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***Case No COMP/M.6515 -
ARROW ELECTRONICS
/ ALTIMATE GROUP***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 25/06/2012

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EUROPEAN COMMISSION

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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 Where possible the information omitted has been replaced by ranges of figures or a general description.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:

**Subject: Case No COMP/M.6515 – ARROW ELECTRONICS / ALTIMATE GROUP
Commission decision pursuant to Article 6(1)(b) of Council Regulation No
139/2004¹**

1. On 21 May 2012, the European Commission received notification of a proposed concentration pursuant to Article 4 of Council Regulation (EC) No 139/2004 (the "Merger Regulation") by which the undertaking Arrow Electronics Inc ("Arrow", USA) acquires within the meaning of Article 3(1)(b) of the Merger Regulation control of the undertaking Altimate Group S.A. ("Altimate", France) by way of purchase of shares.² Arrow is designated hereinafter as the "notifying party".
2. **Arrow** is a global wholesale distributor of electronic components and enterprise computing solutions to industrial and commercial users. Electronic components include semiconductors and passive electromechanical and interconnect products (such as capacitors, resistors, power supplies and connectors). Arrow's enterprise computing solutions business distributes computer/IT products (software and hardware, including servers and data storage products), services and solutions to value-added resellers in North America and in the Europe, Middle East, Africa ("EMEA") region, as well as unified communications products and related services in North America. Arrow also

¹ OJ L 24, 29.1.2004, p. 1. With effect from 1 December 2009, the Treaty on the Functioning of the European Union ("TFEU") has introduced certain changes, such as the replacement of "Community" by "Union" and "common market" by "internal market". The terminology of the TFEU will be used throughout this decision.

² Publication in the Official Journal of the European Union No C 154, 31.05.2012, p. 26.

provides its reseller customers with both ancillary maintenance and support services to the products sold by its business segments and other further services.

3. **Altimate** is a wholesale distributor of software and hardware products and also provides ancillary services. In particular, Altimate supplies data management, IT management, security and virtualisation software, servers and storage products to resellers and system integrators. It operates almost exclusively in the EEA and mainly in Belgium, France, Luxembourg, the Netherlands, Portugal, Spain and the United Kingdom. Since 2000, Altimate is wholly owned by two subsidiaries of DCC SerCom Ltd (“DCC”), the IT and entertainment products division of DCC plc, a sales, marketing, distribution and business services support group listed on the Irish and London stock exchanges.

I. THE OPERATION

4. Arrow will acquire 100% of the shares in Altimate from DCC. The relevant shares will be purchased by Arrows ECS SAS, an indirect wholly-owned subsidiary of Arrow. As a result, Arrow will acquire sole control of Altimate.
5. The operation therefore constitutes a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

II. EU DIMENSION

6. The undertakings concerned have a combined aggregate worldwide turnover of more than EUR 5 000 million³ (Arrow: EUR 15 366 million, Altimate: EUR 290 million). They each have a combined aggregate EU-wide turnover of more than EUR 250 million (Arrow: EUR [...], Altimate: EUR [...]) and both do not achieve more than two-thirds of their aggregate EU-wide turnover within one and the same Member State. The transaction therefore has an EU dimension pursuant to Article 1(3) of the Merger Regulation.

III. RELEVANT MARKETS

7. The activities of the parties overlap only in the wholesale distribution of computer/IT products and in the related support services for the products they distribute.

Relevant product markets

Wholesale distribution of computer/IT products versus wholesale distribution of electronic components

8. The notifying party submits that the relevant product market on which the parties are active is the market for the wholesale distribution of electronic components and of computer/ IT products. According to the notifying party, supply-side considerations back up this statement as the distribution of electronic components and computer/ IT products requires

³ 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, p. 25).

uniform skills and know-how. In addition, significant new entrants in the market distribute a full range of components comprising both categories of products.

9. In previous decisions, the Commission established that the wholesale distribution of electronic components and the wholesale distribution of computer/ IT products constitute two separate product markets.⁴
10. For the purpose of the present transaction, the exact delineation of the product market can be left open since Altimate is active solely in the computer/IT products segment.

Direct sales versus indirect sales

11. In previous decisions, the Commission contemplated, but ultimately left open, the question of whether direct sales should be included in the relevant market for the distribution of computer/IT products.⁵
12. The notifying party maintains that in case a narrower market for the wholesale distribution of computer/IT products were to be considered, it should in any case comprise both direct sales by manufacturers and sales by distributors (indirect sales). This is because manufacturers and wholesale distributors constitute alternative sources of supply from the point of view of end-customers.
13. The views of the respondents to the market investigation in this case do not allow any clear conclusions to be drawn. While from a supply-side perspective, manufacturers consider direct and indirect sales to be interchangeable, demand-side considerations do not support such a conclusion as retailers consider that manufacturers tend to sell through distributors.
14. In any event, since the concentration does not raise serious doubts under any possible approach, the exact product market definition in this case can be left open.

All computer/IT products versus IT product categories

15. In previous decisions, the Commission has contemplated, but ultimately left open the question of, a further sub-division of the market for the wholesale distribution of computer/IT products along different computer and IT product groups.⁶ Relevant categories of products previously considered include software, storage products and servers.
16. The notifying party considers that a further sub-division of the market for the wholesale distribution of computer/IT products along different computer and IT product groups is not appropriate. First, retail customers generally demand a wide range of computer/IT products. Second, manufacturers produce a range of hardware and software products for different applications. Third, recent technical developments have blurred the traditional distinction

⁴ See Case COMP/M.5099 - *Arrow Electronics/Logix*, decision of 19 May 2008, paragraph 18 and Case COMP M.5385 - *Avnet/Abacus*, decision of 19 January 2009, paragraphs 8 to 16.

⁵ Case COMP/M.5099 - *Arrow Electronics/Logix*, decision of 19 May 2008, paragraphs 15 to 17; COMP/M.5986 - *Schindler/Droege/Also/Actebis*, decision of 10 December 2010, paragraphs 14 to 17; Case COMP/M.6323 - *Tech Data Europe/MuM VAD Business*, decision of 27 October 2011, paragraphs 22 to 24.

⁶ Case COMP/M.5099 - *Arrow Electronics/Logix*, decision of 19 May 2008, paragraphs 18 to 21; Case COMP/M.5162 - *Avnet/Horizo*, decision of 26 June 2008, paragraphs 13 to 15; Case COMP/M.5864 - *Avnet/Bell Micro*, decision of 2 July 2010, paragraphs 19 to 26; Case COMP/M.6323 - *Tech Data Europe/MuM VAD Business*; decision of 27 October 2011, paragraphs 12 to 21.

between different categories of IT products and caused wholesalers to adapt their portfolio to changing customer needs. Finally, due to the fact that the distribution of computer/IT products requires uniform skills and know-how irrespective of the specific computer/IT product category, wholesalers tend to maximise the range of products available in their portfolio.

17. Since the concentration does not raise serious doubts under any possible approach, the exact product market definition in this case can be left open.

Low-end versus mid-range versus high-end servers

18. In previous decisions, the Commission contemplated, but ultimately left open, a further subdivision of the market for the wholesale distribution of servers according to price (low-end, mid-range, high-end).⁷
19. The notifying party submits that a segmentation of the market for the wholesale distribution of servers according to price would be inappropriate as increasing processor power and technological improvements including “blade servers” – which enable a group of entry-level servers to function as an equivalent to a high-end server – have reduced differentiation in product characteristics and expanded the operational scope of low-end servers. As a result, the mix of servers in the market has shifted over time with mid-range/high-end servers losing ground to low-end servers.
20. Respondents to the market investigation highlighted a trend of increasing convergence of servers with respect to processor power. However, other inherent characteristics of servers (e.g. capacity, software, redundancy) suggest that a differentiation according to price may still be relevant.
21. Since the concentration does not raise serious doubts under any possible approach, the exact product market definition in this case can be left open.

Related services

22. Related services provided by both parties include technical pre-and after-sales services, technical training, marketing support, solutions-testing and services relating to the customisation and implementation of solutions.
23. In a previous decision, the Commission found that related services such as after-sales support, training and financial services to customers were part of the same market as the wholesale distribution of computer/IT products.⁸
24. The notifying party submits that the provision by both parties of related services is merely ancillary as there is no independent demand for them and both parties would not supply them on a stand-alone basis.

⁷ Case COMP/M.5099 - *Arrow Electronics/Logix*, decision of 19 May 2008, paragraphs 18 to 20; Case COMP/M.5162 - *Aynet/Horizo*, decision of 26 June 2008, paragraphs 13 to 14; Case COMP/M.5864 - *Aynet/Bell Micro*, decision of 2 July 2010, paragraphs 23 to 26.

⁸ Case COMP/M. 3107 - *Tech Data Corporation/Azlan Group plc*, decision of 24 March 2003, paragraph 9.

25. Since the concentration does not raise serious doubts under any possible approach, the exact product market definition in this case can be left open.

Relevant geographic markets

26. In previous decisions, the Commission considered that language and local presence constituted indications that the market for the distribution of IT products could be national in scope.⁹ The Commission also considered that there were indications that the market for the distribution of IT products is EEA-wide in scope as products may be purchased on an EEA-wide basis.¹⁰ However, the precise geographic market definition was ultimately left open.
27. The notifying party submits that the relevant geographic market for the distribution of computer/IT products, and for any of its potential sub-segments, is EEA-wide, in view of: (i) the absence of technical barriers to the use of computer/IT products across Member States; (ii) the alignment of prices across Member States; (iii), the blurring of national markets by online sales; and (iv) the fact that distributors centralise their purchases relating to their distribution activities in different Member States.
28. Alternatively, the notifying party submits that the relevant geographic market for the distribution of computer/IT products, and for any of its potential sub-segments, should be at least regional in scope.¹¹ This is due to low transport costs and limited language barriers.
29. Respondents to the market investigation suggested that while supply-side considerations support a relevant geographic market which would be larger than national, the demand-side features of the distribution business (including language differences, national organisation of distributors and resellers, methods of delivery, after-sale services etc) suggest a relevant geographic market that is national in scope.¹²
30. Since the concentration does not raise serious doubts under any possible approach, the exact geographic market definition in this case can be left open.

IV. COMPETITIVE ASSESSMENT

31. The activities of the parties overlap horizontally only on the market for the wholesale distribution of computer/IT products and on some possible sub-segments, both on an EEA-wide basis and at national level. However, none of these possible overlaps give rise to any competition concerns, both on an EEA-wide basis and at national level.
32. The proposed transaction also does not give rise to any vertical relationships as both Arrow and Altime are not vertically integrated on any possible markets.

⁹ Case COMP/M.5091 – *Tech Data/Scribona*, decision of 28 April 2008, paragraph 28; Case COMP/M.5099 – *Arrow Electronix/Logix*, decision of 19 May 2008, paragraph 25; Case COMP/M.5162 - *Avnet/Horizon Technology*, decision of 26 June 2008, paragraph 17.

¹⁰ Case COMP/M.3107 – *Tech Data Corporation / Azlan Group*, decision of 24 March 2003, paragraph 14; Case COMP/M.5864 – *Avnet/Bell Micro*, decision of 2 July 2010, paragraphs 29 and 30.

¹¹ The parties suggests a number of regions including: (i) the Benelux countries; (ii) Germany, Austria, and Switzerland, (iii) Iberia (Spain and Portugal); and (iv) Croatia, Slovenia, and Serbia.

¹² See Questions 1, 2 and 2a of “Questionnaire to Oracle of 15.06.12”; question 8 of “Questionnaire to Spanish Customers”; question 5 of “Questionnaire to Portuguese Customers”.

Considerations common to all possible affected markets/segments

33. The notifying party considers that in all possible affected markets/segments, a number of factors make it unlikely that, post-transaction, the parties would be able to exercise market power. First, manufacturers and vendors typically use non-exclusive distribution agreements to increase market penetration and tender contracts through competitive processes. Second, the distribution of computer/IT products is characterised by substantial intra-brand and inter-brand competition. Third, barriers to entry are low and other players can expand the range of distributed products. For example, Afina and JP SA Couto have recently started distributing storage products in Portugal while Green Data Systems, Hammer and Copaco have recently started distributing high-end servers in Belgium. Finally, customers that purchase large volumes from distributors have diversified their sources of supply and enjoy a certain degree of buyer power, thereby constraining the market power of distributors.
34. The market investigation, which focused in particular on the data storage and server products segments in Portugal and Spain, confirmed that vendors have contractual relationships with multiple partners and that the distribution of servers and storage products is characterised by substantial intra-brand and inter-brand competition. Regarding barriers to entry and expansion in the distribution of specific IT products, respondents to the market investigation considered that these are relatively low, the main potential barrier to entry for a distributor being the need to obtain vendor licences to distribute products within a particular geographic area. Finally, respondents noted that customers are principally retail chains that have sufficient market knowledge to be able to switch between distributors at low costs.¹³

Wholesale distribution of computer/IT products versus wholesale distribution of electronic components

35. On a market for the wholesale distribution of computer/IT products including direct sales, the combined market shares of the parties in 2011 was [0-5]% at EEA-wide level and below 5% in each of the Member States where their activities overlap.
36. On a market for the wholesale distribution of computer/IT products excluding direct sales, the combined market share of the parties in 2011 was [0-5]% at EEA-wide level and below 6% in each of the Member States where their activities overlap.

IT Product Categories

37. Under a possible narrower sub-segmentation of the market for the wholesale distribution of computer/IT products along different computer and IT product groups (excluding direct sales), the activities of the parties overlap in the wholesale markets for the distribution of software, data storage products, and servers both EEA-wide and at the national level.

Wholesale distribution of software

¹³ See questions 10 and 14 of “Questionnaire to Portuguese Customers” and questions 13 and 17 of “Questionnaire to Spanish Customers.”

38. On a wholesale market for the distribution of software, the combined market share of the parties in 2011 was below [0-10]% at EEA-wide level and below 10% in each of the Member States where their activities overlap.

Wholesale distribution of data storage products

39. On a wholesale market for the distribution of data storage products, the combined market share of the parties in 2011 was below 15% at EEA-wide level.
40. At national level, only the market in Portugal will be affected by the proposed concentration¹⁴ and the combined market share of the parties in 2011 was [30-40]% of the Portuguese market for the distribution of data storage products (Arrow: [10-20]%, Altimate [20-30]%).
41. However as confirmed by the results of the market investigation, post-transaction, the parties will continue to face competition in Portugal from a number of well-established distributors of data storage products, including Tech Data ([20-30]%), Afina ([10-20]%), Ingram Micro ([10-20]%), Magirus ([5-10]%), and others (CPC DI, Totalstor).

Wholesale distribution of servers

42. On a wholesale market for the distribution of servers, the combined market share of the parties in 2011 was below 15% in the EEA and in each of the Member States where their activities overlap, except for in Spain, where the combined market share of the parties in 2011 was [20-30]%. However, the increment in market shares was small as Altimate accounted for only [0-5]% of the Spanish market. Moreover, as confirmed by the results of the market investigation, post-transaction, the parties will continue to face competition in Spain from a number of well-established distributors of servers, including Tech Data ([10-20]%), Esprinet ([10-20]%), Ingram Micro ([10-20]%), Magirus ([0-5]%), and others (Valorista, AFINA, Ingram Micro, Vinzeo Technologies).
43. On wholesale markets for the distribution of servers, segmented on the basis of price (low-end, mid-range, high-end), the combined market share of the parties in 2011 was below 15% at EEA-wide level and in each Member State where their activities overlap, except for in the segment of high-end servers in Belgium and the segment of mid-range servers in Spain. In addition, respondents to the market investigation pointed out that post-transaction, the parties will *de facto* become the sole distributor of Oracle's servers in Spain.
44. In Belgium, the combined market share of the parties in 2011 was [10-20]% in high-end servers (Arrow: [5-10]% and Altimate: [5-10]%). However, as confirmed by the results of the market investigation, post-transaction, the parties will continue to face competition in Belgium from a number of well-established distributors of high-end server products, including Tech Data ([20-30]%), Avnet ([20-30]%), and Bull ([10-20]%).
45. In Spain, the combined market share of the parties in 2011 was [20-30]% in mid-range servers (Arrow: [10-20]% and Altimate: [10-20]%). However, as confirmed by the results

¹⁴ Arrow's 2011 share of the wholesale market for the distribution of storage was [70-80]% in Denmark, [10-20]% in Norway, and [10-20]% in Sweden. However, as Altimate is not active in those markets, the merger does not result in any overlap and thus these markets are not affected by the proposed concentration.

of the market investigation, post-transaction, the parties will continue to face competition in Spain from a number of well-established distributors of mid-range server products, including Tech Data ([20-30]%), Esprinet ([20-30]%), Ingram Micro ([5-10]%) and Magirus ([0-5]%).

46. Finally, regarding the fact that post-transaction, the parties will *de facto* become the sole distributor of Oracle's servers in Spain, several factors make it unlikely that this will significantly impede competition in the Spanish market for servers or mid-range servers. First, Oracle servers will continue to compete with the servers of several other well-established manufacturers of servers (such as [...] or [...]). Second, Oracle confirmed that it also directly distributes its servers in Spain and that end user customers can source its servers from any authorised reseller of Oracle servers active in the EEA. Third, Oracle noted that value-added distributors outside of Spain are not prohibited from selling Oracle servers into Spain.

V. CONCLUSION

47. For the above reasons, the Commission considers that the notified operation does not raise serious doubts as to its compatibility with the internal market.
48. It has therefore decided not to oppose the notified operation and to declare it compatible with the internal market and with the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of the Merger Regulation.

For the Commission

(signed)

*Joaquín ALMUNIA
Vice-President*