

## OnLine Case 4.2

### Schick versus Gillette

Gillette is a well-known brand, recognised around the world for its shaving products. Its main rival in America is Schick, which trades in the UK as Wilkinson Sword, a company it acquired some years ago.

The Chairman of Gillette is Warren Buffett, one of the world's richest men and known as the 'Sage of Omaha' for his astute shareholdings in a wide range of businesses through his investment company Berkshire Hathaway. Coca-Cola is one company in which he has a substantial holding. Buffett championed the appointment of a new CEO in 2001 – Jim Kitts, who had built his reputation with Kraft Foods/Nabisco. Between 1996 and 2001 Gillette had experienced five years of stagnating revenues and profits; Kitts was able to restore growth and profitability almost immediately.

He strengthened the company's working capital by better debt collection and tighter inventory controls. He championed the launch of the Mach 3 razor, which utilised 3 blades carefully positioned to produce a truly close shave. Gillette also introduced a range of battery-operated toothbrushes. He appeared to be able to reinvigorate brands and exert financial control at the same time. He was a proactive marketer, whereas Gillette had become somewhat reactive with an 'if you build it, they will come' approach to new product marketing. The company had become sleepy. In part this had resulted from Gillette enjoying a reputation for superior technology with its products and being able to charge relatively high prices. It had also acquired Duracell, manufacturer of high-quality premium price batteries. However, superior quality razors and superior quality batteries require a different approach to marketing. Customers are clearly willing to pay premium prices for superior quality razors; they are more resistant and price conscious when it comes to replacement batteries.

In 2002, the Mach 3 generated revenues in excess of \$2 billion. Schick (which also markets Energizer batteries) launched a competitive product in 2003. Its Quattro razor uses 4 blades. Both razors position the blades sequentially closer to the skin such that each one gives a closer shave. Gillette has claimed its patent has been infringed because it is about positioning principles and not about the actual number of blades. Schick has countered by querying why Gillette then opted for three and not four blades.

In 2005, Proctor and Gamble purchased Gillette and it is now known internally as "Global Gillette" In 2006 Gillette launched the 5 blade razor and also the "Fusion Power" battery operated razor for men and for women the "Venus Embrace" the same concept as the male razor.

**questions:** How important is technological innovation as a competitive platform? Can and should any company ever rely on patent protection as a competitive weapon? If you were involved in product development at either of these businesses, what do you think the next development might be? Will it continue to be incremental or might something more revolutionary be feasible?