

*Case No COMP/M.1700 -
AVNET /
EUROTRONICS*

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 03/12/1999

*Also available in the CELEX database
Document No 399M1700*



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 03.12.1999
SG (99) D/9815

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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

Subject : Case No. COMP/M.1700 - AVNET / EUROTRONICS

Notification of 03 November 1999 pursuant to Article 4 of Council Regulation No 4064/89

1. On 3.11.1999, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) No 4064/89 by which the US company, Avnet Inc. ("Avnet"), acquires sole control over the Dutch company, Eurotronics B.V. ("Eurotronics").
2. Following examination of the notification, the Commission has concluded that the notified operation falls within the scope of Council Regulation (EEC) and does not raise serious doubts as to its compatibility with the common market and with the EEA Agreement.

I. THE PARTIES AND THE OPERATION

3. Avnet is an international group active in the distribution of computer products and systems, and in the distribution of electronic components, in which it has a presence in practically every Member State and in Norway.
4. Eurotronics is an indirectly held subsidiary of Sonepar Electronique International S.A. ("SEI"). It is active in the distribution of electronic components in several Member States through its subsidiaries, which trade under the SEI brand name.

5. The proposed operation consists of the acquisition by Avnet of SEI's 84% shareholding in Eurotronics. As Avnet already owns the remaining 16%, through its recent acquisition of Marshall Industries Inc., the present transaction will result in its owning 100% of the shares of Eurotronics and thus acquiring sole control over this company.

II. CONCENTRATION OF A COMMUNITY DIMENSION

6. The operation constitutes a concentration within the meaning of Article 3.1.b. of the Merger Regulation.
7. Avnet and Eurotronics have a combined aggregate worldwide turnover in excess of €5,000 million (Avnet, €5,838.37 million and Eurotronics €493.27 million). Each of them has a Community-wide turnover in excess of €250 million (Avnet, €1,226.13 million and Eurotronics, €493.27 million) and they do not both achieve more than two-thirds of their respective aggregate Community-wide turnovers within one and the same Member State. The notified operation, therefore, has a Community dimension.

III. RELEVANT MARKETS

A. Relevant Product Market

8. The activities of Avnet overlap with Eurotronics in the wholesale distribution of electronic components, which Avnet, the notifying party, describes as including broadly three main categories of components, i.e. i) semiconductors, ii) interconnect components, and iii) passive and electromechanical components. In addition, wholesale distributors of electronic components offer value added services to customers, such as technical support, customizing of products to customer specifications and supply chain management.
9. The customers of wholesale distributors of electronic components are primarily original equipment manufacturers ("OEM's") and contract electronic manufacturers in a wide range of sectors including automotive, computer, office equipment, measurement equipment, industrial control system integration and telecommunications.
10. Such customers, and particularly the larger OEM's, may also be supplied directly by the electronic component manufacturers, which has led Avnet to submit that the overall supply of electronic components, from both wholesale distributors and electronic component manufacturers, constitutes a single product market. However, wholesale distribution has several significant differentiating characteristics, i.e. a very extensive product mix from different suppliers, value-added services (as described further above), a large stock, local warehouses, short delivery times, and a broad and large customer base. In the Commission's view, all of these factors are strong indicators of a separate market for wholesale distribution, and their relevance for customers was confirmed by the findings in its market investigation. Consequently, the Commission has examined the competitive effects of the operation at this narrower level. Nonetheless, as the operation does not raise serious competition concerns either at this level, or at the broader level (where Avnet's market shares would be smaller), the Commission can leave the precise product market definition open in the present case.

B. Relevant Geographic Market

11. Avnet has recognized that certain features of the wholesale distribution of electronic components point towards national markets (in particular the use of local sales offices in each country). Nonetheless, Avnet submits that a number of features of the market, which it describes as in rapid evolution, suggest that the EEA may be the appropriate relevant geographic market to be considered. Such features include low transport costs, a lack of technical barriers and the increasing globalization of customers who seek European coverage at a single European price from centralized warehouses.
12. However, as well as the use of local sales offices by distributors, there are several other elements present in the market for the wholesale distribution of electronic components which are characteristic of national markets, i.e. local warehousing for stocking and delivery; a relative lack of cross border deliveries; scarcity of pan-European tendering procedures by multi-national customers; and a different array of suppliers in different member states.
13. While the Commission's market investigation has shown that there is a tendency towards a certain widening of the geographic scope of the market for wholesale distribution of electronic components, it has confirmed that the several national market characteristics described above predominate to a significant degree. Thus, for the purposes of its competitive assessment of the present operation, the Commission has considered that, for the relevant geographic market, a national market scope is the most appropriate.

IV. ASSESSMENT

14. The market share information furnished by Avnet has been broadly confirmed during the Commission's market investigation. According to this information, the operation will lead to a market share for Avnet of more than 15% in three member states, i.e. Spain, some [20-30%]; France, some [15-25%] and Austria, approximately [10-20%]. The market share, corresponding to Eurotronics, which is added to Avnet's own share, is approximately [15-25%] in Spain, [5-15%] in France and [10-20%] in Austria.
15. However, in each of these Member States, Avnet will be faced with competition from two or more significant players, as well as from several smaller and more local wholesale distributors in the more fragmented markets of Spain and Austria. Thus in Spain, Arrow, will have a similar market share level to Avnet, with close to [20-30%], while Veba, another important player, will have some [5-15%]; in France, Tekelec, will lead with [20-30%], while Arrow will follow Avnet closely with [15-25%], and Veba will have [5-15%]; in Austria, Avnet will lead, but both Veba and Arrow will be present with some [5-15%] respectively, and still another player, Eurodis with close to [5-15%] also.
16. Thus, after the operation, Avnet will still be confronted with competition from other significant players, as well as several smaller ones, in the three affected markets (i.e. Spain, France and Austria). Furthermore, the market investigation has confirmed that customers may use simultaneously more than one wholesale distributor for their supplies of electronic components. Finally, the investigation has not brought to light any serious concerns overall with regard to the competitive impact of the operation.
17. In the light of all the fore-going factors, the Commission considers that the proposed operation will not lead to the creation or strengthening of a dominant position in the sector concerned.

V. CONCLUSION

18. 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,

signed by
Romano PRODI
President of the Commission