

***Case No COMP/M.2804 -
VENDEX KBB / BRICO
BELGIUM***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 18/06/2002

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 18.06.2002

SG (2002) D/230219

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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

**Subject: Case No COMP/M.2804 – VENDEX KBB/BRICO BELGIUM
Notification of 17th May 2002 pursuant to Article 4 of Council Regulation
No 4064/89¹**

1. On 17.05.2002 the Commission received a notification of a proposed concentration by which the undertaking Vendex KBB Nederland B.V., belonging to the Vendex KBB group, acquires sole control of Brico Belgium S.A., which company forms part of the GIB group, by way of the purchase of shares.
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. Vendex KBB Nederland B.V. (“Vendex”) is a leading non-food retail company in the Netherlands and is also active in Belgium, Denmark, Luxembourg, Germany and France. It operates through departments stores (Vroom & Dreesmann, HEMA and

¹ OJ L 395, 30.12.1989 p. 1; corrigendum OJ L 257 of 21.9.1990, p. 13; Regulation as last amended by Regulation (EC) No 1310/97 (OJ L 180, 9. 7. 1997, p. 1, corrigendum OJ L 40, 13.2.1998, p. 17).

Bijenkorf) as well as specialty stores. Besides hard goods² and fashion, the specialty stores sell do-it-yourself (“DIY”) products. On the Dutch market Vendex sells DIY products via its specialty outlets Praxis, Formido, Kijkshop and its department store HEMA. In Belgium DIY products are solely sold by HEMA.

4. Brico Belgium S.A. (“Brico”) is active in the field of DIY retail trade in Belgium, France, Spain and Portugal via different banners such as Brico and Briko Depot (Belgium), AKI (Spain and Portugal) and OBI (France).

II. CONCENTRATION

5. The subject operation consists of the proposed acquisition of all issued and outstanding shares in the capital of Brico and thus of sole control over Brico, by Vendex. The operation thus constitutes a concentration within the meaning of Article 3(1)(b) of Council Regulation (EEC) No. 4064/89, as amended.

III. COMMUNITY DIMENSION

6. The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 billion³ (Vendex: EUR [...] million; Brico: EUR [...] million). Each of Vendex and Brico have a Community-wide turnover in excess of EUR 250 million (Vendex: EUR [...] million; Brico: EUR [...] 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 under Article 1(2) of said Council Regulation.

IV. COMPETITIVE ASSESSMENT

A. *Relevant product market*

The sector involved in the present concentration is the retail trade and procurement of DIY products, where the activities of the parties overlap in Belgium.

DIY retail trade

7. The parties submit that the relevant product market is the DIY retail trade market, which offers a broad range of products and product groups including decorative products; ironware and tools; electrical goods and lighting; sanitary equipment; tools; building materials; carpentry and gardening products.
8. The parties also provided information on alternative product market definitions based on (i) different products/product groups and (ii) different distribution channels,

² “hard goods” are referred to by the parties as all products sold by Vendex other than DIY and fashion products, such as the sports products sold by Perry Sport, jewellery and bijoux sold in Vendex’ jewellery outlets, washing machines and refrigerators sold by Dixons and all products sold in Vendex’ departments stores.

³ 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.

including DIY specialists (such as Brico), specialty stores offering a more specialised range of DIY products and department stores.

Procurement of DIY products

9. The parties propose that the product market for the procurement of DIY products be divided into separate markets based on (a combination of) different product groups.
10. For the purpose of the present case, however, it is not necessary to further delineate the relevant product markets for DIY retail trade and procurement, as in all alternative market definitions considered, effective competition would not be significantly impeded, as set out below.

B. Relevant geographic market

DIY retail trade

11. According to the parties the geographic market for DIY retail trade is national. They support this view by stating that, although from a consumer perspective the geographic market might be local/regional, the various retailers within the DIY market compete within a catchment area, which areas overlap. Furthermore, the parties submit that the national character of the DIY market is evidenced by the fact that there are significant differences in maturity level, growth rate and concentration of DIY markets in the different Member States and refer to the rather fragmented character of the Belgian market.

Procurement of DIY products

12. The parties submit that the geographic market for the procurement of DIY products is at least national, but may well be international considering that many suppliers are international players whose customers often organise their purchases centrally. In this context the parties refer to the Kingfisher/Castorama case⁴.
13. However, for the purpose of the present case, the geographic markets need not be decided because on the basis of the assessment set out below, under any alternative market definition, the concentration 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.

C. Assessment

DIY retail trade

14. Based on the assumption that there is one relevant product market for the overall DIY retail trade and that the geographic market is national, the activities of the parties would only slightly overlap in Belgium where Brico has a [10-20]% market share and Vendex, through its sales by HEMA, accounts for far below [0-5]% ([0-5]%). The market share of the combined entity therefore amounts to [10-20]% in total and as such the increment would be minimal.

⁴ COMP M.1333 (Kingfisher/Castorama) dated 17.12.1998.

15. Should the product market be defined differently, on the basis of products/product groups, the parties' overlap on the Belgian market is as follows: (i) [15-25]% for ironware and tools (increment by Vendex: [0-5]%), (ii) [15-25]% for electrical goods and lighting (increment by Vendex: [0-5]%), and (iii) [15-25]% for gardening products (increment by Vendex: [0-5]%). Thus, the incremental market share of Vendex is in all instances minor (well below [0-5]%). Moreover, Vendex only sells a very limited DIY product range on the Belgian market, comprising of: paints, stains and paint accessories; car and bicycle equipment; batteries, flashlights and light bulbs and a minor rest group which amounted to sales of EUR [...] in 2001.
16. Assuming several relevant DIY retail product markets based on type of distribution channel leads to the conclusion that there would not be any overlapping activities, considering that Brico operates in a different market as a DIY specialist, whereas Vendex through its department store HEMA falls in the category non-specialists.
17. Furthermore, on the Belgian DIY retail market Brico has a number of competitors, like Bricorama ([0-5]%), Leroy Merlin ([0-5]%), Gamma ([0-5]%), Hubo ([0-5]%) and Orga ([0-5]%). Moreover, in this market independent retailers and specialty stores such as Carpetland, Heytens and Kwantum also play a significant role.
18. The results of a market investigation support the position that the geographic market is indeed national, however, it is not necessary to further delineate the relevant product markets for DIY retail trade, as in all alternative market definitions considered, the concentration does not give rise to competition concerns.
19. Based on the above, it can be concluded that the proposed concentration does not create or strengthen a dominant position as a result of which effective competition would be significantly impeded in the common market or a substantial part thereof under any of the alternative market definitions considered.

Procurement of DIY products

20. In line with previous decisions in the retail sector⁵, the procurement market can be divided into separate markets based on (a combination of) different products/product groups. The parties have provided information regarding their respective positions in the DIY procurement market in the Netherlands, the Benelux and the EU based on a division of the following products/product groups: (i) ironware & tools; (ii) electrical/lighting; (iii) and gardening products. There are no overlapping activities in the Netherlands and Belgium, since Vendex has its central procurement activities in the Netherlands and Brico has such activities in Belgium and in other countries where they operate outlets.
21. The combined entity is most strongly present as a purchaser in the Benelux market, where its estimated market share for ironware & tools is [15-25]% ([0-10]% Brico and [5-15]% Vendex), its market share for electrical/lighting products accounts for [20-30]% ([5-15]% Brico and [10-20]% Vendex) and for gardening products is [0-10]% (both Brico and Vendex [0-10]%).

⁵ COMP M.1684 (Carrefour/Promodes) dated 25.01.2000.

22. The market investigation has revealed that the great majority of suppliers of DIY products consider the geographic market for the procurement of DIY products to be national. However, it is not necessary to further delineate the relevant product and geographic market for DIY procurement, as in all alternative market definitions considered, the concentration does not give rise to competition concerns.
23. Based on the above, it can be concluded that the proposed concentration does not create or strengthen a dominant position as a result of which effective competition would be significantly impeded in the common market or a substantial part thereof under any of the alternative market definitions considered.

V. CONCLUSION

24. 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)
Mario MONTI
Member of the Commission