EN

Case No IV/M.622 - Ricoh / Gestetner

Only the English text is available and authentic.

REGULATION (EEC) No 4064/89
MERGER PROCEDURE

Article 6(1)(b) NON-OPPOSITION
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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 12.09.1995

PUBLIC VERSION

MERGER PROCEDURE
ARTICLE 6(1)(b) DECISION

To the notifying party

Dear Sirs,

Subject : Case No IV/M.622 - Ricoh/Gestetner
Notification of 09.08.1995 pursuant to Article 4 of Council Regulation No 4064/89

1. The above mentioned notification concerns the acquisition by Ricoh Company Limited ("Ricoh") of Gestetner Holdings plc ("Gestetner") following a public offer for all the outstanding share capital in Gestetner not already held by Ricoh.

I THE PARTIES

2. Ricoh (a Japanese company) is a manufacturer and distributor of office automation products and cameras, which also provides support services and supplies associated with these products. Ricoh distributes through a system of subsidiaries called national sales organisations and a network of dealers.

3. Gestetner (a British company) is a company which distributes office automation equipment and cameras manufactured by others under its own brands and provides support services associated with these products. Gestetner sells either through a dealer network or directly to end users.

II THE OPERATION

4. The operation consists of the acquisition by Ricoh of sole control over Gestetner, following a public bid for all the outstanding shares of Ricoh. The operation results in the combination of the two parties' wholesale distribution activities.

III COMMUNITY DIMENSION

5. The operation has a Community dimension. The worldwide turnover of all undertakings concerned amounted, in 1993 to more than 5,000 million ECU (Ricoh: 7.777 million

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ECU; Gestetner 1.507 million ECU). The Community wide turnover of both Ricoh and Gestetner exceeds 250 million ECU[1]. They do not achieve more than two thirds of their aggregate Community wide turnover within one and the same Member State. None of the undertakings concerned have a turnover exceeding ECU 250 million in the territory of the EFTA States.

IV COMPATIBILITY WITH THE COMMON MARKET

Product markets

6. Product markets concerned by the proposed concentration are the wholesale distribution of photocopiers, the wholesale distribution of fax machines, the wholesale distribution of cameras, the production of black and white photocopiers, colour photocopiers, digital duplicators, fax machines and cameras.

7. Wholesale distribution of photocopiers, wholesale distribution of fax machines, wholesale distribution of cameras

Wholesale distribution of photocopiers, fax machines and cameras are three affected markets. Wholesale distribution is basically a service.

The distribution pattern used throughout the Community for all these products consists of a number of national sales organisations which sell the products to a network of dealers which in turn sell directly to the end users. These companies normally operate on a national basis. Multi-country operations are the exception. Gestetner has a function which is very similar to that of a distributor, its role being limited to the branding of products supplied by manufacturers. Gestetner either sells to dealer networks or, most frequently, directly to the end users. In this last case, end users are generally large customers.

As indicated below the products distributed belong to separate product markets on the manufacturing level. In particular, photocopiers can be divided into black and white photocopiers, colour photocopiers, digital duplicators; fax machines into thermal and plain paper fax machines; cameras into simple lens reflex and compact cameras. At the wholesale distribution level, however, the distinction between wholesale distribution of the different product markets within the same broad category of product (i.e. photocopiers -including digital duplicators-, fax machines and cameras) is not necessary, as for a given category (photocopiers; fax machines; cameras) these products are distributed by the same distribution channels. Consequently, the distinction between wholesale distribution of photocopiers, wholesale distribution of fax machines and wholesale distribution of cameras is sufficient for the analysis at the distribution level.

8. Production of photocopiers

Three distinct product markets can be identified:

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(1) These figures relate to the year to 31.3.1994 for Ricoh and the fourteen months to 31.12.1994 for Gestetner.

Black and white photocopiers

9. Black and white photocopiers here under consideration are photocopiers making black and white copies using an analog technology. Digital black and white photocopiers are not considered for the purpose of this decision since Ricoh has virtually no production of digital black and white photocopiers, and Gestetner does not distribute these products.

The independent market research company Dataquest groups together photocopiers into seven product categories or segments based upon copy speed and copy volume (PC ("personal copier") and segments from 1 to 6).

PCs are mainly used in very small businesses where the use is by one person only or where more generally the use of the photocopier is very limited and it does not require any particular option (double sided copy, stapling etc.). Segment 1 photocopiers represent about 60% of the market (in volume terms). These machines are standard photocopiers used in small offices with a limited number of employees and they correspond to a limited need of performances. Segments 2 to 6 represent variations and improvements of photocopiers models in terms of speed, quality of the copy, possible options and price. In terms of value, black and white analog photocopiers represent approximately 5.700 million ECU in the European Union (and 1.2 million of units). A precise product market definition within the category of analog black and white photocopiers is however not necessary in the present case, as the operation does not create or strengthen a dominant position even on the narrowest market definition.

10. Digital duplicators consitute a particular category of photocopiers. They are the modern day equivalent of the old stencil duplicators and are designed to produce a large quantity of single sheet copies. They have limited performances (in terms of quality of the copy and possible options, as, for example, it is not possible to have double-sided copies) even when compared to the low-end ranges of photocopiers. This limited performance makes them unsuitable for general office purposes. On the other hand, they are much quicker and need, because of the technology use, less maintenance service. Their price is considerably lower than the price of a high speed photocopier (about 12.000 ECU against 28.000 ECU). The biggest customer groups are schools and churches. Due do their characteristics and performances, digital duplicators constitute a niche market consisting of [ ][(2)] units sold in Europe in 1994. In terms of value, they represent about [ ][(3)] million ECU.

11. Colour photocopiers are mainly bought by very specific categories of customers, i.e. advertising and design agencies. They are normally used in centralised copy facility environments. In Europe, approximatively 20.000 colour photocopiers have been sold in 1994, representing a value of about 500 million Ecu.

Production of faxsimile machines

12. Two different product markets are identified. A clear distinction exists in terms of characteristics, use and price between thermal paper fax machines on the one hand and plain paper fax machines on the other hand. Thermal paper fax machines use heat to produce the characters on the specialised paper, whilst plain paper fax machines use a variety of printing techniques to produce an image on the same plain paper as used in

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(2) Business secrete deleted. Less than 25 000 units.

(3) Business secret deleted. Less than 200 million Ecu.

other office machines (for example, laser printers etc.). Plain paper fax machines present technical advantages in comparison to thermal fax machines, which render them a distinct product; in particular, plain paper fax machines produce a better copy of the document transmitted, with a permanent printed image on which it is possible to write, unlike thermal paper on which writing tends to smudge. Furthermore, plain paper fax machines are far more expensive than thermal paper machines: the average price of a thermal paper fax machine is of 608 ECU, while the average price of a plain paper fax machine is 1.747 ECU (*Dataquest figures, 1994).* Thermal paper fax machines are normally used in small offices or at home, while plain paper fax machines are normally used in larger offices.

A further distinction could be drawn within thermal paper fax machines, according to the classification operated by the independent research company Infosource, which further classifies these machines into four segments, according to their specific technical characteristics and their price. However, for the purpose of this decision it is not necessary to decide whether different relevant product markets exist within the category of thermal paper, as the operation will not create or strengthen dominance even on the narrowest product market definition.

Production of cameras

13. Two different product markets have been identified :

1. compact cameras
2. single lens reflex

Compact cameras are the largest sector of the camera market. They are designed to be sold to ordinary customers. They are small, usually fully automatic and very easy to use. Their prices range from 10 ECU to 650 ECU.

Single lens reflex cameras (SRL) are more sophisticated products. Unlikely compact cameras, they enable the photographer to vary the angle and magnification of the subject matter. Their prices range from 130 ECU to 800 ECU.

Geographic market

14. Wholesale distribution

It is not necessary to decide whether there exists a Community or national market for the wholesale distribution services for photocopiers (including digital duplicators), fax machines and cameras since, even in the latter alternative the operation does not create or strengthen a dominant position.

15. Production of black and white photocopiers, digital duplicators, colour photocopiers is at least a Community market. These products sold in the Community do not present technical differences. There are no legislative or technical barriers between Member States. Conditions of competition are similar in the different member States There is intensive trade among Community the Member States.

16. Production of fax machines is subject to national technical requirements in most Member States; however, it is not necessary to decide whether the market is the Community or a national, since even in the latter alternative the operation does not create or strengthen dominance in the common market.

17. Production of cameras is at least a Community market. The same products are sold across the Community. There are no legislative or technical barriers between Member States.

V COMPETITIVE ASSESSMENT

Horizontal aspects

18. Horizontal overlaps arise with respect to the wholesale distribution activities of Ricoh and Gestetner.

19. The combined market shares of the parties after the operation on the different wholesale distribution product markets are the following:

	Photocopiers	Fax machines	Cameras
Austria	[15-25%]	7%	1%
Belgium+Lux	[15-25%]	7%	4%
France	[15-25%]	7%	4%
Italy	[15-25%]	10%	3%
Germany	[5-15%]	[< 5%]	3%
United Kingdom	[5-15%]	[< 5%][4]	9%
Netherlands	[15-25%]	7%	7%
Spain	[5-15%]	4%	8%
Sweden	[5-15%]	6%	5%
Denmark	[5-15%]	5%	-
Finland	[<5%][5]	10%	-

20. The combined market shares of Ricoh and Gestetner do not exceed 25%, in any of the markets under consideration. In each country the parties face competition by strong competitors, having in most cases higher market shares.

The operation produces its major effects on the market for wholesale distribution of photocopiers. In some cases the parties obtain market shares of about 20%. On the other hand, there are vertically integrated companies like Canon and Rank Xerox with strong distribution systems in each member state, which have higher market shares.

On the market for distribution of fax machines and the market for distribution of cameras the parties have even lower combined market shares. In the case of fax machines the strongest competitors are either the national telecoms organisations or companies like Canon or Philips, as it is illustrated below. In the case of cameras, companies like Canon, Minolta or Olympus have much stronger market positions.

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(4) Business secrets deleted (these figures not being publicly available).

(5) Business secrets deleted (these figures including sales of digital duplicators).

Market shares of the main competitors for the three product markets in different member states are the following:

<u>Photocopiers</u>			
Austria	Canon(23%)	RankXerox(13%)	Sharp(12%)
Belgium+Lux	Canon (18%)	Rank Xerox (10%)	Minolta (9%)
France	Canon (25%)	Rank Xerox (17%)	Toshiba (8%)
Italy	Olivetti (15%)	Canon (14%)	Rank Xerox (8%)
Germany	Canon (30%)	Sharp (11%)	Rank Xerox (10%)
United Kingdom	Canon (25%)	Rank Xerox (14%)	Sharp (14%)
Netherlands	Rank Xerox (20%)	Canon (19%)	Minolta (5%)
Spain	Canon (28%)	Rank Xerox (13%)	Olivetti (7%)
Sweden	Canon (26%)	Sharp (12%)	Toshiba (11%)
Denmark	Canon (23%)	Rank Xerox (15%)	Minolta (14%)
Finland	Canon (52%)	Rank Xerox (11%)	Toshiba (9%)
<u>Fax machines</u>			
Austria	Philips [20-30]	Canon [10-20]	Panasonic [5-10]
Belgium+Lux	Philips [10-20]	Panasonic [10-20]	Belgacom [10-20]
France	Fr.Telecom [30-40]	Sagem [20-30]	Alcatel [5-10]
Italy	Olivetti [10-20]	Panasonic [5-15]	Philips [5-10]
Germany	Post [15-25]	Siemens [5-15]	Alcatel [5-10]
United Kingdom	BT [25-35]	Samsung [5-15]	Panasonic [5-15]
Netherlands	Telefax [25-35]	Philips [10-20]	Canon [5-10]
Spain	Telyco [30-40]	Olivetti [10-20]	Panasonic [5-15]
Sweden	Telia [15-25]	Philips [10-20]	Canon [5-15]
Denmark	E-fax [5-15]	Philips [10-20]	Olivetti [5-15]
Finland	Canon [30-40]	Brother [10-20]	Toshiba [5-10]
<u>Cameras</u>			
Austria	Canon (17%)	Minolta (9%)	Olympus (7%)
Belgium+Lux	Minolta (16%)	Olympus (14%)	Canon (13%)
France	Canon (18%)	Minolta (16%)	Olympus (9%)
Germany	Canon (11%)	Olympus (10%)	Minolta (8%)
United Kingdom	Canon (14%)	Olympus (11%)	Minolta (6%)
Netherlands	Minolta (13%)	Canon (9%)	Olympus (9%)
Spain	Nikon (12%)	Canon (12%)	Minolta (7%)
Sweden	Minolta (24%)	Canon (15%)	Olympus (10%)

Sources : Inforsource Dataquest; GFK.

On the basis of the above elements it is concluded that the proposed operation will not create or strengthen a dominant position on any of these markets.

21. The market shares on the black and white photocopiers' market are the following :

COMPANY	%
Canon	29%
Ricoh	12%
Sharp	12%
Mita	11%
Rank Xerox	9%
Toshiba	7%

Source : Dataquest (May 1995)

22. Digital duplicators is a niche market in which only very few companies currently operate (beacuse of the limited interest represented by this market). It accounts for about [ ][6] units with a total value of about [ ][7] million ECU. Riso Kaganu Corporation ("Riso") is a Japanese manufacturer present on this market, together with Ricoh and the other Japanese manufacturers Gakken, Duplo and Seiki. On the basis of the information available to the Commission and in the absence of any official statistics it can be assumed that Riso has about [ ][8] of the European market, Ricoh about [ ][9], the remaining [ ][10] being split between Gakken, Duplo, Seiki.

23. The market shares by manufacturer of the main players in the colour photocopiers market in the Community are 60% for Canon, 14% for Rank Xerox, 10% for Ricoh and 35% for Minolta (Source : Dataquest).

24. The operation will not contribute to reinforce the position of Ricoh on the above mentioned markets to a significant extent. On the market for black and white photocopiers Ricoh (with approximatively 12% market share in terms of production) faces competition from Canon, Sharp, Mita and Rank Xerox, which are strong competitors in terms of market share and of structure (they are all vertically integrated manufacturers of these products). In addition, in 1994 Gestetner bought about 80% of its requirements for these products from Ricoh. Ricoh's position on the production market for analog black and white photocopiers is therefore not changed because of the proposed operation.

The operation will not strengthen Ricoh's position on the production of digital duplicators neither. There is another Japanese competitor, Riso, with about [ ][11] of the market, with a strong distribution system. In 1994, [ ][12] digital duplicators sold by Gestetner were supplied by Ricoh. The operation will not as a consequence have any adverse effect on the production market and no forclosure effect can arise.
The operation will not strengthen Ricoh's position on the production for colour photocopiers neither, where its position is well behind that of Canon and Rank Xerox.

25. The market shares by manufacturer on the fax machines market the following in the Community:

Manufacturer	Thermal%	Plain Paper%
Sagem	[< 30%]	[< 10%]
Matsushita	[< 10%]	[< 25%]
Ito	[< 15%]	[< 2%]
Philips	[< 10%]	/
Canon	[< 5%]	[< 20%]

(6) Business secrete deleted. Less than 25 000 units.
(7) Business secrete deleted. Less than 200 million Ecu.
(8) Business secret deleted. Between 40% and 60%.
(9) Business secret deleted. Between 20% and 40%.
(10) Business secret deleted. Between 10% and 20%.
(11) Business secret deleted. Between 40% and 60%.
(12) Business secret deleted.

Ricoh	[< 5%]	[< 10%]

The respective market shares remain approximately the same when calculated on a segment by segment basis. If national markets are considered, it appears that Ricoh's market share does not exceed 25% in any Member State. Depending on the Member State under consideration, Ricoh faces competition with Sagem, Matsushita, Ito, Philips or Canon to a significant extent. In addition, Gestetner currently buys about 50% of its sales from Ricoh. The remaining 50% is bought from Samsung, HS Electronics, Sagem and Rank Xerox. Given the importance of these companies, it is not considered that any significant forclosure effect will be created.

26. According the figures of the independent research company GFK, Ricoh's share on the compact cameras market in the Community is 2%. The main players on the market are Olympus (16%), Canon (14%), Minolta (10%), Pentax (11%).

For SRL cameras, Ricoh's share in the Community is insignificant (0.7%). The major players on this market are Canon (35%), Minolta (26%), Nikon (14%) and Olympus (5%).

On both the markets Ricoh's position is insignificant and it is considered that the present operation does not contribute to a significant reinforcement of this position.

VI Conclusion

27. In the light of the above considerations, the proposed concentration does not give raise to serious doubts as to the compatibility of the operation with the common market and with the functioning of the EEA.

28. 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 functioning of the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of Council Regulation No 4064/89.

For the Commission,