

***Case No COMP/M.4868 -  
AVNET / MAGIRUS EID***

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: 05/10/2007

***In electronic form on the EUR-Lex website under document  
number 32007M4868***



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 05-X-2007

SG-Greffe(2007) D/205947

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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: Case No COMP/M.4868 – Avnet/ Magirus EID  
Notification of 31.08.2007 pursuant to Article 4 of Council Regulation  
No 139/2004<sup>1</sup>**

1. On 31/08/2007, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EC) No 139/2004 by which the undertaking Avnet Inc. ("Avnet", USA) acquires within the meaning of Article 3(1)(b) of the Council Regulation control of parts of the undertaking Magirus Group (Germany), namely its infrastructure division ("Magirus EID") by way of purchase of assets.

**I. THE PARTIES**

2. Avnet is a distributor of electronic components, computer products and technology services based in the USA and operating world-wide. Through Electronics Marketing ("EM"), Avnet distributes a wide range of electronic components (semiconductors, interconnect devices, etc.) to contract electronic manufacturers (CEM) and original equipment manufacturers (OEM); through Technology Solutions ("TS"), Avnet supplies as a distributor technology products, services and solutions for value-added resellers, system builders or integrators, OEM and end-user businesses.
3. Magirus Group carried out an international restructuring process, dividing its business into 3 divisions (Infrastructure, Solution and advisory). Magirus EID is the infrastructure division focused on value-added distribution of IT products (servers, storage systems and middleware products).

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

## **II. THE OPERATION**

4. The proposed transaction concerns the acquisition of sole control of Magirus EID by Avnet and will be effected by an asset deal. Avnet acquires the current Magirus group EID business from several entities of the Magirus Group. The assets are located in several European jurisdictions and in Dubai. The assets primarily comprise know-how, good-will, customer contacts and supplier contracts acquired de facto by taking over the employees of the EID business and the supplier contracts.

## **III. CONCENTRATION**

5. The operation is a concentration pursuant to Art. 3(1)(b) of the Council Regulation (EC) No 139/2004.

## **IV. COMMUNITY DIMENSION**

6. The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 billion<sup>2</sup>. Each of them have a Community-wide turnover in excess of EUR 250 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. COMPETITIVE ASSESSMENT**

### *Product market*

7. The transaction concerns the distribution of IT products and services. Distributors act as intermediaries between the global vendors and the value-added resellers (VAR)/large corporate accounts. Vendors can bypass the distributors and supply the largest accounts directly, including the largest VARs; these largest VARs also compete directly with distributors for sales to (large) corporate accounts. The notifying party therefore states that there would be a continually evolving supply structure which would be better assessed on a wide product market definition gathering every kind of distribution.
8. The Commission has however envisaged the distribution of IT products and services as a separate market from other supply channels such as direct supplies by the vendor. This is founded on the need for a broad product offering, a fast delivery and logistic capability<sup>3</sup>.
9. Distributors supply a range of IT products (servers, storage devices, network devices, etc.) and services in order to provide the customer with a "one stop shop" facility. On this basis the parties consider that the distribution of IT products and services would be the relevant market, without any need to further narrow by IT product category.
10. The Commission envisaged the existence of an overall distribution market comprising all IT products and services as well as narrower categories (servers, storage devices), and even distinction within categories (high-end, mid-range and entry level servers) drawn from price

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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).

<sup>3</sup> See Case n° COMP/M2223 – Getronics/Hagemeyer/JV, 02/04/2001 paragraph 13.

band classifications<sup>4</sup>. However the Commission acknowledged that it was not necessary to decide on the exact product market definition in terms of product category as the concentration concerned distributors (as it is in the present case) and not the manufacturing level where narrower markets may be appropriate.

11. The notifying party further underlines that since the Commission's analysis in 2001 there has been for servers a marked change in the price classification following their sharp price reductions<sup>5</sup> and a technological improvement<sup>6</sup> that would have led to blur the distinction within the server's category.
12. It is not however necessary to come to any conclusion on the exact product market scope since the transaction will not negatively impact competition on any definition under consideration.

### ***Geographic market***

13. The Commission has indicated that the market for the distribution of IT products and services is probably national in scope (need for fast delivery, national presence for the provision of the related services), or possibly regional/cross border in some circumstances. In Case n° COMP/M2223 – Getronics/Hagemeyer/JV relating to the distribution of mid-range and entry level servers, the market investigation has gathered both indications of a national as well as a wider than national dimension of the market.
14. The parties have considered the nation-wide scope (even though many distributors operate across a number of jurisdictions, they have sales force presence within the jurisdiction). They have also considered that Germany, Austria and the German speaking part of Switzerland could be considered as a distinct geographic market (Magirus EID and Avnet have front office sales teams in each of these jurisdictions but the technical support services including the field representatives cover the entire territory; there are also some cross-border purchases).
15. It is however not necessary to come to any conclusion on the exact geographic market scope since the transaction will not negatively impact competition on any definition under consideration.

### ***Assessment***

16. If the market for the supply of IT products and services were to include both sales through direct channels (by vendors) as well as through indirect channels (via distributors), the transaction would not give rise to affected markets.
17. When considering the distribution of IT products and services across all product categories, the market share of the parties would be far under 5% on any EEA national market.

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<sup>4</sup> See Case n° COMP/M2223 – Getronics/Hagemeyer/JV, 02/04/2001.

<sup>5</sup> Entry level 25 000\$ (100 000\$ in 2001), mid range 25 000-250 000\$ (100 000-1 000 000), high-end over 250 000\$ (over 1 000 000\$).

<sup>6</sup> A "blade" server technology enables servers to be put together in clusters in order to increase processing and memory; a entry level server put together with other servers through "blade" may be equivalent to a mid-range or possibly a high range server.

18. Affected markets can be isolated for servers when defining by type (high-end, mid-range and entry level) and considering individual countries (such as Austria) as distinct geographic markets. There would thus be six national affected markets: in Austria for the distribution of servers, of high-end servers and mid-range servers; In Germany and Italy for the distribution of mid-range servers; and in the UK for the distribution of high-end servers.

*Austria*

<b>Austria</b> (% of total sales through non vendor indirect channels)				
	Avnet	Magirus EID	<b>Combined</b>	Competitors
<b>Servers</b>	<b>[5-15]</b>	<b>[0-10]</b>	<b>[15-25]</b>	3 at 10-20% each
High-end	[20-30]	<b>[0-10]</b>	<b>[25-35]</b>	2 at 10-20% each
Mid-range	[25-35]	<b>[0-10]</b>	<b>[35-45]</b>	2 at 10-20% each

19. In Austria, vendors supply customers directly particularly with high-end and mid-range servers which account for the majority of such sales (the market share of the parties including sales through all channels would then be [less than 15%] for servers and high-end servers, and [less than 20%] for mid-range servers). Even under the narrowest alternative market definition (sales through distribution only), the parties will continue to face strong competition from major pan European distributors which have a significant presence in Austria (among them, one having around 20% of market share). This was not contradicted through the market investigation.
20. On a wider geographic market (encompassing Austria and Germany), there would only be an affected market in the mid-range server segment ([15-25%] with 2 other competitors owning 10-20%). Moreover, there are a limited number of value-added resellers and large accounts in Austria, and some make purchases from German based distributors. This acts as a complementary significant competitive constraint.

*Germany, Italy, UK*

	Avnet	Magirus EID	<b>Combined</b>	Competitors
<b>Germany</b>				
Mid-range	[0-10]	[5-15]	<b>[15-25]</b>	2 at 10-20% each
<b>Italy</b>				
Mid-range	[15-25]	[0-10]	<b>[20-30]</b>	4 at 5-10% each
<b>UK</b>				
High-end	[5-15]	[5-15]	<b>[15-25]</b>	1 at 5-10%, 4 at 0-5% each

21. In Germany, the competitive landscape will be preserved through the remaining presence of strong other distributors. As far as Italy is concerned, it can be noted that Magirus EID has a limited and declining presence. This entails that the transaction has no detrimental impact. In UK, direct sales by vendor are particularly significant; within the server segment and the individual server segments, this share of direct sales by vendors is even higher (the market share of the parties through all channels would be [less than 10%] for high-end servers). Distributors therefore compete strongly with vendors for sales in this high-end segment (for low volume/high price products, the distinct characteristics of distributors in terms of broad product offering, fast delivery and logistic capacities are less important).

**VI. CONCLUSION**

22. 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 (EC) No 139/2004.

For the Commission,  
signed  
Neelie KROES  
Member of the Commission