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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 Where possible the information omitted has been replaced by ranges of figures or a general description.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.9324 - ALSO/ABC Data Group**
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 2 May 2019**,** the European Commission received notification of a proposed concentration pursuant to Article 4 of the Merger Regulation (the " Transaction") by which ALSO Holding AG ("ALSO") acquires within the meaning of Article 3(1)(b) of the Merger Regulation sole control over the assets of ABC Data Group ("ABC Data").[3] (ALSO is designated hereinafter as the 'Notifying Party' or, jointly with ABC Data, the "Parties").

1. THE PARTIES

(2) ALSO is the parent company of the Also Group which is active in the wholesale distribution of products, solutions and services related to information technology, telecommunication and consumer electronics. The Also Group has subsidiaries in 15 EEA Member States and in Switzerland. ALSO, in turn, is solely controlled by

[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 ('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 163, 13.05.2019, p. 7.

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Droege Group AG, Düsseldorf, Germany, which indirectly holds 51.3% of the shares in ALSO and the majority of ALSO's voting rights.

(3) ABC Data is active as a wholesale distributor of computers, peripherals and software, telecommunication equipment and consumer electronics. ABC Data is mainly active in Poland where it generates approx. […]% of its worldwide turnover.

2. THE OPERATION

(4) The Transaction consists of an acquisition of assets. Pursuant to a number of agreements concluded between the Parties,[4] ALSO will indirectly acquire all assets of ABC Data, including all of its shares in a number of subsidiaries in Hungary, Lithuania, Poland, Romania and Slovakia.

(5) ABC Data is the parent company of the ABC Data Group and the Transaction will enable ALSO to acquire sole control over almost the entire business of the ABC Data Group.[5] According to the Parties, such result will be achieved through the steps outlined in the following paragraphs.

(6) First, ALSO and MCI (ABC Data's mother company) have launched a public bid for the 37.15% of ABC Data's shares. Upon successful completion of the bid, MCI shall have approximately 66% of ABC Data's shares and retain sole control of the company, while ALSO shall have the remaining shares of ABC Data purchased in the public takeover bid.[6] As part of the Transaction, MCI will not transfer any of its shares in ABC Data to ALSO. ALSO, on the other hand, will acquire all the assets of ABC Data (except those carved out).

(7) Once the assets of ABC Data have been transferred to ALSO, MCI will repurchase all shares that ALSO acquired through the public bid on ABC Data. As a consequence, MCI will then hold (i) the majority of the shares in ABC Data, by that time an empty shell company without any operative business and (ii) indirectly, 100% of the shares in ABC Data Marketing, at that point also an empty shell company without any operative business and (iii) indirectly, 100% in each of the subsidiaries of ABC Data that have been carved out from the Transaction.

(8) The Transaction therefore constitutes a concentration pursuant to Article 3(1)(b) of the Merger Regulation.

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[4] Tender Offer Agreement signed on 21 December 2018; Agreement for the Sale of Enterprise of ABC Data S.A. and Agreement for the Sale of Enterprise of ABC Data Marketing (to be signed after the settlement of the Tender offer); Agreement relating to the Resale of ABC Data's Shares of 21 December 2018; Framework Agreement (concerning the takeover offer and asset transactions) of 21 December 2018.

[5] The structure of the Transaction provides for the carve-out of certain subsidiaries of ABC Data, which will remain in the hands of ABC Data, while its other assets included in the Transaction are transferred to ALSO. None of these subsidiaries carries out operative businesses.

[6] This minority shareholding will not confer joint control to ALSO (either directly or indirectly), because ALSO will not obtain any veto rights regarding strategic business decisions within ABC Data. It has also been agreed between the Parties that ALSO's minority shareholding in ABC Data will only be temporary and will not last more than 1-2 months (hence, the situation will not be on a lasting basis).

3. EU DIMENSION

(9) The combined aggregate worldwide turnover of all the undertakings concerned exceeds EUR 5 000 million[7] (Droege: EUR […]; ABC Data: EUR […]). Each of the undertakings concerned generates an aggregate turnover in excess of 250 million in the EU (Droege: EUR […] approximately; ABC Data: EUR […] approximately). While ABC Data achieves more than two-thirds of its aggregate EU-wide turnover in Poland, Droege does not.

(10) Therefore, the Transaction has a Union dimension pursuant to Article 1(2) of the Merger Regulation.

4. PRODUCT MARKET DEFINITION

(11) The Parties' activities overlap in the following product markets (and/or possible segments thereof): (i) the wholesale distribution of Information Technology ("IT") products (e.g. PCs, notebooks, workstations, tablets, etc.); (ii) wholesale distribution of telecommunication equipment (e.g. mobile phones); (iii) wholesale distribution of consumer electronics ("CE") (e.g. TVs, Hi Fi, screens, refrigerators, dishwashers, washing machines), and (iv) wholesale distribution of printing consumables (e.g. ink cartridges, toner, etc.). The first two categories, i.e. IT products and telecommunication equipment, are referred to as information and communication technology products ("ICT") below.

4.1.1. Wholesale distribution of ICT and CE products

(12) In the precedents listed at paragraphs (13)-(15), the Commission assessed the possible product markets for wholesale distribution of IT products, telecommunication equipment and CE.

(13) In *Avnet/Magirus*,[8] *Tech Data/Scribona*,[9] *Tech Data/Avnet*,[10] the Commission has defined a market for the wholesale distribution of IT products, but left open the question whether the market should be further sub-segmented (i) by product categories (e.g. server, storage, PCs, etc.), (ii) by direct and indirect sales[11] or (iii) by different distribution models (broadline vs value-added distribution ("VAD")).[12]

(14) In *Argues/SHC*[13] and *ALSO/PCF*,[14] the Commission identified a separate market for the wholesale of telecommunication products, including wholesale of landline

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

[8] Commission decision of 21 September 2012, Case COMP/M. 6577 Avnet/Magirus, para. 10 et seq.

[9] Commission decision of 24 April 2008, Case COMP/M.5091 Tech Data/Scribona, para. 11 et seq.

[10] Commission decision of 23 February 2017, Case COMP/M.8248 Tech Data/Avnet's Technology Solutions.

[11] Direct sales are sales by manufacturers to resellers and end-customers, while indirect sales include sales to resellers and retailers through a wholesale distributor.

[12] Broadline distribution is basic, large-scale delivery of products. Additional services, such as consulting or system configuration support, sales training, marketing, repair and financial solutions, which can be offered by IT distributors, are generally referred to as "value added" services (or value added distribution).

[13] Commission decision of 25 September 2008, Case COMP/M.5303 Arques/SHC, para. 31 et seq.

[14] Commission decision of 21 October 2015, Case COMP/M.7708 ALSO/PCF.

telephony terminals, mobile phones and similar terminals (such as car telephones) and accessories as well as other related services, but left the precise market definition open.

(15) In *ALSO/PCF*, the Commission considered a possible market for wholesale distribution of consumer electronics but left the precise market definition open.[15]

(16) In the decisions listed at paragraphs from (13)-(15), the Commission also included related services, such as after-sales support, training and financial services to customers in the wholesale market.[16]

(17) The Notifying Party submits that the relevant product market is the overall market for wholesale distribution of ICT and CE. As an alternative product market definition, the Notifying Party refers to the possible distinction between the wholesale distribution of (i) IT products, (ii) telecommunication products, and (iii) CE.

(18) With regard to the distribution of IT products, in the Notifying Party's view, the relevant market does not need to be further sub-segmented by (i) direct or indirect sales channels, (ii) product category or (iii) distribution model (broadline distribution and VAD). According to the Notifying Party, a distinction between direct and indirect sales channels is not necessary as both channels constitute alternative sources of supply to customers (i.e. retailers and large resellers). A further sub-segmentation by product category is not appropriate due to a general industry trend towards product convergence, whereby wholesalers offer the same product range and one-stop-shop solutions.[17] According to the Notifying Party, the emergence of cloud services further blurs the distinction between different IT products as they are offered on a pay-per-use basis substituting a number of different categories of IT products. The Notifying Party considers that, as ALSO and ABC Data do not have any meaningful activities as VAD, the exact market definition can be left open, as it does not affect the outcome of the proposed Transaction.

(19) The market investigation provided mixed results as to the exact scope of the relevant product markets and possible further segmentation as set out at paragraphs from (13) to (15).[18] For the purpose of the present decision, the exact product market definition can be left open as the Transaction does not raise serious doubts as to its compatibility with the internal market under any plausible product market definition.

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[15] Consumer electronics include e.g. "brown goods" such as TVs, Hifi, screens, major domestic appliances (i.e. "white goods", such as refrigerators, dishwashers, washing machines) MP3 players, photography products and music/movies/games (CD, DVD, computer games).

[16] ALSO's revenues derived from financial services and services such as logistics services, training, maintenance, installation and maintenance of hardware and software etc. amount to 3% of its total revenues and therefore will not lead to significantly different market shares than those set out in section V.1.A.

[17] The Notifying Party argues, in addition, that the relevant product market should include services related to the product distribution, such as after-sales support, training and financial services to customers in the wholesale market (such services, in the case at hand, account for a minimal percentage of the Parties' respective turnover).

[18] See Q1 to competitors, replies to questions 4, 4.1, 4.1.1, 5, 5.1, 6 and 6.1; Q2 to customers, replies to questions 4, 4.1, 4.1.1, 5, 5.1, 6 and 6.1 and Q3 to vendors, replies to questions 4, 4.1, 4.1.1, 5, 5.1, 6 and 6.1.

4.1.2. Wholesale distribution printing consumables

(20) In *Unipapel/Spicers*,[19] *ALSO/Alpha International*,[20] the Commission considered a separate market for the wholesale of printing consumables (or 'printing supplies', such as ink cartridges, toners, etc.). The Commission considered a further distinction between distribution channels, i.e. over specialized wholesalers, IT wholesalers or wholesalers of office supplies but left the precise product market definition open.

(21) The Notifying Party submits that further segmentation by distribution channel is not appropriate as both wholesalers of traditional office supplies and wholesalers of IT products supply printing consumables and customers source a number of printing consumables products from both.

(22) The market investigation provided mixed results as to the exact scope of the relevant product markets and possible further segmentation as set out at paragraph (20).[21] For the purpose of the present decision, the exact product market definition can be left open as the Transaction does not raise serious doubts as to its compatibility with the internal market under any plausible product market definition.

4.1.3. Stationary/online retail sales of electronic devices

(23) In *Carphone Warehouse/Dixons*,[22] *Media Saturn/Redcoon*,[23] *DGSI/Fotovista*,[24] the Commission considered whether the retail market for electronic equipment should be further sub-segmented into (i) brick-and-mortar shops (offline retailing) and (ii) home shopping (which includes online shopping and shopping by catalogue) of electronic devices equipment, but left the precise market definition open.[25]

(24) The Notifying Party submits that the precise market definition can be left open in the present case as the Transaction will not raise any concerns regardless of the product market definition.

(25) The Commission considers that, for the purpose of the present decision, the exact product market definition can be left open as the Transaction does not raise

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[19] Commission decision of 20 December 2011 Case COMP/M.6382 Unipapel/Spicers, para. 46 et seq.

[20] Commission decision of 21 May 2014, Case COMP/M.7189 – ALSO/Alpha International, para. 12 et seq.

[21] Q1 to competitors, replies to questions 7 and 7.1, Q2 to customers, replies to questions 7 and 7.1 and Q3 to vendors, replies to questions 8 and 8.1.

[22] Commission decision of 25 June 2014, Case COMP/M. 7259 Carphone Warehouse/Dixons, para. 16 et seq.

[23] Commission decision of 23 June 2011, Case COMP/M.6226 Media Saturn/Redcoon, para. 9 et seq.

[24] Commission decision of 29 June 2006, Case COMP/M. 4226 DGSI/Fotovista, para. 9 et seq.

[25] A further sub-segmentation was considered into (i) retail trade in brown goods, (ii) retail sale of large household appliances ("white goods", e.g. washing machines, refrigerators, etc.), (iii) retail sale of small household appliances (e.g. toasters, irons, etc.) and (iv) retail sale of computers and telecommunications equipment. For the retail sale of mobile phones and tablet computers, in *Carphone Warehouse/Dixons*, the Commission also examined whether a distinction between (i) tied specialist retailers (retail outlets owned by MNOs or MVNOs), (ii) independent specialist retailers (retail outlet specialized in the sale of mobile communications devices and services), (iii) generalist retailers and
(iv) specialist electrical retailers, would be necessary.

serious doubts as to its compatibility with the internal market under any plausible product market definition.

4.2. Geographic market definition

(26) With regard to wholesale distribution of ICT products (IT products and telecommunication equipment), CE and printing consumables, in its previous decisions referenced in section 4.1.1 and 4.1.2, the Commission considered alternative geographic market definitions: EEA-wide, regional and national in scope, but ultimately left the precise geographic market definition open.

(27) The Notifying Party submits that the relevant geographic market for the wholesale distribution of ICT products (IT products and telecommunication equipment), CE and printing consumables should be defined as EEA-wide, or alternatively at a regional level (i.e. the Baltic region). According to the Notifying Party, the precise market definition can be left open as the Transaction will not raise any concerns under any plausible market definition.

(28) With regard to retail sales of electronic devices/equipment, in previous decision referenced in section 4.1.3, the Commission considered geographic markets at regional and national level but left the precise geographic market definition open.

(29) In the Notifying Party's view, the precise geographic market definition can be left open as the Transaction will not raise any concerns irrespective of the geographic market definition.

(30) The market investigation provided mixed results as to the exact scope of the relevant geographic markets.[26] For the purpose of the present decision, the exact product market definition can be left open as the Transaction does not raise serious doubts as to its compatibility with the internal market under any plausible geographic market definition.

5. COMPETITIVE ASSESSMENT

5.1. Framework for the competitive assessment

5.1.1. Horizontal non-coordinated effects

(31) The Horizontal Merger Guidelines describe horizontal non-coordinated effects as follows: "A merger may significantly impede effective competition in a market by removing important competitive constraints on one or more sellers who consequently have increased market power. The most direct effect of the merger will be the loss of competition between the merging firms. For example, if prior to the merger one of the merging firms had raised its price, it would have lost some sales to the other merging firm. The merger removes this particular constraint. Non-merging firms in the same market can also benefit from the reduction of competitive pressure that results from the merger, since the merging firms' price increase may switch some demand to the rival firms, which, in turn,

[26] Q1 to competitors, replies to questions 8 and 8.1, Q2 to customers, replies to questions 9 and 9.1 and Q3 to vendors, replies to questions 8 and 8.1.

may find it profitable to increase their prices. The reduction in these competitive constraints could lead to significant price increases in the relevant market."[27]

(32) Therefore, a merger giving rise to such non-coordinated effects might significantly impede effective competition by creating or strengthening the dominant position of a single firm, one which, typically, would have an appreciably larger market share than the next competitor post-merger.

(33) The Horizontal Merger Guidelines list a number of factors which may influence whether or not significant horizontal non-coordinated effects are likely to result from a merger, such as the large market shares of the merging firms, the fact that the merging firms are close competitors, the limited possibilities for customers to switch suppliers, or the fact that the merger would eliminate an important competitive force.[28] That list of factors applies equally regardless of whether a merger would create or strengthen a dominant position, or would otherwise significantly impede effective competition due to non-coordinated effects. Furthermore, not all of these factors need to be present to make significant non-coordinated effects likely and it is not an exhaustive list.[29]

(34) Finally, the Horizontal Merger Guidelines describe a number of factors, which could counteract the harmful effects of the merger on competition, including the likelihood of buyer power, entry and efficiencies.

5.1.2. Vertical effects

(35) According to the Non-Horizontal Merger Guidelines, foreclosure occurs when actual or potential rivals' access to supplies or markets is hampered, thereby reducing those companies' ability and/or incentive to compete. Such foreclosure may discourage entry or expansion of rivals or encourage their exit.[30]

(36) The Non-Horizontal Merger Guidelines distinguish between two forms of foreclosure: input foreclosure occurs where the merger is likely to raise the costs of downstream rivals by restricting their access to an important input and customer foreclosure occurs where the merger is likely to foreclose upstream rivals by restricting their access to a sufficient customer base.[31]

(37) In order for foreclosure to be a concern, three conditions need to be met post-merger: (i) the merged entity needs to have the ability to foreclose its rivals[32] ; (ii) the merged entity needs to have the incentive to foreclose its rivals[33]; and (iii) the foreclosure strategy needs to have a significant detrimental effect on the parameters of competition on the downstream market (input foreclosure)[34] or have an adverse impact in the downstream market and harm consumers (customer

27 Horizontal Merger Guidelines, paragraph 24.

28 Horizontal Merger Guidelines, paragraphs 27 *et seq.*

29 Horizontal Merger Guidelines, paragraph 26.

30 Guidelines on the assessment of non-horizontal mergers under the Council Regulation on the control of concentration between undertakings (the Non-Horizontal Merger Guidelines), OJ C 265/6, 18.10.2008, paragraphs 29-30.

31 Non-Horizontal Merger Guidelines, paragraph 30.

32 Non-Horizontal Merger Guidelines, paragraphs 33 to 39 and 60 to 67.

33 Non-Horizontal Merger Guidelines, paragraphs 40 to 46 and 68 to 71.

34 Non-Horizontal Merger Guidelines, paragraphs 47 to 57.

foreclosure).[35] In practice, these factors are often examined together since they are closely intertwined.

5.2.1 Horizontally affected markets

5.2.1 Market shares

5.2.1.1. Wholesale distribution of ICT and CE products

(38) The Transaction gives rise to a limited number of horizontally affected markets in the markets for wholesale distribution of ICT (IT products and telecommunication equipment) and CE products (and/or certain product categories thereof) only under a geographic market definition identifying a regional[36] or national geographic markets (i.e. in the Baltic region and in the respective national markets of Estonia, Latvia and Lithuania, Poland and Slovakia).

(39) The Parties only act as wholesaler and therefore are not active on the direct sales distribution channel (i.e. from manufacturers to retailers/resellers). The market shares set out at paragraphs (41)-(44) below are based on the smallest possible market, excluding direct sales and including only indirect sales.[37] On a possible market comprising both distribution channels, the Parties combined market share are lower.

(40) Tables 1-3 below present the relevant market shares, based on such segmentation per each relevant country.

Wholesale distribution of ICT and CE products

(41) On the possible overall market for the wholesale distribution of ICT and CE, horizontally affected markets only arise when the market is sub-segmented based on distribution channels (i.e. including only indirect sales and excluding direct sales by manufacturers).

Table 1: Wholesale distribution of ICT and CE products (2018)

Country	Market share ALSO	Market share ABC Data	Combined marke share
Estonia	[20-30]%	[0-5]%	[20-30]%
Latvia	[10-20]%	[0-5]%	[20-30]%
Lithuania	[10-20]%	[0-5]%	[20-30]%

Source: IDC and Parties' estimates

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[35] Non-Horizontal Merger Guidelines, paragraphs 72 to 77.

[36] Under a geographic market definition, comprising all Baltic countries, the Transaction gives rise to horizontally affected markets in the following segments: wholesale distribution of PCs and notebooks ([20-30]%), Servers ([30-40]%). Storage ([20-30]%). Printers ([20-30]%), Printing consumables ([40-50]%). The increment brought by the Transaction is below [0-5]% on all segments and the market investigation has not indicated any competitive concern in this respect. Such segmentation will therefore not be further discussed in the following sections.

[37] Based on the Parties' best estimates, manufacturers distribute a large part of then products directly to retailers/resellers and end-customers, up to 50% of total sales. This is in line with previous Commission decisions, e.g. Commission decision of 26 June 2008. Case COMP/M.5162 Avnet/Horizon. para 10 (for the United Kingdom); Commission decision of 19 May 2008. Case COMP/M.5099 Arrow Electronics/Logix. para 35. 41 (44 % of servers and 38 % of storage products in 2007 in Denmark); Commission decision of 28 April 2008. Case COMP/M.5091 Tech Data/Scribona. para 21. 34. 39. 41. 44 (for Finland. Sweden and Noway).

Wholesale distribution of IT products

(42) On the possible market for wholesale distribution of IT products (excluding direct sales by manufacturers), the Transaction leads to the following horizontally affected markets:

Table 2: Wholesale distribution of IT products (2018)

Country	Market share ALSO	Market share ABC Data	Combined market share
Estonia	[30-40]%	[0-5]%	[30-40]%
Latvia	[20-30]%	[0-5]%	[20-30]%
Lithuania	[10-20]%	[0-5]%	[20-30]%
Poland	[10-20]%	[10-20]%	[20-30]%

Source: IDC and Parties' estimates

(43) In addition, in a number of sub-segments of the market for wholesale distribution of IT products by product category (excluding direct sales by manufacturers) in Estonia, Latvia, Lithuania, and Poland, the Parties' combined market shares are above 20%[38]:

- **Estonia:** PCs and notebooks ([40-50]%; ALSO: [40-50]%; ABC Data: [0-5]%); Workstations ([50-60]%; ALSO: [50-60]%; ABC Data: [0-5]%), Printers ([30-40]%; ALSO: [20-30]%; ABC Data: [5-10]%)[39].

- **Latvia**: PCs and notebooks ([30-40]%; ALSO: [30-40]%; ABC Data: [0-5]%), Workstations ([40-50]%; ALSO: [40-50]%; ABC Data: [0-5]%), Tablet PCs ([20-30]%; ALSO: [10-20]%ABC Data: [0-5]%), Printers ([50-60]%; ALSO: [50-60]%; ABC Data: [5-10]%)[40].

[38] Horizontally affected markets where the increment is below [0-5]% are: Estonia: Servers (ALSO: [40-50]%; ABC Data: [0-5]7%); Storage (ALSO [20-30]%; ABC Data: [0-5]%); Latvia: Software (ALSO: [20-30]%; ABC Data [0-5]%); Servers (ALSO: [40-50]%; ABC Data: [0-5]%); Storage: (ALSO: [20-30]%; ABC Data: [0-5]%); Lithuania: Servers (ALSO: [20-30]%; ABC Data: [0-5]%), Storage (ALSO: [20-30]%; ABC Data: [0-5]%); Software (ALSO: [20-30]%; ABC Data: [0-5]%) Denmark: PCs and notebooks (40-50]%; ALSO: [40-50]%; ABC Data: [0-5]%); Germany: Storage ([30-40]%; ALSO: [30-40]%; ABC Data: [0-5]%). These possible segments are therefore not further discussed in the following sections.

[39] The market shares of the Parties' competitors in Estonia on the PCs and notebooks segment are: TD Baltic ([5-10]%), ACC Distribution [30-40]%), F9 Distribution [5-10]%); Workstations: TD Baltic [20-30]%), ACC Distribution ([20-30]%); Printers: ACC Distribution ([10-20]%), TD Baltic ([5-10]%).

[40] The market shares of the Parties' competitors in Latvia on the PCs and notebooks segment are: ELKO Group ([20-30]%), TD Baltic ([10-20]%). ACC Distribution ([20-30]%), F9 Distribution ([10-20]%); Workstations: TD Baltic ([10-20]%), ACC Distribution ([10-20]%); Tablet PC: ELKO Group ([10-20]%), TD Baltic ([10-20]%), ACC Distribution ([10-20]%); Printers: ELKO Group ([5-10]%), TD Baltic ([5-10]%), ACC Distribution ([5-10]%) and others such as TVG, Asbis. F9 Distribution, for which market share estimates are not available.

- **Lithuania:** PCs and notebooks ([20-30]%; ALSO: [10-20]%; ABC Data: [0-5]%); Storage ([20-30]%; ALSO: ([20-30]%; ABC Data: [0-5]%); Printers (40-50]%; ALSO: ([40-50]%; ABC Data: [0-5]%).[41]

(44) With regard to Poland, Table 3 provides an overview of the horizontally affected markets by product category[1] and the increment brought by the Transaction:

Table 3: Wholesale distribution of IT products (by product category) in Poland - (2018)

Segment	Market share ALSO	Market share ABC Data	Combined market share
PCs and notebooks	[10-20]%	[20-30]%	[30-40]%
Servers	[5-10]%	[40-50]%	[40-50]%
Storage	[20-30]%	[5-10]%	[30-40]%
Workstations	[10-20]%	[20-30]%	[30-40]%
Tablet PCs	[30-40]%	[10-20]%	[40-50]%
Printers	[5-10]%	[20-30]%	[30-40]%

Source: IDC and Parties' estimates

Wholesale distribution of telecommunications equipment

(45) On the possible market for wholesale distribution of telecommunications equipment (excluding direct sales by manufacturers), the Transaction leads to horizontally affected markets only in Poland ([20-30]%; ALSO [5-10]%; ABC Data: [10-20]%).

Wholesale distribution of CE

(46) On the possible markets for wholesale distribution of CE (excluding direct sales by manufacturers), the Transaction leads to horizontally affected markets only in Lithuania ([20-30]%; ALSO: [10-20]%; ABC Data: [5-10]%).

5.2.1.2.1. Wholesale distribution of printing consumables

The Transaction leads to the following horizontally affected markets on the market for wholesale distribution of printing consumables.[42] The market shares set out at

[41] The market shares of the Parties' competitors in Lithuania on the PCs and notebooks segment are: ACC ([30-40]%). AVAD ([10-20]%). TD Baltic ([10-20]%). F9 Distribution ([5-10]%), ELKO ([10-20]%); Servers: ACC ([20-30]%), TD Baltic ([20-30]%). ELKO ([5-10]%), F9 Distribution ([5-10]%); Storage: ACC ([30-40]%), TD Baltic ([10-20]%). ELKO ([20-30]%), F9 Distribution ([5-10]%); Printers: ACC ([10-20]%). TD Baltic ([5-10]%). ELKO ([5-10]%). F9 distribution ([10-20]%).

[42] The market shares of the Parties' competitors in Poland on the PCs and notebooks segment are: AB SA ([30-40]%), Ingram Micro ([5-10]%), Tech Data ([10-20]%); Servers: AB SA ([20-30]%). Ingram Micro ([0-5]%), Tech Data ([20-30]%); Storage: AB ([10-20]%), Inconi ([20-30]%), Action ([10-20]%); Workstations: AB SA ([30-40]%), Ingram Micro ([10-20]%), Tech Data ([10-20]%); Tablet PC: AB SA ([20-30]%). Ingram Micro ([5-10]%). Tech Data ([5-10]%), Incom ([10-20]%); Printers: AB SA ([20-30]%). Ingram Micro ([0-5]%). Tech Data ([10-20]%), Action ([10-20]%). The Notifying Party submits that with regard to the wholesale distribution of Servers and Storage. Veracomp and Arrow are also important competitors. As the Parties were not able to provide reasonable assumptions as to their market shares, the combined market share of the Parties in these segments is likely overestimated

Table 4 below are based on the smallest possible market, excluding direct sales and including only indirect sales. [44] On a possible market comprising both distribution channels, the Parties combined market shares are lower [45]

Table 4: Wholesale distribution of printing consumables (2018)

Segment	Market share ALSO	Market share ABC Data	Combined market share
Estonia	[40-50]%	[0-5]%	[50-60]%
Latvia	[20-30]%	[0-5]%	[20-30]%
Lithuania	[40-50]%	[0-5]%	[40-50]%
Slovakia	[10-20]%	[5-10]%	[20-30]%

Source: IDC and Parties' estimates

5.2.2. Horizontal non-coordinated effects

5.2.2.1. Notifying Party' s views

(48) The Notifying Party argues that the Transaction would not raise any unilateral effects for the reasons set out below.

(49) First, the Transaction results in very small increments and the Parties face a number of strong competitors on all affected markets, including Poland and Slovakia, which will continue to exert a competitive constraint post-Transaction.

(50) Second, in the Notifying Party's view, ALSO and ABC Data Group are not close competitors. Both ALSO and ABC Data Group supply a large range of ICT products (i.e. IT products and telecommunication equipment), CE and printing consumables. The product ranges of the Parties are comparable to the product ranges supplied by other players active on all affected markets. In addition, according to the Notifying Party, all major competitors in the wholesale distribution market offer products manufactured by a large variety of manufacturers and it is relatively easy and not costly for market players to increase their portfolios by entering into supply contracts with further manufacturers and to rent additional warehousing space, where necessary.

43 Horizontally affected markets where the increment is below 1% are: Austria (ALSO: [20-30]%; ABC Data: [0-5]%); Croatia (ALSO: [20-30]%; ABC Data: [0-5]%) and Denmark (ALSO: [50-60]%; ABC Data: [0-5]%). These markets are therefore not further discussed in the following sections.

44 Based on the Parties' best estimates, manufacturers distribute a large part of then products directly to retailers/resellers and end-customers, up to 50% of total sales. This is in line with previous Commission decisions, e.g. Commission decision of 26 June 2008. Case COMP/M.5162 Avnet/Horizon. para 10 (for the United Kingdom); Commission decision of 19 May 2008. Case COMP/M.5099 Arrow Electronics/Logix. para 35. 41 (44 % of servers and 38 % of storage products in 2007 in Denmark); Commission decision of 28 April 2008. Case COMP/M.5091 Tech Data/Scribona. para 21. 34. 39, 41. 44 (for Finland. Sweden and Noway).

45 The market shares of the Parties' competitors on the possible market for the wholesale distribution of printing consumables are: Estonia (TD Baltic: [20-30]%); Latvia (TD Baltic: [5-10]%. ACC: [0-5]%, ELKCL [5-10]%); Lithuania (ACC: [10-20]%. ELKO: [10-20]%, F9 Distribution: [5-10]%); Slovakia: ASBIS (around [10-20]%-[20-30]%). ED Systems ([10-20]%), AT Computers ([10-20]%). SWS ([5-10]%-[10-20]%), AGEM ([5-10]%-[10-20]%).

(51) Third, the Notifying Party argues that customers can easily switch to other wholesalers at any time and without incurring any additional costs because customers already apply multi-sourcing strategies. Customers can also increase their direct purchases from manufacturers.

(52) As regards the wholesale of printing consumables, the Notifying Party considers that both wholesalers of traditional office supplies and wholesalers of IT products constitute alternative sources of printing consumables.

(53) Fourth, according to the Notifying Party, the Parties' customers are sophisticated buyers with substantial buyer power (e.g. specialised retail store chains or groups such as Media Markt, MediaExpert, Euronet). At the same time, at the upstream level, manufacturers mostly conclude short-term and non-exclusive distribution agreements for their product range with several wholesalers and which can easily be terminated.

5.2.2.2. Commission's assessment

(54) The Commission considers that, for the reasons set out below, the Transaction does not raise serious doubts as to its compatibility with the internal market.

(55) First, the Transaction results in very small increments under all plausible market definitions, with the exception of Poland (see Table 3) and Slovakia (for wholesale distribution of printing consumables) (see Table 4).

(56) Second, as explain below, on all affected markets, the merged entity faces several competitors (which are already present) and which will continue to exert a competitive constraint post-Transaction.

(57) With regard to the Polish market, based on the Notifying Party's submission and on the responses to the market investigation,[46] the alternative wholesale distributors include AB SA Tech Data, Ingram Micro, Veracomp, Action, NTT, which will continue to exert a competitive constraint on the merged entity post-Transaction.

(58) With regard to Estonia, based on the Notifying Party's submission and on the responses to the market investigation, the alternative wholesale distributions are TD Baltic, ACC Distribution, F9 Distribution, Elko, which will continue to exert a competitive constraint on the merged entity post-Transaction.

(59) With regard to Latvia, based on the Notifying Party's submission and on the responses to the market investigation, the alternative wholesale distributions are ACC, TD Baltic, ELKO, F9 Distribution, which will continue to exert a competitive constraint on the merged entity post-Transaction.

(60) With regard to Lithuania, based on the Notifying Party's submission and on the responses to the market investigation, the alternative wholesale distributors include ACC, AVAD, TD Baltic, which will continue to exert a competitive constraint on the merged entity post-Transaction.

46 Q2 to customers, replies to question 11.2 and Q3 to vendors, replies to question 14.

(61) With regard to Slovakia, based on the Notifying Party's submission and on the responses to the market investigation, the alternative wholesale distributors are ASBIS, ED Systems, AT Computers, SWS and AGEM, which will continue to exert a competitive constraint on the merged entity post-Transaction.

(62) Respondents to the market investigation confirmed that (i) manufacturers entrust the distribution of their products to multiple wholesale distributors and (ii) customers (i.e. resellers and retailers) already apply multi-sourcing strategies.[47] Most customers, manufacturers and competitors who responded to the market investigation consider that post-Transaction that there will be a sufficient number of alternative distributors for the wholesale supply of ICT products (IT products and telecommunication equipment) and printing consumables in all countries where both Parties are active.[48]

(63) In view of the above, a sufficient number of players will remain post-Transaction.[49]

(64) Third, the market investigation also suggested that customers of wholesale distributors (i.e. resellers and retailers) are sophisticated buyers that use a range of channels to procure manufacturers' products. Some customers indicated that they can also procure ICT products (IT products and telecommunications equipment) directly from the manufacturers.[50] Therefore, the Parties' customers have two basic options for acquiring any product: buying directly from the manufacturer or buying from a wholesaler. On that basis, and for the purposes of the present decision, the Commission considers that direct sales made by manufacturers to retailers or resellers exert a competitive constraint on wholesale distributors, only active on the indirect sales channel.

(65) With respect to printing consumables, the Parties' customers have three basic options for acquiring printing consumables: buying from wholesalers of printing consumables, from wholesalers of traditional office supplies or buying directly from printer manufacturers. On that basis, and for the purposes of the present decision, the Commission considers that sales made through such alternative channels exert a competitive constraint on the Parties.

(66) Fourth, with the sole exception of very few unsubstantiated or contradictory comments, virtually all respondents to the market investigation excluded any negative impact of the Transaction on their business or on competition in any of the affected markets.[51]

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47 Q1 to competitors, replies to questions 18.1, 18.2, 18.3, 18.4; Q2 to customers, replies to questions 9, 9.1, 9.2 and Q3 to vendors, replies to questions 11, 11.1, 11.2.

48 Q1 to competitors, replies to questions 11.1; Q2 to customers, replies to questions 11, 11.11.2 and Q3 to vendors, replies to questions 11, 11.1, 11.2.

49 Q1 to competitors, replies to questions 15, 15.1 and Q3 to vendors, replies to questions 17, 17.1.

50 Q2 to customers, replies to questions 14, 14.1., 15, 15.1.

51 Q1 to competitors, replies to questions 18.1, 18.2, 18.3, 18.4; Q2 to customers, replies to questions 9, 9.1, 9.2 and Q3 to vendors, replies to questions 11, 11.1, 11.2.

5.3. Vertically affected markets

5.3.1. Market shares

(67) The Transaction would give rise to a limited number of vertical relationships. On the potential market for wholesale distribution of IT products, further sub-segmented by product category, vertically affected markets arise in Poland for the distribution of PCs and notebooks ([30-40]%), Servers [40-50]%), Storage ([30-40]%), Workstations ([30-40]%), Tablet PCs ([40-50]%), as well as in Germany. [52] ALSO is active in Poland and Germany at the downstream level, that is, in the market for online/stationary retail sales of ICT (IT products and telecommunication equipment) and CE.

5.3.2. Vertical effects

5.3.2.1. Notifying Party's views

(68) According to the Notifying Party, ALSO's activities on the Polish market for the retailing of ICT products (IT and telecommunication products) and CE, in particular smartphones/mobile phones are insignificant and amount to a market share below [0-5]%.[53] In addition, ALSO operates an online-shop in Polish and sells ICT and CE products only to customers based in Poland.

(69) In the Notifying Party's view, the merged entity does not have the ability to restrict access to an important input. The Notifying Party submits that wholesalers of ICT (i.e. IT products and telecommunication equipment), CE products do not have market power in any country. This is because the availability of products depends on the manufacturers and not on the wholesalers. Furthermore, manufacturers have supply contracts with many wholesalers and, therefore, the Parties' customers, e.g. retailers and e-retailers have many purchase alternatives via a variety of distribution channels. Moreover, the Notifying Party submits that resellers can also purchase products directly from the manufacturers.

(70) According to the Notifying Party, the Transaction does not raise concerns in relation to customer foreclosure as ALSO is only a minor player in the downstream market for the retailing of ICT (IT products and telecommunication equipment) and CE products in Poland.

5.3.2.2. Commission's assessment

(71) The Commission considers that for the reasons set out below, the Transaction does not raise serious doubts as to its compatibility with the internal market with respect to a potential input or customer foreclosure.

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[52] At the upstream market for the wholesale distribution of IT products, split by product category, the Transaction only gives rise to a vertically affected market for the wholesale distribution of PCs and notebooks in Germany ([30-40]%). However, the increment is limited to [0-5]%. In addition, the vertical relationship between ALSO's activities at the upstream and downstream market in Germany existed pre-Transaction and is therefore not merger-specific. Therefore, this vertical relationship will not be discussed further.

[53] ALSO's subsidiary in Poland, i-terra, has 10 shops (two in Gdansk, two in Warsaw, Krakow, Bialystok, Bydgoszcz, Kielce, Gdynia and Szczecin).

(72) With regard to the ability and incentive to engage in input foreclosure, the merged entity does not appear to have a significant degree of market power in the upstream market for the wholesale distribution of ICT (IT products and telecommunication equipment) and CE. There are other wholesale distributors active on all affected markets and a majority of customers indicated that they already source ICT (IT products and telecommunication equipment) and CE from multiple distributors (see paragraph (57)). In addition, in some cases customers can also procure products directly from manufacturers. Furthermore, a majority of competitors, customers and manufacturers which responded to the market investigation consider that the merged entity would have a strong incentive to continue to sell to as many customers as possible.[54]

(73) With regard to the ability and incentive to engage in customer foreclosure, the Commission considers that due to the limited role of ALSO at the retail level in Poland, customer foreclosure concerns do not arise as a result of the Transaction.

6. CONCLUSION

(74) 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
Member of the Commission

[54] See Q1 to competitors, replies to questions 16, 16.1, 17, 17.1; Q2 to customers, replies to questions 13.1 and 14.1 and Q3 to vendors, replies to questions 13.13.1.