

***Case No COMP/M.5091 -
TECH DATA /
SCRIBONA***

Only the English text is available and authentic.

**REGULATION (EC) No 139/2004
MERCER PROCEDURE**

Article 6(1)(b) NON-OPPOSITION
Date: 28/04/2008

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EUROPEAN COMMISSION

Competition DG

Markets and cases II: Information, Communication and Media

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PUBLIC VERSION

MERGER PROCEDURE

ARTICLE 6(1)(b) DECISION

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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

Dear Sir/Madam,

**Subject: Case No COMP/M.5091 – Tech Data/ Scribona
Notification of 19.03.2008 pursuant to Article 4 of Council Regulation
No 139/2004¹**

I. INTRODUCTION

1. On 19 March 2008, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EC) No 139/2004 by which the undertakings Tech Data AB (Sweden), Tech Data Norge AS (Norway) and Tech Data Finland Oy (Finland), which are wholly-owned subsidiaries of Tech Data Corporation (USA) (thereafter collectively referred to as "Tech Data"), acquire within the meaning of Article 3(1)(b) of the Council Regulation control of the whole of the undertaking Scribona AB ("Scribona", Sweden) by way of purchase of assets.

II. THE PARTIES

2. Tech Data is mainly active in the wholesale distribution of information technology ("IT") products and the supply of related services. It is present in the Americas and in the EEA, including Finland, Sweden and Norway. TechData is also active in the distribution of telecom equipment via a joint venture with Brighstar Corporation.

¹ OJ L 24, 29.1.2004 p. 1.

3. Scribona is a wholesale distributor of IT products and provides related services. It is only active in Finland, Norway and Sweden. Scribona does not distribute any telecom equipment.

III. THE OPERATION

4. Pursuant to an Asset Purchase Agreement signed on 3 March 2008, Tech Data will acquire certain key assets from Scribona, including inventories, customer lists and employees. Although Tech Data will not acquire the Scribona brand, it will have the right to use it for a period limited to six months after the closing date. The proposed transaction will therefore result in Tech Data acquiring sole control over Scribona.
5. In view of the foregoing, the notified operation constitutes a concentration within the meaning of Article 3 (1)(b) of the Merger Regulation.

IV. COMMUNITY DIMENSION

6. In 2006, the combined aggregate worldwide turnover of Tech Data and Scribona exceeded EUR 5 000 million (Tech Data: EUR 16,768 million; Scribona: EUR 977 million). Each of the parties has a Community-wide turnover in excess of EUR 250 million (Tech Data: EUR 8 476 million; Scribona: EUR 653 million), without both undertakings achieving more than two thirds of their aggregate Community-wide turnover within one and the same Member State.
7. The notified operation therefore has a Community dimension within the meaning of Art. 1 (2) of the Merger Regulation.

V. THE RELEVANT MARKET

A. General overview of the economic sector involved

8. Both Tech Data and Scribona operate as wholesale distributors of IT products and provide related services. The parties' distribution activities horizontally overlap only in three member States, namely Finland, Sweden and Norway.
9. Wholesale distribution consists in the supply of a broad range of IT products purchased from many IT manufacturers and software vendors (thereafter collectively referred to as "manufacturers of IT products") to a large number of re-sellers and retailers, none of which are end-users. The products concerned include *inter alia* personal computers (PCs), servers, printers, scanners, storage devices, networking equipment, packaged software and various digital consumer products. Tech Data, for instance, distributes more than 80 000 distinct items sourced from more than 100 different suppliers, including *inter alia* large IT companies such as IBM, Hewlett Packard (HP), Microsoft, Apple and Sony. However, not all distributors supply such a wide variety of items and brands, as there are smaller distributors who rather focus on a fewer number of products and brands. Related services comprise mainly financial services (trade credit) and after-sales support to customers, and typically account for a minor part of the distributors' activity compared to their core

distribution business. As noted in a previous decision, distributors essentially provide their customers with a "one stop shop" facility"².

10. IT distributors sell their products to three main categories of customers: (i) value-added resellers("VARs") and system integrators, who have developed a service oriented or application oriented business model geared to "adding value" to the third-party products that they resell to end-users, (ii) corporate resellers, who address primarily large and medium businesses, (iii) other resellers, including traditional IT dealers, who are IT dedicated resellers selling standard products, superstores characterized by large storefront businesses, and distant sale companies, such as mail order companies and etailers. However, it should be noted that manufacturers of IT products can bypass distributors and sell directly to VARs, retailers and resellers, as well as to large corporate accounts.

B. Product market definition

11. The notifying party submits that the relevant product market should be defined as the overall market for the distribution of IT products and related services, including all IT product categories as well as direct sales by manufacturers of IT products and indirect sales by wholesale distributors.

Direct and indirect sales

12. As regards the inclusion of direct and indirect sales in the same relevant product market, the notifying party explains that the traditional distribution chain of IT products (IT supplier– wholesale distributor – reseller/retailer – end consumer) has increasingly evolved towards a multi-channel distribution model in which sales from manufacturers of IT products directly to resellers/retailers and some large corporate accounts represent a significant share in the distribution of IT products. According to the industry analyst Gartner, direct sales account for circa 50% of the total sales of IT products and related services in each of Finland, Norway and Sweden³. The notifying party therefore argues that the competitive pressure on distributors stemming from direct sales by manufacturers of IT products to resellers and retailers is sufficient to justify their inclusion in the same relevant product market as indirect sales.
13. In previous decisions, although the definition of the relevant market for the distribution of IT products was ultimately left open, the Commission noted that the wholesale distribution of IT products is characterised by three distinct features,

² Case COMP/M.4868 – AVNET/Magirus EID, para. 9.

³ According to Gartner, direct sales represented in 2007 49.9% of the total sales of IT products (including software) and related services (IT consulting, implementation services, operations management, training and education, support services etc.) in Finland, 49.6% in Norway and 51.5% in Sweden. This proportion has been relatively stable over the last three years in each of these Member States. As explained in para. 9 above, wholesale distributors typically offer a limited range of related services (mostly after-sales support). As a result, the proportion of direct sales is higher with respect to related services than for IT products and software. This explains why in tables 1a), b) and c) below, which refer to distribution of IT products and software, the distributors' market shares excluding direct sales are not two times larger than their market shares including direct sales, but slightly less.

namely (i) a broad product offering, (ii) fast delivery (normally within a day), and (iii) logistics capacities. These features were deemed to be typical of distributors and not to be found in relation to direct sales carried out by manufacturers of IT products⁴. However, in one case⁵ the Commission also noted that the market investigation provided some support in favour of the inclusion of direct sales in the same market as indirect sales with respect to the distribution of servers.

14. The market investigation carried out in the present case among manufacturers of IT products, distributors, retailers and resellers active in the Nordic countries (Finland, Norway and Sweden) confirmed that distributors have some distinct features that distinguish them from manufacturers of IT products. Besides the features mentioned above, respondents to the market investigation in the present case also indicated that the financial services (trade credit) provided by the distributors to their customers, the cost involved in building/expanding warehouses, the transaction costs involved in dealing with multiple suppliers, as well as the risks and costs associated with maintaining large inventory/stocks constitute strong incentives for retailers and resellers to source IT products from distributors.
15. The market investigation further revealed that a significant number of resellers and retailers in the Nordic countries cannot be supplied directly by manufacturers of IT products as they do not procure sufficiently large volumes of products. Finally, the market investigation revealed that not all manufacturers of IT products have sufficient logistics and warehousing capabilities to significantly increase their direct sales in the short term.
16. Overall, it appears that direct and indirect sales are not fully interchangeable for the distributors' customers in the Nordic countries, as retailers and resellers generally cannot source IT products equally from distributors or directly from manufacturers of IT products.
17. However, the market investigation also indicated that in case of a long-lasting price increase of 5 to 10% in the indirect sales channel, a large majority of the distributors' customers would switch a significant part of their procurement from the indirect sales channel to the direct sales channel. Although the part of the procurement that customers would switch to the direct sales channel varies significantly from one customer to the other, depending mainly on their existing storage capacity, their size and financial capabilities, figures of up to 50% or more were mentioned by several customers. In line with the views expressed by customers, most of the manufacturers of IT products also indicated that they believed that a significant part of the demand would be switched to the direct sales channel, although manufacturers were generally not able to quantify the part of the demand that would be switched.
18. The market investigation also revealed that the reason that would motivate distributors' customers in Finland, Norway and Sweden to increase the part of their procurement from the direct sales channel is that price competition at the retail level is fierce in each of these Member States, not only between retailers but also between

⁴ See *inter alia* case IV/M.1192 – *CHS Electronics /Metrologie International*, paras. 10 and 11, case COMP/M.2223 – *Getronics/Hagemeyer/JV*, para. 13, and case COMP/M.4868 – *AVNET/Magirus EID*, para. 8.

⁵ Case COMP/M.2223 – *Getronics/Hagemeyer/JV*, para. 18.

retailers and a number of large manufacturers of IT products, including Dell, HP and Canon, that achieve a large part of their turnover through direct sales. Therefore, should relative price increases by 5 to 10% on a lasting basis occur in the indirect sales channel in Finland, Norway or Sweden, retailers and resellers would have no choice but to source as much as possible of their procurement directly from manufacturers of IT products in order to avoid being forced out of the market.

19. In light of the foregoing, although there is insufficient evidence to conclude that the direct and indirect sales channels belong to the same product market, it appears that prices in the indirect sales channel are significantly constrained by prices in the direct sales channel. Therefore, the constraint exercised by manufacturers of IT products on wholesale distributors through direct sales to retailers and resellers should be taken into account for the purpose of the competitive assessment of the present case.

IT product categories

20. The notifying party opposes any further subdivision of the relevant product market, in particular any delineation of the market for the distribution of IT products along specific product categories such as servers, PCs, storage devices, software, etc. According to the notifying party, wholesale distributors typically compete on a range of products and services rather than on specific products, as customers' demand is directed towards a range of different products for delivery at short notice. Moreover, the notifying party contends that large distributors, such as Tech Data and Scribona, have similar product ranges and do not focus on the distribution of certain product categories.
21. As noted in a previous decision⁶, it is common practice with respect to distribution businesses to define product markets which cover a range of different products, even if these are usually not substitutable from a demand-side perspective. The reason for such a broad and comprehensive market definition is that the market players active in the wholesale distribution of IT products do not mainly compete with each other with respect to specific products but on the basis of a range of products and services, even if the concrete assortments offered may differ from each other.
22. In previous decisions concerning the distribution of IT products⁷, the Commission noted that demand is directed towards a variety of IT products and that, given the “within a day” delivery standard which characterizes the wholesale channel, a large stocking inventory is a further characteristic directly relevant to the product market definition. Based on these elements, the Commission has assumed a product market comprising all IT product categories, although it did not exclude that narrower product markets may be defined along product categories⁸.

⁶ Case COMP/M.3820 - *Avnet / Memec*, para. 8.

⁷ Case IV/M.1192 – *CHS Electronics /Metrologie International*, para. 12

⁸ See *inter alia* Case COMP/M.2223 – *Getronics/Hagemeyer/JV*, para. 14, and case COMP/M.4868 – *AVNET/Magirus EID*, para. 10.

23. The market investigation carried out in the present case indicated that conditions of supply in the indirect sales channel are globally homogeneous across all categories of IT products in the Nordic countries, even if some respondents underlined that certain wholesalers tend to specialise in certain specific product categories, such as communications infrastructure or video and audio-based solutions. This does not, however, apply to the parties to the present transaction who are both broad-line distributors of IT products not focusing on individual product categories. Furthermore, the majority of respondents to the market investigation indicated that there are no specific conditions of supply in the indirect sales channel as regards the distribution of servers, PCs or other categories of IT products as far as the Nordic countries are concerned.
24. Although the market investigation did not support the definition of product market along IT product categories, the exact definition of the relevant product market in this respect can be left open for the purpose of the assessment of the present case as the conclusion of the competitive analysis will not change, whether a broader or a narrower product market is defined.

Conclusion

25. For the purpose of this decision, the exact product market delineation can be left open, since under all possible alternative definitions the proposed transaction does not raise competition concerns.

C. Relevant geographic market

26. The notifying party submits that the market for the (wholesale) distribution of IT products is EEA-wide. Indeed, the notifying party explains that the leading distributors operate on a global basis and provide their products throughout the EEA. They offer a similarly broad range of IT products which does not vary significantly between Member States. In particular different product versions would be available in several languages or in any specific language version at no extra cost. Furthermore, the notifying party contends that supply and demand are comparable at the wholesale level throughout the EEA and that IT products are distributed cross-border.
27. In previous decisions⁹, although the precise geographic market definition was ultimately left open, the Commission has indicated that the market for the wholesale distribution of IT products was probably national in scope or possibly regional cross-border in some circumstances. This finding was mainly based on the fast delivery ("within a day") feature which is characteristic of this market and the need for a national presence for the supply of related services of training and technical support. Furthermore, the Commission noted that both distributors and resellers of IT products tend to organise their activities on a national basis.
28. The market investigation carried out in the present case revealed several elements pointing towards national markets as far as the Nordic countries are concerned. First

⁹ Case COMP/M.2223 – *Getronics/Hagemeyer/JV*, para. 19, Case COMP/M.3107 – *Tech Data Corporation / Azlan Group*, para. 14, and case COMP/M.4868 – *AVNET/Magirus EID*, para. 13.

and foremost, a very large majority of the respondents indicated that language and geographic proximity constitute important elements of the supplier selection by the customers. As a result, most of the customers have indicated that they predominantly source IT products from distributors having local presence in the countries where they have their operations. Furthermore, the market investigation indicated that manufacturers of IT products conclude wholesale distribution agreements at a national level in order to take account of the specificities in each jurisdiction. Even when multi-national agreements are entered into between manufacturers of IT products and large distributors, these are mainly framework agreements complemented by specific national provisions regarding, for example, the range of products the distributor is authorised to sell in each individual country, and the bonus or discount structure. Manufacturers of IT products also indicated that even when they have EEA price lists, promotions and specific sales or marketing programmes are implemented at the national level.

29. For the purpose of the present case, the geographic market definition (national or EEA-wide) can be left open as the proposed transaction does not raise competition concerns in the common market or in any substantial part of it under any of the possible definitions of the geographic market.

VI. COMPETITIVE ASSESSMENT

30. Under the assumption of an EEA-wide market for the wholesale distribution of IT products (i.e. excluding direct sales by manufacturers of IT products), the parties' combined market share remains below 15% (Tech Data1: [5-10]% and Scribona: [<2]%). The parties' main competitors (Ingram Micro, Avent, Arrow Electronics, Actebis and Esprinet) hold market shares ranging from [0-5]% to [10-20]%.
31. Even if the relevant product market were to be further delineated by product category, the proposed transaction would not raise competition concerns in any of these categories in view of Scribona's negligible share of the wholesale distribution market as a whole. Furthermore, both Tech Data and Scribona are broadline distributors of IT products not focusing on any individual product category, although they may have specific strengths with regard to some product categories in certain Member States, reflecting the local characteristics of these markets.
32. The proposed transaction will therefore not significantly impede effective competition in the EEA market for the (wholesale) distribution of IT products, or in any sub-markets thereof.
33. If the geographic market were considered to be narrower, i.e. national in scope, the combined market shares of the parties would be higher in the three Member States where their activities overlap, namely Finland, Norway and Sweden, as shown in tables 1a) to 1c) below.

Impact in Finland

Table 1 a): Market share in Finland – Years 2004 to 2006 –Distribution of IT products and software, including and excluding direct sales

Finland	2004		2005		2006	
	Incl. direct sales	Excl. direct sales	Incl. direct sales	Excl. direct sales	Incl. direct sales	Excl. direct sales
Tech Data	[5-10]%	[10-20]%	[0-5]%	[5-10]%	[0-5]%	[5-10]%
Scribona	[10-20]%	[10-20]%	[5-10]%	[10-20]%	[5-10]%	[10-20]%
<i>Tech Data / Scribona</i>	<i>[10-20]%</i>	<i>[30-40]%</i>	<i>[10-20]%</i>	<i>[20-30]%</i>	<i>[10-20]%</i>	<i>[20-30]%</i>
GNT	[10-20]%	[20-30]%	[10-20]%	[20-30]%	[10-20]%	[30-40]%
Ingram Micro	[0-5]%	[5-10]%	[0-5]%	[5-10]%	[0-5]%	[0-5]%
Toptronics	[<2]%	[<2]%	[<5]%	[<5]%	[<5]%	[<5]%
Dacco Corporation	[<2]%	[<2]%	[<2]%	[<5]%	[<2]%	[<5]%
Bruce Campbell	[<2]%	[<2]%	[<2]%	[<2]%	[<2]%	[<2]%

34. As regards Finland, both Scribona and Tech Data have constantly lost market shares during the period from 2004 until 2006, a trend that continued in 2007¹⁰. Post-transaction the merged entity will be the second largest distributor in Finland, far behind GNT, a leading international distributor, which has substantially increased its market share during the period from 2004 until 2006. The merged entity will also face competition from Ingram Micro, another international leading distributor, and several smaller competitors (Toptronics, Dacco and Bruce Campbell), who entered the market only a few years ago and have gained market shares since then. Furthermore, as explained above in Section V, the merged entity will also face competition from manufacturers of IT products (direct sales), who collectively accounted for 49.9% of total sales of IT products and related services in Finland in 2007. Resellers and retailers will therefore continue to have sufficient alternative sources of supply in Finland, as confirmed by the market investigation.

35. If the relevant product market were to be further delineated by product category, the merged entity would hold market shares above its average Finnish market share in two product categories, namely servers and clients (PCs, laptops and workstations). As regards servers, the combined market share of the parties would amount to [10-20]% (including direct sales) or [30-40]% (excluding direct sales) with a negligible

¹⁰ While it has not been able to calculate the market shares of competitors, the notifying party has provided market share data for Tech Data and Scribona in Finland for 2007. Scribona's market share amounted to [5-10]% (including direct sales) or [10-20]% (excluding direct sales). Tech Data's market share amounted to [0-5]% (including direct sales) or [5-10]% (excluding direct sales)

increment of [<2]% from Tech Data in both cases. As regards clients, the merged entity would have a market share of [20-30]% (including direct sales) or [20-30]% (excluding direct sales) with a balanced contribution from each party (Tech Data: [5-10]% (including direct sales) or [10-20]% (excluding direct sales); Scribona: [10-20]% (including direct sales) or [10-20]% (excluding direct sales)).

36. Although the notifying party has not been able to submit estimates of competitors' market shares for each of these two product categories, Gartner estimates that direct sales from manufacturers of IT products accounted for 46.4% of the total sales of servers and 20.2% of the total sales of clients in 2007 in Finland. In view of these figures, and in light of the results of the market investigation as set out above in Section V, it appears that manufacturers of IT products constrain to an appreciable extent the competitive behaviour of distributors as regards both servers and clients in this Member State.
37. Besides, the notifying party explains that the market share of each party in the product categories servers and clients mainly reflects the high market share held by HP at the retail level for these two product categories¹¹ and the fact that both Tech Data and Scribona have been appointed as distributors of HP's clients and servers in Finland¹². As a result the merged entity's market share is rather vulnerable as it is heavily dependent upon sales of products from one supplier and the success of these products at the retail level. In addition, should HP decide post-transaction to appoint one or several new distributors for its servers and clients in Finland, this would likely drive the merged entity market's market share down in this Member State.
38. In view of the foregoing, it can be concluded that the proposed transaction is unlikely to significantly impede effective competition in Finland under any alternative product market definition.

¹¹ Based on IDC data for 2007, HP's market share at the retail level in Finland would be 51% for servers and 29% for clients. The notifying party also estimates that HP accounts for approximately 61% of all servers and 31% of all clients sold in the indirect sales channel in Finland.

¹² The notifying party explains that HP terminated its contract with Tech Data for the distribution of servers and clients in Finland at the end of 2006. Tech Data and HP entered into a new distribution agreement for clients in 2007, but did not conclude any new contract for servers. As a result, Tech Data's share in the distribution of servers in Finland dropped from [5-10]% in 2006 to [<2]% in 2007.

Table 1 b): Market share in Norway– Years 2004 to 2006 –Distribution of IT products and software, including and excluding direct sales

Norway	2004		2005		2006	
	Incl. direct sales	Excl. direct sales	Incl. direct sales	Excl. direct sales	Incl. direct sales	Excl. direct sales
Tech Data	[<2]%	[<2]%	[<2]%	[<2]%	[<2]%	[<2]%
Scribona	[10-20]%	[20-30]%	[10-20]%	[20-30]%	[10-20]%	[10-20]%
<i>Tech Data / Scribona</i>	[10-20]%	[20-30]%	[10-20]%	[20-30]%	[10-20]%	[10-20]%
GNT	[10-20]%	[10-20]%	[5-10]%	[10-20]%	[5-10]%	[10-20]%
Ingram Micro	[0-5]%	[5-10]%	[0-5]%	[5-10]%	[5-10]%	[5-10]%
Itegra	[0-5]%	[5-10]%	[0-5]%	[5-10]%	[0-5]%	[5-10]%
Hattelco	[0-5]%	[5-10]%	[0-5]%	[5-10]%	[0-5]%	[5-10]%
Norek	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%

39. With respect to Norway, Tech Data only has a limited presence with a market share of approximately [<2]%. As in Finland, Scribona's market share has constantly declined in the period from 2004 until 2006, a trend that continued in 2007¹³. While post-transaction, the merged entity would be the market leader in Norway with market shares of approximately [10-20]% (excluding direct sales) and [10-20]% (including direct sales), it will nevertheless face sufficient competitive constraint from several distributors with market shares of more than [5]%, including two international leading distributors (GNT and Ingram) with market shares of [10-20]% and [10-20]% respectively (excluding direct sales). Furthermore, as explained above in Section V, the merged entity will also face competition from manufacturers of IT products (direct sales), who collectively accounted for 49.6% of total sales of IT products and related services in Norway in 2007. Resellers and retailers will therefore continue to have sufficient alternative sources of supply in Norway, as confirmed by the market investigation.

40. If the relevant product market were to be further delineated by product category, the merged entity would hold market shares above its average Norwegian market share in two product categories, namely servers and clients (PCs, laptops and workstations). As regards servers, the combined market share of the parties would amount to [30-40]% (including direct sales) or [50-60]% (excluding direct sales)

¹³ While it has not been able to calculate the market shares of competitors, the notifying party has provided market share data for Tech Data and Scribona in Norway for 2007. Scribona's market share amounted to [10-20]% (including direct sales) or [10-20]% (excluding direct sales). Tech Data's market share in 2007 remained stable at [<2]% (including direct sales) or [<5]% (excluding direct sales).

with a negligible increment of [<2]% from Tech Data in both cases. As regards clients, the merged entity would have a market share of [10-20]% (including direct sales) or [10-20]% (excluding direct sales), again with a negligible increment from Tech Data in both cases ([<2]% including direct sales and [<5]% excluding direct sales).

41. Although the notifying party has not been able to submit estimates of competitors' market shares for each of these two product categories, Gartner estimates that direct sales from manufacturers of IT products accounted for 43.5% of the total sales of servers and 28.4% of the total sales of clients in 2007 in Norway. In view of these figures, and in light of the results of the market investigation as set out above in Section V, it appears that manufacturers of IT products constrain to an appreciable extent the competitive behaviour of distributors as regards both servers and clients in this Member State.
42. Furthermore, the notifying party explains that Scribona's market share in the product categories servers and clients mainly reflects the high market share held by HP at the retail level for these two products categories¹⁴, and the fact that Scribona has been appointed as a distributor of HP's clients and servers in Norway. As a result the merged entity's market share is rather vulnerable as it is heavily dependent upon sales of a limited number of products from one supplier, and the success of these products at the retail level. In addition, should HP decide post-transaction to appoint one or several new distributors for its servers and clients in Norway, this would likely drive the merged entity's market share down in this Member State.
43. In view of the foregoing, it can be concluded that the proposed transaction is unlikely to significantly impede effective competition in Norway under any alternative product market definition.

¹⁴ Based on IDC data for 2007, HP's market share at the retail level in Norway would be 42% for servers and 34% for clients. The notifying party also estimates that HP accounts for approximately 56% of all servers and 38% of all clients sold in the indirect sales channel in Norway.

Table 1 c): Market share in Sweden – Years 2004 to 2006 –Distribution of IT products and software, including and excluding direct sales

Sweden	2004		2005		2006	
	Incl. direct sales	Excl. direct sales	Incl. direct sales	Excl. direct sales	Incl. direct sales	Excl. direct sales
Tech Data	[5-10]%	[10-20]%	[5-10]%	[10-20]%	[5-10]%	[10-20]%
Scribona	[5-10]%	[10-20]%	[5-10]%	[10-20]%	[5-10]%	[10-20]%
<i>Tech Data / Scribona</i>	[10-20]%	[30-40]%	[10-20]%	[30-40]%	[10-20]%	[20-30]%
Ingram Micro	[<5]%	[5-10]%	[5-10]%	[5-10]%	[5-10]%	[5-10]%
GNT	[<5]%	[<5]%	[<5]%	[<5]%	[0-5]%	[5-10]%
Isolda	[<2]%	[<5]%	[<2]%	[<5]%	[<5]%	[<5]%
Tura Scandinavia	[<2]%	[<2]%	[<2]%	[<2]%	[<2]%	[<5]%
Hattelco	[<2]%	[<2]%	[<2]%	[<2]%	[<2]%	[<2]%

44. In Sweden, unlike in Finland and Norway, both Tech Data and Scribona are important distributors. The merged entity will be the market leader with a market share of approximately [10-20]% (including direct sales) and [20-30]% (excluding direct sales). Scribona's market share has slightly decreased in Sweden in the period from 2004 until 2006, a trend that was confirmed in 2007¹⁵. Similarly, Tech Data has lost market shares during this period and this trend was confirmed in 2007¹⁶. In the indirect sales channels, the merged entity will face competition mainly from Ingram Micro (market share of approximately [5-10]%, excluding direct sales) and GNT ([5-10]%, also excluding direct sales) which are two international leading distributors and who both significantly increased their respective market shares between 2004 and 2006. Ingram Micro's market share (excluding direct sales) has risen from [5-10]% in 2004 to approximately [5-10]% in 2006 and GNT's market share (excluding direct sales) has grown from [<5]% to [5-10]% during the same period. In addition, one distributor (Tura Scandinavia) entered the Swedish market since 2004. Furthermore, as explained above in Section V, the merged entity will also face competition from (direct sales), who collectively accounted for 51.5% of total sales of IT products and related services in Sweden in 2007. Resellers and retailers will

¹⁵ While it has not been able to calculate the market shares of competitors, the notifying party has provided market share data for Scribona in Sweden for 2007. Scribona's market share amounted to [5-10]% (including direct sales) or [10-20]% (excluding direct sales).

¹⁶ While it has not been able to calculate the market shares of competitors, the notifying party has provided market share data for Tech Data in Sweden for 2007. Tech Data's market share was [5-10]% (including direct sales) or [10-20]% (excluding direct sales).

therefore continue to have sufficient alternative sources of supply in Sweden, as confirmed by the market investigation.

45. If the relevant product market were to be further delineated by product category, the merged entity would hold market shares above its average Swedish market share in two product categories, namely servers and clients. As regards servers, the combined market share of the parties would amount to [20-30]% (including direct sales) or [40-50]% (excluding direct sales) with a balanced contribution from each party (Tech Data: [10-20]% (including direct sales) or [20-30]% (excluding direct sales)); Scribona: [10-20]% (including direct sales) or [20-30]% (excluding direct sales)). As regards clients, the merged entity would have a market share of [30-40]% (including direct sales) or [40-50]% (excluding direct sales), again with a balanced contribution from each party (Tech Data: [10-20]% (including direct sales) or [20-30]% (excluding direct sales); Scribona: [10-20]% (including direct sales) or [10-20]% (excluding direct sales)).
46. Although the notifying party has not been able to submit estimates of competitors' market shares for each of these two product categories, Gartner estimates that direct sales from manufacturers of IT products accounted for 48.7% of the total sales of servers and 27.9% of the total sales of clients in 2007 in Sweden. In view of these figures, and in light of the results of the market investigation as set out above in Section V, it appears that manufacturers of IT products constrain to an appreciable extent the competitive behaviour of distributors as regards both servers and clients in this Member State.
47. Furthermore, the notifying party explains that the market share of each party in the product categories servers and clients mainly reflects the high market share held by HP at the retail level for these two products categories, and the fact that both of them have been appointed as distributors of HP's clients and servers in Sweden¹⁷. As a result the merged entity's market share is rather vulnerable as it is heavily dependent upon sales of a limited number of products from one supplier and the success of these products at the retail level. In addition, should HP decide post-transaction to appoint one or several new distributors for its servers and clients in Sweden, this would likely drive the merged entity's market share down in this Member State.
48. In view of the foregoing, it can be concluded that the proposed transaction is unlikely to significantly impede effective competition in Sweden under any alternative product market definition.

Conclusion

49. In view of the foregoing, the proposed transaction does not raise serious doubts as to its compatibility with the common market under any alternative product market definition for the distribution of IT products, either at the EEA- or national level.

¹⁷ Based on IDC data for 2007, HP's market share at the retail level in Sweden would be 46% for servers and 36% for clients. The notifying party also estimates that HP accounts for approximately 63% of all servers and 39% of all clients sold in the indirect sales channel in Sweden.

VII. CONCLUSION

50. For the above reasons, the Commission has decided not to oppose the notified operation and to declare it compatible with the common market and with the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of Council Regulation (EC) No 139/2004.

For the Commission
(signed)
Neelie KROES
Member of the Commission