EUROPEAN COMMISSION

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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 Where possible the information omitted has been replaced by ranges of figures or a general description.

HP, Inc.
1501 Page Mill Road
94304 Palo Alto, California
USA

Subject: **Case M.10737 – HP / POLY**
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 June 2022, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EC) No 139/2004 by which HP Inc. ("HP") acquires sole control of the whole of Plantronics, Inc. ("Poly"), within the meaning of Article 3(1)(b) of the Merger Regulation (the "Transaction").[3] HP is designated hereinafter as the "Notifying Party", while HP and Poly are jointly referred to as the "Parties".

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 226, 10.06.2022, p. 3.

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1. THE PARTIES

(2) HP is a publicly listed company headquartered in Palo Alto, USA.[4] No undertaking or person controls HP directly or indirectly. HP is a global provider of personal computing and other access devices, imaging and printing products, and related technologies, solutions and services. HP is active across all major geographies.

(3) Poly is a publicly listed company headquartered in Santa Cruz, USA. No undertaking or person controls Poly directly or indirectly. Poly is a global communications technology company that designs, manufactures, and markets professional-grade communication products (e.g., communication headsets, desktop and conference room phones, and videoconferencing solutions and peripherals). Poly is active across all major geographies.

2. THE OPERATION

(4) The concentration is accomplished pursuant to the Agreement and Plan of Merger dated 25 March 2022, according to which a wholly owned subsidiary of HP will merge with and into Poly following which it will cease to exist and Poly will continue as the surviving company as an indirect wholly owned subsidiary of HP.

(5) The Transaction will therefore lead to the acquisition of sole control by HP over Poly within the meaning of Article 3(1)(b) of the Merger Regulation.

3. UNION DIMENSION

(6) The undertakings concerned have a combined aggregate worldwide turnover of more than EUR 5 000 million (HP: EUR 53 170 million; Poly: EUR 1 492 million). Each of them has an EU-wide turnover in excess of EUR 250 million (HP: EUR […]; Poly: EUR […]), and neither of them achieves more than two-thirds of its aggregate EU-wide turnover within the same Member State.

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

4. RELEVANT MARKETS

(8) Poly is active globally in the provision of headsets and Videoconferencing Solutions ("VCS"). HP is active globally in the provision of headsets. HP is planning to enter the VCS market in the course of […].

(9) Therefore, the Transaction concerns headsets and VCS.

4.1. Headsets

4.1.1. The Parties' activities

(10) Poly offers a wide range of headsets, all of which are marketed as professional-grade business headset products.

[4] HP also has headquarters in Geneva, Switzerland and Singapore.

(11) HP has a very small legacy presence in the business headsets space. HP's business headsets have reached the end of their life cycle: one product was discontinued at the end of 2021 […]. Within the broad headsets market, HP's core offering consists of gaming headsets, a space where Poly is not active.[5] HP's gaming headsets account for ca. […] of HP's overall headsets sales globally.

4.1.2. Product market definition

4.1.2.1. Past Commission decisions

(12) In previous decisions, the Commission considered that, within the market for consumer audio electronics, a separate market exists for the supply of headphones, although the precise market definition was left open.[6] The Commission further considered a potential segmentation between high-end, sophisticated headphones with various features such as wireless connectivity and low-end headphones with no additional features.[7] The Commission did not previously consider headsets.

4.1.2.2. The Notifying Party's views

(13) The Notifying Party submits that headsets should not be deemed as a separate market from the overall headphones market as there is a high degree of both demand-side and supply-side substitutability. From a supply-side perspective, the Notifying Party argues that manufacturers typically offer a large variety of headphones and headsets and they can easily switch from manufacturing one type of headphone/headset to another. Moreover, the Notifying Party argues that microphones cannot be considered as a distinguishing factor between headphones and headsets.[8]

(14) From a demand-side perspective, the Notifying Party submits that customers tend to use a single headset for their different needs (for instance gaming or attending business calls).[9]

(15) In any event, the Notifying Party submits that the relevant product market can be left open as competition concerns do not arise even on the narrowest possible product market.

4.1.2.3. The Commission's assessment

(16) The results of the market investigation confirm the approach that the Commission has taken in previous cases with regard to consumer audio electronics.[10] The vast majority of respondents confirms that the Commission's distinction of a separate market for the supply of headphones within an overall market for the supply of consumer audio electronics is still accurate today.[11] Similarly, a vast majority of the respondents to the market investigation confirms that, within a market for the

5 Poly sold its gaming headset business to NACON, a video game and gaming peripheral player in 2020 […].
6 Case M.7290 – *Apple/Beats*, paragraphs 12-13.
7 Case M.7290 – *Apple/Beats*, paragraph 12.
8 Form CO, paragraphs 77-78.
9 Form CO, paragraph 79.
10 See case M.7290 – *Apple/Beats*.
11 Q1 – questionnaire to competitors and customers, replies to question 4.

supply of headphones, the segmentation that the Commission previously considered between high-end sophisticated headphones (with various features such as wireless connectivity) and low-end headphones (with no additional features) is still accurate today.[12]

(17) The Commission first investigated whether a separate market for the supply of headsets should be distinguished. The majority of the respondents to the market investigating expressing an opinion confirms the Notifying Party's view that suppliers of headphones and/or headsets would be able to start producing respectively headsets or headphones in the short term and without incurring significant investments.[13] This could suggest that a single market exists including both the supply of headphones and headsets.

(18) However, a majority of both suppliers and customers confirms that it is either very common or common to own multiple headphones/headsets.[14] The majority of customers also indicates that headphones and headsets are perceived as separate products serving different purposes.[15] Most respondents point to the different use cases of headphones and headsets.[16] The majority of producers of headsets recognizes this view of customers.[17] Finally, all respondents expressing an opinion consider that end customers would not, or only to a limited extent, switch from headsets to headphones in the event of a permanent 5-10% price increase of headsets.[18] One respondent explains that, "*even assuming differentiation in microphones, there are other features such as noise cancelling, that would impact consumer choice, beyond price.*"[19]

(19) Based on the market investigation results, the Commission considers that there are indications that a separate market for the supply of headsets could be distinguished. However, as mentioned above, the Commission also received indications that headsets and headphones could comprise one single market.

(20) The Commission then investigated whether within a potential market for the supply of headsets, different product categories could be recognised such as business, gaming and consumer headsets. Several producers of headsets confirm that they produce several categories of headsets.[20] A majority of suppliers of headsets indicates that they would be able to start producing another category of headsets in a relatively brief period of time without significant investments.[21] One respondent clarifies that it "*[a]ll depends on the technology. If a company is specialist in wired headsets than it will be hard and costly to start making wireless headsets.*" Another respondent confirms that it depends on the supplier: "*if you want to differentiate from other competitive products on a product functionality-level it is more difficult to start producing another category of headsets*".[22] Suppliers estimate that it would

12 Q1 – questionnaire to competitors and customers, replies to question 5.
13 Q1 – questionnaire to competitors and customers, replies to question 6.1.
14 Q1 – questionnaire to competitors and customers, replies to questions 6.3 and 7.2.
15 Q1 – questionnaire to competitors and customers, replies to question 7.
16 Q1 – questionnaire to competitors and customers, replies to question 7.1.
17 Q1 – questionnaire to competitors and customers, replies to question 6.2.
18 Q1 – questionnaire to competitors and customers, replies to question 7.3.
19 Q1 – questionnaire to competitors and customers, replies to question 7.3.1.
20 Q1 – questionnaire to competitors and customers, replies to question 8.1.
21 Q1 – questionnaire to competitors and customers, replies to question 8.2.
22 Q1 – questionnaire to competitors and customers, replies to question 8.2.1.

take anywhere between six months to two years to start producing a different category of headsets.[23]

(21) From a customer's perspective, there are many differences in product characteristics between categories of headsets.[24] Respondents point, among others, to price, weight, noise cancelling, whether a headset has a microphone arm, whether it has call control, whether it is wired or wireless and whether it offer high fidelity sound.[25] Customers further point to some other categories of headsets that could be recognised, such as call centre headsets and sports headsets.[26] As a result of all these characteristics, a majority of customers perceives different categories of headsets as separate products serving different purposes.[27] Suppliers recognize that customers see categories of headsets as different products.[28] This is consistent with the fact that according to both suppliers and customers of headsets, it is either very common or common to own multiple headsets.[29] Finally, a majority of customers indicates that they would not, or only to a limited extent, switch to buying another category of headsets in the event of a permanent 5-10% price increase of a certain category of headset.[30]

(22) Based on the market investigation results, the Commission considers that while there are multiple indications that separate segments for different categories of headsets could be recognised, it also received indications that a further segmentation would not be warranted.

(23) In conclusion, the Commission considers that the question of whether within the market for the supply of consumer audio electronics a distinction should be made between a market for the supply of headphones and a market for the supply of headsets, and whether within that latter market a further distinction could be made based on the category of headset, could be left open, as the Transaction does not raise serious doubts as to its compatibility with the internal market under any plausible product market. For the purpose of this decision, the Commission has nevertheless investigated the potential impact of the Transaction on a potential narrowly defined market for the supply of business headsets.

4.1.3. Geographic market definition

4.1.3.1. Past Commission decisions

(24) The Commission did not previously consider a potential market for headsets. The Commission has previously considered that the market for consumer audio electronics (including headphones) may be national in scope due to national distribution systems, service organisation, marketing strategies, specific consumer

23 Q1 – questionnaire to competitors and customers, replies to question 8.2.2.
24 Q1 – questionnaire to competitors and customers, replies to question 9.1.
25 Q1 – questionnaire to competitors and customers, replies to question 9.1.1.
26 Q1 – questionnaire to competitors and customers, replies to question 9.1.2.
27 Q1 – questionnaire to competitors and customers, replies to question 9.2.
28 Q1 – questionnaire to competitors and customers, replies to question 8.3.
29 Q1 – questionnaire to competitors and customers, replies to questions 8.4 and 9.3.
30 Q1 – questionnaire to competitors and customers, replies to question 9.4.

preferences or national organisation of sales. However, the precise geographic scope was ultimately left open.[31]

4.1.3.2. The Notifying Party's views

(25) The Notifying Party submits that the geographic market is at least EEA-wide as, among others, suppliers distribute products on a global basis and headset prices and consumer preferences within the EEA are harmonised.[32]

(26) In any case, the Notifying Party submits that the relevant geographic market definition can be left open, because the Transaction does not give rise to competition concerns regardless of the precise geographic market delineation.[33]

4.1.3.3. The Commission's assessment

(27) The results of the market investigation generally support the approach that the Commission has taken in previous cases with regard to the market for the supply of consumer audio electronics and segments thereof. A majority of the respondents to the market investigation expressing an opinion confirms that it is still accurate to consider these markets to be national in scope.[34]

(28) However, the Commission also received input that the geographic scope of the market for headsets may be wider. First, most of the suppliers of headphones and headsets indicate that they sell their products worldwide.[35] Moreover, a majority of the customers indicates that they purchase headphones and headsets at a global level while several others indicate they purchase products either at an EEA-wide or regional (i.e. wider than national) level.[36] While several respondents consider that a national geographic scope would be narrow, others confirm that customer preferences may vary among national markets as well as budgets, price etc.[37] On the other hand, another respondent indicates that "*[a] significant number of resellers are today covering multi nations. This is also applicable for business headsets.*"[38]

(29) In conclusion, the Commission considers that the results of the market investigation do not justify a departure from the approach taken in previous cases regarding the geographic scope of the market for the supply of consumer audio electronics and segments thereof. In any event, the precise geographic scope on a potential market for the supply of headsets or any segmentation thereof 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. For the purpose of this decision, the Commission has thus examined the worldwide, EEA and national level of the market for the provision of business headsets.

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31 Case M.7290 – *Apple/Beats*, paragraphs 15-16 and case M.5221 – *Kenwood/JVC/HoldCo*, paragraph 21.

32 Form CO, paragraphs 81-82.

33 Form CO, paragraph 83.

34 Q1 – questionnaire to competitors and customers, replies to question 15.

35 Q1 – questionnaire to competitors and customers, replies to question 13.

36 Q1 – questionnaire to competitors and customers, replies to question 14.

37 Q1 – questionnaire to competitors and customers, replies to question 15.1.

38 Q1 – questionnaire to competitors and customers, replies to question 15.1.

4.2. VCS

4.2.1. The Parties' activities

(30) Poly is active in conferencing solutions, including both audio and video equipment. Within the VCS market, Poly's product offer covers room-based endpoints, USB room devices and personal video communication devices ("PVCD").

(31) HP plans to enter the videoconferencing space with the launch of its HP Presence product on the USB room device segment in the course of […]. HP is not active in the room-based endpoints and PVCD segments,[39] […]. To date, HP's activities in spaces adjacent to VCS are limited to the sale of an external compute device, HP Elite Slice, […]. HP Elite Slice is a mini PC that cannot, in itself, provide videoconferencing, as it needs to be connected to video cameras and other peripherals to be considered a VCS. As such, HP Elite Slice products are not room-based endpoints, USB room devices or PVCD products.

4.2.2. Product market definition

4.2.2.1. Past Commission decisions

(32) The Commission did not previously consider a potential market for USB room devices. In previous decisions, the Commission considered that within the broad UC sector, a separate segment exists for the supply of VCS which is defined as "*a set of interactive telecommunications technologies that allow users at two or more locations to interact via two-way video and audio transmissions simultaneously*".[40] Within a market for the supply of VCS, the Commission considered that there are three separate markets for respectively the supply of dedicated-room VCS, multi-purpose room-base VCS and executive office/desktop VCS.[41] The Commission finally left open whether a distinction should be made between read-built and custom-built solutions.[42]

4.2.2.2. The Notifying Party's views

(33) The Notifying Party submits that the market landscape and associated technologies have changed significantly since the *Cisco/Tandberg* decision 12 years ago due to technological changes as well as the COVID-19 pandemic and the development of hybrid work environments. The Parties submit that a more accurate segmentation of the VCS market would be the one used in the Frost & Sullivan Report State of

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39 The Notifying Party indicated that HP offers two consumer, i.e. non-professional/business webcams sold through consumer channels. One webcam was launched in November 2021 and targets content creators. The other webcam was launched in January 2022 and targets hybrid schooling. HP's webcams are not professional-grade products and are not sold through the same distribution channel. The Notifying Party submits that HP's consumer webcams do not compete with Poly's business cameras, as they do not offer the same capabilities (see Form CO, paragraph 94). This view is confirmed by the Frost & Sullivan Report State of the Global Video Conferencing Devices Market, Forecast to 2025 (March 2021), which excludes consumer/prosumer-grade devices from its reporting on the PVCD market. In any event, HP's webcams […].

40 Case M.5669 – *Cisco/Tandberg*, paragraph 10.

41 Case M.5669 – *Cisco/Tandberg*, paragraph 23.

42 Case M.5669 – *Cisco/Tandberg*, paragraph 23.

the Global Video Conferencing Devices Market, Forecast to 2025 (March 2021),[43] which distinguishes between: (a) room-based endpoints; (b) USB room devices; and (c) PVCD:

- room-based endpoints are room systems with built-in compute which comprises form factors such as integrated collaboration bars (i.e. speakers, microphones, camera and compute integrated into an all-in-one appliance), traditional standalone/single codec systems, multi-codec immersive telepresence, and all-in-one digital whiteboards.

- USB room devices are USB peripherals that allow users the option of bringing their own devices or USB connectivity with an in-room computer (i.e. an external compute element is required). These are often pre-configured and natively integrated with pre-installed meeting software. They comprise form factors such as standalone USB conference cameras, all-in-one devices integrating speakers, microphones and video cameras, and bundled kits of components (e.g. table top speakerphones, hub control, video camera etc.).

- PVCD are personal devices that offer a more robust option than built-in webcam on laptops. The Frost & Sullivan report distinguishes between professional/business personal communication devices on the one hand and consumer and prosumer devices, such as consumer USB webcams, on the other hand.[44] Consumer and prosumer devices are not included in PVCD.

4.2.2.3. The Commission's assessment

(34) The results of the market investigation confirm the approach that the Commission has taken in previous cases with regard to VCS and its potential segmentation between supply of dedicated-room VCS, multi-purpose room-base VCS and executive office/desktop VCS. The vast majority of respondents confirms that the Commission's distinction of a separate market for the supply of VCS within the broad UC sector is still accurate today.[45] Similarly, a majority of the respondents to the market investigation confirms that, within a VCS market, the segmentation that the Commission previously considered between (i) dedicated-room VCS, (ii) multi-purpose room-based VCS and (iii) executive office/desktop VCS is still accurate today.[46] However, one competitor indicated that such segmentation was no longer relevant: *"[v]ideo Communications technologies are now becoming ubiquitous within the business sector, and the definitions of use cases are much more blurred. […] Users move seamlessly from home offices, to different-sized meeting environments, which can or can not be defined as meeting rooms*."[47] Similarly, another respondent to the market investigation noted that "*the suggested distinction does not seem very future-proof. We are also seeing an emerging market in all-in-one collaboration boards, which is essentially a digital whiteboard integrating audio and video functionalities.*"[48]

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43 Form CO, paragraph 103.
44 Form CO, paragraph 103.
45 Q1 – questionnaire to competitors and customers, replies to question 10.
46 Q1 – questionnaire to competitors and customers, replies to question 11.
47 Q1 – questionnaire to competitors and customers, replies to question 11.
48 Q1 – questionnaire to competitors and customers, replies to question 11.

(35) A majority of respondents expressing an opinion also considers that an alternative segmentation between (i) room-based endpoints, (ii) USB room devices, and (iii) PVCD could be more accurate today as it reflects the technological and commercial developments since the Commission's decision in *Cisco / Tandberg* in 2010.[49]

(36) Based on the results of the market investigation, the Commission considers that there are indications that the approach previously taken regarding a potential segmentation of the VCS market between (i) dedicated-room VCS, (ii) multi-purpose room-based VCS and (iii) executive office/desktop VCS is still accurate today. However, the Commission also received indications that an alternative segmentation between (i) room-based endpoints, (ii) USB room devices, and (iii) PVCD more accurately reflects recent technological and commercial developments in the market.

(37) In conclusion, the Commission considers that the question of precise segmentation of the VCS market 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. For the purpose of this decision, the Commission has nevertheless investigated the impact of the Transaction on the potential narrowly defined market segment for the supply of USB room devices, as it is the only segment on which the Parties' activities overlap.

4.2.3. Geographic market definition

4.2.3.1. Past Commission decisions

(38) The Commission did not previously consider a potential market for USB room devices. In previous decisions, the Commission considered that the VCS market and possible sub-segments are at least EEA-wide if not worldwide in scope.[50]

4.2.3.2. The Notifying Party's views

(39) The Parties agree with the decisional precedents that the geographic scope of the market is at least EEA-wide.

4.2.3.3. The Commission's assessment

(40) The results of the market investigation generally support the approach that the Commission has previously taken with regard to the market for the supply of VCS and segments thereof. A vast majority of the respondents to the market investigation expressing an opinion confirms that it is still accurate today to consider the VCS market, including any plausible segmentation thereof, to be at least EEA-wide in scope.[51]

(41) In conclusion, for the purpose of this decision, the Commission considers that the relevant geographic market for the supply of VCS and segments thereof (including the provision of USB room devices) is at least EEA-wide. The Commission

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49 Q1 – questionnaire to competitors and customers, replies to question 12.
50 Case M.5669 – *Cisco/Tandberg*, paragraphs 29-33.
51 Q1 – questionnaire to competitors and customers, replies to question 16.

considers that the exact geographic market definition can be left open, as the Transaction does not give rise to serious doubts as to its compatibility with the internal market regardless of whether the market is EEA-wide or worldwide.

5. COMPETITIVE ASSESSMENT

(42) The Transaction gives rise to limited horizontal overlaps between the Parties' activities in relation to the supply of (i) headsets, and (ii) VCS, where HP and Poly are both active worldwide.

(43) With respect to headsets, the Transaction results in only one horizontally affected market on the narrowly defined sub-segment of business headsets (at national, EEA and worldwide level).

(44) With respect to VCS, the Transaction may give rise to a horizontally affected market in the future (both at EEA and worldwide level), given that HP is about to enter the USB room devices segment of the VCS market, where Poly is also active.

(45) There are no actual or potential vertical relationships between HP and Poly resulting in a vertically affected market. Moreover, the Commission considers that there are no (newly created) conglomerate relationships resulting from the Transaction.

5.1. Market shares

5.1.1. Headsets

(46) The Notifying Party submitted market shares[52] for the potential market for headsets (at worldwide and EEA level). On a worldwide and EEA-wide market for the supply of headsets, the Parties' combined market share amounts to only [0-5]% and [0-5]% respectively.

(47) The Notifying Party also submitted the following market shares[53] for the potential market for business headsets.

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52 Form CO, paragraph 163. The Notifying Party provided market shares for the market for the supply of headsets and potential segments thereof (business headsets, consumer / entertainment headsets, gaming headsets), based on third-party market report 'Grand View Research, Earphones & Headphones, Market Estimates & Trend Analysis To 2027 (2020)' (provided as Annex 5.1.4 to the Form CO) for total market sizes, Parties' actual sales and the Parties' best estimates of competitor sales/shares.

53 Form CO, paragraph 163. The Notifying Party provided market shares for the market for the supply of business headsets (at worldwide, EEA-wide and national level) based on Frost & Sullivan data for 2021, 2020 and 2021, the Parties' actual sales and the Parties' best estimates of competitor sales/shares.

Table 1 - Estimated market shares for the market for business headsets (worldwide)

	2021		2020		2019	
	Revenues (EURm)	**Share** (%)	**Revenues** (EURm)	**Share** (%)	**Revenues** (EURm)	**Share** (%)
HP	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Poly	[…]	[20-30]%	[…]	[30-40]%	[…]	[40-50]%
Combined	[…]	**[30-40]%**	[…]	**[30-40]%**	[…]	**[40-50]%**
GN Audio (Jabra)	[…]	[40-50]%	[…]	[40-50]%	[…]	[30-40]%
EPOS	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Logitech	[…]	[10-20]%	[…]	[5-10]%	[…]	[0-5]%
Cisco	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[5-10]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	**100%**	[…]	**100%**	[…]	**100%**

Table 2 - Estimated market shares for the market for business headsets (EEA)

	2021		2020		2019	
	Revenues (EURm)	**Share** (%)	**Revenues** (EURm)	**Share** (%)	**Revenues** (EURm)	**Share** (%)
HP	[…]	[0-5]%	[…]	[0-5]%	[…]	N/A
Poly	[…]	[20-30]%	[…]	[20-30]%	[…]	[30-40]%
Combined	[…]	**[20-30]%**	[…]	**[20-30]%**	[…]	**[< 30-40]%**
GN Audio (Jabra)	[…]	[50-60]%	[…]	[50-60]%	[…]	[50-60]%
Logitech	[…]	[10-20]%	[…]	[5-10]%	[…]	[0-5]%
Sennheiser	[…]	[5-10]%	[…]	[0-5]%	[…]	[5-10]%
Others	[…]	[5-10]%	[…]	[0-5]%	[…]	[5-10]%
Total	[…]	**100%**	[…]	**100%**	[…]	**100%**

(48) On the potential worldwide and EEA markets for the provision of business headsets, the Parties' combined market shares would amount to [30-40]% at worldwide level (with an increment of [0-5]%) and [20-30]% at EEA level (with an increment of [0-5]%).

(49) The Notifying Party submitted the following market shares for the potential market business headsets at EEA member state level.[54]

Table 3 - Estimated market shares (2021[55]) for the market for business headsets (EEA member states)

Country	HP		Poly		Combined share
	Revenues (in USDm)	Shares	Revenues (in USDm)	Shares	
Austria	[…]	[0-5]%	[…]	[30-40]%	[30-40]%
Belgium	[…]	[0-5]%	[…]	[20-30]%	[20-30]%
Bulgaria	[…]	Not available	[…]	Not available	Not available
Croatia	[…]	Not available	[…]	Not available	Not available
Cyprus	[…]	[0-5]%	[…]	Not available	Not available
Czech Republic	[…]	Not available	[…]	Not available	Not available
Denmark	[…]	[0-5]%	[…]	[20-30]%	[20-30]%
Estonia	[…]	[<0-5]%	[…]	Not available	[<0-5]%
Finland	[…]	[<0-5]%	[…]	[20-30]%	[20-30]%
France	[…]	[0-5]%	[…]	[20-30]%	[20-30]%
Germany	[…]	[0-5]%	[…]	[20-30]%	[20-30]%
Greece	[…]	Not available	[…]	Not available	Not available
Hungary	[…]	Not available	[…]	Not available	Not available
Iceland	[…]	[0-5]%	[…]	Not available	Not available
Ireland	[…]	[0-5]%	[…]	[30-40]%	[30-40]%

54 Form CO, paragraph 166. The estimated shares for HP and Poly by EEA member state are based on the Parties' actual sales and best share estimates, using a number of assumptions, as the Notifying Party explained that no reliable data exists at the national level. The Notifying Party was not able to extrapolate share estimates for all member states (in particular those where their sales were below USD 1 million) – marked as "Not available" in the below table. However, for each member state where the market share estimate is marked as "Not available", the Notifying Party confirmed that there are no reasons to believe that the Parties' combined market share in 2021 would be materially above 20%. In any event, in each instance, HP's share would be insignificant given HP's negligible sales of their legacy product (see Notifying Party's response to the Commission's RFI No 2, question 1).

55 The Notifying Party confirmed that the market shares for 2020 and 2019 are not materially different from those in 2021, see Notifying Party's response to the Commission's RFI No 1, question 12 a).

Country	HP		Poly		Combined share
Italy	[…]	[0-5]%	[…]	[20-30]%	[20-30]%
Latvia	[…]	[<0-5]%	[…]	Not available	[<0-5]%
Liechtenstein	[…]	[0-5]%	[…]	[0-5]%	[0-5]%
Lithuania	[…]	[<0-5]%	[…]	Not available	[<0-5]%
Luxembourg	[…]	[<0-5]%	[…]	Not available	[<0-5]%
Malta	[…]	[<0-5]%	[…]	[0-5]%	[<0-5]%
The Netherlands	[…]	[0-5]%	[…]	[20-30]%	[20-30]%
Norway	[…]	[0-5]%	[…]	[20-30]%	[20-30]%
Poland	[…]	[0-5]%	[…]	[20-30]%	[20-30]%
Portugal	[…]	[<0-5]%	[…]	[30-40]%	[30-40]%
Romania	[…]	[<0-5]%	[…]	[20-30]%	[20-30]%
Slovakia	[…]	Not available	[…]	Not available	Not available
Slovenia	[…]	Not available	[…]	Not available	Not available
Spain	[…]	[0-5]%	[…]	[30-40]%	[30-40]%
Sweden	[…]	[0-5]%	[…]	[20-30]%	[20-30]%
Other[56]	[…]	[0-5]%	[…]	Not available	Not available
Total	[…]	[0-5]%	[…]	[20-30]%	[20-30]%

(50) The Parties' combined market shares exceed 20% only on the potential national market for the supply of business headsets in 2021 in the following EEA member states: Austria [30-40]%, Belgium [20-30]%, Denmark [20-30]%, Finland [20-30]%, France [20-30]%, Germany [20-30]%, Ireland [30-40]%, Italy [20-30]%, The Netherlands [20-30]%, Norway [20-30]%, Poland [20-30]%, Portugal [30-40]%, Romania [20-30]%, Spain [30-40]% and Sweden [20-30]%.

(51) In light of the above, the Commission's assessment in Section 5.3 below concerns only the potential market for the supply of business headsets where HP's and Poly's activities overlap at worldwide, EEA-wide and national level.

5.1.2. VCS

(52) The Notifying Party submitted the market shares[57] for the VCS market (at worldwide and EEA level). Poly's market share on the overall VCS market is [10-

56 The 'Other' category captures Poly's EEA revenues that cannot be geographically allocated to a specific EEA member state.

20]% worldwide and [10-20]% in the EEA. As explained in paragraph (31) above, HP is not active in the VCS market today[58], but plans to enter the market in the course of […] with a USB room device.

(53) The Notifying Party also submitted market shares for the following VCS segments: (i) room based endpoints, USB room devices and (iii) PVCD.[59] The Notifying Party confirmed that the Parties' market shares would not be materially different based on the segmentation used by the Commission in previous cases.[60]

(54) On the potential VCS segment for USB room devices, Poly's 2021 market share on the USB room device segment is [10-20]% worldwide and [10-20]% in the EEA. HP is planning to launch a product in the course of […] and projects to capture a share in relation to the USB room segment of up to [0-5]% by […], both at worldwide and EEA level.[61] Therefore, the Parties' combined market in the near/mid future, assuming Poly's proportional growth commensurate with the total market/segment growth would therefore be expected to be around 20% worldwide and in the EEA.[62]

(55) In light of the above, the Commission's assessment in Section 5.4 below concerns only the potential market for the supply of USB room devices where HP's and Poly's activities will overlap at worldwide and EEA-wide level, following the launch of HP's products (planned for […]).

5.2. Analytical framework

(56) The Guidelines on the assessment of horizontal mergers ("Horizontal Merger Guidelines")[63] describe two main ways in which horizontal mergers may significantly impede effective competition. In particular, the proposed concentration might be creating or strengthening a dominant position: (i) by eliminating important competitive constraints on one or more firms, which consequently would have increased market power, without resorting to coordinated behaviour (non-coordinated effects); and (ii) by changing the nature of competition in such a way that firms that previously were not coordinating their behaviour, are

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57 Form CO, paragraphs 195 and 197. The Notifying Party provided market shares based on Frost & Sullivan data for 2021, 2020 and 2021, the Parties' actual sales, and the Parties' best estimates of competitor sales/shares.

58 The Notifying Party confirmed that even if HP's sales of products in spaces adjacent to VCS were to be included in the VCS market, HP's share would be immaterial ([0-5]%), regardless of the product market delineation and geographic scope of the market. Following the […] launch of its product in the USB room device segment, HP estimates that it may capture at most [0-5]% of the overall VCS market by […]. See Form CO, paragraphs 195 and 200.

59 Form CO, paragraphs 197 and 198.

60 Form CO, paragraph 106.

61 Form CO, paragraphs 205-206.

62 Between 2019 and 2021, Poly's market share on the USB room device segment has increased from [5-10]% to [10-20]% and worldwide level and from [5-10]% to [10-20]% at EEA level. Assuming Poly's market share continues to grow at the same rate, the Parties' combined market share would exceed 20% by 2025 both at worldwide and EEA level, but remain moderate.

63 Guidelines on the assessment of horizontal mergers under the Council Regulation on the control of concentrations between undertakings ("Horizontal Merger Guidelines"), OJ C 31, 05.02.2004, paragraph 22.

significantly more likely to coordinate and raise prices or otherwise harm effective competition (coordinated effects).

(57) A merger giving rise to horizontal 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. Moreover, also mergers that do not lead to the creation of or the strengthening of a single firm's dominant position may create competition concerns under the substantive test set out in Article 2(2) and Article 2(3) of the Merger Regulation. Regarding mergers in oligopolistic markets, the Merger Regulation clarifies that "*under certain circumstances, concentrations involving the elimination of important competitive constraints that the merging parties exerted upon each other, as well as a reduction of competitive pressure on the remaining competitors, may, even in the absence of a likelihood of coordination between the members of the oligopoly, result in a significant impediment to effective competition*".[64]

(58) 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. Not all those factors need to be present to make significant non-coordinated effects likely and it is not an exhaustive list.[65]

(59) Furthermore, in some markets, a merger may give rise to coordinated effects where the structure is such that firms would consider it possible, economically rational, and hence preferable, to adopt on a sustainable basis a course of action on the market aimed at selling at increased prices.[66] According to the Horizontal Merger Guidelines, coordination is more likely where it is relatively simple to reach a common understanding on the terms of coordination. Moreover, three conditions need to be met for coordination to be sustainable: (i) the coordinating firms must be able to monitor to a sufficient degree whether the terms of the coordination are being adhered to; (ii) there must be some form of credible deterrent mechanism that can be activated if deviation is detected; and (iii) the reactions of outsiders as well as customers should not be able to jeopardise the results expected from the coordination.[67]

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64 Merger Regulation, recital 25. Similar wording is also found in paragraph 25 of the Horizontal Merger Guidelines.

65 Horizontal Merger Guidelines, paragraph 26.

66 Horizontal Merger Guidelines, paragraph 39.

67 Horizontal Merger Guidelines, paragraph 41.

5.3. Horizontal non-coordinated effects on the market for the supply of business headsets

5.3.1. The Notifying Party's view

(60) The Notifying Party submits that the Transaction does not give rise to any competition concerns in relation to the market for the provision of business headsets for the following reasons.

(61) First, HP's legacy offering in business headsets only adds an immaterial share to Poly's existing market share, resulting only in a moderate combined market share, regardless of the geographic scope of the market.[68]

(62) Second, the Notifying Party notes that post-Transaction, the Parties will continue to be subject to intense competitive pressure from a number of significant competitors, including market leader Jabra (with an estimated market share of [40-50]% globally and [50-60]% in the EEA) and Logitech (with a market share of [10-20]% both globally and in the EEA).[69]

(63) Third, the market for the supply of business headsets is highly dynamic and has recently experienced significant growth, due to the Covid-19 pandemic and the resulting increasing home office work. The market for business headsets is projected to continue to grow significantly, with an average Compound Annual Growth Rate ('CAGR') of 12.2% between 2020 and 2027.[70]

5.3.2. The Commission's assessment

(64) The Commission considers that the Transaction does not give rise to serious doubts as to its compatibility with the internal market in relation to the horizontal overlaps between the activities of HP and Poly in the potential market for the supply of business headsets at national, EEA or worldwide level for the reasons explained below.[71]

(65) First, as indicated in Section 5.1 above, the Parties' combined market share in the market for the supply of business headsets will remain moderate ([30-40]% worldwide, [20-30]% in the EEA and [30-40%] at national level). The Commission notes that Poly's market shares have been decreasing over time at worldwide and EEA level, as they respectively stood at [30-40]% for 2020 and [40-50]% for 2019 (worldwide) and [20-30]% for 2020 and [30-40]% for 2019 (in the EEA).

(66) Second, HP's legacy offering in the business headsets market will only bring an immaterial increment to Poly's existing market share. The increment contributed by HP in 2021 was [0-5]% worldwide, [0-5]% at EEA level and below [0-5]% at

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68 Form CO, paragraphs 168-169.

69 Form CO, paragraph 170.

70 Form CO, paragraph 172.

71 The relevant arguments equally apply to all geographically affected markets. The results of the market investigation confirmed that most suppliers of business headsets are active worldwide and that there are no significant players only active on a member state level within the EEA (see Q1 – questionnaire to competitors and customers, replies to Q17.2).

national level. HP's market share has been stable over the recent past years.[72] In addition, the delta of the Herfindahl-Hirschman Index (HHI) resulting from the concentration on the market for the supply of business headsets at worldwide and EEA level is [10-20] and [10-20] respectively.

(67) Third, the combined entity will continue to compete with a number of large global suppliers, in particular, but not only, Jabra ([40-50]% worldwide and [50-60]% in the*), Logitech ([10-20]% both in the EEA and worldwide), and Sennheiser ([5-10]% worldwide and [0-5]% in the EEA) as well as a series of other smaller but internationally active competitors. Respondents to the market investigation cited EPOS, Headsets.com, JPL Telecom and Avaya as credible alternative suppliers of business headsets post-Transaction.[73] The results of the market investigation confirmed that most players, including Jabra, Logitech and Sennheiser are active at EEA member state level.[74] Moreover, the vast majority of respondents to the market investigation confirms that the market for the supply of business headsets is highly competitive.[75] For example, one respondent explains that "*[t]here are various suppliers of (business) headsets, resulting in vigorous competition in the market*".[76] Another respondent notes "*Covid and remote work has played a significant role in the level of competition as it brought a lot of new users and expanded the existing competitor set*."[77]

(68) Fourth, the Commission considers that the Parties do not compete closely. A vast majority of both competitors and customers expressing an opinion consider that HP and Poly are not close competitors in the market for business headsets.[78] One customer explained that the core business and marketing approach are completely different between the two companies. Similarly, one competitor notes that "*HP has a small range of low-end devices available for clients today. Poly brings a large range of mid to high-end devices to its portfolio. HP and Poly's product ranges barely overlap."*[79]

(69) Finally, the Commission notes that a majority of the respondents to the market investigation indicates that the Transaction would either have a positive or neutral impact on their company. The vast majority respondents expressing an opinion states that the impact of the Transaction on the overall market for headsets and on the narrowly defined market for business headsets would either be positive or neutral.

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* Should read: in the EEA.

72 HP's market share stood at [0-5]% for 2020 and [0-5]% for 2019 at worldwide level. At EEA level, HP's market share stood at [0-5]% for 2020 (HP's market share for 2019 is not available). At national level, HP's market share for 2020 stood [0-5]% in all EEA member states (a breakdown of HP's market share for 2019 at national level is not available).

73 Q1 – questionnaire to competitors and customers, replies to Q17.

74 Q1 – questionnaire to competitors and customers, replies to Q17.2. The results of the market investigation confirmed that most suppliers of business headsets are active worldwide and that there are no significant players only active on a member state level within the EEA.

75 Q1 – questionnaire to competitors and customers, replies to Q18.

76 Q1 – questionnaire to competitors and customers, replies to Q18.1.

77 Q1 – questionnaire to competitors and customers, replies to Q18.1.

78 Q1 – questionnaire to competitors and customers, replies to Q20.

79 Q1 – questionnaire to competitors and customers, replies to Q20.1.

(70) For all the above reasons, the Commission concludes that the Transaction does not give rise to serious doubts as to its compatibility with the internal market with respect to possible non-coordinated horizontal effects on the market for the supply of business headsets at worldwide, EEA or national level.

5.4. Horizontal non-coordinated effects on the market for the supply of VCS

5.4.1. The Notifying Party's view

(71) The Notifying Party submits that the Transaction does not give rise to any competition concerns in relation to USB room devices for the following reasons.

(72) First, the Notifying Party submits that post-Transaction, the combined entity will continue to face significant competitive pressure from several strong competitors, including market leader Logitech, which has an estimated share of above [60-70]% globally and in the EEA. Other competitors include Huddly (with a market share of [0-5]% globally and [5-10]% in the EEA) and AVer (with a market share of [5-10]% globally and [0-5]% in the EEA).[80]

(73) Second, the USB room devices segment is highly dynamic and attracting further entry and expansion,[81] including from suppliers active in adjacent spaces, such as Jabra which has recently entered the PVCD segment.[82] There are no material barriers to entry and expansion, as substantial upfront investments are not needed. Lenovo, Jabra, Bose, Neat and DTEN are among recent entrants. As demonstrated by Zoom's recent partnerships with VCS companies Neat and DTEN, entry and expansion can be supported by sponsors.[83]

(74) Third, the Parties are not close competitors in the USB room device segment, where their product offering are different and complementary: Poly's offering is focused on standalone conference room and personal video cams and does not include external compute elements, whereas HP's Presence offering will be sold as a kit including an external compute element along with a small number of peripherals. In addition, HP and Poly have materially different go-to-market strategies. Poly is an audio / visual player and assists customers in setting up and optimizing meeting rooms and advises them on what equipment best suits their needs. HP is an IT provider and does not have this expertise. It approaches its customers from an IT angle and through channel partners.[84]

5.4.2. The Commission's assessment

(75) The Commission considers that the Transaction does not raise horizontal competition concerns in the market for the supply of USB room devices at

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80 Form CO, paragraph 207.

81 Form CO, paragraph 208. Third-party data provider Frost & Sullivan predicts the USB room devices segment to grow to USD 3.8 billion by 2025 (CAGR of 37.3% between 2020 and 2025) and 5.9 million units of annual shipments by 2025 (CAGR of 37.5% between 2020 and 2025).

82 Form CO, paragraph 208.

83 Form CO, paragraph 209.

84 Form CO, paragraphs 213-215.

worldwide or EEA level for the reasons explained in the remainder of this Section.[85]

(76) First, as indicated in Section 5.1 above, the Parties' combined market share on the potential USB room devices segment of the VCS market will remain moderate, with HP only bringing a small increment to Poly's existing market share. Poly's 2021 market share on the USB room device segment is [10-20]% worldwide and [10-20]% in the EEA. Following the launch of its product in […], HP projects to capture a share in relation to the USB room segment in the range of [0-5]% to [0-5]% by […], at both worldwide and EEA level.[86] Therefore, the Parties' combined market in the near/mid future, assuming Poly's proportional growth commensurate with the total market/segment growth would therefore be expected to be around 20% worldwide and in the EEA.[87]

(77) Second, a number of large suppliers will continue to compete with the merged entity, namely Logitech ([60-70]% worldwide and [60-70]% in the EEA) as well as a number of smaller competitors active internationally, such as Huddly ([0-5]% worldwide and [5-10]% in the EEA) and AVer ([5-10]% worldwide and [0-5]% in the EEA). Respondents to the market investigation also cited Cisco, Huawei Technologies, Crestron Electronics, Jabra, Yealink, Lenovo, Neat and DTEN as credible alternative suppliers of business headsets post-Transaction.[88] Moreover, the vast majority of both competitors and customers confirms that the market for the supply of USB room devices is highly competitive.[89] One competitor explains that "*We see many players and a very fast-paced innovation with a large variety of form factors to serve different customer needs.*"[90] Another competitor also points to the lack of material barriers to entry and explains that "*More and more players entering this market with usb solutions*."[91] This view is also shared by customers. One customer indicates "*[i]n our view, there is a high level of competition on the market, especially for USB-room devices*."[92]

(78) Third, the Commission notes that a majority of the respondents to the market investigation indicates that the Transaction would either have a positive or neutral impact on their company.[93] The vast majority respondents expressing an opinion states that the impact of the Transaction on the overall market for VCS and on the narrowly defined segment for USB room devices would either be positive or neutral.[94]

(79) For all the above reasons, the Commission concludes that the Transaction does not give rise to serious doubts as to its compatibility with the internal market with

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85 The relevant arguments apply regardless of the geographic market (EEA or worldwide).

86 Form CO, paragraphs 205-206.

87 Between 2019 and 2021, Poly's market share on the USB room device segment has increased from [5-10]% to [10-20]% and worldwide level and from [5-10]% to [10-20]% at EEA level. Assuming Poly's market share continues to grow at the same rate, the Parties' combined market share would exceed 20% by 2025 both at worldwide and EEA level, but remain moderate.

88 Q1 – questionnaire to competitors and customers, replies to Q21.

89 Q1 – questionnaire to competitors and customers, replies to Q22.

90 Q1 – questionnaire to competitors and customers, replies to Q22.1.

91 Q1 – questionnaire to competitors and customers, replies to Q22.1.

92 Q1 – questionnaire to competitors and customers, replies to Q22.1.

93 Q1 – questionnaire to competitors and customers, replies to Q22.1.

94 Q1 – questionnaire to competitors and customers, replies to Q22.1.

respect to possible non-coordinated horizontal effects on the market for the supply of USB room devices at worldwide or EEA-wide level.

6. CONCLUSION

(80) 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