

***Case No IV/M.1192 -
CHS ELECTRONICS /
METROLOGIE
INTERNATIONAL***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 23/06/1998

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 23/6/1998

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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

Subject: Case No IV/M. 1192 -CHS Electronics/Metrologie International

Notification of 3.2.1998 pursuant to Article 4 of Council Regulation N/ 4064/89

1. On 18.05.1998, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) No 4064/89 by which the undertaking CHS Electronics Inc.(CHS) acquires sole control within the meaning of Article 3(1)(b) of the Merger Regulation of Métrologie International S.A.(Métrologie).
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

3. CHS is a stock company incorporated under the laws of Florida, United States of America. It is engaged in the wholesale of information technology (IT) products, such as micro computer hardware and software products, network, peripheral and communication systems, as well as in related services, in particular after-sale support, training and financial services to the customers. CHS is active mainly in Germany, Spain, Austria, Belgium and France.

4. Métrologie is a company incorporated under the laws of France, belonging to the Métrologie group. It is engaged also in the wholesale of the above mentioned IT products and related services and it is active mainly in France, the UK and Spain.

II. THE OPERATION

5. The notifying operation concerns the acquisition by CHS of the majority of the share capital of Métrologie, primarily by way of a direct purchase and subsequently by way of a public bid. The operation will result in CHS acquiring sole control of Métrologie.

III. CONCENTRATION

6. As the operation will result in CHS acquiring sole control of Métrologie, it constitutes a concentration within the meaning of Article 3 (1) (b) of the Merger Regulation.

IV COMMUNITY DIMENSION

7. The notified concentration has a combined aggregate world-wide turnover in excess of ECU 2 500 million [...]. The combined aggregate turnover of the parties is in excess of ECU 100 million in more than three Member States[...]. Furthermore, in all those countries the aggregate turnover of each party is more than ECU 25 million. Finally, each of them has a Community-wide turnover in excess of ECU 100 million [...] but they do not achieve more than two-thirds of their aggregate Community-wide turnover within one and the same Member State. The notified operation therefore has a Community dimension, meeting the thresholds of the Merger Regulation, as laid down in Article 1(3), but does not constitute a co-operation case under the EEA Agreement, pursuant to Article 57 of that Agreement.

V. THE RELEVANT MARKET

The Relevant Product Market

8. The concentration affects the market for the wholesale of IT products. This consists of the supply of a broad range of IT products, such as, *inter alia*, hardware systems, software, peripherals, networking, to a very large number of retail customers. In this respect, demand in the market for wholesale distribution of IT products and services is mainly constituted by three categories of retail customers, i.e. *i*) superstores who primarily sell computer products, large office supply chains and smaller independent establishments, *ii*) value-added resellers, “vars”, who typically integrate proprietary software with products provided by manufacturers and distributors, and *iii*) corporate resellers, who typically provide their corporate customers with large bulk purchases and installations, involving more complicated networking solutions over a very large geographic region. The customer base constituted by these three categories of customers is very large.

9. The parties have indicated that there should be one single relevant product market for the information technology trade in general. This market should consist of distribution activities performed by manufacturers, wholesalers and retail companies.
10. In relation to the above mentioned allegation for a wider market definition including the overall information technology trade, it must be pointed out that there are substantial differences among these three distribution channels. The wholesale of IT products is characterised by a number of specific elements such as fast delivery, logistic capacities and a broad range of products to be supplied to customers. In this respect, a typical wholesaler active in this channel is generally supplied by a large number of manufacturers and publishers [...], maintains a significant stocking inventory of IT products, and ensures customers fast delivery (normally within a day). Within this category, distributors who are focused on few brands and are smaller in size should also be included, in so far as they carry out this activity with the same characteristics described above.
11. The above characteristics are typical of wholesalers and are not typically found either in the case of distribution carried out by manufacturers or in the case of retail companies distributing to other retailers. As a result, the relevant product market should include only the wholesale of IT products, comprising all the different categories of these such as personal computers, printers, components etc.
12. There are several indications that the wholesale of IT products is to be considered as one single product market. In particular, demand is directed towards a variety of IT products. In addition, given the “within a day” delivery service which characterizes the wholesale channel, a large stocking inventory is a further characteristic directly relevant to the product market definition.
13. Furthermore, in one of its prior decisions concerning the same activities¹, the Commission itself has considered that the wholesale of IT products forms one single product market as the demand is directed towards a whole range of IT products, given that retail customers require an extensive variety of products from the wholesalers.
14. Consequently, the product market to be taken into account for the purpose of this case is the wholesale of IT products with the characteristics described above.

The geographic market

15. There are indications that the geographic market is national in scope. In this respect, firstly, there are language differences which can still influence the demand for IT products. Indeed, retailers tend to act nationally and distributors organise their activity on a national basis. Moreover, the “within a day” delivery service, which is characteristic of this distribution channel, constitutes a significant barrier to inter-State trade in this market, with the exception of some cross-border trade in the case of those borders which do not constitute important language barriers, e.g. Belgium/France, Germany/Austria. In the same context, the provision of the related

after-sales services of training and technical support requires a national presence on the part of the wholesale distributor.

16. Thus all the above-described factors lead to the conclusion that the market for the wholesale distribution of IT products is more national in character than European, while it may in some instances, as mentioned above, have a certain regional (cross-border) scope. Indeed the Commission in its decision in the Klöckner/Computer 2000 case in 1994 considered the geographic scope to be more of a national or regional dimension, though the question was finally left open. It can also be left open in the present case as, even taking the narrowest possible option, the operation will have no significant impact on competition.

VI. ASSESSMENT

17. In relation to the wholesale of IT products market, the Community level combined market share of the new entity resulting from the proposed operation is approximately [between 5 and 15 %]. At the level of national markets, the notified operation will affect mainly the Spanish market, where the new entity will reach a market share of approximately [between 10 and 20 %]. In Germany and France the parties' combined market shares will reach [between 5 and 15 %] and [between 5 and 15 %] respectively, whereas in Austria, Belgium and Denmark, they will not exceed [between 5 and 15 %]. In all these countries the market is significantly fractioned among several competitors, such as Tech Data, which has just acquired Computer 2000, Ingram, Peacock, Actebis and others, holding similar or even higher market shares. In Spain, in particular, the new entity will be facing competition from Computer 2000 and Ingram Micro.
18. Accordingly, given the number and position of the other players in all the above markets and given the lack of loyalty which is characteristic of the typical customer of IT product wholesalers, the conditions on the market concerned by the operation appear to be highly competitive.
19. Moreover, this market appears to have a very high growth rate (approximately 17%) and such growth is likely to render the market inviting for new competitors to enter.
20. Finally, it should also be taken into account the fact that IT wholesalers are exposed to some extent to competitive pressure from manufacturers carrying out direct distribution.
21. From the above it follows that the notified operation will have no restrictive impact on competition in the EEA and the proposed concentration will not create or strengthen a dominant position as a result of which effective competition would be significantly impeded in the EEA or in a substantial part of it.

VII. CONCLUSION

22. 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 (EEC) No 4064/89.

For the Commission,