

***Case No COMP/M.3045 -
MASCO / HANSGROHE***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 19/12/2002

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COMMISSION OF THE EUROPEAN COMMUNITIES

Competition DG

Director-General

Brussels, 19.12.2002

SG (2002) D/233393

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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.3045 – MASCO/HANSGROHE
Notification of 13.11.2002 pursuant to Article 4 of Council Regulation
No 4064/89¹**

1. On 21 November 2002, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) No 4064/89 whereby the US-based company Masco Corporation (“Masco”) acquires within the meaning of Art 3(1) b of the Merger Regulation sole control of the German-based company Hansgrohe AG (“HG”).
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 or with the EEA Agreement.

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).

I. THE PARTIES

3. Masco is a manufacturer and distributor of brand-name consumer products for the home and family. In the US, it also provides services that include the installation of insulation and other building products. Masco's products include taps and mixers, kitchen and bath cabinets, architectural coatings, bath and shower units, spas and hot tubs, showering and plumbing specialities, lock sets and other builders' hardware, air treatment products, ventilating equipment and pumps.
4. HG is a German based manufacturer of taps and mixers, shower accessories and hydrotherapy products based in Germany.

II. THE OPERATION

5. Through the proposed transaction Masco will increase its current minority stake of 27% in HG to [>51%] and therefore acquire sole control over HG. Currently the remaining [...] % in HG are directly or indirectly held by the family and descendants of Hans Grohe (hereinafter "the Grohe family"). Pursuant to an agreement between Masco and most of HG's remaining shareholders signed on 18 November 2002, Masco will acquire Syngroh Beteiligungsgesellschaft mbH & Co. KG's [...] % stake and Dr. Heinz Mathauer Beteiligungs- und Vermietungs GmbH & Co. KG's [...] % stake in HG leading to Masco acquiring more than 51% of the shares (i.e. [...] %). Furthermore, in the same agreement some members of the Grohe family agreed to sell to Masco their, currently directly held, shares in HG increasing Masco's stake to approximately [>51%]. Following the transaction Masco will gain sole control over HG.

III. COMMUNITY DIMENSION

6. The undertakings concerned had a combined aggregate worldwide turnover in 2001 of more than € 5,000 million (Masco € 9,336 million and HG € 356 million). The aggregate Community-wide turnover for both undertakings exceeds € 250 million (Masco [...] and HG [...]). Neither Masco nor HG achieves more than two-thirds of its aggregate Community-wide turnover within one of the Member States. The notified operation therefore has a Community dimension, but does not constitute a co-operation case under the EEA Agreement, pursuant to Article 57 of that Agreement.

IV. COMPETITIVE ASSESSMENT

A. Relevant product markets

7. Masco and HG both manufacture taps and mixers, shower accessories and hydrotherapy products. These are the only areas where the parties' activities overlap.
8. In case *Comp/M.2397 BC Funds / Sanitec* the Commission, without coming to an ultimate conclusion, considered the possibility of a separate product markets for sanitary taps and mixers. The areas of shower accessories and hydrotherapy products were of no relevance in the *BC Funds / Sanitec* decision. The parties consider separate product markets for these products.
9. For hydrotherapy products the parties claim that the distribution usually takes place through showrooms/wholesalers and that wholesalers consider it important to be able to supply a broad range of these products to their customers. According to the parties hydrotherapy products can also be considered as substitutable from the demand side

perspective, as the decisive factor is the hydro massaging aspect, which all hydrotherapy products display.

10. The market investigation mainly supported the parties' view on the relevant markets. However, it is not necessary to decide definitively the exact product market definition in the present case, given that in all alternative market definitions considered, the operation as notified would not lead to the creation or strengthening of a dominant position.

B. Relevant geographic markets

11. As to the relevant geographic markets, the parties submit that it is at least Community-wide. In any case, at least the Nordic area constitutes a geographic market. The main arguments of the parties are the following: (i) virtually all competitors are active in the whole of the Community or in a large part thereof, (ii) usually, the companies have European product lines which are marketed under the same names throughout Europe, (iii) preferences of European consumers, their purchasing patterns as well as product categories are converging, as are factors such as price and product standards, in particular over the last five years, (iv) relatively low transport costs and the absence of regulatory or tariff barriers mean that there is a considerable cross-border trade flow.
12. In *COMP/M.2397 BC Funds / Sanitec* the Commission, with regard to relevant geographic markets, considered that there were several factors (national price lists, price differences, diverging market positions) pointing towards the existence of purely national markets for bathroom products, although the exact definition of the relevant market was left open. The market investigation did not raise elements suggesting deviating from these findings.
13. For the purpose of this decision, however, the exact delineation of the geographic scope for the relevant product markets can be left open because, as in all alternative geographic market definitions considered, effective competition would not be significantly impeded in the EEA or any substantial part of that area.

C. Assessment

14. The transaction creates horizontal overlaps on the possible markets for taps and mixers, shower accessories, and hydrotherapy products. If the geographic market were to be considered as Nordic or even EEA-wide, the parties' combined market shares would be well below 15%. If the geographic market were to be considered as national there would be horizontal overlaps on several markets – creating combined market shares mostly in the range between 5% and 10%. The operation would, however, lead to two affected markets: taps and mixers in Denmark and hydrotherapy products in the Netherlands.
15. In Denmark Masco holds a market share of [20-30]% in the market for taps and mixers. This will increase to [30-40]% when adding HG share of [0-10]%. Main competitors are ORAS ([15-25]%), American Standard ([10-20]%) and Friedrich Grohe ([10-20]%). Considering this data it can be concluded that on a possible Danish taps and mixers market, post transaction, the parties will be faced with a number of competitors with sufficient market power. Therefore, the concentration will not lead to serious competition concerns in this market.

16. In the market for hydrotherapy products in the Netherlands the parties will obtain a combined share of [15-25]% with a *de minimis* increment of only [<1]% (Masco's share). The main competitors are Riho ([15-25]%) and Villeroy & Boch ([10-20]%). On the basis of this relatively low market share and the *de minimis* increment, the Commission concludes that the concentration will not lead to serious competition concerns in this market.
17. In view of the foregoing, the Commission considers 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 EEA or any substantial part of that area.

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

Mario MONTI
Member of the Commission