

The reference and conduct of the inquiry

1. On 19 November 1992 the Director General of Fair Trading sent to the MMC the following reference:

The Director General of Fair Trading in exercise of his powers under sections 47(1), 49(1) and 50(1) of the Fair Trading Act 1973 hereby refers to the Monopolies and Mergers Commission the matter of the existence or the possible existence of a monopoly situation in relation to the supply in the United Kingdom for retail sale of fine fragrances.

The Commission shall investigate and report on the questions whether a monopoly situation exists and if so

- (a) by virtue of which provisions of sections 6 to 8 of the said Act that monopoly situation is taken to exist;
- (b) in favour of what person or persons that monopoly situation exists;
- (c) whether any steps (by way of uncompetitive practices or otherwise) are being taken by that person or persons for the purpose of exploiting or maintaining the monopoly situation and if so by what uncompetitive practices or in what other way;
- (d) whether any action or omission on the part of that person or persons is attributable to the existence of that monopoly situation and if so what action or omission and in what way it is so attributable; and
- (e) whether any facts found by the Commission in pursuance of their investigations under the preceding provisions of this paragraph operate or may be expected to operate against the public interest.

For the purpose of this reference:

'fine fragrances' means perfumes (otherwise known as concentrates), eaux de parfum, eaux de toilette, eaux de cologne and after-shave lotions which are supplied to retailers at a resale price exceeding £15 per 50 millilitres;

'resale price' has the meaning given to it by section 11(2) of the Resale Prices Act 1976; and

where a container of perfume, eau de parfum, eau de toilette, eau de cologne or after-shave lotion which if supplied alone would be supplied to retailers at a resale price exceeding £15 per 50 millilitres is supplied in combination with any other goods at an inclusive resale price for the container and those goods, the inclusive resale price of the container and those goods is to be treated as the resale price of the container.

The Commission shall report upon this reference within a period of nine months from the date hereof.

19 November 1992

(signed) BRYAN CARSBURG
Director General of Fair Trading

2. The questions in the reference are answered in the following paragraphs of the report:

whether a monopoly situation exists: paragraphs 8.16 and 8.32.

- (a) paragraph 8.32;
- (b) paragraph 8.33;
- (c) paragraphs 8.63, 8.118, 8.125, 8.175;

(d) paragraph 8.186; and

(e) paragraph 8.186.

3. The composition of the group of members responsible for the present investigation and report is indicated in the list of members which prefaces this report.

4. Notices inviting interested parties to submit evidence to the MMC were placed in the *Financial Times*, *Chemist & Druggist* and *Beauty Counter*. In addition we sought information and views from suppliers and retailers of fine fragrances, trade associations and consumer bodies. Written evidence received from these parties is summarized in Chapters 6 and 7. We held 25 hearings of which 12 were with suppliers, nine were with retailers (including two with Superdrug Stores PLC), three were with publishers and one with a public relations consultancy. We commissioned two surveys: the first, a field survey of fine fragrance retail outlets by Verdict Research Limited; the second, a postal survey of smaller retailers by Research International Limited. Details of these surveys are given in Chapter 4.

5. Members and staff of the MMC visited Parfums Givenchy Limited's offices at Hersham, the fragrance manufacturing plant of Avon Cosmetics Ltd (which supplies Giorgio Beverly Hills Incorporated) at Northampton and the John Lewis Partnership's Peter Jones store in Sloane Square, London SW1.

6. Some of the evidence received during the course of our inquiry was of a commercially confidential nature and our report contains only such information as we consider necessary for a proper understanding of our conclusions.

7. We thank all those who helped with our inquiry, particularly the companies principally involved.