Gillette's Razor-And-Blade Playbook

Idea In Short

Gillette invented a pricing trick that outlived the century it was born in: sell the razor near cost, then earn back the margin on blades customers keep buying for years. King Camp Gillette built that model into a company Procter & Gamble bought for $57 billion in 2005 and it still anchors Gillette's business today. The model has come under real pressure since 2012, when Dollar Shave Club and Harry's used direct-to-consumer subscriptions to undercut Gillette's shelf prices, pulling its US razor share down from roughly 70% to closer to half the market within a few years. Gillette answered with its own subscription service, price cuts and continued investment in blade technology, but the razor-and-blade model now competes against companies that borrowed the same logic and applied it without Gillette's retail markup.

A Traveling Salesman's Idea

King Camp Gillette lost his family's possessions in the 1871 Chicago fire and spent years afterward as a traveling hardware salesman before he settled on the idea of a disposable blade in 1895. He lacked the metallurgy background to build it himself and it took six years working with MIT-trained chemist William Nickerson to develop a way to mass-produce a thin steel blade cheaply enough to throw away after use.[1] Gillette founded the Gillette Safety Razor Company in 1901 and began selling razors with disposable blades in 1903, a slow start that turned into 90,000 razors and more than 12 million blades sold by the end of 1904.

Selling the Razor at a Loss

Gillette's central insight was to sell the razor itself near cost, or even at a loss and recover the margin through repeated blade purchases a customer would need for years. World War I accelerated the strategy: the US armed forces issued Gillette safety razors to soldiers and roughly 3.5 million razors and 32 million blades reached the military by the war's end, introducing an entire generation of men to the brand at government expense.

Gillette didn't invent shaving. It invented the reason customers kept coming back

That reason was the blade, not the razor and the company patented and re-patented blade designs for decades to keep competitors from copying the part that actually generated profit.

Building a Century of Brand Dominance

Gillette expanded into London by 1905 and had manufacturing plants in Paris, Montreal, Berlin and Leicester within four years, with foreign sales already accounting for roughly 30% of revenue by 1923. The company kept releasing new razor generations to reset the upgrade cycle, from the Super Speed in 1947 through the Sensor, Mach3, Fusion and Venus lines, each designed to justify a new blade-cartridge format that older cartridges could not fit. That pattern, releasing hardware that only works with newly patented consumables, let Gillette control pricing on both sides of the transaction for most of the 20th century.

The P&G Acquisition

Procter & Gamble acquired Gillette on January 28, 2005, in a stock deal valued at $57 billion, combining P&G's household and personal care distribution strength with Gillette's grooming and oral care brands, including Oral-B and Braun.2 The deal gave P&G a men's grooming category it had largely lacked and gave Gillette access to P&G's global retail relationships and marketing budget, which the standalone company could not have matched. Gillette has operated as a P&G brand within the company's Grooming segment since the acquisition closed, rather than as an independently reported business.

The Subscription Challenge

Dollar Shave Club launched in 2011 on the strength of a low-budget viral video that mocked the cost and complexity of buying razors in a drugstore and it built a mail-order subscription model that undercut Gillette's retail pricing directly. Harry's followed in 2012 with a similar direct-to-consumer approach and the two companies combined held more than 12% of the US market by 2017, up from about 7% two years earlier.3 Unilever bought Dollar Shave Club for $1 billion in 2016, validating the subscription model as more than a marketing stunt and adding a well-funded parent company to Gillette's list of competitors.

Cutting Prices to Defend Share

Gillette's US razor market share fell from around 70% to closer to 54% within about five years as the subscription upstarts and store brands like Costco's Kirkland took shelf space.4 P&G responded by cutting Gillette prices by as much as 20% in some markets, the first broad price reduction in the brand's history and launched Gillette on Demand, a subscription and text-to-reorder service designed to compete directly with the mail-order model that had eaten into its share. The company also recorded a $1.3 billion impairment charge on Gillette's book value in 2023, with total charges projected up to $2.5 billion over two fiscal years, reflecting how much the brand's estimated worth had declined since the subscription challengers emerged.5

Holding Ground Through Diversification

Gillette today sits inside P&G's Grooming segment alongside Braun and Venus, a segment that generated $6.66 billion in net sales in fiscal 2025 with a segment margin near 24%.6 The brand still holds roughly 45% of the global razor market despite the erosion in the United States, supported by international sales in more than 200 countries and continued investment in blade technology rather than a retreat from research and development. Gillette's strategy going forward leans on the parts of the razor-and-blade model that newer entrants have not replicated at scale:

> global manufacturing reach, retail shelf presence and decades of brand recognition that a mail-order subscription cannot buy overnight

Key Partners

Gillette relies on major retailers such as Walmart and Target to keep its products stocked and visible on shelves, a distribution advantage that direct-to-consumer competitors lack. Advertising agencies and sports sponsorships, including longstanding ties to professional athletes, help maintain brand recognition built up over decades. Research institutions and universities support Gillette's blade technology and materials science work, while e-commerce platforms extend the brand's reach beyond physical retail. Contract manufacturers and raw material suppliers round out a partner network built for scale rather than speed.

Key Activities

Product research and development remains central to Gillette's business, since each new blade generation needs a genuine technical improvement to justify a price premium over the last one. Marketing and advertising activities, from television campaigns to sports sponsorships, work to keep Gillette's name associated with quality shaving rather than just another razor brand on a crowded shelf. Manufacturing across more than five dozen facilities worldwide and distribution to retailers in over 200 countries and territories keep products available at the scale P&G's global footprint demands. Customer service and subscription management, through Gillette on Demand, now sit alongside traditional retail activities as the company competes with mail-order rivals.

Key Resources

Gillette's patent portfolio on blade design and cartridge technology remains its most defensible resource, since it prevents direct copying of the specific mechanisms that justify premium pricing. Its manufacturing network, spanning dozens of facilities across multiple countries, gives it cost and scale advantages that smaller direct-to-consumer brands cannot easily replicate. Brand equity built over more than a century, reinforced by P&G's marketing budget, continues to support premium pricing even as competitors undercut it on cost. P&G's retail relationships and distribution infrastructure give Gillette shelf access that newer entrants have had to build from nothing.

Value Propositions

For individual consumers, Gillette offers consistent blade quality, ergonomic handle design and a wide range of price points from basic disposables to premium multi-blade cartridges. For retailers, Gillette provides a recognized brand that reliably drives foot traffic and repeat purchases in the personal care aisle. For corporate and institutional buyers, such as hotels and airlines, Gillette offers bulk pricing and a trusted name to include in amenity kits without reputational risk. Across segments, the core proposition remains a razor system that performs well enough to keep customers buying the matching blades rather than switching brands or formats.

Customer Relationships

Gillette maintains its customer base primarily through product quality and brand trust built over generations, rather than the personalized digital relationships that newer subscription brands emphasize. Gillette on Demand adds a subscription and reorder relationship for customers who want convenience without visiting a store, mirroring the model competitors popularized. Promotions, loyalty offers and in-store sampling help retain price-sensitive customers who might otherwise trade down to store brands. Social media and community engagement supplement these relationships, though Gillette's scale means most customer contact still happens through retail purchase rather than direct interaction.

Channels

Retail remains Gillette's dominant channel, with products sold through supermarkets, convenience stores, pharmacies and mass merchants such as Walmart and Target. E-commerce, both through Gillette's own website and third-party marketplaces, has grown as a channel since the direct-to-consumer challengers demonstrated demand for online razor purchases. Gillette on Demand serves as a direct subscription channel, allowing customers to reorder blades without visiting a store. International distribution through local retail partners extends these channels to more than 200 countries and territories.

Customer Segments

Individual consumers, spanning men, women and young adults purchasing for personal grooming, remain Gillette's largest customer segment. Retailers such as Walmart and Target function as a distinct segment, purchasing in bulk to resell to end consumers. Large institutional buyers, including hotels, airlines and hospitals, purchase Gillette products for amenity kits and employee provisions. Small and medium businesses, often operating as regional distributors or specialty retailers, round out a segment that buys at a scale between individual consumers and major retail chains.

Cost Structure

Research and development spending on blade technology and new product formats represents a significant recurring cost, since Gillette's pricing power depends on maintaining a technical edge over cheaper alternatives. Manufacturing costs across dozens of global facilities, along with raw material purchases for steel and packaging, scale with production volume. Advertising and marketing costs remain high relative to many consumer goods categories, reflecting the brand-dependent nature of Gillette's pricing model. Employee compensation, distribution costs and the price cuts implemented since 2017 to defend market share all add further pressure to margins.

Revenue Streams

Gillette generates the bulk of its revenue from razor and blade sales, split between the low-margin handles and the higher-margin replacement cartridges that drive repeat purchases. Oral care products sold through the Oral-B subsidiary, including toothbrushes and dental floss, contribute a separate revenue stream within P&G's broader personal care portfolio. Licensing arrangements let third parties produce and sell Gillette-branded products for a fee, extending the brand's reach without direct manufacturing investment. International sales, which account for more than 60% of Gillette's revenue and e-commerce transactions round out the remaining streams.

- 1King Camp Gillette's early life and invention
- 2P&G's 2005 acquisition of Gillette
- 3Rise of Dollar Shave Club and Harry's
- 4Gillette's declining US market share
- 5P&G's Gillette impairment charges
- 6P&G Grooming segment financial results

Summary

Gillette's business still runs on the arithmetic King Camp Gillette worked out over a century ago: a low-margin razor handle that locks a customer into a recurring, higher-margin blade purchase. What changed is who else uses that arithmetic. Dollar Shave Club and Harry's proved that a subscription mailed directly to a customer's door could deliver the same convenience at a lower price, forcing Gillette to cut prices and rebuild its own direct-to-consumer offering under the Gillette brand. Procter & Gamble now reports Gillette's results inside its broader Grooming segment, which includes Braun and Venus, generating over $6.6 billion in net sales in fiscal 2025. The brand still holds close to half the global razor market, but defending that position now costs more in price competition and marketing than it did when Gillette effectively set the market's terms alone.