Razor and Blade Business Model

Idea In Short

The razor and blade model prices a durable product low, sometimes below cost, then earns its margin on the consumable a customer must keep buying. Gillette popularized the approach in the early 1900s, though historians note the company's own early pricing sat closer to premium than to giveaway; the cheap-razor tactic only took hold once Gillette's patents expired and rivals undercut it. The logic still shapes categories far from shaving. Printer cartridges, coffee capsules, game consoles and e-readers all lean on a similar split between an accessible entry product and a recurring purchase. The model rewards patent protection, brand loyalty and genuine product advantage. It also invites disruption the moment a challenger convinces buyers the consumable markup no longer matches the value received.

What the razor and blade model means

The razor and blade model splits a purchase into two parts. A company sells the durable component, the razor, at a price close to cost or even below it, then earns its return from a consumable component, the blade, that the customer has to replace again and again. The core product works as an entry point rather than a profit center; the real margin sits in the recurring item that only fits the original device. This structure pays off only when the recurring product is hard to substitute, whether through patents, proprietary shapes or a genuine performance edge. Consultants often call it the bait and hook approach, since the low-cost item pulls the customer in and the ongoing purchase keeps them there.

Origins in Gillette's shaving business

King Camp Gillette founded the company that carries his name in 1901, after picturing a thin, disposable blade that could be manufactured cheaply and swapped out rather than sharpened.[1] The popular version of the story holds that Gillette practically gave away the razor handle and made his money on blades, but the record is messier than the legend.

Razors were expensive when Gillette first sold them, and prices fell only once his core patents expired in the 1920s, opening the category to competitors who undercut his original pricing. Those later entrants, more than Gillette itself, established the cheap-handle, costly-blade pattern that now carries the company's name.2 Procter & Gamble bought Gillette in 2005 for 57 billion dollars and has kept the same basic structure in place since.

Why the economics depend on lock-in

The model only works when switching away from the consumable costs the customer something, whether in money, convenience or habit. A patent on the blade shape or the capsule mechanism blocks direct copies for a fixed period, giving the manufacturer years of protected repeat revenue before generic alternatives can enter. Once that protection lapses, the same economics that built the business start working against it, because any competitor can now sell a compatible consumable at a lower price. Brand trust and genuine product quality extend the advantage past patent expiration, but they need constant reinforcement through marketing spend and visible innovation. Without that reinforcement, customers treat the consumable as a commodity and buy whichever version costs less.

The pattern beyond shaving

Video game makers use a close variant of the same idea. Sony and Microsoft have historically sold consoles near or below manufacturing cost, then recovered margin through game licensing fees, subscription services and digital storefront sales. Printer manufacturers apply an even sharper version, pricing hardware low while cartridges carry markups that would look extreme in almost any other category. Coffee machine makers built entire capsule ecosystems on the same premise, and Amazon prices its Kindle devices to encourage e-book purchases rather than to profit from the hardware itself.3 Each version depends on the same condition Gillette relied on: once a customer owns the core device, buying the matching consumable becomes the easiest choice available.

Where the model breaks down

The clearest threat to a razor and blade strategy is a competitor willing to sell the consumable alone, at a steep discount, and convince customers the switch costs nothing. Dollar Shave Club did exactly that in 2012, building a subscription business around blades priced well below Gillette's cartridges and shipped directly to customers' homes.4 The company built a loyal subscriber base quickly, and Unilever bought it for a billion dollars within four years of launch. Harry's followed a similar playbook shortly after. Both challengers showed that once patents age out and direct-to-consumer shipping becomes cheap, the incumbent's low-price razor stops being a moat and starts looking like an invitation for anyone with a cheaper blade and a good marketing video.

Gillette today, a model under pressure

Gillette's United States razor market share fell from around 70 percent in 2010 toward 50 percent by the end of that decade, as subscription challengers and a broader cultural shift toward beards cut into shaving frequency.5 P&G responded by cutting Gillette blade prices, launching its own subscription service and expanding into beard care and sensitive-skin lines rather than abandoning the underlying model. Gillette's shaving business has since posted its strongest sales growth in years, helped by demand for electric shavers and new premium product lines.6

> Every empire comes to an end, eventually, but the ones that are run thoughtfully and with foresight can still reign for quite a long time

That closing line from a Boston Globe profile of Gillette's leadership captures the model's real condition today: durable, but no longer automatic.

Key Partners

Gillette depends on suppliers of steel, plastics and other raw materials that feed its blade manufacturing lines. Retail chains and drugstores remain central partners for shelf space and in-store promotion, alongside e-commerce platforms for direct fulfillment. As a Procter & Gamble brand, Gillette also draws on shared corporate research, supply chain and marketing infrastructure rather than building every function alone. Media and sports sponsorship partners extend the brand's reach into new audiences each year.

Key Activities

Blade research and engineering sit at the center of Gillette's operation, since each new cartridge generation needs to justify its price over the last one. Manufacturing at global scale keeps unit costs low enough to support inexpensive razor handles. Continuous brand marketing, including sponsorships and advertising campaigns, keeps Gillette top of mind against cheaper subscription rivals.

Key Resources

Patents covering blade geometry and cartridge mechanisms give Gillette temporary protection against direct copies. The Gillette brand itself, built over more than a century, carries enough trust that customers default to it without much active consideration. A global network of factories and distribution centers lets the company supply retailers in dozens of countries at consistent quality.

Value Propositions

Gillette offers razor handles priced low enough to remove any real barrier to trying the brand. In exchange, it promises a consistent, close shave that holds up across skin types and hair textures. Cartridges are compatible across several product generations, so customers rarely need to replace the handle itself. The brand's long track record and steady stream of incremental innovation, from multi-blade cartridges to heated razors, reinforce the sense that Gillette is worth the price premium on blades.

Customer Relationships

Gillette maintains most of its customer relationships through retail self-service, where shoppers pick up cartridges alongside their regular groceries or pharmacy purchases. A direct subscription service, launched after Dollar Shave Club's success made the format unavoidable, now delivers cartridges on a recurring schedule to customers who prefer not to shop for them. Ongoing advertising and sponsorship activity sustains brand loyalty between purchases.

Channels

Supermarkets, drugstores and mass retailers remain Gillette's primary sales channel, given how often razors and blades are purchased alongside other household goods. Gillette.com and its subscription program provide a direct channel that bypasses retail markup and captures customer data. Wholesale distribution and travel retail extend the brand into markets and settings outside conventional stores.

Customer Segments

The core segment remains mass-market male shavers who want a reliable, moderately priced routine. Gillette also serves a distinct segment through its Venus line, aimed at women's grooming needs. A sensitive-skin segment has grown alongside dedicated product lines addressing irritation and razor bumps. Beard grooming customers, served through the King C. Gillette range, represent a newer segment built around trimming and maintenance rather than daily shaving.

Cost Structure

Research and development, including patent filings and occasional litigation against rivals like Shavelogic, make up a significant share of Gillette's cost base. Manufacturing at scale and sustained advertising spend, including sports sponsorships and celebrity endorsements, account for most of the remaining cost structure.

Revenue Streams

Recurring blade cartridge sales generate the bulk of Gillette's profit, since customers return for replacements every few weeks regardless of what they paid for the handle. Razor handle sales, along with shaving gels, electric shavers and beard care products, round out the revenue base and give the company multiple entry points into a customer's grooming routine.

- 1King C. Gillette Founding And Patent History
- 2Gillette Company History And Global Expansion
- 3Gillette And Procter & Gamble Company Overview
- 4Dollar Shave Club And The Razor And Blade Model
- 5Beards Are Back, Bad News For Gillette
- 6Gillette Faces New Challenges In The Razor Wars

Summary

Gillette remains the clearest reference point for this model, not because its founder invented the tactic exactly as legend describes, but because Procter & Gamble has spent more than a century refining it into a global grooming franchise. The brand's United States market share slid from roughly 70 percent toward 50 percent over the 2010s as Dollar Shave Club, Harry's and other subscription challengers offered lower prices and home delivery. P&G answered with its own subscription service, price cuts and new product lines rather than abandoning the underlying structure. That response carries the real lesson for executives running a similar model: pricing a core product low only works alongside continuous investment in the consumable's perceived value, defensible patents and a distribution relationship that keeps customers from drifting to a cheaper blade.