

GOODBYE, MOTHER GILLETTE

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The Gillette–Duracell Acquisition

Gillette Leadership at the Time of the Deal

Alfred M. Zeien — Chairman of the Board and Chief Executive Officer — was the man who earned the complete trust of Warren Buffett, the largest shareholder of Berkshire Hathaway, the investment company from Nebraska.

For many years, Zeien prospered. Revenue grew. Profits grew. Shareholders were rewarded.

His Gillette Man style filled every room, every office, every moment of our working lives. At that time we were nearly 25,000 employees, direct and indirect.

Values, family, mission, leadership style, education, and the belief that the individual came before profit were not simply words on a wall. They were part of the company's culture.

The reward was visible.

Gillette stock often began the year trading around twenty to twenty-five dollars and frequently finished twelve months later between fifty-five and sixty.

Those were the glory years.

The company was profitable, and from the warehouse employee to the Chairman, people were proud to belong.

Then came succession.

Michael C. Hawley, Zeien's number two, eventually became CEO after Zeien completed his mandate.

It was Hawley who coordinated the acquisition of Duracell, announced on September 12, 1996, and completed on December 30 of the same year.

Hawley believed batteries were a high value-added business.

He saw products whose distribution costs represented only a small portion of the final selling price.

He believed the battery business could generate margins similar to those of razor blades.

What he never fully realized, in my opinion, was that batteries were ultimately a manufacturing business. Nothing more.

At the time of the transaction, Gillette was worth approximately $8.8 billion, while Duracell was valued at roughly $2.1 billion.

Yet nobody seemed willing to study the market that would eventually create the problems that followed.

After the merger, the combined company generated approximately $10.9 billion in annual revenue.

On the Duracell side, the Chairman and CEO was Charles R. Perrin.

Shortly after the acquisition was completed, Perrin left the company before the final management structure was fully defined.

One of those unwritten agreements that always seem to exist in large corporate transactions was already in motion.

Everyone had to find a place.

Nobody could be removed too quickly.

Everyone needed a seat.

Hawley respected that understanding.

But he also made the decision that, in my view, became the turning point.

He removed the traditional Gillette leadership structure and promoted executives coming from Oral-B and Braun.

The engineers arrived.

And very quickly it became clear how differently they viewed the business.

They had built the famous claim:

“Duracell lasts up to five times longer.”

What consumers rarely understood was that this was not an absolute truth across the entire category.

The message was built around evolving battery technologies.

The market moved from basic and inexpensive solutions toward alkaline technology, which was positioned as more reliable and longer lasting.

Then came the familiar segmentation strategy.

First Plus.

Then Ultra.

More tiers.

More positioning.

More prices.

These managers talked endlessly about visibility, secondary placement, and multi-location displays.

They had learned a simple lesson:

A product with a replacement cycle must be sold quickly.

The fastest way to accelerate sell-out is to place the product everywhere the consumer turns their head.

Permanent floor displays became the rule.

The objective was clear:

Make consumers collide with the brand.

Again and again.

And again.

What remains difficult for me to forget is that a business generating only a fraction of Gillette’s revenue eventually came to dominate the organization.

And, in my view, to dismantle much of what had made Gillette unique.

After that, it became easier to understand why Warren Buffett eventually accepted the sale of Gillette to Procter & Gamble.

P&G had already attempted to acquire Gillette in previous years.

One of those attempts had been openly hostile.

The first approaches had been rejected.

The final one succeeded.

What was lost was not the products.

What was lost was the culture.

The identity.

The relationship between the company and its customers.

New systems were imposed.

Billing platforms were changed.

Logistics programs failed to communicate properly.

Customer service suffered.

For nearly a year, disruption became part of daily life.

And that, for me, is where the story ended.

The products survived.

The brands survived.

But something else did not.

The heart of Gillette changed.

Goodbye, Mother Gillette.

Ferdinando

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