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***Case No COMP/M.6827 - HONEYWELL/ INTERMEC***

Only the English text is available and authentic.

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

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Article 6(1)(b) NON-OPPOSITION  
Date: 13/06/2013

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Brussels, 13.6.2013  
C(2013) 3829 final

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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

**To the Notifying Party:**

Dear Sir/Madam,

**Subject: Case No COMP/M.6827 – Honeywell/ Intermec  
Commission decision pursuant to Article 6(1)(b) of Council Regulation  
No 139/2004<sup>1</sup>**

1. On 7 May 2013, the European Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EC) No 139/2004 (the "Merger Regulation") by which Honeywell International Inc. ("Honeywell", United States of America) acquires within the meaning of Article 3(1)(b) of the Merger Regulation control of Intermec, Inc. ("Intermec", United States of America), by way of purchase of shares.<sup>2</sup> The proposed concentration was first notified by Honeywell to the Commission on 15 February 2013 and subsequently withdrawn on 13 March 2013. Honeywell is designated hereinafter as the "Notifying Party" and Honeywell and Intermec collectively as the "Parties".

**(1) THE PARTIES AND THE OPERATION**

2. **Honeywell** is an advanced technology manufacturing company, supplying customers worldwide with aerospace products and services, automotive products, electronic materials, specialty materials, performance polymers, transportation and power systems, home and building controls, and industrial controls. Through its Automation and Control Solutions division, Honeywell is active in the manufacturing and sale of ruggedised mobile computers, laser and imager scanning engines and barcode scanners, and related services and accessories.

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<sup>1</sup> OJ L 24, 29.1.2004, p. 1 ("the Merger Regulation"). 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.

<sup>2</sup> Publication in the Official Journal of the European Union No C 136, 15.5.2013, p. 26.

3. **Intermec** is a manufacturer and worldwide supplier of barcode scanners, barcode printers, mobile computers, radio-frequencies identification (“RFID”) systems, voice recognition systems, and life cycle services.
4. On 9 December 2012, Honeywell and Intermec signed an Agreement and Plan of Merger, according to which Honeywell agreed to acquire all of the outstanding common shares of Intermec. Honeywell is acquiring Intermec for \$10 per share in cash, or an aggregate purchase price of approximately \$600 million. As a result of the proposed concentration, Honeywell will acquire sole control over Intermec.
5. The proposed concentration therefore constitutes a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

## **(2) EU DIMENSION**

6. The undertakings concerned have a combined aggregate worldwide turnover of more than EUR 2 500 million in 2011 (Honeywell: EUR 26 200 million, Intermec: EUR 609 million). In each of at least three Member States, the combined aggregate turnover of Honeywell and Intermec is more than EUR 100 million, and in each of the same three Member States, the aggregate turnover of each of Honeywell and Intermec is more than EUR 25 million ([...] – Honeywell: [...], Intermec: [...];[...] – Honeywell: [...], Intermec: [...]; [...] – Honeywell: [...], Intermec: [...]), and the aggregate EU-wide turnover of each of Honeywell and Intermec is more than EUR 100 million (Honeywell: [...], Intermec: [...]). Finally, the Parties do not achieve more than two-thirds of their aggregate EU-wide turnover within one and the same Member State. The proposed concentration therefore has an EU dimension.

## **(3) COMPETITIVE ASSESSMENT**

### **3.1. Introduction**

7. The Parties' activities mainly overlap in the supply of ruggedised mobile computers, scanning engines and barcode scanners. There are also vertical relationships between the Parties' activities in the supply of scanning engines and each of ruggedised mobile computers and barcode scanners. Following the submissions of some market participants, the Commission also investigated an alleged vertical relationship between Intermec's activities in relation to certain software supporting mobile computers, including, in particular, voice recognition software, and the supply of hardware incorporating any such software, where both Intermec and Honeywell would be active. These horizontal overlaps and vertical relationships are discussed in more detail in this section of the decision.
8. For completeness, it is noted that Intermec is also active in the supply of barcode label printers and printer software that supports printer management, bi-directional communication, network connectivity and label design, which Honeywell does not supply. Intermec (but not Honeywell) further supplies labels, tags, receipts and ribbons (media) to support its bar-code printing applications. Finally, Intermec offers RFID technology, which relates to the use of a wireless non-contact system that uses radio-frequency electromagnetic fields to transfer data from a tag attached to an object, for the purposes of automatic identification and tracking. Honeywell has a very limited presence in the RFID sector (its

worldwide sales of RFID products were of around [...] in 2012) and, in any event, it is not active in this sector in the EEA [...].

9. The proposed concentration does not give rise to serious doubts as to its compatibility with the internal market in any of the sectors mentioned in the preceding paragraph given the lack of horizontal overlaps (or, in any event, the very limited nature of any such overlaps) and of vertical relationships between the Parties. Moreover, since, as also explained in more detail in the following paragraphs, the proposed concentration will not result in the creation and/or the material increase in Honeywell's market power in any relevant market, the proposed concentration will also not give rise to serious doubts as to its compatibility with the internal market as a result of a possible conglomerate relationship between any of the above products and/or any of the above products and the Parties' activities in the supply of ruggedised mobile computers, scanning engines and barcode scanners. As a result, these sectors are not further discussed in this decision.

#### *3.1.1. Ruggedised mobile computers*

10. Ruggedised mobile computers are manufactured for enterprise customers, as opposed to private individual customers. The devices are specifically designed to withstand use in harsher or more demanding working environments where employees need to communicate whilst on the move. Due to the physical demands placed upon these devices, they are of a sturdier quality than their commercial equivalents sold to private individuals.
11. Ruggedised mobile computers are in different formats, for example, larger form factor devices, such as ruggedised laptops, tablets and on-board/fixed vehicle mount devices are available, as are smaller form factor devices, such as handheld / personal digital assistants (PDAs), wearable and voice devices, where the data is inputted through voice commands.

#### *3.1.2. Scanning engines*

12. Scanning engines are used as input into different types of mobile computers and barcode scanners.
13. Scanning engines can be divided into scanning engines, which can only read one-dimension ("1D") barcodes, which, in turn, can be either laser-based technology (1D laser) or image based technology (1D imager), and scanning engines, which can read two-dimension ("2D") barcodes in addition to 1D barcodes, which are only image based technology (2D imager) (the difference between 1D and 2D barcodes is that 1D barcodes can only store a limited amount of information, while 2D barcodes are able to store a significantly greater amount of data).
14. Laser scanning technology (1D laser) works through emitting a laser beam which passes over the bar code in a back and forth direction along a line. The reflected light goes back into a photo sensor, which picks up the reflection from the light spaces and produces an analogue signal. This signal is then converted to a digital signal which is then decoded to harvest the relevant information from the barcode.

15. 1D imager technology consists of a charge coupled device sensor, most commonly found in a fax machine, which captures a thin line of the barcode which is then decoded to determine the embedded information contained therein. As such, a 1D imager contains a single line of pixels that are moved out of the sensor using known techniques in order to capture the grey scale value. These grey scale values from the pixels of the line scan are then digitised and sent to the decoder.
16. 2D imagers are based on commercially available sensors, commonly used in digital cameras both professional and consumer grade.

### 3.1.3. *Barcode scanners*

17. Barcode scanners capture and transmit information from bar codes. Scanners can take the form of a fixed installation in a machine or the scanner of a ticket at a kiosk. Alternatively, scanners take the form of a handheld scanner that is connected to a machine through a wire or through wireless technologies.

## 3.2. **Market Definition**

### 3.2.1. *Ruggedised mobile computers*

#### 3.2.1.1. Product market definition

18. The Notifying Party submits that a distinction of product categories based on the product size and/or type could be appropriate given that customers may require a certain type of product for specific uses. However, the Notifying Party submits that it is not appropriate to make further distinctions beyond that between "larger" and "smaller" form factor products (where the larger form factor products comprise laptops, tablets and on-board/fixed vehicle mount devices and the smaller form factor products comprise handheld/PDAs, wearable devices and voice solutions). In any event, the Notifying Party notes that even the distinction between larger and smaller form factor products is progressively blurring, as is also the distinction between ruggedised mobile products and consumer devices (such as, ordinary consumer smartphones and tablets).
19. The Notifying Party also submits that suppliers of one type of ruggedised mobile computers can easily switch to supplying other types, due to the similarity of products, the access to end-use relationships that can be used to launch presence in a neighbouring segment and the fact that suppliers often source ruggedised mobile computers from Asian original design manufacturers ("ODMs"), which are often able to manufacture different types of ruggedised mobile products.
20. In a previous decision the Commission left open the question whether the market for ruggedised mobile computers should be segmented between larger ruggedised mobile form factor computers and smaller ruggedised mobile form factor computers and whether markets should be further segmented based on the different product categories.<sup>3</sup>
21. The Commission, on the basis of the results of the market investigation, notes that segmentation between large and small form factor ruggedised mobile computers

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<sup>3</sup> Commission decision of 8 January 2007 in Case No COMP/M.4415 – *Motorola / Symbol*.

appears appropriate based on both demand- and supply-side considerations. From the demand-side, large and small form factor ruggedised mobile computers appear to have different characteristics and functionalities. From the supply-side, it appears that large and small form factor ruggedised mobile computers require different production technologies and processes.

22. The market investigation also revealed that each of large and small form factor ruggedised mobile computers may also have to be segmented by product category, namely for large form factor products – between laptops, tablets and on-board/fixed vehicle mount devices (including a possible sub-segment for so-called forklift devices, which are type of on-board/fixed vehicle mount devices that are marketed for use in forklifts); and for small form factor products – between handheld/PDAs, wearable devices and voice solutions.
23. However, for the purposes of the assessment of the proposed concentration, the exact delineation of the relevant product market(s) for ruggedised mobile computers can be left open since the proposed concentration does not raise competitive concerns under any alternative market definition.

#### 3.2.1.2. Geographic market definition

24. The Notifying Party submits that the relevant geographic scope for the different types of ruggedised mobile computers is at least EEA-wide.
25. The market investigation confirmed that the geographic scope of the relevant market for ruggedised mobile computers is broader than national and at least EEA-wide. Customers indeed appear to source their products at the EEA level, whereas suppliers seem to compete for business at the same level. Ultimately, the market investigation was, however, inconclusive as to whether the relevant markets are EEA-wide or worldwide in scope.
26. However, for the purposes of the assessment of the proposed concentration, the exact delineation of the relevant geographic market(s) can be left open since the proposed concentration does not raise competition concerns under any alternative market definition.

#### 3.2.2. *Scanning engines*

##### 3.2.2.1. Product market definition

27. The Notifying Party submits that a distinction between laser-based technology and image-based technology (and therefore between 1D laser, 1D imager and 2D imager scanning engines) is irrelevant because all these products compete with each other and have similar functionalities and prices.
28. There are no Commission precedents dealing with the issue of market definition for scanning engines.
29. The results of the market investigation suggest that, while there likely is one-way substitutability between 1D (both laser and imager) and 2D imager scanning engines (in that 2D scanning engines are able to read 1D barcodes), the opposite is not true. In particular, customers needing a product which is able to read 2D

barcodes can only use a product incorporating a 2D scanning engine. 2D scanning engines have different, and more advanced, technical features compared to all types of 1D scanning engines and are generally significantly more expensive than the various types of 1D scanning engines. The market investigation also provided indications that, already today, there are end customers who need devices (including ruggedised mobile computers and handheld scanners) able to read 2D barcodes, and therefore 1D product would not be a suitable alternative.

30. Moreover, the market investigation indicated that the different types of scanning engines are not necessarily supply-side substitutable, as switching production between the two types of products would entail significant time and investment.
31. However, for the purposes of the assessment of the proposed concentration, the exact delineation of the relevant product market(s) for scanning engines can be left open since the proposed concentration does not raise competitive concerns under any alternative market definition.

#### 3.2.2.2. Geographic market definition

32. The Notifying Party submits that the relevant geographical scope for the different types of scanning engines is EEA-wide.
33. With specific respect to the hypothetical market for 2D scanning engines, the Notifying Party submits that the market for 2D scanning engines is EEA-wide due to:
  - i. The differences in market shares of the various market players across regions. The Notifying Party explains that, while Intermec is the third-largest supplier of these products worldwide, its position in the EEA is negligible. In the EEA Intermec is only the sixth-largest player with less than [...] of sales in 2012 (and an estimated share of around [0-5]%), whereas Intermec's share worldwide is estimated at [10-20]% in 2012. The same applies to other suppliers of 2D imager scanning engines, such as Opticon, Denso Wave and Code Corporation, whose market share and market position in 2012 varies significantly between the EEA and other regions.
  - ii. The need for a presence in the EEA for suppliers of 2D imager scanning engines in order to successfully sell in the region: The Notifying Party explains that 2D scanning engines are very often sold to customers directly by the manufacturer (and not via distributors and/or resellers) and these customers require after sale technical assistance, that is geographically close to their place of business. For example, customers frequently receive support from local engineering teams over a period of certain months after the sale is concluded in order to develop a design that integrates the scanning engine into their products.
  - iii. The existence of variations in sale prices and price movements across regions: The Notifying Party provided, by way of example, average sales prices for certain of its 2D scanning engines standard product families in Asia/Pacific, EEA and the United States, evidencing that prices across regions are not uniform for identical products. In addition, the Notifying Party submits that price correlation analysis conducted by RBB Economics on Honeywell 2D scanning engine sales showed that there is a weak (and even sometimes negative) correlation between prices of individual Honeywell 2D scanning engines in the EEA and the rest of the world.

Similarly, correlation analysis conducted on Intermec's (more limited) 2D scanning engine sales data also showed no correlation between pricing in different regions.

- iv. Differences in customers' demand in the EEA as compared to other regions: The Notifying Party explains that top selling 2D scanning engines products vary across regions. In particular, the product requirements of EEA-based are different (and more complex) than those of customers in other regions of the world.
- 34. The market investigation confirmed that the geographic scope of the relevant market for the different types of scanning engines is broader than national. Customers indeed appear to source their products at the EEA level, whilst suppliers seem to compete for business at the same level.
  - 35. As regards 1D laser and 1D imager scanning engines, the market investigation was inconclusive as to whether the relevant market is to be considered as EEA-wide or worldwide in scope.
  - 36. As regards the possible market for 2D imager scanning engines, the market investigation confirmed the Notifying Party's arguments that the relevant market is EEA-wide for a number of reasons:
    - i. The market shares of the main suppliers in the EEA and at worldwide level vary, often significantly. In particular, Honeywell itself, but also Motorola and Opticon, seem to have stronger positions in the EEA than they have at the worldwide level. For instance in 2012, Honeywell's EEA wide market share amounted to [40-50]%, while its worldwide share amounted to [30-40]%; Motorola's EEA wide share amounted to [10-20]%, while its worldwide share amounted to [10-20]%; and Opticon's EEA wide share amounted to [10-20]% while its worldwide share amounted to [5-10]%.
    - ii. The vast majority of the respondents to the market investigation confirmed that a regional presence is required to support sales and after-sales services. Geographic proximity is particularly important to provide technical support to customers during and after the sale in relation to the integration of the 2D scanning engine in the final product.
    - iii. The majority of customers and a number of competitors confirmed the results of the Parties' economic study, according to which there are significant price differences between the EEA and other regions in the world, including the United States.
    - iv. Customers in the EEA have different requirements in terms of the product characteristics and functionalities with regard to 2D imager scanning engines compared to customers located elsewhere in the world. In particular, a number of 2D scanning engines suppliers confirmed that customers in the United States are generally larger than customers in the EEA, and therefore require engines with a higher performance and more complex functionalities and applications.
  - 37. Therefore, the Commission considers for the purpose of this case that the geographic scope of the hypothetical market for 2D scanning engines is EEA-wide in scope.



### 3.2.3. *Barcode scanners*

#### 3.2.3.1. Product market definition

38. The Notifying Party submits that it would be appropriate to divide the market for barcode scanners between fixed and handheld scanners, but that no further segmentation is appropriate.
39. In a previous decision concerning the market for data capture and scanning devices, the Commission considered, but ultimately left the question open, whether the market for data capture and scanning devices should be segmented between laser, linear imager and 2D imager scanners.<sup>4</sup>
40. The results of the market investigation suggest that segmentation between fixed and handheld scanners is appropriate and that 1D laser handheld scanners, 1D imager handheld scanners and 2D imager handheld scanners might belong to separate product markets.
41. However, for the purposes of the assessment of the proposed concentration, the exact delineation of the relevant product market(s) for barcode scanners can be left open since the proposed concentration does not raise competition concerns under any alternative market definition.

#### 3.2.3.2. Geographic market definition

42. The Notifying Party submits that the relevant geographic scope for handheld scanners is at least EEA-wide.
43. In a previous decision, the Commission considered that the market for scanners is at least EEA-wide, if not worldwide.<sup>5</sup>
44. The market investigation confirmed that the geographic scope of the relevant market for all types of barcode scanners is broader than national and at least EEA-wide. Customers indeed appear to source their products at the EEA-level, whilst suppliers seem to compete for business at the same level. Ultimately, the market investigation was, however, inconclusive as to whether the relevant markets are EEA-wide or worldwide in scope.
45. However, for the purposes of the assessment of the proposed concentration, the exact delineation of the relevant geographic market(s) for barcode scanners can be left open since the proposed concentration does not raise competition concerns under any alternative market definition.

### **3.3. Horizontal analysis**

#### 3.3.1. *Ruggedised mobile computers*

46. Within the ruggedised mobile computer sector, the only possible relevant markets that are horizontally affected by the proposed concentration are the markets for:

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<sup>4</sup> Commission decision of 8 January 2007 in Case No COMP/M.4415 – *Motorola / Symbol*.

<sup>5</sup> Commission decision of 8 January 2007 in Case No COMP/M.4415 – *Motorola / Symbol*.

(i) small form factor ruggedised mobile computers worldwide and in the EEA; (ii) handheld / PDAs ruggedised mobile computers worldwide and in the EEA; and (iii) a possible sub-segment of the on-board / fixed vehicle mount ruggedised mobile devices, namely the sub-segment for forklift devices worldwide and in the EEA.

47. In all other possible relevant markets there is either no horizontal overlap between the Parties' activities, or the Parties' combined share whether at the worldwide level or in the EEA is below 15%.
48. The Notifying Party submits that the proposed concentration will not result in anticompetitive non-coordinated effects on the various possible ruggedised mobile computers markets since all these markets are highly competitive, with a plentiful of credible and strong competitors including large players such as Motorola and Datalogic, as well as many other smaller competitors. Thus post-transaction, there will be several competitors that would be in a very good position to exercise competitive pressure on the merged entity. The Notifying Party also submits that Intermec is not a unique constraining force on these markets and that in fact its presence has been declining over the last few years.
49. The Notifying Party further submits that as a result of the proposed concentration, horizontal coordinated effects are unlikely since: (i) the relevant products have a number of different features, which makes it difficult to reach a co-ordinated outcome on pricing; (ii) technology industries, where there are frequent new product rollouts, do not lend themselves to co-ordinated effects; (iii) most sales are made through distributors and resellers and thus monitoring of deviations is difficult; and (iv) the proposed concentration will not lead to symmetry in market positioning and the reactions of outsiders would be likely to jeopardise any attempted co-ordinated outcome.

3.3.1.1. Small form factor ruggedised mobile computers

50. In the possible market for small form factor ruggedised mobile computers, following the proposed concentration, the merged entity's market share would be rather limited ([20-30]% at worldwide level and [10-20]% at EEA-wide level).

*Small form factor ruggedised mobile computers*

	<b>Honeywell</b>	<b>Intermec</b>	<b>Combined</b>
Worldwide	[5-10]%	[10-20]%	<b>[20-30]%</b>
EEA-wide	[5-10]%	[10-20]%	<b>[10-20]%</b>

Source: VDC and Parties' estimates

51. Moreover, post-transaction, the merged entity will continue to face competition from numerous players, including the market leader Motorola (with a market share of [40-50]% at worldwide level and [50-60]% at EEA-wide level) and Datalogic (with a market share of [0-5]% at worldwide level and [5-10]% at EEA-wide level), as well as various smaller players, including Denso Wave (with a market share of [0-5]% at worldwide level and [0-5]% at EEA-wide level) and Bluebird

Soft (with a market share of [0-5]% at worldwide level and [0-5]% at EEA-wide level).

52. In addition, the fact that following the proposed concentration, the market will feature a relatively high number of players with asymmetric shares, as well as the lack of evidence of market transparency, militate against the proposed concentration likely giving rise to coordinated anti-competitive effects in this possible market.
53. Furthermore, the vast majority of respondents to the market investigation did not raise any concerns as regards the possible impact of the proposed concentration on competition in this possible market. In particular, none of the customers, which responded to the market investigation, raised any such concerns and the vast majority of respondents commented that, post-transaction, there would continue to be a sufficient number of players active on the market to ensure effective competition.
54. In light of the above, the Commission considers that the proposed concentration does not give rise to serious doubts as to its compatibility with the internal market on the possible market for small form factor ruggedised mobile computers, regardless of whether this market is considered EEA-wide or worldwide.

3.3.1.2. Handheld ruggedised mobile computers and PDAs

55. In the possible market for handheld ruggedised mobile computers and PDAs, following the proposed concentration, the merged entity's market share would be rather limited ([10-20]% at worldwide level and [10-20]% at EEA-wide level).

*Handheld ruggedised mobile computers and PDAs*

	<b>Honeywell</b>	<b>Intermec</b>	<b>Combined</b>
Worldwide	[5-10]%	[10-20]%	<b>[10-20]%</b>
EEA-wide	[5-10]%	[5-10]%	<b>[10-20]%</b>

Source: VDC and Parties' estimates

56. Moreover, post-transaction, the merged entity will continue to face competition from numerous players, including the market leader Motorola (with a market share of [40-50]% at worldwide level and [50-60]% at EEA-wide level) and Datalogic (with a market share of [0-5]% at worldwide level and [5-10]% at EEA-wide level), as well as various smaller players, including Denso Wave (with a market share of [0-5]% at worldwide level and [0-5]% at EEA-wide level) and Bluebird Soft (with a market share of [0-5]% at worldwide level and [0-5]% at EEA-wide level).
57. In addition, the fact that following the proposed concentration, the market will feature a relatively high number of players with asymmetric shares, as well as the lack of evidence of market transparency, militate against the proposed concentration likely giving rise to coordinated anti-competitive effects in this possible market.

58. Furthermore, the vast majority of respondents to the market investigation did not raise any concerns as regards the possible impact of the proposed concentration on competition in this possible market. In particular, the majority of customers, which responded to the market investigation, did not raise any such concerns and the vast majority of respondents commented that, post-transaction, there would continue to be a sufficient number of players active on the market to ensure effective competition.
59. In light of the above, the Commission considers that the proposed concentration does not give rise to serious doubts as to its compatibility with the internal market on the possible market for handheld ruggedised mobile computers and PDAs, regardless of whether this market is considered EEA-wide or worldwide.
- 3.3.1.3. On-board/fixed vehicle mount ruggedised mobile devices (in particular, forklift devices)
60. In the possible market for on-board/fixed vehicle mount devices, post-transaction, the merged entity's market share would be below [10-20]% at both worldwide and EEA-wide level.
61. However, in the possible narrower market for forklift devices, post-transaction, the merged entity would hold a market share of [30-40]% at worldwide level and [20-30]% at EEA-wide level.

*Forklift ruggedised mobile computers*

	<b>Honeywell</b>	<b>Intermec</b>	<b>Combined</b>
Worldwide	[20-30]%	[5-10]%	<b>[30-40]%</b>
EEA-wide	[20-30]%	[5-10]%	<b>[20-30]%</b>

Source: VDC and Parties' estimates

62. In any event, post-transaction, the merged entity will continue to face competition from numerous players, including Motorola (with a market share of [30-40]% at worldwide level and [20-30]% at EEA-wide level) and Datalogic (with a market share of [10-20]% at worldwide level and [20-30]% at EEA-wide level), as well as various smaller players, including JLT Mobile (with a market share of [5-10]% at worldwide level and [0-5]% at EEA-wide level) and Citadel Computer (with a market share of [0-5]% at worldwide level and [0-5]% at EEA-wide level).
63. In addition, following the proposed concentration, the market will feature, alongside the merged entity and Motorola, a relatively high number of smaller players of different size together accounting for around [40-50]% of the market worldwide and [50-60]% in the EEA. This, together with the lack of evidence of market transparency, militates against the proposed concentration likely giving rise to coordinated anti-competitive effects in this possible market.
64. Furthermore, the vast majority of respondents to the market investigation did not raise any concerns as regards the possible impact of the proposed concentration on competition in this possible market. In particular, the majority of the

customers, which responded to the market investigation, did not raise any such concerns. Similarly, the vast majority of respondents commented that, post-transaction, there would continue to be a sufficient number of players active on the market to ensure effective competition.

65. In light of the above, the Commission considers that the proposed concentration does not give rise to serious doubts as to its compatibility with the internal market on the possible market for on-board/fixed vehicle mount ruggedised mobile computers, including the possible market segment for forklift devices, regardless of whether this market segment is considered EEA-wide or worldwide in geographic scope.

3.3.2. *Barcode scanners*

66. Within the barcode scanners sector, the only possible market that is horizontally affected by the proposed concentration is the possible market for handheld scanners, whether worldwide or in the EEA.
67. The Notifying Party submits that the proposed concentration will not result in anticompetitive non-coordinated effects on the barcode scanners markets/segments, since post-transaction, there will be number of effective competitors that would be in a position to exercise competitive pressure on the merged entity, including Motorola and Datalogic, as well as many other smaller competitors.
68. The Notifying Party also submits that as a result of the proposed concentration, horizontal coordinated effects are unlikely since: (i) the relevant products have a number of different features, which makes it difficult to reach a co-ordinated outcome on pricing; (ii) technology industries, where there are frequent new product rollouts do not lend themselves to co-ordinated effects; (iii) most sales are made through distributors and resellers and thus monitoring of deviations is difficult; and (iv) the proposed concentration will not lead to symmetry in market positioning and the reactions of outsiders would be likely to jeopardise any attempted co-ordinated outcome.

3.3.2.1. *Handheld scanners*

69. In the possible market for handheld scanners, following the proposed concentration, the merged entity’s market share would be rather limited ([20-30]% at worldwide level and [20-30]% at EEA-wide level).

*Handheld scanners*

	<b>Honeywell</b>	<b>Intermec</b>	<b>Combined</b>
Worldwide	[20-30]%	[0-5]%	<b>[20-30]%</b>
EEA-wide	[20-30]%	[0-5]%	<b>[20-30]%</b>

Source: VDC and Parties' estimates

70. Moreover, post-transaction, the merged entity will continue to face competition from numerous players, including Motorola (with a market share of [30-40]% at

worldwide level and [20-30]% at EEA-wide level) and Datalogic (with a market share of [10-20]% at worldwide level and [30-40]% at EEA-wide level), as well as various smaller players, including Denso Wave (with a market share of [0-5]% at worldwide level and [0-5]% at EEA-wide level) and Newland (with a market share of [0-5]% at worldwide level and [0-5]% at EEA-wide level).

71. In addition, the fact that following the proposed concentration, the market will feature a relatively high number of players with asymmetric shares, as well as the lack of evidence of market transparency, militate against the proposed concentration likely giving rise to coordinated anti-competitive effects in this possible market.
72. Furthermore, the vast majority of respondents to the market investigation did not raise any concerns as regards the possible impact of the proposed concentration on competition in this possible market. In particular, none of the customers, which responded to the market investigation, raised any such concerns and the vast majority of respondents commented that, post-transaction, there would continue to be a sufficient number of players active on the market to ensure effective competition.
73. In light of the above, the Commission considers that the proposed concentration does not give rise to serious doubts as to its compatibility with the internal market on the possible market for handheld scanners, regardless of whether this market is considered EEA-wide or worldwide.

### 3.3.3. *Scanning engines*

74. Within the scanning engine sector, the only possible markets that are horizontally affected by the proposed concentration are the possible market for all types of scanning engines whether worldwide or in the EEA and the possible markets for 1D imager and 2D imager scanning engines (which the Commission considers to be EEA-wide in scope).
75. The Notifying Party submits that the proposed concentration will not significantly impede effective competition in the overall market for scanning engines and in any potential submarkets (including, in particular, 1D imager and 2D imager scanning engines) for a number of reasons, including the fact that:
  - i. the Parties are not particularly close competitors and the combined entity will continue facing competition from a number of well-established suppliers.
  - ii. barriers to entry are low, making it possible for new entrants to readily start production in a timely manner (either by starting production ex novo or by expanding from one segment into another). In this context the Notifying Party refers to Code Corporation, Marson Technology, Long View, Microscan, ZTEC, Dingshi, and Flashcode, who recently entered the market for scanning engines, rapidly gaining a competitive position in the market.
  - iii. a number of players, such as Datalogic, currently produce scanning engines only for captive use and could easily start supplying the merchant market if prices were to increase.

iv. scanning is a very dynamic sector. Technology maturity and increased competitive pressure from camera engine manufactures have been leading to pricing erosion.

76. The Notifying Party also submits that as a result of the proposed concentration, horizontal coordinated effects are unlikely since: (i) products have a number of different features, which makes it difficult to reach a co-ordinated outcome on pricing; (ii) technology industries, where there are frequent new product rollouts do not lend themselves to co-ordinated effects; (iii) bids for scanning engines are not transparent and competitors' pricing is not generally known during the competition or after; (iv) many opportunities in scanning engines do not result in any or material sales since final products may not even reach the market; and (v) the proposed concentration will not lead to symmetry in market positioning and the reactions of outsiders would be likely to jeopardise any attempted co-ordinated outcome.

3.3.3.1. Scanning engines (all types)

77. In the possible overall market for scanning engines, post-transaction, the merged entity's market share would amount to [30-40]% at worldwide level and [20-30]% at EEA level.

*Scanning engines (all types)*

	<b>Honeywell</b>	<b>Intermec</b>	<b>Combined</b>
Worldwide	[20-30]%	[5-10]%	<b>[30-40]%</b>
EEA-wide	[10-20]%	[5-10]%	<b>[20-30]%</b>

Source: VDC and Honeywell estimates

78. Moreover, post-transaction, the merged entity will continue to face competition from numerous players, including the market leader Motorola (with a market share of [40-50]% at worldwide level and [50-60]% at EEA-wide level) and Opticon (with a market share of [5-10]% at worldwide level and [10-20]% at EEA-wide level), as well as various smaller players, including Denso Wave (with a market share of [0-5]% at worldwide level and [0-5]% at EEA-wide level) Newland (with a market share of [5-10]% at worldwide level and [0-5]% at EEA-wide level), and others.

79. In addition, the fact that following the proposed concentration the market will feature a relatively high number of players with asymmetric shares, as well as the lack of evidence of market transparency, militate against the proposed concentration likely giving rise to coordinated anti-competitive effects in this possible market.

80. Furthermore, the vast majority of respondents to the market investigation did not raise any concerns as regards the possible impact of the proposed concentration on competition in this possible market. In particular, none of the customers, which responded to the market investigation, raised any such concerns and the vast majority of respondents commented that, post-transaction, there would continue to

be a sufficient number of players active on the market to ensure effective competition. As a result, post-transaction there will be sufficient alternative suppliers of scanning engines at both worldwide and EEA level.

81. In light of the above, the Commission considers that the proposed concentration does not give rise to serious doubts as to its compatibility with the internal market on an overall market for scanning engines, and this is irrespective of the geographic market definition.

3.3.3.1.1 1D imager scanning engines

82. In the possible market for 1D imager scanning engines, post-transaction, the merged entity's market share would amount to [30-40]% at worldwide level and [10-20]% at EEA level.

*1D imager scanning engines*

	<b>Honeywell</b>	<b>Intermec</b>	<b>Combined</b>
Worldwide	[10-20]%	[20-30]%	<b>[30-40]%</b>
EEA-wide	[0-5]%	[10-20]%	<b>[10-20]%</b>

Source: VDC and Honeywell estimates

83. Moreover, post-transaction, the merged entity will continue to face competition at worldwide level from numerous players, including the market leader Motorola ([40-50]%), Opticon ([10-20]%) and Newland ([5-10]%).
84. The Notifying Party further submits that Honeywell's presence in the market is rather limited and based on two, now retired, legacy models (the 3800 and 3900 engines) which are fixed mount readers which are used in different scan applications than Intermec's linear engines. On this basis, in the view of the Notifying Party, Honeywell's share position does not reflect the true competitive dynamics in the market/segment for 1D imager scanning engines, as Honeywell's linear imager sales on its 3800 product [...].
85. In addition, in the EEA the increment in market shares would be limited ([0-5] percentage points). Indeed, in 2012 Honeywell only achieved around [...] of sales of 1D imager scanning engines in the EEA.
86. Furthermore, the vast majority of respondents to the market investigation did not raise any concerns as regards the possible impact of the proposed concentration on competition in this possible market. In particular, none of the customers, which responded to the market investigation, raised any such concerns and the vast majority of respondents commented that, post-transaction, there would continue to be a sufficient number of players active on the market to ensure effective competition. As a result, post-transaction there will be sufficient alternative suppliers of 1D imager scanning engines at both worldwide and EEA level.
87. In light of the above, the Commission considers that the proposed concentration does not give rise to serious doubts as to its compatibility with the internal market



on the market/segment for 1D imager scanning engines, and this irrespective of the geographic market definition.

3.3.3.1.2 2D imager scanning engines

88. In the possible market for 2D imager scanning engines in the EEA, post-transaction, the merged entity’s market shares would amount to [40-50]%, with a very limited increase (around [0-5] percentage points) deriving from the proposed concentration. Indeed, in 2012, Intermec only achieved around [...] of sales of 2D scanning engines in the EEA.

*2D imager scanning engines*

	<b>Honeywell</b>	<b>Intermec</b>	<b>Combined</b>
EEA-wide	[40-50]%	[0-5]%	<b>[40-50]%</b>

Source: VDC and Honeywell estimates

89. Moreover, post-transaction the merged entity will continue to face competition from a number of suppliers, including Motorola ([10-20]%), Newland ([10-20]%), Opticon ([10-20]%), as well as smaller players (at least in terms of their current presence in the EEA market), such as Denso Wave, Marson Technology, Code Corporation and Zebex.
90. During the market investigation, some respondents submitted that the proposed concentration would lead to the strengthening of Honeywell's existing leading position on this possible market by removing a particularly close competitor, such as Intermec, and, as a result, to a reduction of competition and to higher prices. One respondent also highlighted the presence of high barriers to entry due to the fact that Honeywell and Intermec hold a large IP portfolio (particularly in the United States).
91. This complaint does not, however, appear to be founded, at least as far as the EEA is concerned. Indeed, the vast majority of respondents to the market investigation (including the vast majority of customers) confirmed that, in the EEA, Motorola, and not Intermec, is Honeywell’s closest and strongest competitor. The market investigation also confirmed that, post-transaction there will continue to be sufficient alternatives for EEA-based customers from which to source 2D imager scanning engines. First, respondents to the market investigation explained that, from their perspective, the presence of two large suppliers and a number of smaller suppliers of 2D imager scanning engines, such as the merged entity and Motorola, would be sufficient to ensure an adequate level of competition on the EEA market. Second, these respondents also explained that, as opposed to other regions of the world, such as the United States where it is more difficult for these players to compete particularly due to the significant number of important patents held by each of

Honeywell, Intermec and Motorola, in the EEA Asian players, such as Newland and Opticon, are credible competitor of the Parties and of Motorola. Third, and in any event, the Commission considers that Intermec's market presence in the EEA is (and has always been) so limited in terms of actual sales and dedicated sales force [...] that its elimination from the market is unlikely to have any material impact on the existing competitive situation on the market.

92. Finally, the fact that following the proposed concentration, the market will feature a relatively high number of players with asymmetric shares, as well as the lack of evidence of market transparency, militate against the proposed concentration likely giving rise to coordinated anti-competitive effects in this possible market.
93. In light of the above, the Commission considers that the proposed concentration does not give rise to serious doubts as to its compatibility with the internal market on the possible market for 2D imager scanning engines in the EEA.

### **3.4. Vertical analysis**

#### **3.4.1. Scanning engines**

94. As scanning engines are embedded into various types of ruggedised mobile computers and barcode scanners, the proposed concentration gives rise to a vertical relationship between the Parties' activities in these markets.
95. The market investigation confirmed that the combination of the Parties' activities will not give rise to any degree of market power (and/or any material increase in market power) whether in the upstream markets for the supply of the different types of scanning engines or in the downstream markets for the different types of ruggedized mobile computers and/or barcode scanners. As a result, the proposed concentration will likely not have any material impact on the merged entity's ability to engage in input and/or customer foreclosure in relation to these products.
96. The Commission therefore considers that the proposed concentration does not give rise to serious doubts as to its compatibility with the internal market as a result of the vertical relationship between the Parties' activities in scanning engines and ruggedized mobile computers and barcode scanners.

#### **3.4.2. Voice solutions**

97. Intermec is active in the provision of voice recognition software through its subsidiary Vocollect. Intermec also supplies voice recognition devices, which incorporate its voice recognition software. Honeywell is not active in the provision of voice recognition software and has a very limited presence in the supply of voice recognition devices, where Intermec's Vocollect software could potentially be used as an input. In particular, Honeywell sold less than [...] units of voice recognition devices in 2012 in the EEA for less than USD [...]. In addition, the Notifying Party submits that, prior to entering into, and independently of, the proposed concentration, [...].
98. Given the above, the Commission considers that the proposed concentration only gives rise to a very limited vertical relationship between the Parties' activities

since Honeywell's presence in the supply of voice recognition devices is very small.

99. During the market investigation, one market participant nonetheless submitted that Intermec's Vocollect software is a *de facto* industry standard for voice applications, in particular for warehousing applications. According to this market participant, in light of Intermec's strong position in voice recognition software, which is a key input for suppliers of devices with voice recognition capabilities, and of Honeywell's alleged presence downstream in the supply of voice recognition devices, the proposed concentration would result in input foreclosure of competing suppliers of such devices. Post-transaction Honeywell would indeed have the ability and incentive to stop licensing Intermec's software to device manufacturers.
100. The Commission does not consider this complaint to be founded for a number of reasons.
101. First, as noted, the Commission considers that due to Honeywell's limited presence in the downstream market for the supply of voice recognition devices, the proposed concentration will likely not have any impact on the merged entity's ability and incentive to potentially engage in input foreclosure.
102. Second, the majority of the respondent to the market investigation explained that, while Intermec's Vocollect software is probably the leading software today at least for certain voice recognition applications, there are alternatives to this software that are currently available on the market and are considered by customers as substitutable to Intermec's software and as a suitable alternative to it. These products currently include, for example, Voxware, Topvox, Wavelink, MCL Voice, and others. Market participants confirmed that such voice recognition software products are generally with different types of voice recognition mobile ruggedised devices.
103. Third, if, post-transaction, the merged entity were to stop making Vocollect available to third parties, device manufacturers could also partner with these software developers (including suppliers of voice recognition software that is currently used in other applications and/or industry sectors than those in which Intermec's Vocollect software is mainly deployed) to further improve their products with a view to making them an (even stronger) alternative to Vocollect.
104. The Commission therefore considers that the proposed concentration does not give rise to serious doubts as to its compatibility with the internal market as a result of the vertical relationship between the Parties' activities in voice recognition software and/or devices.

#### **(4) CONCLUSION**

105. For the above reasons, the Commission has decided not to oppose the proposed concentration 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*