three other types of shoe polish product. As shown in this table, the metal container used for paste shoe polish is by far the largest single element of cost and is some [*] per cent of Sara Lee's selling price for this product, compared with [*] per cent for the paste contents, [*] per cent for direct labour used in production and [*] per cent for production overheads. The costs of distribution, marketing, advertising and promotion together account for [*] per cent of the selling price of paste shoe polish.

*Figures omitted. See note on page iv.

TABLE 3.16 Sara Lee's prices and costs of supply for shoe polish products, 1991

	<i>Tinned paste polish (50 ml)</i>	<i>Cost as a % of selling price</i>	<i>Liquid polish (85 ml)</i>	<i>Cream polish (85 ml)</i>	<i>Sponge products</i>	<i>pence Average (for liquid, cream and sponge products)</i>
Sara Lee selling price	[
<i>Prime costs</i>						
Contents (wax, etc)						
Container						
Production labour						
Total prime cost						
<i>Other costs</i>						
Production overhead						
Distribution						
Sales/marketing						
Advertising and promotion						
Other costs (admin)						
Total costs						
Profit]

*Figures omitted.
See note on
page iv.*

Source: Sara Lee.

3.71. Sara Lee told us that its production overhead costs allocated to tinned paste polish production consisted of labour costs (other than for direct production labour), repairs and maintenance, warehouse space, rates, utilities (eg energy usage) and insurance, and other site costs, but did not include any allowance for capital costs because its equipment was fully depreciated. It also told us that if its equipment for paste production (as existed prior to the merger) had been valued at either its resale/scrap value or at replacement cost, average production costs would have increased by less than 2 per cent as a proportion of its producer selling price.

3.72. As regards purchasing economies, Sara Lee told us that there were no further such economies to be made in buying plastic bottles beyond the minimum production run of 50,000; such economies can be achieved in waxes by buying 1 tonne of special slab waxes (such as beeswax), and in paraffin waxes by buying about 5 tonnes of solid slab wax or 22 tonnes of liquid wax. The only other potential purchasing economies of significance arose from bulk buying of the pre-printed lids for tinned paste shoe polish where there were cost savings of 50 per cent or more up to a purchase level of 150,000 tin lids. Above that level, there was limited scope for further savings. Unprinted tin lids with a label attached indicating the colour of the paste are another lower-cost alternative and a means by which purchasing economies can be realised at lower quantities. As, however, Sara Lee was buying around 6 million metal containers a year before the merger and Reckitt & Colman some 4 million, it appears that both were operating at a level of output at which any potential purchasing economies had been fully realised.

3.73. Sara Lee told us that it currently expected, and had expected prior to the merger, to achieve cost savings of £146,000 a year compared with Reckitt & Colman's standard costings. Within this total, Sara Lee expected to make savings of £61,000 on labour costs, which arise, it told us, from the superior efficiency of its plant. Other savings, of £21,000 in the purchasing of raw materials and £64,000 in the buying of metal tins, arise, Sara Lee told us, from the economies it was achieving in purchasing these items prior to the merger. These expected cost savings have not as yet been achieved. Sara Lee also told us that its average per unit production costs on paste polish following the merger had in fact increased marginally because of the extra shift needed to operate its paste product filling line at a greater level of throughput: production overheads had increased by much the same proportion as throughput at the Honley factory.

Raw material supply

3.74. CMB Speciality Packaging (CMB) is currently the only supplier in the United Kingdom of the 'wing-opening' metal containers used by Sara Lee and some other suppliers of shoe polish products. Sara Lee told us, however, that it was working with another supplier, Metal Closures Ltd (Metal Closures), to develop a second source of supply for wing-opening tins. Prior to the merger, Reckitt & Colman purchased all of its tins (which were not wing-opening) and metal jar lids from Metal Closures. A number of other manufacturers also supply non-wing-opening tins. There are a number of suppliers of the waxes, solvents and other chemicals required for the production of shoe polish products. Sara Lee told us that, even following the merger, it will remain a relatively minor purchaser of raw materials from most of its suppliers. Moreover, no evidence was put to us suggesting that any competition issues arose as a result of the merger in connection with the supply of raw materials.

Ease of entry and competition from imports

3.75. There are no legal (eg licensing) quality standards or patent barriers to the supply of shoe polish products in the United Kingdom. Nor are there any formal trade or tariff barriers within the EC that limit trade in such products between member states. We consider in this section whether there are any cost barriers (in paragraphs 3.76 to 3.81); possible difficulties of entry arising from brand loyalty (in paragraphs 3.82 to 3.84); other possible barriers (in paragraphs 3.85 and 3.86); and then examine the evidence on recent entry and import competition (in paragraphs 3.87 to 3.90).

Cost barriers

Capital and investment costs

3.76. As explained in paragraph 3.64, Sara Lee estimates that the capital cost of a new production line-capable, for example, of producing 7 million tins of paste shoe polish a year-would be around £350,000 to £380,000 and other suppliers have suggested similar figures to us. In relation to many other industries, this level of investment does not appear prohibitive in itself, nor unduly large in relation to the size of the market (£13.2 million, at producer prices, in 1991). We note, however, that waxes and pigments quickly cause the processing equipment to become soiled so that once used it has only a limited resale value. The level of 'sunk costs' (ie those costs that cannot be redeemed should an entrant leave the industry) may therefore be a relatively high proportion of new capital costs.

3.77. Some of the smaller domestic suppliers, including Dunkelman, CDM and Mars Oil, told us that they considered the cost of investing in new capital equipment as 'high' and therefore not commercially justified by the expected returns. We note, however, that the cost of second-hand equipment available from other processing industries, and easily adaptable for the production of shoe polish products, is a fraction of the cost of new equipment, at under £50,000 for a complete line. Moreover, a new entrant could largely avoid the direct investment costs of buying the equipment itself by using contract packers (as explained in paragraphs 3.65 and 3.66), though average costs might nonetheless be somewhat higher than for own-production.

Economies of scale, purchasing and scope in production

3.78. To the extent that there are some fixed costs involved in producing shoe polish products, average unit costs are likely to be lower at higher levels of production capacity. As explained in paragraph 3.70, however, fixed production costs appear to be relatively modest. Variable costs-particularly the costs of containers-are the largest single element of production cost: for Sara Lee, the metal container accounts for over 70 per cent of prime cost and is around one-quarter of the producer selling price. Purchasing economies are clearly of significance in this industry, though mainly in the buying of preprinted metal containers, and these economies become fully realised at less than 10 per cent of the size of the domestic market, on our estimate.

3.79. There are also likely to be at least some cost savings (in marketing and distribution, for example) arising from producing a number of different shoe polish products rather than a single product, ie producing liquids and creams, as well as pastes. We are not, however, able to quantify accurately the extent to which average unit costs might be reduced through such economies of 'scope'. Moreover, Reckitt & Colman told us that average production costs may also rise as more products are produced because of the added complexity and shorter production runs involved.

Distribution and service

3.80. Several witnesses commented that prompt and reliable delivery, as well as general customer service, was an important feature of competition between suppliers in this market. This applies particularly to servicing the larger customers, such as the supermarkets and multiple shoe retailers and repairers, which may order new supplies every few days rather than hold large stocks themselves. Punch, which has a good reputation in the shoe business for the promptness of its deliveries and the efficiency of its service, told us that a turnover of £3 million a year (a quarter of the total market) was needed to cover the costs of selling, warehousing and dispatch. This suggests that a new entrant might face additional costs, including an element of sunk cost, in establishing an effective distribution system and a reputation for reliability within the shoe care business. We note, however, that, as explained in paragraph 3.68, Reckitt & Colman had limited distribution facilities itself, prior to the merger, and that distribution can be arranged through independent wholesalers, as is the case with Woly products, for example.

3.81. Whilst we are unable to quantify these various cost economies with any precision, we believe that economies of scale, scope, in purchasing and in distribution taken together are probably fully realised at not more than 15 to 20 per cent of the size of the domestic market.

Brand loyalty barriers

3.82. Brand loyalty, particularly for the Kiwi, Cherry Blossom and Meltonian products, was discussed in paragraphs 3.16 to 3.19 and the evidence from third parties is given in Chapter 5. The independent market research on branding which Sara Lee referred us to (see paragraph 3.16 and Appendix 3.1) indicates a high level of brand awareness of these three brand names. Other evidence put to us suggests that brand loyalty to Kiwi and Cherry Blossom is greatest in the self-selection sector, where their market share is also highest; and that consumer loyalty to Meltonian is greatest in the special trades sector, most particularly in the shoe repair sub-sector.

3.83. Brand loyalty may present a barrier to a new entrant or a potential entrant. Where, for example, a strong brand commands a price premium amongst consumers relative to other brands (including new brands or own-label products), the supplier of a weak brand may need to offer his product at a significantly lower price in order for retailers to stock it in competition with the strong brand and at the same time maintain their own profit margins. This is therefore the equivalent of a cost disadvantage for the supplier of the weaker brand relative to the supplier of the stronger brand. Alternatively, the supplier of the weaker brand may be able to establish consumer acceptance of its products-and thereby create a measure of brand loyalty for itself-through a promotional and/or advertising campaign. Inevitably, however, such a campaign would add to the costs of new entry. Sara Lee told us that an expenditure of £30,000 would be adequate for such a promotional campaign to the trade, but that a media campaign aimed at the consumer could be significantly more costly, at possibly in excess of £500,000.

3.84. Entry into own-label products would be a possible means of overcoming cost barriers arising from the expenditure necessary to establish an entirely new brand. As indicated earlier in this chapter, own-label products appear to have been reasonably successful in the special trades, and most particularly in the shoe retail sub-sector. Supermarkets, however, with the notable exception of Sainsbury, appear to be generally unwilling, for their own commercial reasons, to introduce own-label shoe polish products (see Chapter 5).

Other possible barriers

3.85. The market for shoe polish products is relatively small in comparison with many other consumer products, at best static and possibly declining in volume, and consumer demand is also relatively insensitive to the level of price. A new entrant could not therefore rely on growth in the market to expand its market share. It would need to attract market share from the established suppliers. Where such suppliers are long established, with strong brand names, the difficulties and commercial risks of new entry may be greater than would otherwise be the case-or be perceived as greater by a potential entrant.

3.86. Because consumer demand is 'inelastic' and there is limited price competition between retail outlets selling shoe polish products-other than between the supermarkets-the scope for using price competition at the retail level to expand market share also appears somewhat limited in this market, especially in the special trades sector. Additionally, and as explained in paragraph 3.59, most of the existing suppliers offer aggregated and in some cases retrospective discounts to their larger trade customers, where the scope might seem greatest for a new entrant to expand its market share most effectively and rapidly. This may also tend to inhibit new entry.

Recent entry and competition from imports

3.87. Punch products are imported into the United Kingdom from the Republic of Ireland, where Punch is the largest supplier, with over 60 per cent of the market. That market is relatively small by European standards, however, with total sales at less than £1 million a year. Expansion into the larger United Kingdom market has enabled Punch to achieve economies of scale in production. Punch gains some competitive benefit from labour costs being lower in the Republic of Ireland than in the United Kingdom and it does not bear transportation costs significantly different from those of a supplier in the United Kingdom: indeed, Punch can be regarded as a 'quasi-domestic' supplier because of these factors.

3.88. Nonetheless, Punch told us that it had found it difficult to establish itself and expand in the United Kingdom. It had taken almost 20 years to attain its current level of business and whilst Punch is now a significant supplier to the special trades sector, where brand loyalty to the established brands was less of a barrier to its expansion, Punch's attempts to penetrate the self-selection sector have proved to be relatively unsuccessful.

3.89. Imports from other, mainland, EC producing countries are modest, though there are a number of substantial suppliers on the Continent, particularly in Germany, as explained in paragraph 3.53. German suppliers face higher labour costs than in the United Kingdom and also greater transportation costs, in addition to any entry barriers arising from consumer brand loyalty to the established domestic brands. Both Woly (see paragraph 3.90) and Collonil products, which are supplied from Germany, have achieved market shares of only 2 to 3 per cent in the United Kingdom, despite their having supplied shoe polish products to this country for many years. Neither of these brands is widely available: they are sold only through a limited number of shoe shops.

3.90. Woly, the leading shoe care brand in the specialist shoe trade in Switzerland, was sold to the German firm Salamander in 1991, having previously been owned by a subsidiary of Unilever. We were told that Woly is sold in some 20 export markets. Following the sale, Unilever ceased to have any interests in the shoe care market. We were told also that there had been two attempts in the 1980s by German suppliers to launch new brands into the United Kingdom and European markets. Werner & Mertz attempted to launch its 'Frog' brand of liquid polishes into the supermarket sector in the United Kingdom. This proved to be commercially unsuccessful, however, and the brand was withdrawn after two to three years. Similarly, Henkel attempted to penetrate the European market with its 'Pilofix' brand, but this brand too met with limited success.