

RECKITT BENCKISER/K-Y BRAND MERGER INQUIRY

Summary of response hearings with Ansell

Summary of response hearing on 10 June 2015

Views on the CMA's provisional findings

1. Ansell said in its opinion the provisional findings were correct.
2. Ansell said in its opinion the most appropriate remedial action was either divestment of the K-Y business in the UK or licensing rather than prohibition of the merger. [REDACTED]

Sales of Ansell personal lubricants in Boots and other retailers

3. Ansell said Boots had started selling its two personal lubricant products in March 2015. Overall sales of these products [REDACTED]
4. Ansell said, on average, sales of personal lubricants accounted for around [REDACTED] of total condom and personal lubricant sales in the UK. [REDACTED] in Boots, sales of Ansell personal lubricants had accounted for [REDACTED] of total sales without promotion.
5. Ansell said it had run [REDACTED] promotions in Boots whereby customers could buy [REDACTED] for a reduced price. Ansell had also run [REDACTED] the personal lubricants, [REDACTED].
6. Ansell wanted to expand distribution of its personal lubricants [REDACTED].
7. Ansell said its personal lubricants were also on sale in [REDACTED] Superdrug stores [REDACTED]
8. [REDACTED]
9. [REDACTED]

Prohibition of the merger

10. Ansell said that if J&J retained the K-Y brand in the UK, it may have less reason to support the K-Y brand. J&J would only control the brand in one market and might decide to reduce the two K-Y products to one. This could

be detrimental to consumers and may be beneficial to RB because it could attract more customers.

11. Ansell said in its opinion the K-Y brand had not changed much in recent years. About five or six years ago, J&J attempted to introduce a fun element to the K-Y products but this was not successful in Ansell's opinion. Another manufacturer [✂] could potentially reinvigorate the K-Y brand by making changes to the packaging or range. The K-Y brand had a strong heritage and was widely known by consumers.
12. [✂]

Divestment of the K-Y brand

13. Ansell said in its opinion divestment of the K-Y brand could be a good solution. The right third party could continue the brand and possibly expand it.
14. Ansell said in its opinion the buyer of the K-Y brand was important. The purchaser needed to be someone who planned to do something with the K-Y brand in the UK otherwise there could be challenges, especially because RB would be controlling the K-Y brand in other territories.
15. Ansell said [✂] K-Y was a sizeable brand with global recognition.
16. Ansell said in its opinion many elements would need to be covered to make any divestment effective for any interested parties. [✂]
17. Ansell said in its opinion, [✂], it would be necessary to have an agreement in place to prevent 'grey' imports of K-Y flooding the UK market. [✂]
18. [✂]

Licensing of the K-Y brand

19. [✂]
20. [✂]
21. [✂]
22. Ansell said in its opinion that if the K-Y brand was licensed, this might not address the lessening of competition for the consumer. [✂]
23. [✂]

Behavioural remedies

24. Ansell said in its opinion, behavioural remedies such as a price cap are unlikely to be effective. It is likely would be difficult to police any price caps over the long-term. A remedy was needed that solved the problem rather than potentially creating an ongoing issue.

Impact of remedies on customers

25. Ansell said it thought grocery retailers and pharmacists would not mind about the type of remedy as long as there was business continuity.
26. Ansell said the different types of remedies could have different impacts on consumers. [✂]

Any benefits from the proposed merger

27. [✂]

Summary of response hearing on 7 July 2015

28. [✂]
29. [✂]
30. [✂] Ansell said that in a fast moving consumer goods environment there could be leakage across borders in terms of importing and exporting, and it would take effort to police and monitor any warranties. [✂]
31. [✂]
32. [✂]
33. [✂]
34. Ansell said it was difficult to know who would be interested in a short-term licence for the K-Y brand in the UK. Ansell said [✂]. Ansell said [✂] licence may be an interesting proposition for a few players in the UK market because of the strength of the K-Y brand.
35. Ansell said in its opinion that any licensee for the K-Y brand in the UK might need to invest in research and promotional activity. They might also need to invest in product innovation.
36. [✂]

37. [✂]
38. Ansell said in its opinion K-Y had an extremely high brand awareness and acceptance. Ansell said [✂] on the grounds that KY may be perceived to be more reliable and effective.
39. Ansell said in its opinion it expected retailers and national pharmacy chains would not be concerned about a licensing arrangement providing availability of K-Y and the existing trading terms were maintained.
40. [✂]
41. [✂]
42. [✂]
43. [✂]
44. Ansell said in its opinion there were potential licensees with experience in the sexual wellness market who already supplied the NHS and had the necessary infrastructure. [✂]
45. Ansell said in its opinion it would be very difficult to police any behavioural remedy such as a price cap. Ansell said there could be issues about the price at the end of the period of the price cap and low levels of K-Y stock during the period. Ansell said the CMA would likely have to police both the price and stocking levels which could be challenging. [✂] A price cap could effectively freeze the market and inhibit innovation.