

**The Gillette Company  
and  
Parker Pen Holdings Limited**

A report on the merger situation



MONOPOLIES AND MERGERS COMMISSION

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A report on the merger situation

**Presented to Parliament by the Secretary of State for  
Trade and Industry by Command of Her Majesty  
February 1993**

## Members of the Monopolies and Mergers Commission as at 13 January 1993

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<sup>1</sup>These members formed the group which was responsible for this report under the chairmanship of Sir Sydney Lipworth.

## **Note by the Department of Trade and Industry**

In accordance with section 83(3) and (3A) of the Fair Trading Act 1973, the Secretary of State has excluded from the copies of the report, as laid before Parliament and as published, certain matters, publication of which appears to the Secretary of State to be against the public interest, or which he considers would not be in the public interest to disclose and which, in his opinion, would seriously and prejudicially affect certain interests. The omission is indicated by a note in the text.

# Contents

	<i>Page</i>
<i>Chapter</i> 1	Summary..... 1
2	The companies involved in the merger..... 3
3	The UK market for writing instruments..... 11
4	Views of main parties..... 33
5	Views of third parties..... 45
6	Conclusions..... 62
<i>Appendices</i>	(The numbering of the appendices indicates the chapters to which they relate.)
1.1	Conduct of the inquiry..... 76
2.1	Gillette's world-wide organisational structure..... 77
2.2	Gillette's UK corporate group structure..... 78
2.3	Gillette UK: profit and loss accounts for the five years to 30 November 1991..... 79
2.4	Gillette UK: balance sheets for the five years to 30 November 1991..... 80
2.5	Gillette UK: sources and application of funds for the five years to 30 November 1991..... 81
2.6	Waterman Pens (UK): profit and loss accounts for the four years to 30 November 1991..... 82
2.7	Waterman Pens (UK): balance sheets for the four years to 30 November 1991..... 83
2.8	Parker organisational structure..... 84
2.9	Parker Pen and Parker Pen Holdings: group profit and loss accounts for the five years to 28 February 1992..... 85
2.10	Parker Pen and Parker Pen Holdings: group balance sheets for the five years to 28 February 1992..... 86
2.11	Merger reserve..... 87
2.12	Parker Pen and Parker Pen Holdings: group sources and application of funds for the five years to 28 February 1992..... 88
2.13	Parker Pen UK: profit and loss accounts for the five years to 28 February 1992..... 89
2.14	Parker Pen UK: balance sheets for the five years to 28 February 1992..... 90
2.15	Parker Pen UK: sources and application of funds for the five years to 28 February 1992..... 91
3.1	List of brands with refillable writing instruments retailing in the UK market at £2.50 or more..... 92

# 1 Summary

1.1. On 5 October 1992 we were asked to examine the proposed acquisition of Parker Pen Holdings Limited (Parker) by The Gillette Company (Gillette) (see Appendix 1.1). Parker is a major manufacturer of writing instruments (ball point, roller ball and fountain pens and mechanical pencils) which is its sole business. Gillette has several types of business, including the supply of writing instruments under two well-known brands, Paper Mate and Waterman.

1.2. There are no reliable statistics for the UK writing instruments market but it is estimated to total about £225 million at retail prices, divided almost equally between refillable and disposable instruments. Refillables range in price from about £1 to £200 or more and disposable writing instruments from a few pence to a few pounds. Although there is some competition for the lower-priced refillables from the better quality disposables, most evidence we received suggested that refillables form a largely separate market.

1.3. Parker and Waterman supply only refillables; Paper Mate supplies mainly disposables but also some lower-priced refillables. We have therefore examined the effects of the proposed merger primarily on the UK market for refillables. Market research estimates suggest that Parker already supplies about half of total UK sales of refillables by value and that Waterman and Paper Mate together would add some 7 per cent to Parker's share.

1.4. There are, however, at least 40 brands of refillables supplied to the UK market, with a wide choice of style and finish at all price levels. Market shares are not static. Although more expensive pens have better quality nibs, finishes and mechanisms, there is no great technical difference between pens, and production processes are comparatively simple. There have been a number of recent entrants and some multiple retailers have successfully introduced own-brand pens.

1.5. Writing instruments are sold through three trade channels: the business use, business gifts and retail markets. In the business use market, disposables predominate and refillables play only a small part. Paper Mate is a substantial supplier, but Parker and Waterman sell little into this market. Sales are made through wholesalers, who expressed little concern, and competition, based mainly on price, appears to be strong. We do not think that the proposed merger would adversely affect price or choice in this market.

1.6. The business gifts market is large and competitive. It covers not only writing instruments but a wide range of other goods. Parker has developed the market for refillables for promotional use, overprinted with the buyer's logo, in which it has a substantial share of sales, particularly at the lower price levels. While brands are important, price is a significant factor at all levels and particularly important in selling promotional pens, where refillables are in competition with disposables as well as other products. Gift houses expressed no concern about the proposed merger. We do not think that it would adversely affect competition, price or choice.

1.7. In the retail market writing instruments are sold through a wide range of outlets, and by two main methods, self-service and from under glass by assistants at pen counters. In the self-service, mainly blister pack, sector Parker is particularly strong with an estimated two-thirds of retail sales of those refillables priced between £2.50 and £10; this segment accounts for less than one-quarter of the total retail market for refillables. Market shares have not remained static and Parker's present position has been only recently achieved. There are about 30 existing suppliers in this sector, including retailers' own brands, and a range of potential new entrants, some already established in other sectors of the market. Competition from a wide range of attractive disposables would also inhibit any attempt by the merged group to exploit its market position.

1.8. In the under-glass sector there are again many suppliers, including both long-established firms and recent entrants. In this and the self-service sector the larger retailers exercise considerable power, reflected in the discounts they receive and in the range of promotional support they can secure from suppliers, including special offers and the provision of consultants and display counters. Any attempt by a merged company to exploit its market position would be held in check by the bargaining strength of retailers and the existence of both actual and potential competitors to which they could turn. Overall we do not consider that the proposed merger would adversely affect competition, price or choice in the retail market.

1.9. We conclude that the proposed merger may not be expected to operate against the public interest.