

## **RECKITT BENCKISER/K-Y BRAND MERGER INQUIRY**

### **Summary of response hearing with Tesco on 11 June 2015**

#### **Views on the CMA's provisional findings and possible remedies**

1. Tesco had no particular comments on the CMA's provisional findings and possible remedies.

#### **Impact of change in the size of Durex personal lubricant bottles**

2. Tesco had started selling the new 50ml Durex personal lubricant bottles in its stores on 13 April 2015. [✂]
3. Tesco had set the retail price for the new Durex products. RB had recommended a retail price but Tesco had made a decision on price based on lots of factors.
4. [✂]
5. [✂]
6. [✂]

#### **Prohibition of the merger**

7. Tesco said if J&J was left with just the K-Y brand in the UK, it might not have an incentive to compete hard in the personal lubricants market.

#### **Divestment of the K-Y brand**

8. Tesco said the K-Y brand had a huge amount of saleability, but it was difficult to see who would buy it. [✂]. Tesco said that some existing manufacturers of personal lubricants might buy the K-Y brand, such as Ansell, but it might not fit with their existing brand because K-Y was more medical. It seemed more likely that an existing supplier would buy the K-Y brand than a retailer.
9. Tesco said if the K-Y brand was bought by one of its existing suppliers, this would be a workable solution. Tesco would already have a relationship with that supplier, and it would not change its number of suppliers.

10. Tesco did not see a huge amount of potential to develop the K-Y brand because it had a very loyal customer base. The K-Y brand was more of a medical product so there might not be much scope to expand it to other areas.
11. Tesco did not know what would need to be included in any divestment package beyond the K-Y brand. Tesco would just deal with the people that owned the brand. Tesco said there could be a risk of 'grey' imports of K-Y, but [redacted]. Tesco would want to be free to source products as it chose.

### **Licensing of the K-Y brand**

12. Tesco thought licensing the K-Y brand to a third party could add a level of complexity [redacted].
13. Tesco said any licence should not be for fewer than three years to ensure there was investment in the K-Y brand. [redacted]. Tesco said its key issue would be maintaining supply of the product.
14. Tesco said the scope for a licensee to supply it with another product after the licence for the K-Y brand finished would depend on the situation. Stocking this other product would need to be the right thing to do for the customer and worth putting on its shelves. [redacted]

### **Behavioural remedies**

15. Tesco did not think price caps were easy to enforce.