5 Views of third parties

5.1. We invited views from manufacturers, suppliers, retailers and wholesalers of writing instruments, trade and consumer associations, trade unions and a number of other interested parties. This chapter summarizes the evidence we received.

Manufacturers and suppliers

Sheaffer Pen (UK) Ltd

5.2. Sheaffer Pen (UK) Ltd (Sheaffer) is a subsidiary of a major US pen manufacturer and is a long-established supplier of writing instruments to the UK market. Sheaffer told us that the bulk of its products were retailed under glass in the £20 to £75 price range roughly equally through multiple department stores, independent retailers and W H Smith. In addition, 17 per cent of its sales were to the business gifts market either via business gift houses or direct to major customers.

5.3. We asked Sheaffer why its share of the lower-priced segment of the UK refillable writing instruments market (£2.50 to £10) appeared to have fallen substantially between 1982 and 1991 (see also paragraph 3.50). Sheaffer told us that this had resulted from a deliberate company strategy to ensure consistency of the style and appeal of its product range around the world. In the UK this had resulted in the withdrawal of all Sheaffer products over a retail price of £10 from self-service areas in retail outlets. The aim of this strategy had been to maximize sales of Sheaffer products in the under-glass areas where consumers had access to service and advice.

5.4. Sheaffer told us that it competed with other branded suppliers in advertising, discounts to retailers, the development of new finishes and products, and for display space in retail outlets. Sheaffer said that competition for display space in stores was particularly fierce. The UK retail market was dominated by a relatively small number of multiple retailers; it was essential for a supplier to be represented in as many of these outlets as possible. Sheaffer also invested heavily, as did other suppliers, by placing its own trained demonstrators into stores to attract customers to its own products. Retailers were keen for suppliers to compete in this way as it often brought increased turnover and reduced their own staff costs since demonstrators were either paid for fully by the supplier or costs were split 50:50. Many suppliers also produced their own showcases for displaying their own products within the stores and competed with other suppliers for prime display positions.

5.5. Sheaffer said that entry into this market was difficult. It had been tried by new entrants who had offered retailers stock on a sale-or-return basis, but this was very expensive. Sheaffer said it was concerned that a merged company which combined the Parker and Waterman brands would have a dominant position in the quality instruments market. With Paper Mate it would straddle the whole market from disposables to the most expensive pens. Its position would give it the power unfairly to influence and pressurize retail customers with the risk of monopolizing some channels of distribution. Sheaffer believed that there was a real danger that the combined company would use discounts, pricing and overriding discounts to gain further market position for its products, thereby pushing other competitors into the background. Parker/Waterman could set up merchandising deals to obtain the best sites for its products in stores but would charge competitors a high price for a share in the merchandising space, eg where Parker/Waterman would offer to set up a pen department in a store, pay for all the showcases and display units, then recharge competitors a high price for any space used. Sheaffer added that this was a practice already in use by Parker and the acquisition would increase its ability to be able to do this.

5.6. Sheaffer also feared that an increase in the number of Parker/Waterman in-store demon-strators would enable it to monopolize many stores. Other brands could not afford to employ as many demonstrators in the larger stores or any demonstrators in the smaller stores as this required a significant investment. A combined company might also be able to offer retailers `exclusive listing package deals' where Parker/Waterman/Paper Mate products would be offered as an exclusive range in return for special discounts, consultants' support, etc. Major multiple retailers might be able to resist but others might not because they would be more interested in turnover than choice and they could still offer customers a choice of Parker and Waterman brands. For the consumer, Sheaffer said that the merger could result in a reduction in the choice of brands or ranges of pen, possible price exploitation, and increased emphasis on display and selling support which could `force' customers towards Parker and Waterman products.

A T Cross UK Ltd

5.7. A T Cross UK Ltd (Cross) is a subsidiary of the A T Cross Co (USA). The company was established in the USA in 1846 and now distributes quality writing instruments in around 140 countries world-wide. Cross has two production plants: one in New England and another in the Republic of Ireland. The UK company was established in 1979 though Cross products had been available in this country through a number of independent distributors for many years. Cross's complete product range in the UK starts at around £15 and extends to luxury products sold for more than £2,000. The bulk of Cross sales are in the range of £100 or below.

5.8. Cross told us that the quality pen market was very competitive and it had grown more so over the last ten years. Cross also said that there had been growth in the quality pen market as a result of greater personal wealth, a desire to improve handwriting, and increasing cachet attached to the ownership of a quality product. Cross estimated that 18 brands had either entered or re-entered the market or had been relaunched since 1979, some below £10 in price but the majority over.

5.9. Cross said that manufacturers competed in many areas: on price; in advertising-vital for brand awareness; through special promotions, eg free ball pen with each pen or trade-in offers; through the use of in-store consultants; display case size, and location of display cabinets and location of products and space allocation within cabinets; and in the research and development of existing products and the development of new products.

5.10. Cross said that if the merger went ahead the combination of the Waterman and Parker brands alone (leaving aside Paper Mate, which tended to compete more at the lower end of the market) would give the merged group close to 50 per cent of the quality writing instruments market. Cross referred to recent MMC merger reports[1] where combined market shares were of a similar size and where the MMC had found the mergers to be against the public interest. Cross considered that with market shares at this level, the merged group would clearly be dominant: it would be able to act to a large extent without having to take into account the actions of competitors and customers. Cross said that this would have a particularly detrimental effect in the middle sector of the market for products ranging between £25 and £75. In the longer term Cross said that it believed this would be detrimental to smaller competitors such as Cross, and ultimately to retailers and the consumer.

5.11. Cross argued that Parker was already able to exert considerable influence in the market as a result of its strong market position and brand leadership. This had enabled Parker in many cases to dictate the way in which its products and the products of its competitors were displayed, marketed and sold in retail outlets. There were two principal ways in which this had occurred. Firstly, Parker had increasingly in recent years pursued a strategy of carrying out the refitting of many retail customer outlets, funding initially the cost of installing new glass display cases and then charging other manufacturers for a share of this

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[1] *Coats Viyella Plc and Tootal Group plc: a report on the merger situations,* Cm 833, October 1989; *Michelin Tyre PLC and National Tyre Service Ltd: a report on the merger situation,* Cm 986, March 1990; *Elders IXL Ltd and Grand Metropolitan PLC: a report on the merger situations,* Cm 1227, October 1990; and *Sara Lee Corporation and Reckitt & Colman plc: a report on the acquisition by Sara Lee Corporation of part of the shoe care business of Reckitt & Colman plc*, Cm 2040, August 1992.

space by setting the charges to be applied by the retailer. This had resulted in Parker securing the most advantageous display position for its products in those outlets. Typically, the products of other smaller competitors were relegated to less visible positions, so that the consumer was more likely to select a Parker product in preference to some other brand. Where department stores installed their own cases Cross tended to be given better positions and space which invariably generated higher proportionate sales.

5.12. Cross said that the second method which Parker had used to strengthen its market position and its level of brand awareness was to underwrite the cost of employing specialist sales staff in many retail customer outlets. In some cases, the individuals concerned were directly employed by Parker; in others the cost was underwritten by Parker. In each case, Cross said, the effect was the same: increased dependence by the retailer on Parker, increased promotion by the individuals concerned of Parker products in preference to other brands, and denial to the consumer of independent advice on purchases. Because of its strong market position, Parker was able to engage in these practices on a scale which Cross as a smaller competitor could not afford. The proposed merger was likely to exacerbate this situation.

5.13. Cross said that another concern about the merger was that a combination of three major brands (Parker, Waterman and Paper Mate) under the same ownership, coupled with the continued adoption of these marketing strategies, would substantially increase the dependence of retailers on the merged group at the expense of smaller competitors. Cross considered that it would be relatively easy for the merged group in this position to go one stage further in its relationship with retailers and seek to influence not only their display policies but their stocking policies as well. In other words, because the merged group would be able to offer two premium brands (Parker and Waterman) and one lower-priced brand (Paper Mate), it would be able to offer attractive loyalty bonuses and discount packages and could target promotions specifically at competitors' products and could induce retailers to drop the products of other competitors. Cross said that it feared the merged group would adopt this strategy not simply in relation to refillable writing instruments, but also in relation to refills for those products. If refills for products of manufacturers such as Cross were not widely available in retail outlets (or if they were perceived by consumers as not being widely available), this was likely to influence consumers not to buy Cross writing instruments in the first place, since in general the refills of different manufacturers were not interchangeable.

5.14. Cross added that although in the short term retailers were likely to benefit from attractive promotional offers from the merged group, in the longer term, as the smaller competitors were squeezed out, consumer choice would be reduced and there would be every opportunity for the merged group to raise prices.

5.15. Cross said that particular concerns arose in the corporate gifts sector, where Cross competed directly with Parker and Waterman in selling to business gift houses. Cross said that the merger would leave it vulnerable if the merged group sought to use its increased market power to influence purchasing decisions through the use of aggregated discounts or other inducements.

5.16. Cross concluded that effective competition in the market could only be maintained if the merger were disallowed. If, however, the merger was allowed Cross suggested that some of its concerns might be allayed if Gillette were required to divest itself of ownership of Waterman and also to give specific and detailed undertakings relating to its future sales, promotional and marketing activities. Cross added that divestiture of Waterman would still leave Gillette/Parker with a dominant share of the non-luxury end of the refillable writing instruments market. Parker would continue to be a leading supplier in the luxury end of the market and Cross doubted whether any undertakings could be effectively enforced.

Dunhill Holdings PLC

5.17. Dunhill Holdings PLC (Dunhill) markets the Dunhill and Montblanc brands of writing instruments in the UK on behalf of its subsidiary companies, Alfred Dunhill Ltd and Montblanc-Simplo GmbH. Dunhill is in turn itself owned by Compagnie Financière Richemont AG of Switzerland, an investment group. Both Dunhill and Montblanc brands are manufactured in Hamburg.

5.18. Dunhill said that most of its products fell within the upper price band where the image which a product projected was vital to its success. Dunhill said that the market was highly competitive. Suppliers competed on the quality of their products, advertising, on the number of in-store consultants they employed, the availability of selling space, the design of display cabinets, discounts to retailers, and on the research and development of new mechanisms and finishes for new styles of product. Dunhill added that though it did not compete on price promotions, pricing was nevertheless a sensitive issue. Whilst Dunhill followed its competitors to some extent, it had to be careful that it did not price itself out of the market.

5.19. Dunhill said that it believed market forces had created clearly identifiable sectors within the writing instruments market. The resulting balance had come about because of healthy competition which, if sustained, was in the interests of the consumer. The proposed merger of a number of significant brand names might adversely affect, if not destroy, such a status quo.

5.20. Dunhill considered that in view of the brands of writing instruments currently owned by Gillette, the addition of a further leading brand like Parker would have potentially adverse implications both for other brand names, including Dunhill's, and for the consumer. Dunhill said that a combination of such brand names would produce a single dominant market force, not only in the luxury sector but throughout the entire writing instruments market. Such a market force would obviously have considerable leverage over both the wholesale and retail trade and might consequently inhibit consumers' freedom of choice.

5.21. Dunhill told us that a merger between Gillette and Parker would put that group in an unfair trading position in that it would not only be able to exchange marketing technology and information but it would also create a substantial distribution network at both wholesale and retail levels. This would severely impede and adversely impact upon unrestricted freedom to compete in the writing instruments market.

5.22. Dunhill said that it was particularly concerned that a combined group would be able to pressure retailers to increase the amount and quality of display space presently allocated to the individual Parker and Waterman brands, pushing smaller brands to secondary display areas or forcing them out of the market altogether. With a brand like Montblanc it was vital that its products were shown in an environment that fitted its brand image. Even large retailers, such as W H Smith or Selfridges, would not be immune to such pressure because the threat of removal of the Parker brand in the UK was such that it would, if carried out, leave any retailer without a credible pen display.

GBA Book Company Ltd

5.23. GBA has, since 1983 and 1987 respectively, distributed the Elysée and Lamy brands of pens in the UK, on behalf of their separate German manufacturers. GBA told us that in that time Elysée had established itself as a significant player in the writing instruments market with some 6 per cent of the £10 to £50 price range and 2 per cent of the over-£50 range. Lamy's share of the medium-priced market was somewhat smaller. GBA was also the UK distributor for Montblanc from 1974 to 1981 and for Waterman from 1981 to 1983. From 1 January 1993 Staedtler, which recently acquired Elysée's parent company in Germany, would be responsible for the distribution of the Elysée brand in the UK whilst Lamy's parent company would also be responsible for its own distribution from that date. GBA said that all Elysée and Lamy pens were sold under glass except for two Lamy products which were sold in blister packs.

5.24. GBA said that the under-glass market was a competitive one; suppliers competed on price, finish and colour of products, discounts to retailers, display space and use of in-store consultants. Lamy did not employ consultants but Elysée had a limited number. GBA said that some stores would not display a supplier's product unless the supplier was prepared to provide an in-store consultant. GBA added that five new under-glass pen suppliers had entered the market in the last ten years; most had had the backing of substantial companies.

5.25. GBA considered that the merger would not be in the public interest or in the interest of the trade in general. If the acquisition went ahead, Gillette, through ownership of both Parker and Waterman, would control 75 per cent of the market for pens over £10 and would be able to exert pressure on retailers to devote the maximum amount of selling area to these two brands alone. This would be to the detriment of Gillette's competitors and also to the public because it would limit the amount of space retailers would be able to devote to other makes. It would also tie too large a percentage of the retailers' budget to Gillette's brands.

5.26. GBA told us that the combined advertising budgets of Parker, Waterman and Paper Mate could not be matched by any of their competitors; this also applied to their promotional activities which included the placing of demonstrators/consultants in numerous outlets throughout the country. The group would also have the resources to refit retailers' pen departments on a scale that could not be matched by any competitor, which would result in more pressure being placed on the retailer.

5.27. GBA added that though many of these pressures were already applied by Parker in the writing instruments field, retailers and competitors had managed to cope with them. However, the financial and market power of a combined Parker, Waterman and Paper Mate would enable the group to exert even more pressures on the retailer, particularly in discount terms, which might differ considerably from those retailers enjoyed at present. GBA thought that the merger would also disadvantage the business gifts market, as the merged group would be able to bypass the trade completely and offer terms which no other competitor or business gift house would be able to match.

Staedtler (UK) Limited

5.28. Staedtler (UK) Limited (Staedtler) is a major supplier of pencils and disposable and speciality pens, eg marker and overhead projection pens, to the UK market. Staedtler supplies about half the UK pencil market. Pencils are manufactured at Staedtler's Pontyclun factory in South Wales and its technical and speciality products are imported from its parent company in Germany. Staedtler also supplies a small number of refillable products.

5.29. Staedtler's parent company recently acquired Beinholz-Dummert of Germany, manufacturer of the Elysée brand of pen, and decided that Staedtler should, from 1 January 1993, take over distribution of Elysée products in the UK from its present distributor, GBA (see paragraph 5.23). Staedtler said that it hoped to expand sales of Elysée products. It planned to do this through greater use of advertising, and increased investment in display cabinets and display space, though it recognized that achieving these objectives might be difficult because of the dominant position Parker and Waterman already enjoyed and because of the restricted numbers of retail outlets available in the UK market.

5.30. Staedtler said that a well-known brand name was of vital importance in the quality pen market. Staedtler gave examples of suppliers of well-known brands of disposable pens which had failed to penetrate the quality refillable pen market because consumers associated their names only with disposable products. Staedtler was concerned that the combined market shares of Gillette and Parker would enable the merged group to increase its control of the medium- and high-priced pen markets, where both companies already enjoyed an element of dominance. It would also have a large share of the lower-priced refillable, refills and disposable pen markets.

5.31. Staedtler believed that such dominance would ultimately distort competition and limit consumer choice, not only in the products available, but also in the number of available outlets. The combined power of Gillette/Parker in the market would ultimately mean that they could dictate prices and influence and dictate terms to component manufacturers and retail outlets.

Pentel (Stationery) Ltd

5.32. Pentel (Stationery) Ltd (Pentel) was established in the UK in 1967 and is a subsidiary of Pentel Co Ltd, Japan. The company's sales are mostly at the low-priced disposable end of the writing instruments market. Virtually all Pentel's products are priced below £2.50 with the exception of a few refillable roller ball pens and mechanical pencils; its main strength is in disposable roller ball pens.

5.33. Pentel said that its main competitors in the UK for disposable roller ball pens were Paper Mate and Pilot. Retailers' own-brand products were also major competitors. Large multiple retailers such as W H Smith had an immense amount of power in the UK market. A company's success depended very much on marketing decisions taken by such retailers.

5.34. Pentel considered that disposable pens were not in competition with refillables; this was certainly true for refillable products costing over £2.50. Pentel said that its decision not to enter the UK refillable pen market in a major way was a conscious one based on current market factors and market conditions that had prevailed over the last 20 to 25 years. The traditionally strong manufacturers of refillable products had not been Japanese. This was not to say that Japanese manufacturers were incapable of producing an equivalent product, but the strength of the existing suppliers to the refillable market was such that consumers preferred to buy an established name. This had restricted entry into that market by manufacturers not traditionally known for offering refillable pens: the Pentel name was not synonymous with refillable writing instruments.

5.35. Pentel said that it was concerned that if the merger went ahead its role as a brand leader of disposable writing instruments might be unfairly jeopardized because of the link between Paper Mate and Parker. A merger might give Parker the opportunity to introduce a range of quality disposable Parker products on the back of Paper Mate, using a combined Parker and Paper Mate sales force to market such products. Otherwise, it was not unduly concerned about the proposal.

Other manufacturers and suppliers

5.36. In addition to the above manufacturers and suppliers, all of which submitted written evidence and attended hearings with the MMC, we also received views on the proposed merger from a further seven suppliers.

The Pen Factory

5.37. The Pen Factory said that it had manufactured pens since 1981. Based in Hong Kong, its products had been sold, under the L'Plume brand, in the UK through an independent distributor. In 1990 the company moved to the UK and started manufacturing and assembling pens at a newly-commissioned factory in Cornwall.

5.38. The Pen Factory said that it had now assumed direct responsibility for the distribution of L'Plume products in the UK. It also exported to Japan, Switzerland, France and Poland. L'Plume pens were priced from £8 to £39 and sold mainly through independent stationers and gift shops. L'Plume had its own display cases which were provided free of charge to selected retailers; it also employed a number of consultants in the Christmas period.

5.39. The Pen Factory said that it had found it easy to enter the market and had no objection to the proposed merger. Parker had created a market situation in the UK where there was a `right' price for a certain kind of product with a certain type of finish. This made it easier for a new entrant to target a particular price range and undercut the more established brands.

5.40. The Pen Factory added that it did not feel excluded by the consultant/demonstrator system though it did feel that this could be detrimental to the pen industry in the long term.

Berol Ltd

5.41. Berol Ltd (Berol) said that as a supplier of disposable writing instruments and lower-priced fountain pens it had no objection to the merger. However, it added that as the merger would bring together two strong higher-priced fountain pen brands in Waterman and Parker, this might raise concerns for other suppliers involved in that part of the market.

Colibri of London

5.42. Colibri of London (Colibri) markets a full range of writing instruments in the UK with products in all price sectors of the refillable pen market, with most selling for under £50. Colibri's sales of writing instruments consist partly of imports primarily from Germany and Japan and partly of instruments assembled in the UK from components imported from Germany and Japan and other countries. Colibri said that it planned to introduce a range of writing instruments made in the UK in 1994.

5.43. Colibri said that the proposed merger would, by the addition of the Parker brand to its existing Paper Mate and Waterman brands, dramatically strengthen Gillette's portfolio of major brands of writing instruments available in the UK. Colibri said that it was concerned that a growth in the combined group's share of the market would greatly increase its negotiating power with retailers and could, in several instances, preclude other brands obtaining even a small foothold in the market. Colibri thought that the merger would enable Gillette to negotiate special terms and display arrangements with retailers which would ensure that its brands were completely dominant within particular outlets and other brands would, if not completely excluded from main display sites, be pushed to less attractive non-central locations.

Diplomat Fountain Pen Company

5.44. Diplomat Fountain Pen Company (Diplomat) said that an acquisition of Parker by Gillette would be damaging to the stationery and writing instruments market. Other suppliers would find it extremely difficult to compete, both in the retail and business gifts markets, with one company which would market three brands of similarly-priced products.

S T Dupont Ltd

5.45. S T Dupont Ltd (Dupont) said that it competed in the higher-priced `luxury' sector of the refillable writing instruments market. Its five main competitors were Montblanc, Parker, Waterman, Sheaffer and Cross; other suppliers were too small to consider. Dupont said that a merger which combined two of its five main competitors would not be good for the market as a whole. Dupont added that entry to the high-priced sector of the market was difficult and costly. Whilst entry could be achieved quite quickly at the lower, high-volume end of the market it could take many years to create customer awareness and gain acceptance of a new brand at the opposite end of the market.

Pelikan UK Ltd

5.46. Pelikan UK Ltd (Pelikan) said that a new entrant was unlikely to succeed in the UK refillable pen market unless it was initially prepared to commit considerable financial resources to advertising and promoting its products. Pelikan pointed out that in many retail outlets suppliers also had to bear the cost of buying display space and providing sales staff. If such costs outweighed sales profit smaller suppliers were unable to sell their products in key department store outlets.

5.47. Pelikan thought that the proposed merger was unlikely to have an adverse effect on the refillable pen market. Parker already dominated the £5 to £50 market to such an extent that the addition of Gillette's products would have a minimal effect on the market. However, Pelikan added that retailers might find that the discounts offered by such a major supplier would be reduced as a direct result of the merger.

Pilot UK Ltd

5.48. Pilot UK Ltd (Pilot) said that it sold most of its products in the disposable pen market. Pilot had, however, in the last two years, introduced a range of refillable fountain pens, ball pens and mechanical pencils, priced around £4 and displayed wherever possible in Pilot's own cabinets. Pilot told us that a large amount of advertising was needed to promote a new brand of refillable pen. Consumers were reluctant to accept a new brand unless they had seen it advertised as a quality product. Pilot considered that the high cost of such advertising acted as a disincentive to new entrants to the market.

Zebra UK Ltd

5.49. Zebra UK Ltd (Zebra), a subsidiary of a large Japanese writing instruments manufacturer, said that it had started trading in the UK in May 1992. Most of its products were sold in the £1 to £3 price range though its full price range extended to £100. Zebra said that it intended to increase the sale of its more higher-priced products. It had already approached a number of multiple retailers and had been encouraged by their response. Zebra added that it did not consider a well-known brand name was essential for determining success in the UK refillable pen market.

Retailers

W H Smith (Retail) Ltd

5.50. W H Smith, with 447 retail outlets, is the largest retailer of writing instruments in the UK: it is also both Parker and Gillette's largest customer. Approximately 60 per cent of W H Smith's sales of refillable pens are in the £2.50 to £20 price range, of which over 80 per cent are priced between £2.50 and £10. W H Smith also has its own brands of disposable and refillable pens.

5.51. W H Smith stressed the importance of an established brand name in the refillable pen market. If a customer was prepared to spend a fair amount of money on a pen he wanted the assurance of quality and durability that a known brand name offered. A successful brand name could only be created over a number of years. To maintain it required a consistently high level of advertising, promotional spending and effective display, backed up by a consistently high quality of product. W H Smith said that there was no significant difference in performance between one brand and another, and only to a limited degree between one price point and another; what the consumer was increasingly paying for was the way a pen looked. W H Smith said that this was particularly important in pens costing over £10 where the type of pen and its packaging were designed on the basis that these were more likely to be bought as gifts.

5.52. W H Smith said that the consumer had a wide range of prices to choose from. Retailers competed on price on certain pens, particularly in the mid-priced sector, but price tended not be the main factor in promoting products and suppliers rarely offered products as manifestly cheaper alternatives to stronger brands.

5.53. W H Smith said that it was not aware of any firms which had entered the refillable pen market successfully in all sectors during the last ten years. It said that it knew of a number of well-known manufacturers in other European markets which had considered entering the UK market but which had been discouraged by the levels of investment, particularly in advertising and promotions, that would have been needed to achieve any reasonable degree of success. This was why some manufacturers had chosen to try other routes, eg by manufacturing retailers' own-brand products, or by trying to establish a niche market for a particularly unusual style of product.

5.54. W H Smith added that though suppliers did compete in all sectors of the refillable pen market, choice of product was limited in some sectors, particularly the lower-priced end of the market. Though there were plenty of potential alternative refillable products to Parker, there were few actual alternative supplies at the lower end of the market. For this reason W H Smith had decided to introduce its own-brand product. It now had its own brands in virtually all sectors of the market except the highest-priced sector and had gained a significant share of all the sectors in which its products were available. W H Smith said that it priced its own brands at slightly below those of other suppliers. It promoted its products through a limited amount of promotions but mainly by in-store advertising.

5.55. W H Smith said that the balance of market power which existed between itself and major suppliers was reasonable. It had always had to negotiate with suppliers on discounts. Whilst accepting that it was in the suppliers' interests to co-operate fully with a major customer of the size of W H Smith, it said that it had never found itself in a position where it could actually impose terms. Whilst the larger suppliers had greater negotiating strength, discounts did not vary greatly from supplier to supplier.

5.56. W H Smith added that it stocked a wide range of brands and had no objection in principle to carrying a wider range of brand, though there would be space shortages in its smaller stores. Manufacturers had enormous opportunity to sell their products to W H Smith. Conversely, if a major manufacturer such as Parker refused to supply its products, W H Smith's reputation as a pen retailer would suffer enormously. As to possible influence on price or design of a product, W H Smith said that although manufacturers did sometimes discuss with W H Smith the design and pricing of a particular product, often before its launch, its views were not always acted upon. W H Smith also discussed some of its own promotions with manufacturers, eg its `back-to-school' promotion and its Christmas catalogue. In some instances it received financial support from suppliers for its advertising campaigns.

5.57. W H Smith said that it installed its own display units and fixtures. Display space and content were decided centrally. Allocation of space between brands was decided upon after consideration of the size of the market and the sales potential for each individual brand. W H Smith added that some suppliers also provided consultants on a limited seasonal basis, usually before Christmas in the larger shops. Normally consultants would be expected to try to sell their own brand, but W H Smith stipulated that if a member of the public wished to buy another brand of pen on display he should be assisted in his selection.

5.58. W H Smith said that its concerns about the merger were that it might give Gillette the opportunity to remove some of the overlap between Paper Mate and Parker products, allowing it to concentrate its advertising and promotions more effectively and making it more difficult for other suppliers to enter the lower-priced market and so restricting consumer choice in this market. Suppliers of medium-priced refillable pens (over £20) were unlikely to want to enter the lower end of the market because of the possible harm this might do to their brand image. W H Smith was also concerned that pressure could be put on its own brands. Other than Paper Mate, W H Smith own brands were likely to remain the only significant competitors to Parker in the £2.50 to £20 sector. If Gillette decided to promote and sell Paper Mate products at discounted prices, lower than W H Smith own-brand prices, this could serve to squeeze these own-brand products out of this sector of the market and leave Gillette brands as the only ones of any significance in the market.

House of Fraser Stores Ltd

5.59. House of Fraser Stores Ltd (House of Fraser) has 62 stores throughout the country. Approximately 30 of the stores, mainly those located in the larger towns, sell writing instruments. All buying is done centrally. House of Fraser said that it concentrated its sales on the under-glass quality end of the market rather than through disposables, though it did sell some cheaper refillable pens in its general stationery departments, where Parker was its only blister card supplier. Its under-glass range started at about £20 with the majority of its purchases falling within the £40 to £50 price range. These included both Parker and Waterman products.

5.60. Under-glass pens were displayed at purpose-built counters typically characterized by a pen island. These were usually located in the stationery departments but in more recent developments they tended to be sited more within the general gift areas. House of Fraser said that it now developed and designed most of the pen display cases and display areas within its stores. Previously much of this work had been undertaken by pen suppliers which were able to influence the allocation of display space. House of Fraser had taken it over to retain control of the design and content of the display area. House of Fraser said that it decided centrally how to allocate space to individual suppliers within a particular store. Allocation depended on the grade and profile of a particular store but did allow the store manager a certain amount of flexibility.

5.61. Suppliers were allowed to display their brand names in their display areas and were charged for space on a pro rata basis irrespective of the position. House of Fraser said that it was delighted if suppliers provided full-time consultants though this was now quite rare. There was, however, a large influx of temporary consultants in the stores in the period leading up to Christmas. Consultants did not wear badges to identify their employer though they were naturally expected to sell mainly their supplier's product. Consultants competed vigorously with one another. Generally pen islands were of a sufficient size to accommodate a consultant from each brand on display if that was deemed appropriate.

5.62. House of Fraser thought that the market for quality writing instruments was becoming more aggressive and more promotional. In its view, this was coupled with a return to consumer appreciation of the traditional values of writing with a fountain pen and an increasing perception that a pen was a desirable object. Manufacturers competed strongly with each other through underwriting various promotional campaigns. Retailers also were keen to offer promotions, usually in concert with manufacturers. House of Fraser said that negotiating power between retailers like itself and manufacturers was finely balanced; some brands could exert more power than others. House of Fraser said that it had introduced new quality products into its range and had discontinued others. It believed that there were sufficient manufacturers in the quality pen market for it to offer a comprehensive choice of product. While consumers had considerable brand awareness, the price they were prepared to pay was a major factor and within that they would look at the whole range.

5.63. House of Fraser believed that the proposed merger, combining the Parker and Waterman brands, would create a very powerful supplier with which the retailer would have to negotiate. Whilst House of Fraser controlled the display space, Parker/Waterman could exert their market power by insisting that both their products be displayed side by side or that they had the best site in any new outlet, or in the redesign of an existing outlet. There was a danger that the combined group would offer greater discounts with which other suppliers could not compete and which might squeeze them out of the market. House of Fraser added that it did not see Gillette handling the Parker and Waterman brands separately indefinitely. Initially Parker and Waterman would specifically target their marketing on price points so that the two brands did not compete directly. House of Fraser considered that such moves were unlikely to affect consumer choice.

Selfridges Ltd

5.64. Selfridges Ltd (Selfridges) stocks one of the widest ranges of writing instruments amongst UK retailers, including the Waterman, Parker and Paper Mate brands. Selfridges said that the majority of its pens were sold under glass: disposable pens accounted for a very small proportion of its total sales although it also sold refillable pens and sets in blister packs, from self-service stands, up to a value of £25. Selfridges said that it sold its under-glass pens from a pen island situated at the front of its stationery hall. Parker had a separate island dedicated solely to Parker products which reflected Selfridges' standing as its top retail outlet world-wide.

5.65. Selfridges told us that it designed and owned the fixtures at its pen islands and charged suppliers a capital contribution depending on the amount of space they occupied; Parker paid the total cost of its island. On its island, Selfridges decided the space allocated to individual suppliers and charged accordingly. Suppliers were allowed to fit their own corporate logos into uniform signs in the display cabinets. Each supplier had its own full-time demonstrators and additional part-time staff in the period before Christmas, usually identified by their company badge. Demonstrators competed with one another but they also covered for each other and sold each other's products recognizing, in Selfridges' view, a necessary degree of mutual support.

5.66. Selfridges said that it did not see itself as being in direct competition with specialist pen shops as their appeal was to the specialist buyer. Pens were seen as competing more with other gifts available in the store than with pen displays in other department stores.

5.67. Selfridges said that competition amongst suppliers in the under-glass market was vigorous. Competitive pressures had led several major suppliers to develop similar products, relying on brand loyalty to increase their market share. Suppliers also competed through advertising, promotions and discounts to retailers. Selfridges said that it constantly pressured suppliers for better deals. Suppliers realized that the more display space they had the more pens they would sell. Discounts could vary from brand to brand by as much as 15 per cent.

5.68. Selfridges said that though entry to the market was possible, a new product had to have a degree of originality if it was to survive. If Selfridges gave space to a new supplier in its display it insisted that the supplier had a demonstrator to show its products; even if a product was known, a demonstrator was still needed to help consumers choose between the various brands on display. While a new customer might be merely swayed by price, brand loyalty was very important to existing users.

5.69. On the proposed merger, Selfridges said that it was concerned that future rationalization by Gillette of the Parker and Waterman ranges would inevitably affect Selfridges' business. Gillette might decide to concentrate Waterman's range of products at the upper end of the market (over £75) and Parker's in the medium-price range. Selfridges believed that if this were the case Parker's brand loyalty was such that if its customers were denied the opportunity of purchasing a Parker pen in the £100 price range, they would be unlikely to buy another brand and would instead settle for a £75 Parker. Selfridges would, therefore, see the value of its sales decline in an important sector of market.

5.70. Selfridges was also concerned that Gillette would have a greater share of Selfridges' business and could negotiate from a position of greater strength, and that, if the Waterman and Parker sales forces merged, neither the retailer nor the consumer would obtain the present quality of service.

Ryman Limited

5.71. Ryman Limited (Ryman) is a stationery retailer with 98 stores throughout the UK. Ryman said that while it sold both refillable and disposable pens its sales were predominantly of disposable pens. Ryman said that it sold 17 brands of refillable pens mostly in the £2 to £10 range. It had also introduced its own range of pen and biro sets selling between £5 and £15. Ryman sold refillable pens up to £15 in value in blister packs on open sale in most of its shops. Above that price, pens needed to be kept under glass for security. Ryman said that under-glass was a separate market which it was not keen to enter because sales would not justify the extra security or the need for additional store space for display cases.

5.72. Ryman told us that it did, however, sell refillable pens under glass at its six largest Central London stores and at its Oxford store, though it added that these sales represented only a very small part of its total sales. Ryman did occasionally have Parker demonstrators at these stores in the four weeks leading to Christmas. Ryman said that there was competition between brands in all sectors of the market. At the bottom end (under £5) refillable pens competed with disposables. At the top end (under glass) the market was particularly brand-driven with the customer usually specifying a particular brand and competition being more on range and choice than on price. Ryman added that the Parker brand had a particularly strong following in this area, partly because its products were also well represented at the lower end of the market.

5.73. Ryman told us that it tended to follow the manufacturers' recommended retail price on most products, as did most large retailers. Ryman was able to negotiate discounts from suppliers throughout its range, based on turnover. Predictably negotiations were hardest with upper market suppliers where Ryman's sales were most limited.

5.74. Ryman said that it did not expect the merger to have any adverse effects on product availability, choice and prices in the refillable pen market. There was a sufficient number of pen suppliers at all price levels for fair competition to continue. Ryman believed that at the lower end of the market there were enough manufacturers of refillable and disposable pens to enable it to select the right range at the right terms. Ryman said that although the merger would mean that all of its blister packs, apart from its own brand, would come from one supplier, it might benefit from a single point for ordering and deliveries. Ryman could, however, be disadvantaged if the merged company decided to change its existing terms. If that happened, Ryman would have to decide whether to continue sourcing all its supplies from Gillette or to go to other equally acceptable alternative sources such as Sheaffer and Cross.

5.75. At the upper end of the market Ryman considered that even if Gillette rationalized the Waterman and Parker ranges it would still be able to come up with a range of pens which would satisfy all Ryman's needs. Ryman said that it was not, however, overly concerned at likely events at the upper end of the market because of its slight interest in that market. Ryman added that it currently dealt entirely separately with Waterman and Paper Mate; separate discounts were negotiated with each.

Pencraft Limited

5.76. Pencraft Limited (Pencraft) has five specialist pen shops located in the West End and City of London. Pencraft stocks 18 different brands of pen and 17 brands of refill, including Parker and Waterman, which it said were amongst its most popular brands of pen. Most of its pens are sold under glass, with sales in the £30 to £50 band accounting for half its turnover. Sales of disposable pens accounted for a very small percentage of its sales. Pencraft said that it usually had one or two demonstrators within each shop at any one time. These were provided by the pen suppliers to promote their products and paid for on a 50:50 basis. Pencraft added that demonstrators had strict instructions that if a customer was not interested in their supplier's products they would try to sell other companies' products. Pencraft said that it regarded its main competitors as other specialist pen retailers and the main London department stores.

5.77. Pencraft said that it competed with other retailers mainly through advertising and special in-house offers, eg free engraving and gift wrapping, rather than on price. The majority of retailers priced according to the supplier's suggested retail price, with slight variations. Pencraft believed that it operated in a competitive market.

5.78. Pencraft believed that a merger would have adverse effects on product availability, choice and prices in the refillable pen market. A merger would put tremendous pressure on retailers as it would allow Gillette products to occupy large areas of selling space which would enable it to squeeze out smaller competitors.

5.79. In the medium- to high-price range of pens in particular, a combined company would be in a dominant position and could dictate policy and discount terms. Consumer choice would be further reduced as the merged company would most likely rationalize its products.

5.80. Another major concern was the gifts market where the retailer would not be able to compete on terms or discounts with the merged company's in-house gift marketing operations. Pencraft felt that this would constitute unfair trading and would adversely affect the gifts trade of other pen suppliers.

Penfriend (London) Limited

5.81. Penfriend (London) Limited (Penfriend) retails and repairs refillable writing instruments, mostly priced at the upper end of the market. Penfriend has two shops in the West End of London and a workshop in the City of London where it repairs and restores refillable pens. Penfriend said that it employed its own staff and did not use suppliers' demonstrators in its shops. It stocked both Parker and Gillette (Waterman) products amongst its seven brands of refillable pens; vintage pens accounted for nearly one-third of its sales. All its pen products were sold under glass. Penfriend said that it did not advertise but competed with other retailers mainly through reputation and recommendation of what it considered to be its unique specialist services and special in-house offers, rather than on price. The majority of retailers priced according to the suppliers' suggested retail price, with slight variations.

5.82. Penfriend opposed the proposed acquisition on the grounds that it was likely to lead to product rationalization and adjustment of prices, which would be to the detriment of the consumer and the industry. At present the consumer enjoyed a reasonable choice in all ranges of products. A merger would lead to a reduction in choice, particularly at the premium end where both companies competed vigorously on pricing and new product designs. Existing competition between rival products would be eliminated denying the public continuity of previously successful products. The retailer could be further disadvantaged by the merged company using its market power to restrict retailers' ability to negotiate discounts.

5.83. Penfriend thought it unlikely that existing competitors would be able to compete effectively with a merged company on price. Gillette would be the price leader and other companies would have to follow. New competitors might enter at the lower end of the market but new entry was unlikely in other sectors of the market, where considerable financial resources were needed if a new entrant was to succeed.

5.84. Penfriend also thought that Gillette's control of Waterman had stifled innovation and initiative within that company and damaged its brand image. It was concerned that a merger might have the same effect on Parker, thus depriving the industry of the new products it needed to offer the consumer and on which it depended if it was to flourish.

5.85. Penfriend considered that Waterman's brand image had suffered since being taken over by Gillette's heavy-handed approach, and it feared that this might also happen to Parker, one of the most respected and reliable pen companies. Penfriend also considered the price offered for Parker by Gillette to be high and this, in its view, would lead to job losses from rationalization and a cut-back in research and development in both companies.

Metro Pens

5.86. Metro Pens, a specialist pen retailer operating out of the Metro Centre, Gateshead, said that Gillette and Parker already held dominant positions in the writing instruments market. At present it was possible for retailers to balance dealings with one company against those of the other. The consumer benefited from competition between the two companies on price and product, whilst the retailer benefited in that neither company was able unfairly to restrict the retailer's activities by threatening to withhold its own products or promotions.

5.87. Metro Pens thought that a merger would not be in the interest of the retail trade or the consumer. A merged company would be able to dictate the amount of space and the layout in shops displaying its products. Ultimately it could control retailers' prices and restrict consumer choice by rationalizing its products. Retailers which did not comply could find demonstrators/consultants withdrawn from their shops and discounts suspended. Metro Pens added that it was also concerned that the last major British pen manufacturer would go back into foreign ownership.

John Menzies (UK) Limited

5.88. John Menzies (UK) Limited (Menzies), a major high street retailer, said that there was at present a wide range of quality branded refillable pens at prices to suit every consumer's needs. Suppliers competed strongly through promotions, investment in showcases, the training and placement of demonstrators and consultants, discounts to retailers, and in the development of new products.

5.89. Menzies thought that a merger would affect competition in the lower end of the market for refillable pens, priced between £2.50 to £15.00, and would lead to a reduction in consumer choice within that price range.

5.90. Menzies said that it had tried to encourage other suppliers to enter this market but had met with little success. Suppliers of under-glass products were reluctant to enter this market as they felt it might harm their brand image: suppliers of disposable products did not have the necessary brand image needed for success in this market.

John Lewis Partnership

5.91. John Lewis Partnership (John Lewis) has 22 department stores throughout the UK. John Lewis said that it operated a central policy for displaying writing instruments within its stores and believed firmly in controlling the presentation and layout of merchandise in its shops. The amount of space it allocated to each supplier depended on the supplier's sales.

5.92. John Lewis said that it designed and installed its own display cabinets. It did not charge suppliers for display space, nor did it negotiate with suppliers on the positioning of their products with the cabinets.

5.93. John Lewis added that it did not use outside consultants/demonstrators but preferred to train its own staff. It also said that it did not participate in special promotions by suppliers, nor did it use point-of-sale promotional material. It did, however, occasionally participate in joint financial promotions with suppliers which, for example, allowed it to offer gift sets at an advantageous price compared with the same items bought separately.

5.94. John Lewis said that a combination of the Gillette and Parker brands would together account for more than half of its sales of refillable writing instruments. John Lewis believed that as its experience was probably representative of other retailers a combined operation would be in a position to dominate the market. This would give Gillette the power both to reduce the choice available to the customer and to exercise a powerful influence on pricing. John Lewis thought there was, in both respects, reason to believe that the consumer could well suffer as a result of the merger.

5.95. John Lewis added that though there were a number of other brands of refillable writing instruments available in the market, several of which it stocked, none of these would be in a position to challenge the dominance of a combined Parker/Gillette. Equally it would be difficult for any new company to set out to do this. The barriers to entry to this market related not so much to tooling-up costs and the like, but to the fact that in this field the consumer attached considerable importance to the image and reputation of a product and therefore brand name and brand loyalty were very powerful. For this reason the market shares of the main brands changed only slowly over time.

Harrods Limited

5.96. Harrods Limited (Harrods) said that the main competitive pressures in the refillable pen market were for perceived image, rising quality and price. Harrods said that it did not foresee any concerns regarding choice or price as a result of the merger.

Argos Distributors Ltd

5.97. Argos Distributors Ltd (Argos) said that if Gillette were to succeed in its bid for Parker it might move Parker up-market slightly in order to minimize overlap with Paper Mate but to maximize sales of its products. Argos considered that if this led to reduction in the number of individual products available in the volume end of the market its business would undoubtedly be affected.

Other retailers

5.98. A further 13 major retailers responded to our questionnaire request for further information. All respondents thought that there was a reasonable choice of product amongst the different categories of writing instruments available in the UK. Asked to rank in order of importance a number of factors which might influence their choice of supplier, brand name was chosen as the most important, followed by price, quality of product, terms and conditions of supply and, lastly, innovative technology and design. Over half the retailers said that suppliers made no attempt to persuade them to favour their own branded products over others. Of the retailers which took an opposite view, four said that suppliers competed for their business through normal sales techniques, eg discounts and special offers, and did use undue pressure. Another retailer said that it rewarded the supplier which was prepared to pay the highest price with the most display space, the best position and the largest stock order. The remaining retailer did not expand on its reply.

5.99. Nine of the retailers thought that the proposed merger would not affect product availability, choice, or prices in the refillable pen market. One of these retailers added that though it was unconcerned by the merger at present, since Parker concentrated on refillable products and Gillette on disposable products, it might change its opinion if Gillette decided in the future to promote its individual brands in more than one sector of the market. The remaining four retailers thought that the merger could adversely affect choice, prices and credit terms. One added that it was concerned that it might have difficulty in controlling its business effectively if a substantial part of its writing instruments was provided by just one supplier; another retailer said that Waterman's service to retailers and customers had deteriorated since its acquisition by Gillette and it feared that the same might happen to Parker.

Office suppliers

Viking (Direct) Ltd

5.100. Viking (Direct) Ltd (Viking) is a mail order company, dealing primarily in office supplies and selling approximately 3,000 product lines to small to medium-sized businesses throughout the UK. Sales of disposable pens and refills are an important part of its business. Viking sells both Paper Mate and Parker brands of refills but only one (Paper Mate) brand of refillable pen.

5.101. Viking said that there were no strong competitors in the UK refill market and consequently little competitive pressure. Despite Parker's refills patents expiring, no new entrants had successfully penetrated the market. A merger between Gillette and Parker would, however, give one company virtual control of the lower end of the refillable pen market. Viking thought that such a concentration of market power was likely to lead to prices being increased, particularly for refills.

Club Group

5.102. Club Group is a trade association of 15 wholesalers in the UK and Ireland which distribute stationery products and toys from 15 warehouses to over 30,000 retail outlets. Club Group co-ordinates the marketing on behalf of its members and negotiates collectively with suppliers. The Group produces an annual catalogue on behalf of its members together with smaller `back-to-school' and Christmas catalogues. Writing instruments are strongly featured in the catalogues, generally towards the lower end of the price range though it also lists fountain pens up to a value of £70.

5.103. The Group said that the core of its business was with small independent stationers though it also dealt with department stores and several multiple retail groups. The Group said that it claimed to give the independent retailer the opportunity to compete on price with any high street multiple store. If, for example, W H Smith was carrying out a major promotion the chance was that the Group would have probably negotiated an offer on the same or a similar product that would enable its customers to compete on an equal basis.

5.104. The Group said that the majority of the refillable pens it offered were Parker as this was the brand that its customers asked for. It had tried to introduce Waterman but this had not been successful. At the lower end it also stocked Paper Mate refillable products. The Group said that at the lower end of their sector of the refillable market Parker and Paper Mate did not compete strongly with each other; Paper Mate had concentrated on roller ball and ball point pens as did Parker but the latter was supreme in fountain pens. The Group added that any new entrant to the UK refillable pen market would have to be prepared to commit considerable marketing resources to promote brand awareness in all sectors.

5.105. The Group considered that a merger between Gillette and Parker would not affect product availability, choice or price. Provided Parker's philosophy and management style remained, the merger could be beneficial. Gillette and Parker were both supporters of strong brand names and Gillette was likely to continue to support the strong Parker brand. Gillette might also be prepared to invest in new ranges and Parker might benefit from such an injection of funds to stimulate its business. The Group said that its main fear was that Parker might be sold to a bidder who did not understand the market; with Gillette it had no such fears. The Group added that whilst wholesalers might consider themselves more vulnerable to a single supplier, they had to respond to a changing market. In the Group's case it considered that its overall strength would increase with one supplier with any loss in competition being minimal.

Spicers Ltd

5.106. Spicers Ltd (Spicers), a wholesaler of office products, said that it chose its pen suppliers on a variety of factors, mainly brand awareness, products offered, unique product features and discounts. It included Paper Mate, Parker, Waterman and Cross products within the range of quality refillable writing instruments it offered. Spicers considered that quality writing instruments were not subject to the same price pressures and reduced margins as disposable pens. Spicers said that it had no concerns about the merger because both parties had strong distinct brands which were likely to continue.

Viho Europe BV

5.107. Viho Europe BV (Viho), a Dutch trading company and an independent distributor of office machinery, computer peripherals and office supplies throughout the EC, expressed concern about the proposed merger on the grounds that it would ultimately result in more price-fixing practices and an absence of intra-brand competition. Viho alleged that Parker had a highly vertically-integrated structure through which it could maintain national market borders for its products together with artificially high and different prices. Viho told us that Parker subsidiaries bought the company's products from the manufacturing companies in France, the UK and the USA at lower prices than were available to independent distributors. The independent distributors of Parker products were obliged to place their orders through Parker Pen UK which itself distributed through its subsidiaries. Viho believed that Parker's subsidiaries, in and outside the EC, were obliged to refer buyers from any other country back to the Parker subsidiary which had responsibility for the home country of the buyer and were not allowed to supply buyers outside their respective domestic markets, so preventing Parker's subsidiaries from competing among themselves.

5.108. In Viho's view these practices meant that independent distributors in the UK could not freely choose to buy Parker products at better prices available elsewhere, nor could they compete against Parker because the prices at which Parker sold to its subsidiaries were not available to them. Viho believed that the proposed merger would strengthen Parker's already leading position within the European pen market and would ultimately result in increased prices for Parker and Gillette brands within the UK and other member states' markets. Viho concluded that the proposed merger would not be in the public interest.

Other wholesalers

5.109. Six other wholesalers completed and returned our questionnaire requests. Amongst these wholesalers, brand name was agreed to be the most important factor determining their choice of supplier, followed by quality and price. Five of the wholesalers said that they had a reasonably wide choice of supplier in all categories of refillable writing instruments, though another said that there was an insufficient choice of low-cost unbranded ball point refills. Asked whether the proposed merger was likely to have any adverse effect on choice, product availability and price in the refillable pen market, three wholesalers said that it would not. One of these wholesalers said that on an international scale there were alternative brands and it believed that Gillette management would continue to differentiate between Parker and Paper Mate brands. The other three wholesalers disagreed: two did not expand on their answers, but one said that the merger would restrict freedom of choice and could adversely effect terms to wholesalers. One of these three also added that Gillette had a habit of spoiling the companies it acquired, Waterman had lost much of its up-market glow and it would not want the same to happen to Parker.

Retail associations

British Promotional Merchandise Association

5.110. British Promotional Merchandise Association (BPMA) represents just under 800 companies involved in the business-to-business promotions market. BPMA's journal *Promotions News* lists some 280 products offered by its members ranging from address books to wines and spirits. Writing instruments are offered by a significant number of members: about 110 offer ball point pens, 30 felt- or fibre-tip pens, 30 fountain pens and 10 tailor-made pens. Most of these products would be overprinted with the client's name or personalized in some way.

5.111. BPMA told us that most of the writing instruments its members offered in their catalogues were disposables or low-priced refillable pens. Members had a number of pen suppliers to choose from; all offered discounts off their retail price lists. BPMA said that the Parker brand had a very high perceived value within the market-place: some of its members were major Parker customers. Members were not, however, able to undercut the prices Parker charged to business clients who dealt direct with the company through its own in-house gift sales operation.

5.112. BPMA said that its members had no concerns about the merger and its effect on their future supplies. Most of its members' business with Gillette and Parker was compartmentalized, with Waterman at the top end, Parker in the middle and Paper Mate at the bottom; it did not see this situation changing as a result of the merger.