

***Case No COMP/M.3107 -  
TECH DATA  
CORPORATION /  
AZLAN GROUP***

Only the English text is available and authentic.

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

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Article 6(1)(b) NON-OPPOSITION  
Date: 24/03/2003

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 24.03.2003

SG (2003) D/229105

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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.3107 - Tech Data Corporation/Azlan Group plc  
Notification of 21.02.2003 pursuant to Article 4 of Council Regulation  
No 4064/89<sup>1</sup>**

1. On 21.02.2003, the Commission received a notification by which the American undertaking Tech Data Corporation ("Tech Data", USA), acquires within the meaning of Article 3(1)(b) of the Council Regulation control of the whole of the undertaking Azlan Group plc ("Azlan", UK) by way of a public bid announced on 14 February 2003.
2. After examining the notification, the Commission has concluded that the notified operation falls within the scope of the Merger Regulation and that it does not raise serious doubts as to its compatibility with the common market and with the EEA Agreement.

**I. THE PARTIES**

3. Tech Data is a broadline distributor of microcomputer-related hardware and software products to value added resellers and retailers, throughout the USA, Canada, Latin America, the Caribbean and in Europe. Tech Data offers after-sale support, training

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<sup>1</sup> 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).

and financial services to its customers. Tech Data does not provide training activities to any material extent in the EU.

4. Azlan is a UK based publicly quoted company. It is a pan-European supplier of networking solutions. It operates in 15 European countries. Azlan's business comprises three divisions: (i) wholesale distribution of data networking products, (ii) provision of network-related services and (iii) specialist training. The majority (88%) of Azlan's business is derived from the bulk sale and distribution of data networking and related products. Azlan is only a distributor of networking and related products.

## **II. THE OPERATION**

5. On the 14 February 2003 Tech Data (UK), a subsidiary of Tech Data Corporation, published a public bid whereby it intends to acquire the share capital of the Azlan Group plc.

## **III. CONCENTRATION**

6. In the light of the above it can be concluded that the operation constitutes a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

## **IV. COMMUNITY DIMENSION**

7. The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 billion<sup>2</sup> (Tech Data €19,301.4 million, Azlan €988.1 million). Each of the parties have a Community-wide turnover in excess of EUR 250 million (Tech Data €[...] million, Azlan €[...] 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.

## **V. RELEVANT MARKETS**

8. Both parties are active in the distribution of data networking products whereas Tech Data also distributes other IT (information technology) products. Data networking products encompass hardware and software, which allows organisations to link computers and other devices such as computer programs, printers and faxes.

### *A. Relevant product markets*

9. The parties are of the view that the relevant product market is that for the wholesale distribution of IT products and related services. This is based on previous Commission decisions<sup>3</sup>. Wholesale distribution consists of the supply of a broad range of IT products (such as hardware systems, software, peripherals, networking products) to a large number of resellers, none of which are end-users. Related services comprises

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<sup>2</sup> 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.

<sup>3</sup> COMP/M.1179 – Tech Data/Computer 2000, COMP/M.1192 – CHS Electronics/Metrologie International, COMP/M.1232 – Ingram/Macrotron and COMP/M.2223 – Getronics/Hagemeyer.

after-sales support, training and financial services to customers. These services represent a minor activity for the parties in comparison with the core business. The Commission has considered, whether the overall market for the distribution of IT products could be further sub-segmented, in particular whether the distribution of data networking products constitute a separate market. As mentioned data networking products encompass hardware and software that allow organisations to link computers and other devices such as printers and faxes.

10. The Commission's market investigation indicated that the distribution of data networking products may differ from the distribution of IT products in that the distribution of networking products and related services require greater expertise and know-how by the vendors. However, the market investigation did not show a clear picture, as also several competitors and customers regarded the distribution of data networking and IT products to be substantially the same.
11. Moreover, data networking products are generally part of an overall solution for a customer, which will also include other hardware and software. The major manufacturers of data networking products, such as Cisco, Alcatel, Nortel, Siemens, 3Com, HP and Enterasys, supply their products either directly to end users or via independent wholesalers such as the parties. Manufacturers use independent wholesalers also to assist in the promotion and marketing of their products. Independent wholesalers can be split into (i) "one tier" distributors, which resell directly to end users and (ii) "two tier" distributors, which generally supply smaller retailers, which in turn sell to end users. The distributors use various means to promote and market their products. Some distributors are regarded as broadline distributors, such as Tech Data, with an emphasis on high volume and low prices. Others are "value added" distributors emphasising on their ability to provide additional technical advice and expertise to resellers and end users. Azlan is to be regarded as a value added distributor.
12. However, for the purpose of this decision, the market definition can be left open, since in all product market definitions considered the transaction will not give rise to any competition concerns.

#### *B. Geographic market definitions*

13. The parties consider that the relevant geographic market is the territory of the EU or the EEA. The parties submit, that the supply and demand in the distribution of IT products are considered to be similar in all Member States. Major suppliers of IT products operate on a global basis and supply products throughout Europe. Furthermore, the channels for distribution are similar throughout Europe. In most countries, manufactures either supply through one tier or two tier distribution channels.
14. The market investigation indicates that the market is EU or EEA wide in scope. Products may be purchased on an EU or EEA wide basis, but at the same time, the need for local presence is also important in order to reach and support customers. For the purpose of this decision, the precise scope of the geographic market can be left open, since both on a national and on EU or EEA-wide basis, the transaction would not give rise to competition concerns.

## **VI. COMPETITIVE ASSESSMENT**

15. The only overlap between the parties' activities in Europe is in the distribution of data networking products.

*A. Distribution of IT products*

16. Based on an EEA-wide market for the wholesale of IT products the parties combined market share would be [0-10]% (Tech Data [0-10]% and Azlan [0-5]%) in 2001 and accordingly not give rise to an affected market.<sup>4</sup> It should be noted, that the market size data does not include related services, which made up approximately 45% of the relevant product market in 2002 and their inclusion would further dilute the parties market share.
17. On an EU-wide market, the parties combined market share would be [0-10]%. According to the parties there are no competitors with market shares of 10% or more. The main competitors are Ingram Micro Inc., Arrow Electronics, Actebis, Avnet, Bell Microproducts and the Despec Group. In addition, the parties submit that they face competition directly from the manufacturers of the hardware and software such as Hewlett-Packard, Cisco, IBM, Microsoft etc.
18. Based on national market definitions, the transaction would be above 15% only in Belgium concerning the overall distribution of IT products. The parties had a combined market share of approximately [10-20]% in 2001, [10-20]% in 2000 and [10-20]% in 1999. However, there would only be a small overlap, since Azlan's market share only constitutes [0-5]%. The parties major competitors on the Belgian market for the distribution of IT products are Ingram Micro with an estimated market share of ([0-10]%), Systemat ([0-5]%), Europea ([0-5]%), Dolmen ([0-5]%) and Despec ([0-5]%).
19. Based on this it can be concluded that the transaction will not create or strengthen a dominant position on the overall market for the indirect distribution of IT products.

*B. Distribution of data networking products*

20. The parties combined market share on the possible sub-market for data networking products in the EEA would be approximately [0-10]% (Tech Data [0-10]% and Azlan [0-10]%) in 2001. On a EU-wide market the parties market share would also be approximately [0-10]%. The parties' major competitors on an EEA and EU-wide market for the distribution of data networking products are Ingram Micro, Datatec, Scribonea, Algol and Siemens AG.
21. On possible national markets for the distribution of networking products, the proposed transaction would lead to combined market shares of more than 15% in two countries, namely Austria and Portugal.

Austria

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<sup>4</sup> The parties market share information is based on IDC figures.

22. The parties would have a combined market share of [10-20]% in Austria (Tech Data [0-10]% and Azlan [0-10]%). The parties' main competitors in Austria are: Ingram ([10-20]%), Anixter ([0-10]%), Westcon ([0-10]%), Avnet ([0-10]%), Elsat ([0-10]%) and Actebis ([0-10]%). As can be seen the market is rather fragmented with several competitors and a large part which is dispersed between a number of small competitors.

#### Portugal

23. In Portugal the parties combined market on the market for the distribution of data networking products would be [10-20]% (Tech Data [10-20]% and Azlan [0-10]%). The parties' major competitors in Portugal are Novabase ([10-20]%), Convex [10-20]%), Aryan ([0-10]%), IBM ([0-10]%), Anixter ([0-10]%), Allasso ([0-10] and Telindus ([0-10]%).
24. Based on the above it can be concluded, that the transaction will not create any competition concerns on the possible market for the distribution of data networking products even based on a national market definition.

#### **VI. CONCLUSION**

25. 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

Franz FISCHLER  
Member of the Commission