

***Case No IV/M.1257 -
CHS ELECTRONICS /
CHS FAR EAST***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 18/08/1998

*Also available in the CELEX database
Document No 398M1257*



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 18/08/1998

PUBLIC VERSION

MERGER PROCEDURE
ARTICLE 6(1)(b) DECISION

To the notifying party

Dear Sirs,

**Subject: Case No. IV/M.1257 - CHS ELECTRONICS/CHS FAR EAST
Notification of 16 July 1998 pursuant to Article 4 of Commission
Regulation No. 4064/1989**

1. On 16.07.1998, the U.S. company, CHS Electronics, Inc. ("CHS"), announced its acquisition of sole control over the Hong Kong company, CHS Far East, Ltd., ("Far East") through the acquisition of all of the capital stock of Far East.
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, as last amended by Regulation (EC) No. 1310/97¹, and does not raise any serious doubts as to its compatibility with the common market and the functioning of the EEA agreement.

I. THE PARTIES

3. CHS is active in the wholesale distribution of IT products (microcomputers, software and networking) and related services (after-sale support, training and financial services to customers), supplying value-added retailers, corporate resellers and retailers. CHS is among the leaders in these activities both world-wide and at a European level. In the EU it is present in most Member States and generates more than one third of its turnover in Germany.
4. Far East is a holding company engaged mainly in the same activities as CHS through its European subsidiary, the German company, Micro Computer Dos GmbH and the

¹ OJ L 180, 9.7.1997, p.1; Corrigendum OJ L 40, 13.2.1998, p.17

latter's Dutch subsidiary, Micro Computer Dos B.V. Practically all of Far East's world-wide turnover is generated in the EU, and therein it is mainly active in Germany, the Netherlands and Belgium. Within the EU, Far East generates two thirds of its turnover in Germany where, apart from its subsidiary, Micro Computer Dos, GmbH, Far East also has limited activities through its Hong Kong subsidiary, Lung, Ltd.

II THE OPERATION

5. Through the purchase of all of the capital stock of Far East, CHS will acquire sole control over all the business activities of Far East.

III. CONCENTRATION OF A COMMUNITY DIMENSION

6. The operation constitutes a concentration within the meaning of Article, 3.1.(b) of the Merger Regulation.
7. The undertakings concerned have a combined aggregate worldwide turnover in excess of ECU 5,000 million [...]². Each of them has a Community-wide turnover in excess of ECU 250 million [...]³, 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, and it does not constitute a co-operation case under the EEA agreement.

IV. COMPATIBILITY WITH THE COMMON MARKET

A. The Relevant Product Market

8. The activities concerned in the operation, and in which both CHS and Far East are active, consist of the wholesale distribution of a whole range of hardware and software computer products and the related services of after-sales support, training and financial services to customers.
9. In relation to these same activities, in previous decisions⁴, the Commission has identified a relevant product market consisting of the wholesale distribution of IT products characterized by three main features, i.e. broad product offering, fast delivery ("within a day"), and logistic capacities. As the activities concerned by the present operation, as described above, fall within this product market definition, it has been retained as the relevant market for the purposes of the competitive assessment in the present case also.

B. The Relevant Geographic Market

² Deleted for publication

³ Deleted for publication

⁴ Case No. IV/M.1179 – Tech Data/Computer 2000, Case No. IV/M.1192 – CHS Electronics/Metrologie International and Case No. IV/M. 1232 – Ingram / Macrotron

10. The Commission in the above-mentioned previous decisions in this market has considered the geographic market for the wholesale distribution of IT products (including related services) to be more national (or possibly regional/cross-border in some instances) in scope than European, although it did not find it necessary to arrive at a precise definition. The main elements considered significant by the Commission in this respect were i) the fast delivery (“within a day”) feature which is characteristic of this market and which constitutes a significant deterrent to cross border trade, with the possible exception of those borders which do not constitute language barriers, such as Belgium/France, Germany/Austria, ii) the “pick-up” nature of many of the purchases of these products, as yet another feature requiring a local presence at a national level on the part of the supplier, and iii) the need for a national presence for the provision of the related after-sales services of training and technical support. Moreover, the Commission considered that the fact that both retailers and wholesalers of IT products tend to organize their activities on a national basis was still another element indicating a national scope for this market.
11. All the above-described national market characteristics are present in this case. However, given the lack of any competition concerns as a result of the present operation, the Commission can continue to leave the precise definition of the geographic scope of the market open.

V. ASSESSMENT

12. The operation does not give rise to any competition concerns as, in the only Member State in which the combined share of CHS and Far East is over [...] ⁵, i.e. in Spain with approximately [...] ⁶, the addition of market share represented by the activities of Far East is negligible, amounting to less than [...] ⁷. At the same time, in the only Member States in which CHS and Far East have any appreciable degree of overlap in market shares, i.e. Germany and Belgium, the combined markets shares fall below 15% in both cases, reaching only approximately [...] ⁸ and [...] ⁹ respectively. Consequently, the Commission considers that the proposed operation does not 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.

VI. CONCLUSION

13. 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 and Article 57 of the EEA Agreement.

For the Commission,

⁵ Business secret: between 10 % and 20 %

⁶ Business secret: between 10 % and 20 %

⁷ Business secret: between 0 % and 0.5 %

⁸ Business secret: between 5 % and 15 %

⁹ Business secret: between 0 % and 10 %