

***Case No IV/M.1561 -
GETRONICS / WANG***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 15/06/1999

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 15.06.1999

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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

Dear Sirs,

Subject: Case No IV/M.1561 – GETRONICS/WANG

Notification of 11/5/1999 pursuant to Article 4 of Council Regulation No 4064/89

1. On 11 May 1999, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) No 4064/89¹ by which Getronics N.V. (“Getronics”), The Netherlands, will acquire sole control of Wang Laboratories Inc. (“Wang”), U.S.A..
2. After examining the notification, the Commission has concluded that the notified concentration 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.

¹ OJ L 395, 30.12.1989, p.1; corrected version OJ L 257 of 21.9.1990, p. 13; as last amended by Regulation (EC) No 1310/97, OJ L 180, 9.7.1997, p. 1, corrigendum in OJ L40, 13.2.1998, p. 17.

I. THE PARTIES

3. Getronics, a publicly quoted company, has its activities in the field of Information Technology (“IT”) and offers a variety of IT services, *inter alia*, IT consulting, operational support services, etc.. Furthermore, Getronics has some IT wholesale and retail sale operations that result to a large extent from the IT service portfolio.
4. Wang, a publicly listed company based in the U.S., offers a variety of IT services mainly for desktop and network infrastructures installed in large enterprises. Like Getronics, Wang has some minor activities in wholesales and retail sales of IT products.

II. THE OPERATION

5. The notified operation concerns the acquisition of sole control of Wang by Getronics which will be carried out by way of public tender offer in the U.S..

III. CONCENTRATION

6. The acquisition by Getronics of Wang constitutes a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

IV. COMMUNITY DIMENSION

7. The notified operation does not qualify for the thresholds pursuant to Art. 1(2) of the Council Regulation, as the combined aggregate worldwide turnover of the parties is less than EUR 5 billion. However, the notified concentration has Community dimension pursuant to Article 1(3) of the Council Regulation.. The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 2.5 billion² (In 1998, Getronics: EUR 1.6 billion, Wang: EUR 2.7 billion). Each of them have a Community-wide turnover in excess of EUR 100 million (Getronics: EUR 1,228 million, Wang: EUR 1,257 million). In three Member States, The Netherlands, Spain and United Kingdom, the turnover of both undertakings exceeds EUR 25 million. In each of these Member States, the combined aggregate turnover of both undertakings exceeds EUR 100 million. Both undertakings 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. It does not constitute a co-operation case under the EEA Agreement, pursuant to Article 57 of that Agreement.

V. COMPETITIVE ASSESSMENT

A. Relevant product markets

8. The relevant product markets concerned by the proposed operation is the overall market for IT services, and the wholesale and retail sale of IT products.

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). To the extent that figures include turnover for the period before 1.1.1999, they are calculated on the basis of average ECU exchange rates and translated into EUR on a one-for-one basis.

IT services

9. As far as IT services are concerned, the notifying party suggests a further segmentation of IT services according to standard IT industry practice as follows:
 - Hardware maintenance and support
 - Software maintenance and support
 - Consulting
 - Development and integration
 - Education and training
 - IT management services
 - Business management services
10. The segmentation as proposed by the notifying party has been widely confirmed by the competitors and the customers who responded to the investigation carried out by the Commission, with each segment corresponding to a specific product market.
11. According to the notifying party, technology changes very fast in the IT sector and consequently products have to be adapted to customer needs. Therefore, exact limits of service categories become indistinct and can change quickly.
12. For the purpose of this case, however, the exact product market definition for IT services can be left open, since, even on the narrower market definition, the proposed operation will not lead to the creation or strengthening of a dominant position.

IT wholesale

13. The notifying party submits that wholesale distribution comprises the supply of a large variety of IT products, i.e. hardware and software, to system integrators, Value Added Resellers, and other independent vendors. With reference to a decision of the Commission³, the relevant product market of IT wholesale constitutes a single product market.

IT retail sale

14. According to the notifying party, IT retail sale can mainly be divided into direct sales channels and indirect sales channels. For the purpose of this case, however, it appears not necessary to further delineate the relevant product market of IT retail sale, as even on the basis of the narrower market definition the proposed operation will not lead to the creation or strengthening of a dominant position.

B. Relevant geographic markets

IT services

15. The notifying party has taken the view that there is a strong trend towards internationalisation of the IT services market, and therefore indicates an at least EEA-wide geographic scope. Third parties, who replied to the investigation carried out by the Commission, however, expressed the view that many IT services are still provided on a

³ Case IV/M.1179 – TechData/Computer 2000

national basis, mainly due to customised solutions according to language and local business particularities. Moreover, this view is largely in line with some previous Commission decisions⁴. However, it is not necessary in the present case to define precisely the geographic scope for IT services because on any definition of the geographic market the transaction does not raise competitive concerns.

IT wholesale and IT retail sale

16. For both markets, the trend towards further internationalisation can be seen as customers make intensive use of electronic commerce facilities, for example the order over the Internet, according to the notifying party. However, the Commission has found in its previous decision⁵, that the geographic scope still tends to be national. Given the facts provided in this decision, the IT retail sale can also be considered as of national scope. Third parties have largely confirmed that both, IT wholesale and IT retail sale, are still of national scope. A tendency of opening towards an EU-wide market was expressed by some of them. For the purpose of this case, however, it appears not necessary to precisely define the geographic markets for IT wholesale and IT retail sale, since, even on a national scope, the proposed operation would not create or strengthen a dominant position.

C. Competitive Assessment

IT services

17. The product portfolio of the parties concerned by the proposed operation is largely of complementary nature, but overlapping activities exist. The combined market shares of the new entity, however, amounts to less than 15% in any of the categories concerned, even if considered at the national level. Strong competitors, for example IBM, Cap Gemini, EDS, enjoy market shares in the range of 5-20% for any of the categories in the EEA, and also on a national basis. Furthermore, an even larger number of smaller competitors have market shares in the range of 2-5%.
18. Brand loyalty is of no particular importance in IT services. According to customers, who replied to the Commission's investigation, focus is given to price and performance in order to get satisfied their needs. In line with this, competitors focus on delivering superior customer service rather than establishing a brand name.
19. The market of IT services is characterised by frequent changes of the underlying technology. Market positions, which are based on certain technology, can become quickly vulnerable with the arrival of new technologies that competitors quickly adapt and integrate into their products. In support of this, entry barriers into IT services are minimal. According to the notifying parties, business and technical expertise is the most important asset, which can be obtained and transferred from neighbouring IT areas, to enter into IT services.

IT wholesale and IT retail sale

⁴ Case IV/M.668 – Philips/Origin, Case IV/M.798 – General Electric/Compunet

⁵ Case IV/M.1179 – TechData/Computer 2000

20. In both markets, the operations of the parties concerned are very minimal. As a result of the concentration, the combined market shares remain of less than 5% in each market in the EEA, but also on a national basis. In view of the fact that a large number of competitors achieve market shares in the range of 5-20%, the proposed operation raises no competition concern.

VI. CONCLUSION

21. In view of the foregoing, it can be concluded that the proposed operation would 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.
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,