Gillette and Dollar Shave Case
The Razor Blade Industry Gets Cut

King Gillette introduced the first safety razor in 1901. Since that time, the company bearing his name has grown to dominate the $3 billion global shaving market. Gillette’s business model is relatively simple: it sells cheap razors and expensive replacement cartridges. This business model is backed by slick marketing campaigns and continual innovation in razor and cartridge design and functionality. Gillette, now part of consumer goods giant Procter & Gamble, controls 70% of the global razor market, with an estimated brand value of $20 billion.

Over the past two years, a new competitor has challenged Gillette’s dominance in the North American razor market. Founded in 2013, Dollar Shave Club offers customers a subscription-based razor and cartridge replenishment service. Customers select one of three price levels and Dollar Shave Club sends new cartridges to their home each month. Although a consumer could opt to pay up to $9 dollars a month for a total of 48 cartridges and one razor per year, most consumers choose the $6 per month price option. This results in savings over comparable store-brought shaving products of 30 to 60 percent. Customers receive cheaper razors that do the job without leaving home to buy them.

Dollar Shave Club has already surpassed Schick as holding the second largest market share in the U.S. for razors. Further, it controls 54 percent of the online shaving market, compared to Gillette’s 21 percent. The company boasts 2.2 million members and had an estimated revenue of over $140 million in 2015.

The founders of Dollar Shave Club identified a value vacancy in the razor blade market: a sector dominated by expensive, over-engineered, and over-marketed products that were a hassle to purchase. They hypothesized that most men would be satisfied with reasonably-priced, ‘good enough’ products that they did not have to go out and buy. As a consequence, the company was built around the concepts of affordability, convenience, and fun. By sourcing products from overseas partners, and empowering their employees to focus on service, fulfillment, and product development, the company met these objectives.

Another distinction of Dollar Shave Club is its innovative approach to marketing campaigns. Instead of relying on TV advertising and celebrities to sell their razor systems, the
company utilizes social and online media such as YouTube and Facebook to connect with consumers. This allows for a direct and cost effective approach to customer engagement.

Gillette grew by providing heavily discounted, long-lasting razors and then selling highly marked-up replacement cartridges. Dollar Shave Club is in the process of transforming this business model, by better aligning its products and services to the needs of consumers.

Questions:

1. If you were Dollar Shave Club, what would you do next? Consider value drivers, business models, and strategic responses.
2. If you were Gillette, what would you do next? Consider value drivers, business models, and strategic responses.