

***Case No COMP/M.4226 -  
DSGI / FOTOVISTA***

Only the English text is available and authentic.

**REGULATION (EC) No 139/2004  
MERGER PROCEDURE**

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Article 6(1)(b) NON-OPPOSITION  
Date: 29/06/2006

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 29/06/2006

SG-Greffe(2006) D/203400

In the published version of this decision, some information has been omitted pursuant to Article 17(2) of Council Regulation (EC) No 139/2004 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 Where possible the information omitted has been replaced by ranges of figures or a general description.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 : COMP/M.4226 – DSGI/FOTOVISTA**

**Notification of 23/05/2006 pursuant to Article 4 of Council Regulation No 139/2004<sup>1</sup>**

1. On 23/05/2006 the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EC) No 139/2004 by which DSG International plc (“DSGI”, UK) acquires within the meaning of Article 3(1)(b) of the Council Regulation control of the whole of Fotovista S. A. (“Fotovista”, France) by way of purchase of securities.
2. After examination of the notification, the Commission has concluded that the notified operation falls within the scope of Council Regulation (EEC) No 139/2004 and does not raise serious doubts as to its compatibility with the common market and with the EEA Agreement.

**I. THE PARTIES AND THE TRANSACTION**

3. DSGI is a UK based retailer of consumer electronics, personal computers, domestic appliances, communication products and related financial and after-sales services. Its business model is predominantly off-line (high street and out of town retail stores), through well-known brands as “Dixons”, “Currys”, “PC World”, “The Link”, etc in the

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<sup>1</sup> OJ L 24, 29.1.2004 p. 1.

UK. It also has operations in 13 other EEA countries (with retail brands as “PC City”, “Unieuro” and others).

4. Fotovista is a French retailer of audio and photographic equipment, electronic products and photo processing. Its focus is on on-line retailing through the websites “Pixmania”, “Mypixmania” and “Webhallen”. It is present in 25 European countries through dedicated websites, although all purchasing, logistic and distribution operations are based in France.
5. With the transaction, DSGI will acquire around 75% of Fotovista’s diluted share capital. The remaining shares will be held by the family founders and managers of the company, with the possibility of selling to DSGI in the medium term. DSGI will therefore acquire sole control of Fotovista.

## **II. CONCENTRATION**

6. The concentration concerns the acquisition by DSGI of sole control of Fotovista. The proposed transaction therefore constitutes a concentration within the meaning of Article 3(1)(b) of the Merger Regulation

## **III. COMMUNITY DIMENSION**

7. The combined aggregate worldwide turnover of the undertakings concerned is more than € billion. The aggregate Community-wide turnover of each of the undertakings concerned is more than €250 million. Neither of the Parties achieved more than two-thirds of its Community-wide turnover in one and the same Member State. The operation has therefore a Community dimension.

## **IV. RELEVANT MARKETS**

8. The transaction leads to overlapping activities in the following markets (i) electrical retailing, (ii) electrical wholesaling and (iii) procurement of electrical goods.

### ***(i) Markets for electrical retailing***

#### ***Relevant product markets***

9. The parties have proposed that the retail of electrical consumer goods should be divided into four markets:
  - a. Retail of brown goods (i.e. audio and visual appliances);
  - b. Retail of large domestic appliances (i.e. washing machines, freezers, etc.);
  - c. Retail of small domestic appliances (i.e. toasters, irons, etc.); and
  - d. Retail of computers and communication devices
10. On the Commission request, however, the parties have also provided possible subdivision for the two markets where the parties’ activities overlap: brown goods (divided in photographic products, audio, vision, and games) and computers and communications (divided in PC hardware, PC software, communications and accessories/peripherals).

11. The parties also propose that on-line and off-line retail of electrical goods belong to the same product market. According to the parties, the two channels exert a very strong competitive constraint on each other: firstly, the physical goods sold are exactly the same; secondly, e-commerce is particularly suited for the sale of electrical goods because consumers trust the brand of the product and give less importance to the distribution channel; thirdly, there is evidence of increasing number of customers ‘shopping around’ between on-line and off-line before actually purchasing the good; fourthly, the boundaries between the two are blurred as many retailers use a mixed strategy whereby it makes no difference where the actual purchase is made; finally, the parties claim that price movements in one channel are swiftly reflected on the other channel.
12. On the Commission request, however, the parties have also carried out the competitive analysis assuming that on-line and off-line retail belong to separate product markets.
13. In the course of its investigation the Commission received a variety of opinions as to the appropriate product market definition. There was a tendency to suggest that there exists an overall market for the retail of electrical consumer goods, without distinction as to type of good (ie ‘a’ to ‘d’, see above). No respondent submitted that the market definition should definitely be defined as narrower than one or other of categories ‘a’ to ‘d’. Some respondents opted for distinct markets for different retail channels, but others (including a major electrical goods retailer with operations in several EEC countries) opined that it is not appropriate to define distinct markets for different electrical goods retail channels, since consumers generally have access to all channels, many retailers operate both on- and off-line (“click and mortar”), product offers are similar both on- and off-line, and customers browse on-line and then buy in shops, and also vice versa.
14. In the present case precise definitions can be left open since, on any plausible definition, no competition problems arise (see below).

Relevant geographic markets

15. The parties propose that all markets for the retail of electrical goods are national in scope.
16. According to the parties, markets are not wider than national due to very limited pan-European marketing of retailers, distinct country-by-country organisations of suppliers, limited cross-border trading, national preferences and some technical differences. The same is true for on-line retail, due to language preferences and consumer uneasiness in dealing with foreign websites.
17. According to the parties, markets are no narrower than national because prices are set at national level by retailers with little freedom for local managers to deviate from the set price; product ranges, after-sales services, quality controls, marketing and advertisement are also carried out at national level. This is true a fortiori for on-line retail, where there is not link to any particular physical location within a given country.
18. In the course of its investigation the Commission received a variety of opinions as to the appropriate geographic market definition. A significant proportion of respondents opined that markets are national, for the reasons given by the parties (see above), but others suggested that markets are becoming increasingly international, especially in view of factors such as on-line purchasing, sophisticated international logistics operations, and so on.

19. In the present case, the precise geographical market definitions can be left open since, on any plausible definition, no competition problems arise.

**(ii) *Markets for electrical wholesaling***

20. Both parties have overlapping activities in electrical wholesaling, where retailers or distributors supply to other retailers rather than to end users. Electrical wholesaling is considered to be either regional or national in scope. The exact market definition for apparel can be left open for the purposes of this decision since, on any plausible definition, no competition problems arise.

**(iii) *Markets for procurement of electrical goods***

21. Both parties have overlapping activities in the procurement for electrical goods, whereby electrical retailers purchase directly from the manufacturers of electrical goods. The parties submit that the geographical scope of this market is national, with a tendency towards an European dimension. The exact market definition for apparel can be left open for the purposes of this decision, because any plausible market definition considered, the transaction would not give rise to any affected markets. Therefore, effective competition would not be significantly impeded in the Common market in particular as a result of the creation or strengthening of a dominant position.

**V. ASSESSMENT**

**(i) *Markets for electrical retailing***

22. The parties' activities overlap in the retailing of brown goods (photographic products, audio, vision, and games) and computers and communications (PC hardware and software, communications and accessories/peripherals).

23. As far as the overall sector for the retailing of electrical goods is concerned, DGSI is market leader or runner up in Greece ([15-25%]), United Kingdom ([15-25%]), Finland ([10-20%]), Sweden ([10-20%]), and Norway ([25-35%]). In all these countries, Fotovista's addition will be minimal, [0-5%] maximum.

24. For the retailing of brown goods, the highest combined market shares would be Norway ([30-40%], accretion of less than [0-5%]), Greece ([20-30%], accretion of [0-5%]), UK ([15-25%], accretion of [0-5%]) and Sweden ([0-20%], accretion of [0-5%]).

25. If the markets for retailing of brown goods are further segmented into retailing of photographic products, audio, vision, and games, Fotovista addition to DGSI's market share is always less than [0-5%] with the exception of photographic equipment. For photographic equipment, the highest combined market shares would be in the UK ([25-35%] with an addition of [0-5%]), Sweden ([20-30%] with an addition of [0-5%]) and Finland ([15-25%] with an addition of [0-5%])

26. For the retailing of computers and communications devices, the highest combined market share would be Norway ([20-30%]), but in no country would the increment accruing from the acquisition exceed [0-5%] (Sweden). A very similar situation would result if the markets for the retailing of computers and communications devices were to be subdivided in PC hardware, PC software, communications and accessories/peripherals.

27. If on-line and off-line channels are considered separate product markets, there would be no overlap in off-line retailing, where Fotovista is not present, and minimal ones in on-line retailing, since DGSi is very small in e-commerce.
28. There are a large number of competitors operating in the market for brown goods and the market for computers and communication products throughout different European countries, such as Comet, Argos, Expert, Euronics, Darty, and so on. For example, in the United Kingdom, there are approximately fifteen electrical retail specialists in an average medium to large town, and a similarly large number of alternatives exist in other geographic markets in which DGSi operates. In addition, the existence of on-line retail of electrical goods increases customers' ability to source alternatives. For example, in the United Kingdom there are a number of e-commerce electricals competitors such as Amazon, Appliance online, BE Direct, dabs.com, Empire Direct, QED, 24-7 Electrical and e-buyer. In France there are a number of specialised retailers such as Rue de Commerce, Nomatica, LDLC and Grosbill. Other European countries also have access to major on-line retailers such as Dell and Amazon.

The general assessment of the proposed operation by the parties' competitors, as expressed in the course of the Commission's investigation was that it would be to a greater or lesser extent pro-competitive in view of the synergies that are available to companies, active in electrical consumer goods retailing, who combine on-line retailing with their established store networks.

**(ii) *Markets for electrical wholesaling***

29. On any plausible market definition considered, the transaction would not give rise to any affected markets. Therefore, effective competition would not be significantly impeded in the Common market.

**(iii) *Markets for procurement of electrical goods***

30. On any plausible market definition considered, the transaction would not give rise to any affected markets. Therefore, effective competition would not be significantly impeded in the Common market.

**VI. CONCLUSION**

31. 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 139/2004.

For the Commission  
(signed)  
Neelie KROES  
Member of the Commission