

RECKITT BENCKISER/K-Y BRAND MERGER INQUIRY

Summary of hearings with Boots

Summary of hearings on 24 February and 17 March 2015

The proposed merger

1. Boots said it did not have concerns about the proposed merger between Durex personal lubricants (owned by Reckitt Benckiser (RB)) and K-Y jelly (owned by Johnson & Johnson (J&J)). [✂]
2. Boots said the merger could result in a small shift within the personal lubricants sub-category of the sexual health category, but not in this overall category. [✂]

Boots' negotiations with RB and J&J

3. Boots said it treated RB and J&J independently when negotiating on prices for personal lubricants as Durex personal lubricants and K-Y jelly served different customer needs.
4. Boots said it had its own personal lubricant products which were alternatives to K-Y jelly. [✂]
5. Boots said that vaginal moisturisers were different products to personal lubricants and it segmented vaginal moisturisers separately from personal lubricants.
6. [✂]
7. Boots said it was difficult to determine how it would respond to a hypothetical situation where the Durex and K-Y brands had merged and RB had proposed a cost price increase.
8. [✂]

RB's cost price increases for Durex personal lubricants

9. Boots said it could not comment on the evolution of RB's proposed cost prices for Durex personal lubricants over the last three years. [✂]

10. Boots said that two years ago RB increased the size of Durex personal lubricant bottles so the cost price per millilitre increased. [✂]
11. Boots said it did not know the impact on sales of the change in price following the increase in the bottle size for Durex personal lubricants. [✂]
12. [✂]
13. [✂]
14. [✂]
15. [✂]
16. [✂]
17. [✂]
18. Boots said that there were always other suppliers asking to sell their personal lubricants in its shops. Boots said it was talking to other suppliers all the time.
19. [✂]
20. [✂]
21. [✂]
22. [✂]
23. [✂]

Closeness of competition between own-label personal lubricants and Durex and K-Y

24. Boots said it used its own label personal lubricants as part of a strategy to offer better-value alternatives where there was a commercial reason to do so. [✂]
25. Boots said that the closest competitor to Durex and K-Y personal lubricants was its own-label products.
26. Boots said that for K-Y jelly there were some smaller competing brands, but in terms of scale the closest brand to K-Y jelly was its own label products. [✂]
27. Boots said it could not say whether it had expanded its shelf space for personal lubricants or de-listed some products when it had introduced its own-label personal lubricants.

Promotions

28. [✂]
29. [✂]
30. [✂]
31. Boots said it typically ran the same promotion across all its outlets for any product. Boots said it would not introduce personal lubricant products simply for promotional purposes because it was not commercially worthwhile.

Stocking other brands of personal lubricants

32. [✂]
33. [✂]
34. Boots said it stocked Swoon and Woohoo personal lubricants to fill gaps in the personal lubricant market. Boots said these brands were positioned at the premium end of the range rather than the mass market. Boots said that Durex and K-Y personal lubricants were mass market products.
35. Boots said that when it introduced Swoon and Woohoo personal lubricants in its stores, it did not replace any Durex, K-Y products or own-label personal lubricant products. [✂]

Planned purchases versus impulse purchases

36. Boots said it thought customers planned purchases of personal lubricants because personal lubricants were not a fully mainstream product, unlike condoms. [✂]

Competition between sales channels

37. Boots said it monitored prices for other retailers and online retailers, [✂]
38. Boots said it did not have a view on the potential impact of the merger on independent pharmacies.
39. Boots said that there was a growing trend for customers to switch from buying products in 'bricks and mortar' retailers to online. [✂]
40. [✂]

Counterfactual

41. [REDACTED]
42. Boots said that if there were proposals to introduce more K-Y products in the pleasure enhancement category of personal lubricants, it would consider these proposals. Boots said whether or not it stocked any such products would depend on the terms of the offering and the support and backing that would be provided.
43. Boots said that generally there was no set formula for whether or not it introduced new products on its shelves. Boots said its broad criteria for considering stocking any new products included what customer needs would be served, if the product was unique, and how the customer would know the product existed. [REDACTED]
44. Boots said it was approached on a regular basis by companies wanting to supply it with other personal lubricants. Boots said these offerings were usually declined because the proposed brand positioning did not suit its requirements.

Summary of hearing on 13 April 2015

45. Boots said its buyer covering the personal lubricants category had been in the role for 18 months.
46. Boots said RB's changed Durex personal lubricant products, with smaller bottles and improved formulation, [REDACTED] had been on the shelves for two weeks.
47. [REDACTED]
48. [REDACTED]
49. Boots said [REDACTED] supplying Ansell's personal lubricants fitted with a premium brand proposition.
50. [REDACTED] Boots said it also sold Durex's Embrace personal lubricant product.
51. [REDACTED]
52. [REDACTED]
53. Boots said it stocked more personal lubricants than supermarkets because it had more shelf space. Boots said it also stocked more personal lubricants than supermarkets because it was a specialist in health and beauty products.

- 54. [✂]
- 55. [✂]
- 56. [✂]
- 57. Boots said it had followed its usual process in negotiating with RB over the changes in Durex personal lubricant products. [✂]
- 58. [✂]
- 59. [✂]
- 60. [✂]
- 61. [✂]
- 62. [✂]