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PUBLIC VERSION

In the published version of this decision, some information has been omitted pursuant to Article 17(2) of Council Regulation (EC) No 139/2004 concerning non-disclosure of business secrets and other confidential information. The omissions are shown thus […]. Where possible the information omitted has been replaced by ranges of figures or a general description.

To the notifying party

Subject: **Case M.9445 - Natura Cosméticos/Avon Products**
Commission decision pursuant to Article 6(1)(b) of Council Regulation No 139/2004[1] and Article 57 of the Agreement on the European Economic Area[2]

Dear Sir or Madam,

(1) On 8 November 2019**,** the European Commission received the notification of a proposed concentration pursuant to Article 4 of the Merger Regulation by which Natura Holding S.A. (Brazil, 'Natura Holding') acquires sole control over Avon Products, Inc. (United States, 'Avon', and together with Natura Cosméticos S.A., the 'Parties') by way of purchase of shares (the 'Transaction').[3]

1. THE PARTIES

(2) Natura Cosméticos S.A. ('Natura') is a worldwide distributor, seller and marketer of beauty and personal care products. Natura is active in the EEA through its subsidiaries The Body Shop and Aesop. The Body Shop is a cosmetic and beauty

1 OJ L 24, 29.1.2004, p. 1 (the 'Merger Regulation'). With effect from 1 December 2009, the Treaty on the Functioning of the European Union (the 'TFEU') has introduced certain changes, such as the replacement of 'Community' by 'Union' and 'common market' by 'internal market'. The terminology of the TFEU will be used throughout this decision.

2 OJ L 1, 3.1.1994, p. 3 (the 'EEA Agreement').

3 Publication in the Official Journal of the European Union No C 389, 18.11.2019, p. 20.

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branded retailer, which offers high quality, naturally-inspired and ethically sourced products under its own brand name through a network of owned and franchised single-branded stores, as well as e-commerce and, to a limited extent in the United Kingdom, direct selling. Aesop sells a range of skin, hair, home and body care products through its own branded stores, third party stockists, department stores, distributors and e-commerce.

(3) **Avon** is a worldwide manufacturer and marketer of beauty and personal care products. Avon sells products through direct-selling, i.e., consultants interacting directly with end-consumers. Avon also markets its products through e-commerce and, to a limited extent, through decentralized branches, satellite stores and boutiques.

2. THE CONCENTRATION

(4) The Transaction takes the form of an acquisition of sole control over Avon by Natura Holding. On 22 May 2019, the Parties entered into an *Agreement and Plan of Mergers* ("Merger Agreement") that sets out the terms and conditions for implementing the proposed transaction. Pursuant to the terms of the Merger Agreement, the Transaction is accomplished by way of purchase of shares and, upon completion, Natura and Avon will become wholly owned subsidiaries of Natura Holding.[4] The Transaction therefore constitutes a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

3. UNION DIMENSION

(5) In 2018, Natura and Avon have had a combined aggregate worldwide turnover of more than EUR 5 000 million[5] (Natura: EUR 3 628 million, Avon: EUR […] million). Each of them has an Union wide turnover in excess of EUR 250 million (Natura: EUR […] million, Avon: EUR […] million), but they do not achieve more than two-thirds of their aggregate Union-wide turnover within one and the same Member State. The Transaction therefore has Union dimension within the meaning of Article 1(2) of the Merger Regulation.

4. MARKET DEFINITION

(6) The Parties are active worldwide in the sales of beauty, personal care and cosmetics products. In the EEA, their activities overlap across several product categories, namely bath and shower products, soaps, hair care products, skin care including body, facial and hand care products, colour cosmetics, deodorants, fragrances, men's care products and sun care products. According to Natura, however, the Parties' combined market positions are insignificant with the limited exception of women's and/or mass-market fragrances and bath additives in selected Member States.

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4 The current shareholders of Natura and Avon will become shareholders of Natura Holding: Form CO, paragraph 21.

5 Turnover calculated in accordance with Article 5 of the Merger Regulation.

4.1. Geographic market definition

(7) In the past, the Commission has assessed transactions involving the supply of beauty, personal care and cosmetics products at national level due to different consumer preferences, different prices, differences in the structure and relative importance of distribution channels across Member States, as well as the fact that price negotiations and procurement are conducted at national level.[6]

(8) Natura submits that the exact geographic market definition for the various overlapping product categories can be left open in the present case but acknowledged the Commission's prior practice and provided market data at national level.[7]

(9) The outcome of the market investigation has confirmed that the relevant geographic market for each relevant product category is national in scope.[8] In particular, though some comments pointed to a possible convergence in consumer preferences and a blurring of distribution patterns due to e-commerce, a clear majority of competitors and of wholesalers still consider that the relevant geographic market should be defined at national level.[9] As a large competitor indicated: "[our] *market position differs from country to country and there are differences in brands' strengths and positioning across countries. Consumers' preferences in terms of products and brands are also different across the European countries, and the formats of the products may vary. Also, product penetration and development varies per country*".[10]

(10) In conclusion, based on the information submitted by Natura and the results of the market investigation, all relevant markets described in section 4.2. will be assessed at national level. In any event, the precise geographic market definition can be left open since the Transaction does not give rise to serious doubts as to its compatibility with the internal market or the functioning of the EEA Agreement under any plausible geographic market definitions, whether comprising the whole of the EEA, possible country clusters or Member States and Contracting Parties to the EEA Agreement.

4.2. Product market definition

(11) At the outset, the Commission inquired during the market investigation into a possible segmentation of the supply of beauty, personal care and cosmetics products by sales channels, in particular direct selling via consultants due to the focus of Avon's business on this channel.

(12) However, the majority of the respondents to the market investigation that expressed an opinion indicated that store-based (e.g. own-brand stores, department stores, large

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6 Commission's decision of 16 February 2016, Coty/Procter & Gamble Beauty Business (M.7726), recital 100 et seq.; Commission decision of 6 June 2011, Colgate Palmolive/Sanex Business (M.6221), recitals 28 et seq.; Commission decision of 31 May 2006, L'Oréal/The Body Shop (M.4193), recitals 12 and 13. The precise definition of the geographic market was generally left open.

7 Form CO, paragraph 135-136, 143, 151, 158, 164, 170, 175, 180, 189-192, 204 and.213-216.

8 Replies to questionnaire to competitors (Q1), question 13; Replies to questionnaire to franchisees, distributors and wholesalers (Q2), question 13; Replies to questionnaire to consultants (Q3), question 13.

9 Idem.

10 Minutes of a call with a competitor, 4 October 2019, paragraph 7.

retail stores, etc.), non-store based (e.g. e-commerce) and direct selling (i.e. sales through consultants) exercise competitive pressure on each other.[11] This is specifically the case in the United Kingdom where Natura is also active through direct selling, albeit to a limited extent.[12] Moreover, the results of the market investigation revealed that end-consumers and suppliers tend to develop multi-channel purchasing patterns or supplying strategies, respectively.[13]

(13) Accordingly, a segmentation by sales channels appears unwarranted. In any event, if such a segmentation were accepted, it would not give rise to any significant increment in the Parties' respective market positions given Natura's limited reliance on direct selling in the EEA (i.e., only in the United Kingdom) and Avon's limited reliance on in-store sales.[14] Moreover, most competitors in the supply of beauty, personal care and cosmetics products are active online.[15]

4.2.1. Body Care Products

(14) Body care products are designed to moisture and nourish the skin of the body presented in various formats like body butters, moisturisers or body lotions.[16]

(15) In previous decisions,[17] the Commission considered that body care products may constitute a separate product market. However, the precise market definition was left open.

(16) Natura submits that the exact product market definition may be left open as the Parties are not significant players in body care products and the proposed Transaction does not raise concerns under any plausible market definition.[18]

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11 Replies to questionnaire to competitors (Q1), questions 32.1, a competitor stated: "Consumers purchase these products through direct selling, but also buy through other channels. They take advantage of choices/offers/influencers to find the products they like regardless of the channel".

12 Replies to questionnaire to competitors (Q1), questions 32.1 and 32.2; Replies to questionnaire to franchisees, distributors and wholesalers (Q2), questions 32.1 and 32.2; Replies to questionnaire to consultants (Q3), questions 32.1 and 32.2.

13 Replies to questionnaire to competitors (Q1), question 32; Replies to questionnaire to franchisees, distributors and wholesalers (Q2), question 32; Replies to questionnaire to consultants (Q3), question 29. As a direct selling competitor explained: "[D]irect selling companies usually have a loyal base of customers but these customers also purchase products from other companies and in other channels on an opportunistic basis or out of curiosity or preference. In the Company's opinion, direct sellers are competing with retailers and other direct selling companies. This situation is very relevant for Europe where access to both sales channels is easy" (Minutes of a call with a competitor, 7 October 2019, paragraph 11). Another competitor also explained that consumers do not make differences between distribution channels and that their own customers typically use the different distribution channels to purchase the same types of products. Likewise, most competitors tend to develop an "omnichannel" strategy to engage with consumers wherever they are likely to make purchases (Minutes of a call with a competitor, 15 October 2019, paragraphs 5 and 8).

14 According to Natura, The Body Shop's sales in the direct selling channel in the UK amounted to approximately GBP […] (or approximately EUR […]) in 2018, i.e., [10-20]% of total sales. See Form CO, Annex C.3.

15 At the request of the Commission, Natura provided market shares for the Parties and each relevant product categories in a hypothetical e-commerce segment (see Annex C.1. to the Form CO). The combined market shares of the Parties do not give rise to any affected market in any Member States on that basis.

16 Form CO, paragraphs 139-141.

17 Commission decision of 31May 2006, L'Oréal/The Body Shop (M.4193), recitals 8 and 10; Commission decision of 17 June 2008, L'Oréal/YSL Beauté (M.5068), recitals 11 to 13.

(17) The outcome of the market investigation confirmed that body care products constitute a separate product market.[19]

(18) In any event, based on the information provided by Natura, the activities of the Parties do not give rise to affected markets with regard to body care products at a national level. Moreover, the majority of the respondents to the market investigation that expressed an opinion indicated that the Transaction will have either no impact or will have a positive impact on body care products.[20] Therefore, body care products will not be further assessed in this decision.

(19) In conclusion, based on the information available to the Commission, the precise product market definition for body care products can be left open since the Transaction does not give rise to serious doubts as to its compatibility with the internal market or the functioning of the EEA Agreement under any plausible product market definition whether comprising all skin care products together (e.g. body care, facial care, moisturisers and treatments, lip care, or hand care) or body care products alone.

4.2.2. Facial care products

(20) Facial care products are designed to deliver a certain level of care specific for the skin of the face. They tend to have formulations different to other categories of skin care, like the ones used to counteract the effects of ageing. In particular, face care products tend to be used to counteract the effects of ageing and are sold at a premium when compared with other types of skin care products. Consumers also tend to be more brand sensitive than is the case in other categories of skin care.[21]

(21) In previous decisions,[22] the Commission considered that face care products may constitute a separate product market. However, the precise market definition was left open.[23]

(22) Natura submits that the exact product market definition may be left open as the Parties are not significant players in face care products and the proposed Transaction does not raise concerns under any plausible market definition.[24]

(23) The outcome of the market investigation confirmed that facial care products constitute a separate product market.[25]

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18 Form CO, paragraph 142.

19 Replies to questionnaire to competitors (Q1), question 5; Replies to questionnaire to franchisees, distributors and wholesalers (Q2), question 5; Replies to questionnaire to consultants (Q3), question 5.

20 Replies to questionnaire to competitors (Q1), questions 34 and 35; Replies to questionnaire to franchisees, distributors and wholesalers (Q2), questions 34 and 35; Replies to questionnaire to consultants (Q3), questions 31 and 32.

21 Form CO, paragraphs 145. Commission decision of 17 November 2010, Unilever/Sara Lee Body Care (M.5658), recital 1244.

22 Commission decision of 16 February 2016, Coty/Procter & Gamble Beauty Business (M.7726), recitals 24 et seq.; Commission decision of 31May 2006, L'Oréal/The Body Shop (M.4193), recitals 9 and 10; Commission decision of 17 June 2008, L'Oréal/YSL Beaute (M.5068), recitals 11 to 13.

23 Commission decision of 17 November 2010, Unilever/Sara Lee Body Care (M.5658), recital 1247-1249.

24 Form CO, paragraph 150.

(24) In any event, based on the information provided by Natura, the activities of the Parties do not give rise to affected markets with regard to face care products at a national level. Moreover, the majority of the respondents to the market investigation that expressed a view indicated that the Transaction will have no impact or a positive impact on face care products.[26] Therefore, face care products will not be further assessed in this Decision.

(25) In conclusion, based on the information available to the Commission and the results of the market investigation, the precise product market definition for face care products can be left open since the Transaction does not give rise to serious doubts as to its compatibility with the internal market or the functioning of the EEA Agreement under any plausible product market definition, whether comprising all skin care products together (e.g. body care, facial care, moisturisers and treatments, lip care, or hand care) or facial care products alone.

4.2.3. Hand care products

(26) Hand care products are designed to prevent the skin of the hands to become dry or chapped, whilst minimising greasiness.[27]

(27) In previous decisions,[28] the Commission considered that hand care products may constitute a separate product market. However, the precise market definition was left open.[29]

(28) Natura submits that the exact product market definition may be left open as the Parties are not significant players in hand care products and the proposed Transaction does not raise concerns under any plausible market definition.[30]

(29) The outcome of the market investigation confirmed that hand care products constitute a separate product market.[31]

(30) In any event, based on the information provided by Natura, the activities of the Parties do not give rise to affected markets with regard to hand care products at a national level. Moreover, the majority of the respondents to the market investigation that expressed a view indicated that the Transaction will have no impact or a positive impact on hand care products.[32] Therefore, hand care products will not be further assessed in this Decision.

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25 Replies to questionnaire to competitors (Q1), question 5; Replies to questionnaire to franchisees, distributors and wholesalers (Q2), question 5; Replies to questionnaire to consultants (Q3), question 5.

26 Replies to questionnaire to competitors (Q1), question 34; Replies to questionnaire to franchisees, distributors and wholesalers (Q2), question 34; Replies to questionnaire to consultants (Q3), question 31.

27 Form CO, paragraphs 160-162.

28 Commission decision of 31May 2006, L'Oréal/The Body Shop (M.4193), recitals 8 and 10; Commission decision of 17 June 2008, L'Oréal/YSL Beauté (M.5068), recitals 11 to 13.

29 Commission decision of 17 November 2010, Unilever/Sara Lee Body Care (M.5658), recital 1247-1249.

30 Form CO, paragraph 163.

31 Replies to questionnaire to competitors (Q1), question 5; Replies to questionnaire to franchisees, distributors and wholesalers (Q2), question 5; Replies to questionnaire to consultants (Q3), question 5.

32 Replies to questionnaire to competitors (Q1), question 34; Replies to questionnaire to franchisees, distributors and wholesalers (Q2), question 34; Replies to questionnaire to consultants (Q3), question 31.

(31) In conclusion, based on the information available to the Commission and the results of the market investigation, the precise product market definition for hand care products can be left open since the Transaction does not give rise to serious doubts as to its compatibility with the internal market or the functioning of the EEA Agreement under any plausible product market definition, whether comprising all skin care products together (e.g. body care, facial care, moisturisers and treatments, lip care, or hand care) or hand care products alone.

4.2.4. Hair care products

(32) Hair care products include all products that clean, condition, repair or style the hair. They can be found in the form of gels, creams of foams.[33]

(33) In a previous decision,[34] the Commission considered that hair care products may constitute a separate product market. Further segmentation of hair care products into shampoos, conditioners, and treatments, styling products and colorants and by distribution channels (hairdresser/general retailing) was also considered. However, the precise market definition was left open.[35]

(34) Natura submits that the exact product market definition may be left open as the Parties are not significant players in hair care products irrespective of possible sub-segmentations, and the proposed Transaction does not raise concerns under any plausible market definition.[36]

(35) The outcome of the market investigation confirmed that hair care products constitute a separate product market.[37]

(36) In any event, based on the information provided by Natura, the activities of the Parties do not give rise to affected markets with regard to hair care products at a national level. Moreover, the majority of the respondents to the market investigation that expressed a view indicated that the Transaction will have no impact or a positive impact on hair care products.[38] Therefore, hair care products will not be further assessed in this Decision.

(37) In conclusion, based on the information available to the Commission and the results of the market investigation, the precise product market definition for hair care products can be left open since the Transaction does not give rise to serious doubts as to its compatibility with the internal market or the functioning of the EEA Agreement under any plausible product market definition, whether comprising all hair care products together (e.g. shampoos, conditioners and treatments, styling products or colorants) or these products separately.

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33 Form CO, paragraph 152.

34 Commission decision of 31 May 2006, L'Oréal/The Body Shop (M.4193), recital 9.

35 Commission decision of 31 May 2006, L'Oréal/The Body Shop (M.4193), recital 10.

36 Form CO, paragraph 157.

37 Replies to questionnaire to competitors (Q1), question 5; Replies to questionnaire to franchisees, distributors and wholesalers (Q2), question 5; Replies to questionnaire to consultants (Q3), question 5.

38 Replies to questionnaire to competitors (Q1), question 34; Replies to questionnaire to franchisees, distributors and wholesalers (Q2), question 34; Replies to questionnaire to consultants (Q3), question 31.

4.2.5. Soaps

(38) Soaps are made either through a compound of natural oil or fats with sodium hydroxide (or an alternative strong alkali) or by adding a detergent agent to a water solution. Soaps are used, with water, for cleaning skin and commonly contain ingredients which scent the skin after washing.[39]

(39) In previous decisions,[40] the Commission considered that soaps may constitute a separate product market, including. Further segmentation between different formats was also considered but the precise market definition was ultimately left open.[41]

(40) Natura submits that the exact product market definition may be left open as the Parties are not significant players in soaps irrespective of possible sub-segmentations, and the proposed Transaction does not raise concerns under any plausible market definition.[42]

(41) The outcome of the market investigation confirmed that soaps constitute a separate product market.[43]

(42) In any event, based on the information provided by Natura, the activities of the Parties do not give rise to affected markets with regard to soaps at a national level. Moreover, the majority of the respondents to the market investigation that expressed a view indicated that the Transaction will have no impact or a positive impact on soaps.[44] Therefore, soaps will not be further assessed in this Decision.

(43) In conclusion, based on the information available to the Commission and the results of the market investigation, the precise product market definition for soaps can be left open since the Transaction does not give rise to serious doubts as to its compatibility with the internal market or the functioning of the EEA Agreement under any plausible product market definition, whether comprising all bath and shower products together (e.g. bath additives, body wash, shower gel, liquid soap or spa and body treatments) or soaps alone.

4.2.6. Sun care products

(44) Sun care products include all products designed for moisturising and protecting the skin from the sun (sun protectors), hydrating and repairing the skin after sun exposure (after-sun products) and products that temporarily colour the skin through the application of a colour additive that simulate a tan (self-tanning products).[45]

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39 Form CO, paragraph 166.

40 Commission decision of 6 June 2011, Colgate Palmolive/Sanex Business (M.6221), recitals 23-25; Commission decision of 30 July 2008, CapMan/Litorina/Cederroth (M.5230), recitals 12 and 13.

41 Idem footnote 39.

42 Form CO, paragraph 169.

43 Replies to questionnaire to competitors (Q1), question 5; Replies to questionnaire to franchisees, distributors and wholesalers (Q2), question 5; Replies to questionnaire to consultants (Q3), question 5.

44 Replies to questionnaire to competitors (Q1), question 34; Replies to questionnaire to franchisees, distributors and wholesalers (Q2), question 34; Replies to questionnaire to consultants (Q3), question 31.

45 Form CO, paragraphs 172.

(45) In a previous decision,[46] the Commission considered that sun care products may constitute a separate product market. However, the precise market definition was left open.[47]

(46) Natura submits that the exact product market definition may be left open as the Parties are not significant players in sun care products and the proposed Transaction does not raise concerns under any plausible market definition.[48]

(47) The outcome of the market investigation confirmed that sun care products constitute a separate product market.[49]

(48) In any event, based on the information provided by Natura, the activities of the Parties do not give rise to affected markets with regard to sun care products at a national level. Moreover, the majority of the respondents to the market investigation that expressed a view indicated that the Transaction will have no impact or a positive impact on sun care products.[50] Therefore, sun care products will not be further assessed in this Decision.

(49) In conclusion, based on the information available to the Commission and the results of the market investigation, the precise product market definition for sun care products can be left open since the Transaction does not give rise to serious doubts as to its compatibility with the internal market or the functioning of the EEA Agreement under any plausible product market definition, whether comprising all sun care products together (e.g. sun protectors, after-sun products or self-tanning products) or these products separately.

4.2.7. Men's care products

(50) Men's care segment includes male grooming products and specifically all products intended to treat skin, either before or after shaving.[51]

(51) In previous decisions,[52] the Commission considered that men's care products may constitute a separate product market. However, the precise market definition was left open.[53]

(52) Natura submits that the exact product market definition may be left open as the Parties are not significant players in men's care products and the proposed Transaction does not raise concerns under any plausible market definition.[54]

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46 Commission decision of 31May 2006, L'Oréal/The Body Shop (M.4193), recital 9.

47 Commission decision of 31May 2006, L'Oréal/The Body Shop (M.4193), recital 10.

48 Form CO, paragraph 17.

49 Replies to questionnaire to competitors (Q1), question 5; Replies to questionnaire to franchisees, distributors and wholesalers (Q2), question 5; Replies to questionnaire to consultants (Q3), question 5.

50 Replies to questionnaire to competitors (Q1), question 34; Replies to questionnaire to franchisees, distributors and wholesalers (Q2), question 34; Replies to questionnaire to consultants (Q3), question 31.

51 Form CO, paragraphs 177-178.

52 Commission decision of 31May 2006, L'Oréal/The Body Shop (M.4193), recitals 8 and 9; Commission decision of 17 November 2010, Unilever / Sara Lee Body Care (M.5658), recital 1319-1323.

53 Commission decision of 17 November 2010, Unilever / Sara Lee Body Care (M.5658), recital 1324.

54 Form CO, paragraph 179.

(53) The outcome of the market investigation confirmed that men's care products constitute a separate product market.[55]

(54) In any event, based on the information provided by Natura, the activities of the Parties do not give rise to affected markets with regard to men's care products at a national level. Moreover, the majority of the respondents to the market investigation that expressed a view indicated that the Transaction will have no impact or a positive impact on men's care products.[56] Therefore, men's care products will not be further assessed in this Decision.

(55) In conclusion, based on the information available to the Commission and the results of the market investigation, the precise product market definition for men's care products can be left open since the Transaction does not give rise to serious doubts as to its compatibility with the internal market or the functioning of the EEA Agreement under any plausible product market definition, whether comprising all men's care products together (e.g. perfumes and aftershaves, shaving foams or grooming products) or these products separately.

4.2.8. Colour cosmetics

(56) Colour cosmetics are products applied to alter a person's appearance without affecting the body's structure or functions. These include products that are applied to: (i) lips, such as lipstick or lip liner; (ii) the face, such as foundation, make-up or blusher; (iii) eyes, such as mascaras, eye shadows and eye liners; and (iv) nails, such as nail polish.[57]

(57) In previous decisions,[58] the Commission considered that colour cosmetics may constitute a separate product market. Further segmentation of colour cosmetics in colour cosmetics for lips, face, eyes and nails and by mass and prestige products were considered; in the end, the precise market definition was left open.[59]

(58) Natura submits that the exact product market definition may be left open as the Parties are not significant players in colour cosmetics irrespective of possible sub-segmentations, and the proposed Transaction does not raise concerns under any plausible market definition.[60]

(59) The outcome of the market investigation confirmed that colour cosmetics constitute a separate product market.[61]

(60) In any event, based on the information provided by Natura, the activities of the Parties do not give rise to affected markets with regard to colour cosmetics at a

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55 Replies to questionnaire to competitors (Q1), question 5; Replies to questionnaire to franchisees, distributors and wholesalers (Q2), question 5; Replies to questionnaire to consultants (Q3), question 5.

56 Replies to questionnaire to competitors (Q1), question 34; Replies to questionnaire to franchisees, distributors and wholesalers (Q2), question 34; Replies to questionnaire to consultants (Q3), question 31.

57 Form CO, paragraphs 182.

58 Commission decision of 31May 2006, L'Oréal/The Body Shop (M.4193), recitals 8 and 9.

59 Commission decision of 31 May 2006, L'Oréal/The Body Shop (M.4193), recital 10; Commission decision of 16 February 2016, Coty/Procter & Gamble Beauty Business (M.7726), recitals 53-71.

60 Form CO, paragraph 188.

61 Replies to questionnaire to competitors (Q1), question 5; Replies to questionnaire to franchisees, distributors and wholesalers (Q2), question 5; Replies to questionnaire to consultants (Q3), question 5.

national level. Moreover, the majority of the respondents to the market investigation that expressed a view indicated that the Transaction will have no impact or a positive impact on colour cosmetics.[62] Therefore, colour cosmetics will not be further assessed in this Decision.

(61) In conclusion, based on the information available to the Commission and the results of the market investigation, the precise product market definition for body care products colour cosmetics can be left open since the Transaction does not give rise to serious doubts as to its compatibility with the internal market or the functioning of the EEA Agreement under any plausible product market definition, whether comprising all colour cosmetics together (e.g. lip cosmetics, face cosmetics, eye cosmetics or nail cosmetics) or these products separately.

4.2.9. Deodorants

(62) Deodorants are products that minimise or eliminate the negative effects of sweating through control of odour and/or dampness. Products are often differentiated according to gender with the majority of brands offering male and female variants. Deodorants are sold in a variety of formats, namely contact (such as roll-ons, creams, sticks, or wipes) and non-contact forms (such as aerosols/sprays).[63]

(63) In previous decisions,[64] the Commission analysed a market for all types of deodorants but has also considered narrower segments based on: (i) gender differentiation (male and non-male deodorants); and (ii) format differentiation. However, the precise market definition was generally left open.[65]

(64) Natura submits that the exact product market definition may be left open as the Parties are not significant players in deodorants irrespective of possible sub-segmentations, and the proposed Transaction does not raise concerns under any plausible market definition.[66]

(65) The outcome of the market investigation confirmed that deodorants constitute a separate product market.[67]

(66) In any event, based on the information provided by Natura, the activities of the Parties do not give rise to affected markets with regard to deodorants at a national level. Moreover, the majority of the respondents to the market investigation that

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62 Replies to questionnaire to competitors (Q1), question 34; Replies to questionnaire to franchisees, distributors and wholesalers (Q2), question 34; Replies to questionnaire to consultants (Q3), question 31.

63 Form CO, paragraphs 194-195 and Commission decision of 17 November 2010, Unilever/Sara Lee (M.5658), recital 19.

64 Commission decision of 17 November 2010, Unilever/Sara Lee (M.5658), recitals 36-142. See also Commission decision of 6 June 2011 Colgate Palmolive/Sanex Business (M.6221).

65 Commission decision of 16 February 2016, Coty/Procter & Gamble Beauty Business (M.7726), recital 109.

66 Form CO, paragraph 203.

67 Replies to questionnaire to competitors (Q1), question 5; Replies to questionnaire to franchisees, distributors and wholesalers (Q2), question 5; Replies to questionnaire to consultants (Q3), question 5.

expressed a view indicated that the Transaction will have no impact or a positive on deodorants.[68] Therefore, deodorants will not be further assessed in this Decision.

(67) In conclusion, based on the information available to the Commission and the results of the market investigation, the precise product market definition for deodorants can be left open since the Transaction does not give rise to serious doubts as to its compatibility with the internal market or the functioning of the EEA Agreement under any plausible product market definition, whether comprising all deodorants together (irrespective of gender or format differentiation) or separately.

4.2.10. Fragrances

(68) Fragrances are liquid products applied on the skin directly or via a spray dispenser to impart a chosen scent. The scent derives from an aromatic compound, which is dissolved in a solvent typically ethanol or an ethanol and water mixture. Fragrances supplied by the Parties include aftershave, eau de toilette, eau de parfum, fragrance mist and perfume.[69]

4.2.10.1. The Commission's precedents

(69) In previous decisions,[70] the Commission considered that fragrances may constitute a separate product market. The Commission also considered a further segmentation into mass and prestige fragrances[71] and, by gender, into male and female fragrances.[72] The Commission has also considered a possible segmentation for mass products by the type of retail outlet (speciality stores, supermarkets, pharmacies, etc.).[73] The precise market definition regarding fragrances was however left open.[74]

4.2.10.2. Natura's views

(70) Natura agrees that fragrances constitute a separate product market. However, it submits that this market should not be further segmented into mass, prestige or "masstige"[75] because all products compete across a single continuum.[76]

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68 Replies to questionnaire to competitors (Q1), questions 34 and 35; Replies to questionnaire to franchisees, distributors and wholesalers (Q2), questions 34 and 35; Replies to questionnaire to consultants (Q3), questions 31 and 32.

69 Form CO, paragraph 206.

70 Commission decision of 16 February 2016, Coty/Procter & Gamble Beauty Business (M.7726), recitals 24 et seq.; Commission decision of 31 May 2006, L'Oréal/The Body Shop (M.4193), recitals 9 and 10; Commission decision of 17 June 2008, L'Oréal/YSL Beaute (M.5068), recitals 11 to 13.

71 Commission decision of 17 June 2008, L'Oréal/YSL Beaute (M.5068), recital 10. The question was left open in Commission's decision of 16 February 2016, Coty/Procter & Gamble Beauty Business (M.7726), recital 37.

72 Commission decision of 16 February 2016, Coty/Procter & Gamble Beauty Business (M.7726), recitals 43 and 44.

73 Commission decision of 7 April 2005, AS Watson/Marionnaud (M.3716), recital 6.

74 Commission decision of 16 February 2016, Coty/Procter & Gamble Beauty Business (M.7726), recital 46.

75 The term "masstige" is used to describe products displaying some of the marketing characteristics of prestige products and some of mass products.

76 Form CO, paragraph 91 et seq.

(71) In any event, Natura submits that the exact product market definition may be left open as the Parties are not significant players in fragrances and the proposed Transaction does not raise concerns under any alternative market definition.[77]

4.2.10.3. The Commission's assessment

(72) The market investigation confirmed the segmentation of beauty and personal care products by categories based on substitutability considerations in terms of price or product characteristics, including with respect to fragrances. The majority of respondents that expressed an opinion indicated that there is a distinct market for fragrances and that within this market there are separate market segments for male and female fragrances due to different price points, different target audience, different shelf space and different visual appearance.[78]

(73) With regard to the differentiation between mass and prestige fragrances, the majority of respondents that expressed on opinion indicated that a distinction between mass and prestige fragrances is appropriate.[79] Concerning 'masstige' products, the market investigation was inconclusive. The majority of respondents indicated that the price difference between 'masstige' products and mass and between 'masstige' and prestige products was more than 25% each.[80] However, while the majority of the Parties' competitors and consultants considered 'masstige' products part of the mass market;[81] the majority of wholesalers/franchisees that expressed a view considered 'masstige' products as a separate product market.[82]

(74) In any event, Natura submits that "*even if there was a plausible "masstige" segment […] Avon would be still be considered a mass market player*", while Aesop and The Body Shop would have a more premium offering,[83] i.e., there would be no overlap between the Parties. The different positioning of Natura and Avon was confirmed by the market investigation. A wholesaler indicated: "*Aesop is masstige with some prestige touch […] Body shop is masstige […] Avon is […] mass cosmetics*";[84] and a competitor stated that "*Avon occupies the mass segment, The Body Shop retails masstige products, and Aesop sells products ranging from entry premium (facial moisturizers, for example) to premium (such as deodorants and toothpaste)*."[85]

(75) At the end, based on the information provided by Natura, the activities of the Parties only give rise to affected markets with regard to mass fragrances and mass

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77 Form CO, paragraph 212.

78 Replies to questionnaire to competitors (Q1), questions 5 and 12; Replies to questionnaire to franchisees, distributors and wholesalers (Q2), questions 5 and12; Replies to questionnaire to consultants (Q3), questions 5 and 12.

79 Replies to questionnaire to competitors (Q1), question 6; Replies to questionnaire to franchisees, distributors and wholesalers (Q2), question 6; Replies to questionnaire to consultants (Q3), question 6.

80 Replies to questionnaire to competitors (Q1), questions 9.1 and 9.2; Replies to questionnaire to franchisees, distributors and wholesalers (Q2), questions 9.1 and 9.2; Replies to questionnaire to consultants (Q3), questions 9.1 and 9.2.

81 Replies to questionnaire to competitors (Q1), question 7; Replies to questionnaire to consultants (Q3), question 7.

82 Replies to questionnaire to franchisees, distributors and wholesalers (Q2), question 7.

83 Form CO, paragraphs 94 and 105.

84 Replies to questionnaire to franchisees, distributors and wholesalers (Q2), question 7.1.

85 Minutes of the interview with a competitor of 7 October 2019.

fragrances for women in certain EEA Member States. As a result, only these segments will be further assessed in Section 5 of this Decision.

4.2.10.4. Conclusion

(76) The precise product market definition can be left open since the Transaction does not give rise to serious doubts as to its compatibility with the internal market or the functioning of the EEA Agreement under any plausible product market definition.

4.2.11. Bath and Shower products

(77) Bath and shower products contain emulsions of water, with a detergent base, that is used to cleanse the skin. These products commonly contain fragrances or moisturising ingredients.

(78) Bath additives include a wide range of products such as foams, gels, oils, crème, bubble bath, pearls and beads, bath milk, bath salts and bath bombs; they consist of minerals or oils that are added to bathwater, also as a means of cleansing and rejuvenating the skin.

4.2.11.1. The Commission's precedents

(79) In previous decisions, the Commission considered that bath and shower products may constitute a separate product market.[86] The Commission also considered a further segmentation between bath products and shower products (in certain member states),[87] and a further segmentation by gender into male shower gels.[88] The Commission has also considered a possible segmentation for mass products by the type of retail outlet (speciality stores, supermarkets, pharmacies, etc.).[89] However, the precise market definition was left open.

4.2.11.2. Natura's views

(80) In line with Commission's precedents, Natura acknowledges a distinct bath and shower product market but does not consider appropriate to consider any further segmentations. In particular, Natura claims that bath additives offer the consumer the same core properties as bath and shower products (i.e. cleansing, fragrance).[90]

4.2.11.3. The Commission's assessment

(81) The market investigation confirmed the segmentation of beauty and personal care products by categories based on substitutability considerations in terms of price or product characteristics, including with respect to bath and shower products. The majority of respondents that expressed an opinion indicated that there is a separate

86 Commission decision of 17 November 2010, Unilever/Sara Lee Body Care (M.5658), recital 1083.

87 Commission decision of 17 November 2010, Unilever/Sara Lee Body Care (M.5658), recitals 1070-1076. The question was left open in M.7726 – Coty/Procter & Gamble Beauty Business, 2016, paragraphs 80-81.

88 Commission decision of 31May 2006, L'Oréal/The Body Shop (M.4193), recital 9. The question was left open in Commission's decision of 17 November 2010, Unilever / Sara Lee Body Care (M.5658), recitals 1077-1083.

89 Commission decision of 7 April 2005, AS Watson/Marionnaud (M.3716), recital 6.

90 Form CO, paragraphs 122-134.

market for bath and shower products.[91] In contrast, the majority of respondents that expressed an opinion indicated that bath additives are part of a broader bath and shower product market.[92]

(82) Based on the information provided by Natura, the activities of the Parties do not give rise to affected markets with regard to bath and shower products at a national level. Affected markets would only arise in certain EEA Member States when considering specifically the hypothetical segment of bath additives. As a result, notably in view of the high reported market shares of the Parties, only that segment will be further assessed in Section 5 of this Decision.

4.2.11.4. Conclusion

(83) The precise product market definition can be left open since the Transaction does not give rise to serious doubts as to its compatibility with the internal market or the functioning of the EEA Agreement under any plausible product market definition.

5. COMPETITIVE ASSESSMENT

(84) The Transaction gives rise to horizontally affected markets in two segments of the fragrances market, namely mass fragrances and mass fragrances for women. For the sake of completeness and in view of the Parties' high reported market shares, the Commission will also assess a hypothetical market for bath additives within bath and shower products.

5.1. Fragrances

(85) The overlaps between the Parties' activities give rise to affected markets: (i) for mass-market (or simply "mass") fragrances in Hungary, Poland, Romania and the United Kingdom; and (ii) for mass fragrances for women in Greece, Hungary, Poland, Romania and the United Kingdom. No affected markets arise in other Member States, clusters of Member States or at EEA level in relation to mass fragrances, mass fragrances for women or fragrances in general, including other possible segments.

5.1.1. Natura's views

(86) Natura submits that there are no affected markets in the overall market for fragrances or in narrower sub-segments given that Avon sells mass-market fragrances, while Natura primarily sells its own branded fragrances through Aesop and The Body Shop, which are positioned at different/higher price points. Thus, there would be no overlap between the activities of the Parties.

(87) Nonetheless, the Parties provide market share data based on Euromonitor data,[93] which classifies Aesop's and The Body Shop's sales of fragrances as mass-market

[91] Replies to questionnaire to competitors (Q1), question 5; Replies to questionnaire to franchisees, distributors and wholesalers (Q2), question 5; Replies to questionnaire to consultants (Q3), question 5.

[92] Replies to questionnaire to competitors (Q1), question 10; Replies to questionnaire to franchisees, distributors and wholesalers (Q2), question 10; Replies to questionnaire to consultants (Q3), question 10.

products. Natura considers that, even on the basis of Euromonitor data, the Transaction would not give rise to any competition concerns because the Parties are not close competitors; the market is highly fragmented and the merged entity will continue to face fierce competition from a range of competitors. Thus, consumers will continue to have considerable choice post-transaction.

5.1.2. The Commission's assessment

5.1.2.1. Mass-market fragrances

(88) The activities of the Parties in the plausible market for mass fragrances give rise to horizontally affected markets in Hungary, Poland, Romania and the United Kingdom; however, the Commission considers that the Transaction is unlikely to raise serious doubts for the following reasons.

(89) First, Natura is a small player in mass-market fragrances. The Transaction gives rise to very limited increments (less than [0-5]%) of Avon's market shares in Hungary, Poland and Romania and to a moderate increment of [5-10]% in the United Kingdom. After the Transaction the combined market shares of the Parties will be as follows: (i) in Hungary, [20-30]%, with an increment of [0-5]%; (ii) in Poland, [20-30]%, with an increment of [0-5]%; (iii) in Romania, [30-40]%, with an increment of [0-5]%; and (iv) in the United Kingdom, [20-30]%, with an increment of [5-10]%. The Commission has no indications on the file that would hint at a significant change of the market shares of the Parties in the future.

(90) Second, the data provided by the Parties and the results of the market investigation indicate that the competitive landscape in the market for mass fragrances is characterised by a number of strong global players, which are active across the EEA and in the national affected markets.

(a) In Hungary, the merged entity will continue to face strong competitive pressure from the number one competitor of Avon in mass-market fragrances, Coty ([20-30]%). Moreover, Yves Rocher and Puig will remain significant sources of competitive constraint for the merged entity. According to 2018 Euromonitor data, these two competitors had market shares considerably higher than Natura's share ([0-5]%). Furthermore, the merged entity will also continue to face competition from L'Oréal and other smaller competitors (e.g. Oriflame, Procter & Gamble, Unilever)[94] that in 2018 represented together [50-60]% of the mass-market fragrances at a national level.

(b) In Poland, the merged entity will continue to face strong competitive pressure from the number one competitor of Avon in mass-market fragrances, Coty ([20-30]%). Moreover, Yves Rocher and L'Oréal will remain significant sources of competitive constraint for the merged entity. According to 2018 Euromonitor data, these two competitors had market shares

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93 The Commission has previously used data compiled by Euromonitor when assessing transactions in the market for fragrances (Commission decision of 30 July 2003, Procter & Gamble/Wella (M.3149), footnote 15; Commission decision of 16 February 2016, Coty/Procter & Gamble Beauty Business (M.7726), recitals 127 to 139).

94 Replies to questionnaire to competitors (Q1), question 15.1.

considerably higher than Natura's share ([0-5]%). Furthermore, the merged entity will also continue to face competition from Puig and other smaller competitors (e.g. Oriflame, La Rive)[95] that in 2018 represented together [40-50]% of the mass-market fragrances at a national level.

(c) In Romania, the merged entity will continue to face strong competitive pressure from the number one competitor of Avon in mass-market fragrances, Coty ([10-20]%). Moreover, Yves Rocher, L'Oréal and Puig will remain significant sources of competitive constraint for the merged entity. According to 2018 Euromonitor data, these two competitors had market shares considerably higher than Natura's share ([0-5]%). Furthermore, the merged entity will also continue to face competition from other smaller competitors (e.g. Oriflame)[96] that in 2018 represented together [40-50]% of the mass-market fragrances at a national level.

(d) In the United Kingdom, the merged entity will continue to face strong competitive pressure from the number one competitor of Avon in mass-market fragrances, Coty ([10-20]%). Moreover, the merged entity will also continue to face competition from other smaller competitors (e.g. Oriflame, Unilever, Revlon)[97] that in 2018 represented together [50-60]% of the mass-market fragrances at a national level.

(91) Moreover, the majority of the respondents that expressed an opinion in the market investigation on this point indicated that competition takes place at brand level.[98] In that respect, a competitor stated that '*Customers buy a brand or a product without knowing which supplier it belongs to*.'[99] Hence, on the supply side, competition is more intense than apparent from the number of suppliers and, on the demand side, choice is available among a variety of brands irrespective of the suppliers. Moreover, the majority of the respondents to the market investigation that expressed an opinion indicated that customers regularly switch brands or they do not have particular brand loyalty to mass-market fragrances.[100]

(92) Third, Natura claims that the Parties are not close competitors in terms of brand positioning, pricing, or sales channels. This is confirmed by the market investigation since the majority of the respondents that expressed an opinion did not identify Natura (including The Body Shop and Aesop) as a main competitor of Avon in Hungary, Poland, Romania or the United Kingdom.[101]

(93) Fourth, as regards barriers to entry, the market investigation pointed to the time and costs required to build a significant market presence in terms of marketing and

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95 Replies to questionnaire to competitors (Q1), question 15.1.

96 Replies to questionnaire to competitors (Q1), question 15.1.

97 Replies to questionnaire to competitors (Q1), question 15.1.

98 Replies to questionnaire to competitors (Q1), question 14; Replies to questionnaire to franchisees, distributors and wholesalers (Q2), question 14; Replies to questionnaire to consultants (Q3), question 14.

99 Replies to questionnaire to competitors (Q1), question 14.1.

100 Replies to questionnaire to competitors (Q1), question 18; Replies to questionnaire to franchisees, distributors and wholesalers (Q2), question 18; Replies to questionnaire to consultants (Q3), question 18.

101 Replies to questionnaire to competitors (Q1), questions 16.1 and 17.1; Replies to questionnaire to franchisees, distributors and wholesalers (Q2), questions 16.1 and 17.1; Replies to questionnaire to consultants (Q3), questions 16.1 and 17.1.

distribution;[102] however, in the last 5 years there have been new entries in the market of mass fragrances in all the affected markets, i.e. Hungary, Poland, Romania and the United Kingdom.[103]

(94) Sixth, the majority of the respondents to the market investigation that expressed a view indicated that the Transaction will have no impact or a positive impact for fragrances in terms of price, quality and/or choice, as well as in terms of innovation.[104]

(95) Therefore, based on the information available to the Commission and in view of the results of the market investigation, Commission considers that, with regard to the market of mass fragrances in Hungary, Poland, Romania and the United Kingdom, the Transaction does not give rise to serious doubts as to its compatibility with the internal market or the functioning of the EEA Agreement under any plausible market definition, whether comprising all fragrances together (irrespective of their positioning as mass or prestige, and irrespective of their target gender) or mass fragrances alone.

5.1.2.2. Mass-market fragrances for women

(96) The activities of the Parties in the plausible market for mass fragrances for women give rise to horizontally affected markets in Hungary, Poland, Romania Greece and the United Kingdom However, the Commission considers that the Transaction in unlikely to raise serious doubts for the following reasons.

(97) First, Natura is a small player in mass-market fragrances for women. The Transaction gives rise to very limited increments (less than [0-5]%) of Avon's market shares in Hungary, Poland, Romania, to a small increment of [0-5]% in Greece and a moderate increment of [10-20]% in the United Kingdom. After the implementation of the Transaction, the combined market shares of the Parties will be as follows: (i) in Hungary, a combined share of [20-30]% with an increment: [0-5]%; (ii) in Poland, a combined share of [30-40]% with an increment [0-5]%; (iii) in Romania, a combined share of [30-40]% with an increment [0-5]%; (iv) in Greece, a combined share of [20-30]% with an increment of [0-5]%; and (v) in the United Kingdom, a combined share of [30-40]% with an increment of [10-20]%. The Commission has no indications on the file that would hint at a significant change of the market shares of the Parties in the future.

[102] Replies to questionnaire to competitors (Q1), question 19; Replies to questionnaire to franchisees, distributors and wholesalers (Q2), question 19.

[103] Replies to questionnaire to competitors (Q1), question 20; Replies to questionnaire to franchisees, distributors and wholesalers (Q2), question 20; Replies to questionnaire to consultants (Q3), question 19.

[104] Replies to questionnaire to competitors (Q1), questions 34 and 35; Replies to questionnaire to franchisees, distributors and wholesalers (Q2), questions 34 and 35; Replies to questionnaire to consultants (Q3), questions 31 and 32.

(98) Second, the data provided by the Parties and the results of the market investigation indicate that the competitive landscape in the market for mass fragrances for women is characterised by a number of strong global players, which are active across the EEA and in the national affected markets.

(a) In Hungary, the merged entity will continue to face strong competitive pressure from the number one competitor of Avon in mass-market fragrances for women, Coty ([20-30]%). Moreover, Oriflame and Yves Rocher will remain significant sources of competitive constraint for the merged entity. According to 2018 Euromonitor data, these two competitors had market shares considerably higher than Natura's share ([0-5]%). Furthermore, the merged entity will also continue to face competition from Puig and other smaller competitors (e.g. Primor Kozmetikai Kft)[105] that in 2018 represented together [30-40]% of the mass-market fragrances for women at a national level.

(b) In Poland, the merged entity will continue to face strong competitive pressure from the number one competitor of Avon in mass-market fragrances for women, Coty ([20-30]%). Moreover, Oriflame and Yves Rocher will remain significant sources of competitive constraint for the merged entity. According to 2018 Euromonitor data, these two competitors had market shares considerably higher than Natura's share ([0-5]%). Furthermore, the merged entity will also continue to face competition from L'Oréal and other smaller competitors (e.g. Sarantis Polska SA, La Rive, Estée Lauder)[106] that in 2018 represented together [20-30]% of the mass-market fragrances for women at a national level.

(c) In Romania, the merged entity will continue to face strong competitive pressure from the number one competitor of Avon in mass-market fragrances for women, Oriflame ([10-20]%). Moreover, Yves Rocher, Coty and L'Oréal will remain significant sources of competitive constraint for the merged entity. According to 2018 Euromonitor data, these two competitors had market shares considerably higher than Natura's share ([0-5]%). Furthermore, the merged entity will also continue to face competition from Puig and other smaller competitors that in 2018 represented together [20-30]% of the mass-market fragrances for women at a national level.

(d) In Greece, the merged entity will continue to face strong competitive pressure from the number one competitor of Avon in mass-market for women fragrances, Oriflame ([10-20]%). Moreover, the merged entity will also continue to face competition from Coty, Yves Rocher and other smaller competitors (e.g. Sarantis SA, Sklavenitis SA)[107] that in 2018 represented together [50-60]% of the mass-market fragrances for women at a national level.

(e) In the United Kingdom, the merged entity will continue to face strong competitive pressure from the number one competitor of Avon in

[105] Replies to questionnaire to competitors (Q1), question 15.2.
[106] Replies to questionnaire to competitors (Q1), question 15.2.
[107] Replies to questionnaire to competitors (Q1), question 15.2.

mass-market fragrances for women, Coty ([20-30]%). Moreover, the merged entity will also continue to face competition from Oriflame and other smaller competitors (e.g. Elizabeth Arden UK Ltd, Revlon)[108] that in 2018 represented [30-40]% of the mass-market fragrances for women at a national level.

(99) Moreover, the majority of the respondents that expressed an opinion in the market investigation regarding this point indicated that competition takes place at brand level.[109] In that respect, a competitor stated that '*Customers buy a brand or a product without knowing which supplier it belongs to*.'[110] Hence, on the supply side, competition is more intense than apparent from the number of suppliers and, on the demand side, choice is available among a variety of brands irrespective of the suppliers. Moreover, the majority of the respondents to the market investigation that expressed an opinion indicated that customers regularly switch brands or they do not have particular brand loyalty to mass-market fragrances, including mass fragrances for women.[111]

(100) Third, Natura claimed that the Parties are not close competitors. As was already stated in section 5.1.2.1. for mass fragrances, the majority of the respondents in the market investigation that expressed an opinion did not identify Natura (including The Body Shop and Aesop) as a main competitor of Avon in Hungary, Poland, Romania, Greece or the United Kingdom.[112]

(101) Fourth, as regards barriers to entry, the market investigation pointed to the time and costs required to build a significant market presence in terms of marketing and distribution;[113] however, in the last 5 years there have been new entries in the market of mass fragrances for women in all the affected markets, i.e. Hungary, Poland, Romania, Greece and the United Kingdom.[114]

(102) Sixth, the majority of the respondents to the market investigation that expressed a view indicated that the Transaction will have no impact or a positive impact for fragrances in terms of price, quality and/or choice, as well as in terms of innovation.[115]

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108 Replies to questionnaire to competitors (Q1), question 15.2.

109 Replies to questionnaire to competitors (Q1), question 14; Replies to questionnaire to franchisees, distributors and wholesalers (Q2), question 14; Replies to questionnaire to consultants (Q3), question 14.

110 Replies to questionnaire to competitors (Q1), question 14.1.

111 Replies to questionnaire to competitors (Q1), question 18; Replies to questionnaire to franchisees, distributors and wholesalers (Q2), questions 18 and 18.1; Replies to questionnaire to consultants (Q3), question 18.

112 Replies to questionnaire to competitors (Q1), questions 16.1 and 17.1; Replies to questionnaire to franchisees, distributors and wholesalers (Q2), questions 16.1, 16.2, 17.1 and 17.2; Replies to questionnaire to consultants (Q3), questions 16.1, 16.2, 17.1 and 17.2.

113 Replies to questionnaire to competitors (Q1), question 19; Replies to questionnaire to franchisees, distributors and wholesalers (Q2), question 19.

114 Replies to questionnaire to competitors (Q1), question 20.1; Replies to questionnaire to franchisees, distributors and wholesalers (Q2), question 20.1; Replies to questionnaire to consultants (Q3), question 19.1.

115 Replies to questionnaire to competitors (Q1), questions 34 and 35; Replies to questionnaire to franchisees, distributors and wholesalers (Q2), questions 34 and 35; Replies to questionnaire to consultants (Q3), questions 31 and 32.

(103) Therefore, based on the information available to the Commission and in view of the results of the market investigation, Commission considers that, with regard to the market of mass fragrances for women in Hungary, Poland, Romania, Greece and the United Kingdom, the Transaction does not give rise to serious doubts as to its compatibility with the internal market or the functioning of the EEA Agreement under any plausible market definition, whether comprising all fragrances together (irrespective of their positioning as mass or prestige and irrespective of their target gender) or mass fragrances for women alone.

5.2. Bath and Shower products

(104) The Parties' activities overlap in the market for bath and shower products but give rise to hypothetical affected markets only in relation to bath additives in Greece, Finland and Portugal. No affected markets arise in other Member States, clusters of Member States or at EEA level in relation to bath additives or at the level of bath and shower products in general.

5.2.1. Natura's views

(105) Natura submits that, even considering an hypothetical market for bath additives, the overlap between the Parties' activities would not raise significant competitive concerns because: (i) Euromonitor data significantly overstate the market shares of the Parties at a national level and, even if there were correct, the market share increment brought by the Transaction is small, (ii) the Parties are not close competitors, and (iii) there is a large number of competitors supplying bath additives in the EEA that would be able to enter into the affected market if there were sufficient incentives.[116]

5.2.2. The Commission's assessment

(106) The Commission considers that the Transaction in unlikely to raise serious doubts in the market for bath and shower products in Greece, Finland and Portugal, including any plausible market for bath additives, for the following reasons.

(107) First, in any hypothetical market for bath additives, the Transaction will give rise to moderate increments ([10-20]%) of the combined share of the Parties in Finland ([60-70]%, with an increment of [0-5]%), Greece ([80-90]%, with an increment of [5-10]%) and Portugal ([40-50]%, with an increment of [10-20]%). Moreover, in the broader market for bath and shower products, the Parties' combined market shares are significantly lower in each of Finland ([5-10]%, increment of [0-5]% from Avon), Greece ([0-5]%, increment of [0-5]% from Natura) and Portugal ([0-5]%, increment of [0-5]% from Natura).

(108) Second, the data provided by the Parties and the results of the market investigation indicate that the competitive landscape in the market for bath and shower products is characterised by a number of strong global players, which are active across the EEA.

(a) In Finland, the merged entity will continue to face strong competitive pressure from the number one competitor of Natura in the supply of bath

[116] Form CO, paragraph 246.

additives, Yves Rocher ([10-20]%). Moreover, the merged entity will continue to face competition from other smaller competitors (e.g. Estée Lauder, Oriflame, Nu Skin, Yves Rocher)[117] that in 2018 represented together [10-20]% of the supply of bath additives at national level.

(b) In Greece, the merged entity will continue to face significant competitive pressure from Oriflame, Puig and other smaller competitors that in 2018 represented together [10-20]% of the supply of bath additives at national level.

(c) In Portugal, the merged entity will continue to face strong competitive pressure from the number one competitor of Avon, Rituals ([10-20]%). Moreover, Lobo do Val and Beiersdorf will remain significant sources of competitive constraint for the merged entity, in particular the latter that also sells bath additives in other EEA countries with shares above [10-20]%. In addition, the merged entity will also continue to face competition from Oriflame and other smaller competitors that in 2018 represented together [20-30]% of the supply of bath additives at national level.

(109) Furthermore, in each of Finland, Greece and Portugal, the merged entity will continue to compete in the broader bath and shower product category with other suppliers selling bath additives in other EEA countries, in particular Unilever and Colgate-Palmolive that have individual market shares above [10-20]% in the supply of bath additives in several Member States.[118]

(110) In addition, the majority of the respondents that expressed an opinion in the market investigation on this point indicated that, in the market for bath and shower products and in particular in relation to bath additives, competition takes place at brand level.[119] Hence, on the supply side, competition is more intense than apparent from the number of suppliers and, on the demand side, choice is available among a variety of brands irrespective of the suppliers. Moreover, the majority of the respondents to the market investigation that expressed an opinion indicated that customers regularly switch brands or do not have particular brand loyalty to bath and shower products/brands, including for bath additives.[120]

(111) Third, Natura claims that the Parties are not close competitors either in the broader bath and shower market or in the hypothetical bath additives segment. This is confirmed by the market investigation as the majority of the respondents that

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117 Form CO, Annex 2 – Q11; Replies to questionnaire to competitors (Q1), question 22.2.

118 Unilever market shares above [10-20]% in the plausible market for bath additives in Belgium, Czech Republic, Hungary, Ireland, Italy, the Netherlands, Slovakia and the United Kingdom; Colgate-Palmolive has market shares above [10-20]% in the plausible market for bath additives in Belgium, Bulgaria, Hungary, Italy and the Netherlands.

119 Replies to questionnaire to competitors (Q1), question 21; Replies to questionnaire to franchisees, distributors and wholesalers (Q2), question 21; Replies to questionnaire to consultants (Q3), question 20.

120 Replies to questionnaire to competitors (Q1), question 25; Replies to questionnaire to franchisees, distributors and wholesalers (Q2), question 25; Replies to questionnaire to consultants (Q3), question 24.

expressed an opinion did not identify Natura (including The Body Shop and Aesop) as a main competitor of Avon and vice-versa in Finland, Greece or Portugal.[121]

(112) Fourth, as regards barriers to entry, the majority of the respondents to the market investigation that expressed a view indicated that there are no particular barriers to entry in the bath additives segment.[122]

(113) Fifth, the majority of the respondents to the market investigation that expressed an opinion indicated that the Transaction will have no impact or a positive impact in the supply of bath and shower products, including in relation to bath additives in terms of price, quality and/or choice, as well as in terms of innovation.[123]

(114) Therefore, based on the information provided by Natura and in view of the results of the market investigation, the Commission considers that, in relation to bath and shower products, the Transaction does not give rise to serious doubts as to its compatibility with the internal market or the functioning of the EEA Agreement under any plausible market definition, thus including on hypothetical markets for bath additives in Finland, Greece and Portugal

6. CONCLUSION

(115) The Commission concludes that the Transaction does not give rise to serious doubts as to its compatibility with the internal market or the functioning of the EEA Agreement, including in relation to the supply of mass fragrances, mass fragrances for women and bath additives.

(116) For the above reasons, the European Commission has decided not to oppose the notified operation and to declare it compatible with the internal market and with the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of the Merger Regulation and Article 57 of the EEA Agreement.

For the Commission

(Signed)
Margrethe VESTAGER
Executive Vice-President

[121] Replies to questionnaire to competitors (Q1), questions 23.2 and 24.2; Replies to questionnaire to franchisees, distributors and wholesalers (Q2), questions 23.2 and 24.2.

[122] Replies to questionnaire to competitors (Q1), question 26; Replies to questionnaire to franchisees, distributors and wholesalers (Q2), question 26.

[123] Replies to questionnaire to competitors (Q1), questions 34 and 35; Replies to questionnaire to franchisees, distributors and wholesalers (Q2), questions 34 and 35.