

***Case No COMP/M.3381 -
ALBA / BEKO /
GRUNDIG***

Only the English text is available and authentic.

**REGULATION (EEC) No 4064/89
MERGER PROCEDURE**

Article 6(1)(b) NON-OPPOSITION
Date: 29/04/2004

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 29.04.2004

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In the published version of this decision, some information has been omitted pursuant to Article 17(2) of Council Regulation (EEC) No 4064/89 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 Where possible the information omitted has been replaced by ranges of figures or a general description.

PUBLIC VERSION

MERGER PROCEDURE

ARTICLE 6(1)(b) DECISION

To the notifying parties,

Dear Sir/Madam,

Subject: Case No. COMP/M.3381- Alba / Beko / Grundig HIS JV

Notification of 23 March 2004 pursuant to Article 4 of Council Regulation No 4064/89¹

1. On 23.03.2004 the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) No 4064/89, as last amended by Regulation (EC) No 1310/97, by which the undertakings Alba Plc (“Alba”, UK), and Beko Elektronik A.S. (“Beko”, Turkey) acquire within the meaning of Article 3(1)(b) of the Council Regulation joint control of the Home Intermedia Systems Division (“HIS Business) of the German undertaking Grundig AG, currently under insolvency administration. The HIS business will be transferred to Grundig Multimedia B.V. (the “JV”, Netherlands), a newly created company constituting a joint venture.

¹ OJ L 395, 30.12.1989 p. 1; corrigendum OJ L 257 of 21.9.1990, p. 13; Regulation as last amended by Regulation (EC) No 1310/97 (OJ L 180, 9. 7. 1997, p. 1, corrigendum OJ L 40, 13.2.1998, p. 17).

2. After examination of the notification, the Commission has concluded that the notified operation falls within the scope of Council Regulation (EEC) No 4064/89 and does not raise serious doubts as to its compatibility with the common market and with the functioning of the EEA Agreement.

I. THE PARTIES AND THE OPERATION

3. Alba sources and supplies consumer electronics products, including colour television sets, video recorders, DVD players and audio/hi-fi. Beko manufactures and sells non-branded colour television sets to Original Equipment Manufacturers, and is part of Koç, a multinational conglomerate with activities including automotive industry, household appliances, food, retailing and energy. The HIS Business develops and sells consumer electronics products, including colour television sets, video recorders, DVD players, audio/hi-fi, camcorders and satellite receivers. Grundig's production assets are not concerned.

II. CONCENTRATION

4. Alba and Beko will, through their jointly controlled acquisition vehicle NEWCO, acquire the HIS business from Grundig's insolvency administrator. NEWCO will then transfer the HIS business to Grundig Multimedia B.V., a newly created joint venture in which Alba and Beko are equal shareholders.
5. The joint venture ("JV") will, as an autonomous economic entity, perform on a lasting basis all the functions of a consumer electronics products manufacturer, with its own management and sufficient resources. The JV will not be dependent on its parents for either sales or inputs. The proposed transaction is therefore a full-function joint venture constituting a concentration within the meaning of Article 3 (2).

III. JOINT CONTROL

6. The JV will be jointly controlled by Alba and Beko, who have equal shareholdings in the JV and representation on the board. According to the shareholders agreement, all decisions must be taken by majority voting. As no decisions can be taken without agreement between the Alba and Beko board representatives, it can therefore be considered that both parents jointly have the possibility to exercise decisive influence over the JV.

IV. COMMUNITY DIMENSION

7. The combined aggregate world wide turnover of the undertakings concerned exceeds € 5000 million² (Alba: [...] € million, Grundig € [...] million and Koç € [...] million in 2002). The aggregate Community-wide turnover of the parties exceeds € 250 million (Alba: [...] € million, Grundig € [] million and Koç € [...] million in 2002). The parties do not achieve more than two-thirds of their aggregate Community-wide turnover in one and the same Member State. The notified operation, therefore, has a Community dimension according to Article 1(2) of the Merger Regulation.

² Turnover calculated in accordance with Article 5(1) of the Merger Regulation and the Commission Notice on the calculation of turnover (OJ C66, 2.3.1998, p25).

V. COMPATIBILITY WITH THE COMMON MARKET

A. Relevant product markets

8. The JV's activities will involve the development, design, production and marketing of both non-branded and own-branded consumer electronics products, such as Colour Televisions (CTVs), video recorders, DVD players, audio/hi-fi, camcorders and satellite receivers. Since only for CTVs the transaction will lead to appreciable market shares, the other consumer electronics products will not be further addressed.
9. In the own-branded supply markets (meaning that the consumer electronics products is marketed under the brand of the manufacturer or the distributor), Alba and Grundig (and to a marginal extent also Beko) supply CTV's.
10. CTV's can be reasonably considered, on the basis of their characteristics and intended use as constituting a separate market, distinct from all other consumer electronics products.
11. The market investigation has indicated that own-branded CTVs can be further subdivided according to the underlying technology used - Cathode Ray Tubes (CRT) versus Liquid Cristal Display (LCD) versus Plasma screens³ - and the screen sizes⁴. Some market players have added that also the frequency of the CTV can be an element in segmenting the market (entry-level 50 Mhz versus more advanced 100 Mhz sets). Whilst the market investigation has indicated that the consumer makes its purchase decision on the basis of the CTV's features (image quality, sound quality, screen size and width) rather than on the underlying technology or technical specifications, also from the demand-side it appears relevant to distinguish between CRT / LCD / Plasma and the different screen sizes. In addition, prices vary significantly between the different CTV configurations, with small CRT screen sizes constituting the low-end level and Plasma screens the very high-end level. The activities of Alba and Beko mainly target the low-end level CTV markets. Hence, the market investigation has focused on the impact of the transaction for CRT based CTVs.
12. The parties submit that all own-branded suppliers offer a wide range of CRT screen sizes, and that such minimises the need for further market segmentation, even when taking into account that demand-side substitutability is more limited. The market investigation has confirmed that parties' submission in the sense that most CRT based CTV manufacturers produce a wide range of screen sizes and CTVs with different configurations. Excluding the largest screen size CTVs, the parties' competitors can and do adapt their production output on the basis of demand. In addition, for those competitors that currently do not produce the full range of CRT-based CTV configurations, the barriers to do so are not important. However, from the demand-side, substitutability is more limited. In addition, there are significant

³ Rear projection CTVs may constitute, albeit a small, fourth segment.

⁴ Four screen size categories for CRT's can be identified: the mini segment (screen size 14" – 19"), the Midi segment (screen size 20" – 21"), the large segment (screen size 25" – 29") and the Super large segment with screen size in excess of 32".

differences with regard to price and product features between the various screen sizes. Therefore, it can not be excluded that the identified CRT CTV screen size categories form distinct product markets.

13. In the non-branded markets, companies such as Beko and Grundig, but not Alba, supply OEMs (original equipment manufacturers) and large retail chains (such as Carrefour and Aldi) with private label consumer electronics products. As there is only an overlap between the activities of the parties with respect to non-branded OEM supplies of CTV's, only this market will be further addressed.
14. The OEM and retail chains will market the CTVs respectively under their own brand or the retailer's private label brand. In line with the parties' submission, the market investigation has indicated that non-branded sales of CTVs, constitute distinct product markets. As non-branded CTV suppliers predominantly focus on the lower-end segment (limited screen size CRTs), this particular market segment has been investigated specifically.
15. In any event, for the present case it is not necessary to further define the relevant product market for CRT-based CTVs or any other CTVs, because in all alternative market definitions effective competition would not be significantly impeded in the EEA or any substantial part of it.

B. Relevant geographical market

16. The parties argue that the own-branded supply markets are at least EEA-wide in scope. This is due to low transportation cost, low trade barriers, high trade volumes, global products standards and globally active suppliers and customers. With regard to the non-branded markets, the parties argue that these could be considered as EEA-wide or even world-wide in scope, seen that Beko and its competitors meet demand with production capacity located outside the EEA. The market investigation has confirmed that the markets are likely to be EEA-wide in scope. Technical differences (such as PAL versus the French SECAM standard) and specific customer preferences exist, and although CTV suppliers seem to be able to adapt their production and distribution accordingly, the existence of national markets can not be fully excluded.
17. In any event, for the present case it is not necessary to conclude whether the CRT CTVs or any other CTV markets are narrower than EEA-wide in scope, because in all alternative market definitions effective competition would not be significantly impeded in the EEA or any substantial part of it.

VI. ASSESSMENT

18. On the basis of the parties' market share information, Beko has a [15-25]% market share in the EEA non-branded CTV market. Prior to ceasing its activities, Grundig had a [0-10] % share in this market⁵. The enlarged entity will continue facing strong competitors, such as Vestel with [30-40]% market share, Profilo [5-15]%, Sinudyne

⁵ Market shares on the basis of screen sizes are not relevant as most non-branded CTV's sales are in the mini and midi segment.

[0-10]% and a number of smaller players. Apart from the existence of strong competitors, demand is concentrated and any attempt of the JV to act independently of its customers and competitors would be quickly defeated by the buyer power of CTV OEMs and the large retail chains.

19. In the own-branded supply markets, Alba and Grundig (the latter prior to becoming insolvent) are established players. Beko only has marginal presence for branded products. Only for CRT Mini CTVs (screen size 14” – 19”) would the combined entity exceed a [10-20]% market share on an EEA level ([10-20] %)⁶. Multiple global players operate in the CRT Mini CTVs market, such as Philips ([15-25]%), Thomson, Sanyo and Daewoo ([0-10]% each) and Sony ([0-10]%). In addition to the current level of competition, it could be argued that the transaction preserves the Grundig brand which might otherwise have disappeared from the market due to its insolvency. The parties’ competitors have stated that the combination of Alba-Beko’s low cost structure combined with Grundig’s well known brand will likely re-establish a significant competitor.
20. On a national Member State level, the market positions of the players are mostly complementary. Alba only has a substantial presence in the UK and Ireland, whilst Grundig’s main coverage is Germany, Austria, Luxembourg and a number of Skandinavian countries. In those countries where the combined entity would reach market shares in excess of [20-30]%, the market additions are mostly modest. If Mini and Midi screen size CTV’s would be considered as constituting separate markets, only in the UK, the combined entity would have a market share in excess of [25-35]% for Mini (Alba []% and Beko []%, totalling [25-35] %) and Midi CRTs (Alba []% and Beko []%, totalling [25-35] %). The main competitors in these markets are Philips ([10-20]% Mini – [5-15]% Midi), Sony ([0-10]% Mini – [0-10]% Midi), Panasonic ([0-10]% Mini – [0-10]% Midi), Toshiba ([0-10]% Mini – [5-15]% Midi) and Samsung ([0-10]% Mini – [0-10]% Midi)⁷. Whilst Grundig did not have sales in the UK during the reference period (2002 – 2003), the unbranded Beko sales have been considered as branded CTV sales. Post transaction, the new entity will have the ability to sell previously unbranded sales under the Grundig brand. The mentioned market shares therefore reflect the assumption that, post-transaction, Beko will increase its branded sales by selling all its current non-branded CTV under the Grundig brand and thereby represents a maximalist view of Beko's future market position.
21. In all other CRT, LCD and Plasma CTV markets, the combined Alba/Beko/Grundig has much lower shares. The parties also submit that, due to the convergence of the electronic consumer goods markets, PC manufacturers such as HP, Dell and Gateway, are increasingly targeting the CTV markets. Such has been confirmed by the market investigation. Specifically for these higher margin market segments, these market entrants can be considered as viable competitors.

⁶ Over the past 3 years, Grundig’s market share has decreased dramatically in the face of its financial difficulties. The Grundig market shares taken into account are likely to overestimate its market position as retailers have sold out their inventory stock.

⁷ Market shares on the basis of volume figures as provided by the parties (GfK - Gesellschaft für Konsumgüterforschung market data) on the basis of volume figures in 2003.

22. In sum, it appears that this concentration will combine Alba's presence in a number of Member States with Beko's strengths for unbranded sales. When marketed under the Grundig brand, the concentration will possibly lead to a new viable player, particularly for the Mini- to Midi CTV segments.
23. In view of the foregoing, it can be concluded that the proposed operation would not, in any of the markets considered, create or strengthen a dominant position as a result of which effective competition would be significantly impeded in the EEA or any substantial part of that area.

VII. CONCLUSION

24. For the above reasons, the Commission decides not to oppose the notified operation and to declare it compatible with the common market and with the functioning of the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of Council Regulation (EEC) No 4064/89.

For the Commission

Signed,
Mario Monti
Member of the Commission