

***Case No COMP/M.6863 - AVNET EMG/ MSC  
INVESTOREN***

Only the English text is available and authentic.

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

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Article 6(1)(b) NON-OPPOSITION  
Date: 04/09/2013

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## EUROPEAN COMMISSION

Brussels, 4.9.2013

C(2013) 5762 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 Where possible the information omitted has been replaced by ranges of figures or a general description.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.6863 – AVNET EMG/ MSC INVESTOREN  
Commission decision pursuant to Article 6(1)(b) of Council Regulation  
No 139/2004<sup>1</sup>**

1. On 01.08.2013, the European Commission received a notification of a proposed concentration pursuant to Article 4 of the Merger Regulation, by which the undertaking Avnet EMG GmbH ("Avnet", Germany) acquires within the meaning of Article 3(1)(b) of the Merger Regulation sole control of the undertaking MSC Investoren GmbH ("MSC", Germany) by way of purchase of shares. Avnet is designated hereinafter as the "Notifying Party" and Avnet and MSC are designated hereinafter as the "Parties".

#### **I. THE PARTIES**

2. **Avnet** is a wholly owned subsidiary of Avnet Inc., a distributor of electronic components, computer products and technology services based in the United States and active worldwide. Through its Electronics Marketing division, Avnet distributes a wide range of electronic components, including semiconductors,<sup>2</sup> passive<sup>3</sup> and electromechanical products/devices, such as relays, switches and circuit protection

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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> Semiconductors are materials which have conductivity between conductors (metals) and non-conductors or insulators. They are extensively used in the manufacture of electronic devices. There are a wide variety of semiconductors including discrettes, analogue IC, programmable logic, MOS Micro Logic devices and memory devices.

<sup>3</sup> Passive components are defensive components which include capacitors, resistors and electronic filters.

devices (so-called "e-mechs<sup>4</sup>") and radio frequency and microwave products. It also distributes some embedded products,<sup>5</sup> including displays, embedded boards and systems and networking devices.

3. **MSC** is a distributor of electronic components with support and consultancy services. It is active in Germany and in 59 other countries worldwide. MSC distributes electronic components and systems and provides service support such as design-in, consulting and supply chain management for these products around Europe. The company's product range includes semiconductors, embedded computer technology, passive components, connectors, e-mech components, batteries, lighting products, displays, memory modules, flash cards and other electronic-systems/components.

## **II. THE OPERATION**

4. The proposed transaction consists of the acquisition by Avnet of sole control over MSC.
5. Pursuant to a Share Purchase Agreement ("SPA") entered into [...] between Avnet and Süd-Kapitalbeteiligungs-Gesellschaft mbH ("SKG"), which currently holds 37.5% of the share capital of MSC, Avnet will acquire SKG's share in MSC. [...] the closing of this acquisition, MSC will then proceed to a capital increase and Avnet will underwrite additional shares in MSC. After the capital increase is implemented, Avnet will hold [...] % of MSC's share capital [...].<sup>6</sup>
6. Following the acquisition of SKG's stake in MSC and the implementation of the capital increase, Avnet will acquire sole control over MSC. Avnet will hold [...] % of the shares and the voting rights in MSC. Moreover, pursuant to a Shareholder Agreement entered into between Avnet and MSC, all decisions at MSC's shareholder meeting, including all decisions concerning the business strategy of the company, will be adopted by simple majority. Moreover, the Shareholder Agreement provides that MSC's business plan, which will include the budget and all decisions on MSC's main investments, can only be adopted with the favourable vote of the Board members appointed by Avnet. As a result, Avnet will already have sole control of MSC at the time of its acquisition of SKG's [...] % of the share capital in MSC.
7. The proposed transaction therefore constitutes a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

## **III. EU DIMENSION**

8. The undertakings concerned have a combined aggregate world-wide turnover of more than EUR [...] million<sup>7</sup> (Avnet: EUR [...] million; MSC: EUR [...] million). Each of

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4 E-mech products include a wide range of other components, including relays, switches, circuit protection devices (e.g. fuses), batteries, racks etc. Interconnect components includes all types of connectors. Connectors are also a form of electromechanical product and since they represent the largest category of electromechanical products, they are often classified separately. Many companies and market consultancies, including Europartners include connector sales within the electromechanical product category.

5 Embedded products cover a large number of different products, such as semi-finished board products, complete embedded boards and systems composed of passive and active components, including semiconductors. The product category also extends to displays and some industrial networking technology.

6 For completeness, it is noted that, prior to the closing of the proposed transaction, MSC will have divested to third parties some of its subsidiaries (namely MSC Electronics SK s.r.o., TRS-STAR GmbH and MSC Tuttlings GmbH), which therefore fall outside the scope of the proposed transaction.

7 Turnover calculated in accordance with Article 5(1) of the Merger Regulation and the Commission Consolidated Jurisdictional Notice (OJ C95, 16.04.2008, p1).

them has a Union-wide turnover in excess of EUR [...] million (Avnet: EUR [...] million; MSC: EUR [...] million), but they do not achieve more than two-thirds of their aggregate Union-wide turnover within one and the same Member State.

9. The proposed concentration therefore has an EU dimension, within the meaning of Article 1(2) of the Merger Regulation.

#### **IV. MARKET DEFINITION**

10. The proposed concentration concerns the Parties' overlapping activities in the wholesale distribution of electronic components.<sup>8</sup>

##### **1. Product Market**

11. In previous decisions<sup>9</sup> the Commission found that the wholesale distribution of electronic components constitutes a separate product market (from, for instance, the wholesale distribution of computer/ IT products, where Avnet is also active).

##### *1.1. Direct sales by manufacturers versus wholesale distribution by distributors*

###### View of the Notifying Party

12. The Notifying Party submits that it is difficult to draw a clear distinction between the role of manufacturers and distributors in the supply chain.
13. Historically, distributors were able to supply a broader product range than manufacturers and to provide certain value added services (such as intelligent logistics, inventory management and technical sale assistance). Proximity to the customer was also an important distinguishing factor.
14. However, according to the Notifying Party, the commoditisation of electronic components, the off-shoring of manufacturing and design, as well as the price differentials between the EU and Asia, mean that nowadays, proximity is no longer an important factor.
15. In any event, for the purposes of the present decision, the Notifying Party submits that it is not necessary to conclude on the exact product market definition, as the proposed concentration does not raise any competition concerns under any alternative product market definition for the distribution of electronic components.

###### Commission's assessment

16. In a previous decision,<sup>10</sup> the Commission considered that direct sales of electronic components from manufacturers constitute a separate product market from the

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<sup>8</sup> There is also a very limited vertical relationship between the Parties' activities since Avnet has a limited manufacturing activities of some of the relevant products that are carried out in the United Kingdom by its subsidiary Alpha 3. In more detail, Alpha 3 manufactures cable harnesses, e-mechs and electronic component filters. [...] The Notifying Party estimates that Alpha 3 accounts for a share of sales, which is well below [0-5]% of the total market for the manufacturing of electronic components (and its possible segments, namely semiconductors, passive components, emechs and embedded products) in the EEA. As a result, the proposed concentration is unlikely to lead to any risk of foreclosure, including, in particular, customer foreclosure in the EEA and/or at the national level.

<sup>9</sup> Decision of 19 May 2008 in Case COMP/M.5099 - *Arrow Electronics/Logix*, paragraph 18 and decision of 19 January 2009 in Case COMP M.5385 - *Avnet/Abacus*, paragraphs 8 to 16.

<sup>10</sup> Decision of 19 January 2009 in Case COMP M.5385 - *Avnet/Abacus*, paragraph 22

wholesale distribution of these components by distributors, essentially because a switch to direct sales from manufacturers is not easily feasible for the vast majority of customers of electronic components, which purchase from the distributors. In fact, a switch to direct supply would only be possible for customers, which purchase very large volumes since the manufacturers usually refuse to deal directly with smaller customers.

17. In the same decision, the Commission took the view that distributors, as opposed to manufacturers, are able to offer a broader mix of products from different manufacturers, a larger stock and shorter delivery times (also due to their often having local warehouses), as well as value added services, such as technical assistance.
18. The results of the market investigations conducted for the purpose of the present case confirm the Commission's past findings that direct sales of electronic components from manufacturers constitute a separate product market from the wholesale distribution of these components by distributors.
19. Although a number of manufacturers explained that they are in a position to offer the same type of service to their customers than distributors, they also stated that they would essentially only deal with a limited number of high volume customers, while leaving to distributors the task of serving the rest of the market. In addition, a majority of customers and distributors replied that distributors offer a much broader product range, and typically have more sophisticated logistics management capabilities, than manufacturers.<sup>11</sup>
20. Based on the above, the Commission considers that the wholesale distribution of electronic components by distributors constitutes a separate market from the direct sales of electronic components by manufacturers.

#### *1.2. Distribution of all electronic components versus categories of electronic components*

##### View of the Notifying Party

21. The Notifying Party submits that the relevant product market is the wholesale distribution of all electronic components, without any further segmentation. This is because all major distributors stock a wide range of different electronic products and even smaller distributors rarely specialise in only one category of electronic components and typically supply a number of product categories.
22. Moreover, according to the Notifying Party, there are no substantial barriers for the expansion of specialised companies into the distribution of other product categories, thanks to the ease of recruiting and training sale staff. In addition, the Notifying Party identifies a trend towards the commoditisation of electronic components, which lowers the knowledge barrier between customers and producers, and the ability to sell via the internet.
23. In any event, the Notifying Party considers that it is not necessary to reach a firm conclusion on the exact product market definition as the proposed concentration will not harm competition, whether or not the relevant product market for the wholesale distribution electronic components is further segmented.

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<sup>11</sup> See replies to questionnaire Q1 to competitors of 2 August 2013, question 18; questionnaire Q2 to suppliers of 2 August 2013, question 13; and questionnaire Q3 to customers of 2 August 2013, question 7.

### Commission's assessment

24. In *Avnet/Abacus*,<sup>12</sup> the respondents to the market investigation confirmed the categorisation of electronic products provided by the Notifying Party, that is to say that electronic products supplied by the industry typically include the following categories: semiconductors, passive components, e-mechs and embedded products.
25. In the same decision,<sup>13</sup> the results of the market investigation were inconclusive as to whether the market for the wholesale distribution of electronic components should be segmented by product category. On the one hand, several respondents indicated that many distributors distribute a full range of components and most customers are usually not different for each component category and generally buy a full range of components. On the other hand, several respondents also indicated that an expansion by specialised companies into the distribution of other product categories, although feasible, might cause difficulties and take time.
26. In the present case, almost all the suppliers, distributors and customers, which replied to the market investigation, confirmed the categorisation of electronic products into semiconductors, passive components, e-mechs and embedded products,<sup>14</sup> and that a further segmentation within these separate product categories is not necessary.<sup>15</sup>
27. However, as regards the question whether the market for the wholesale distribution of all electronic components should be segmented between the four above product categories, the results of the market investigation were mixed.
28. From the demand-side, almost all suppliers, distributors and customers, which replied to the market investigation, explained that the different product categories are not functionally substitutable for the client's needs.<sup>16</sup> Almost all of these respondents also confirmed that, if electronic component manufacturers were to raise any of these products' prices by 5-10%, their customers would not switch to other product categories, essentially because of the differences in product functionality.<sup>17</sup>
29. However, a majority of the suppliers, which replied to the market investigation, also confirmed that, even though some distributors tend to specialise in the distribution of some categories of components, most electronic components distributors are able to supply all types of customers with a wide range of products regardless of the customer's size or sector of activity.<sup>18</sup> All distributors, which replied to the market investigation, also confirmed that their customers purchase more than one of the different product categories from them.<sup>19</sup>

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12 Decision of 19 January 2009 in Case COMP M.5385 - *Avnet/Abacus*, paragraph 10.

13 Decision of 19 January 2009 in Case COMP M.5385 - *Avnet/Abacus*, paragraphs 13 - 16.

14 See replies to questionnaire Q1 to competitors of 2 August 2013, question 3; questionnaire Q2 to suppliers of 2 August 2013, question 2; and questionnaire Q3 to customers of 2 August 2013, question 2.

15 See replies to questionnaire Q1 to competitors of 2 August 2013, question 4; questionnaire Q2 to suppliers of 2 August 2013, question 3; and questionnaire Q3 to customers of 2 August 2013, question 3.

16 See replies to questionnaire Q1 to competitors of 2 August 2013, question 5; questionnaire Q2 to suppliers of 2 August 2013, question 4; and questionnaire Q3 to customers of 2 August 2013, question 4.

17 See replies to questionnaire Q1 to competitors of 2 August 2013, question 6; questionnaire Q2 to suppliers of 2 August 2013, question 5; and questionnaire Q3 to customers of 2 August 2013, question 5.

18 See replies to questionnaire Q2 to suppliers of 2 August 2013, question 7.

19 See replies to questionnaire Q1 to competitors of 2 August 2013, question 10.

30. In any event, for the purposes of the present decision, it is not necessary to conclude on the exact product market definition, as the proposed concentration does not raise any competition concerns under any alternative product market definition for the wholesale distribution of electronic components.

1.3. *Line cards versus catalogue*

View of the Notifying Party

31. The Notifying Party submits that distributors usually offer their products through line-cards or catalogues. Line-cards are brochures that identify a selection of components that the distributor supplies to the market and also highlight the particular uses or applications of the specific components. They are usually presented in the form of a product matrix. Line-cards are intended to quickly inform the customer about the franchises and products offered by the distributor. Conversely, catalogues provided by distributors list hundreds of manufacturers' products and also provide an indicative price for the product.
32. The Notifying Party submits that Avnet uses only line cards, whereas MSC uses both line cards and catalogues. However, the Notifying Party considers that the distribution of electronic components by catalogue would represent approximately 10% of the total EEA market.
33. Therefore, in the Notifying Party's view, it would be artificial to segment the market based on line card or catalogues, since distributors tend to use more than one channel to distribute their products, and customers may use various alternatives (such as sales through the internet) to source their products.

Commission's assessment

34. In *Avnet/Abacus*,<sup>20</sup> the Commission, while leaving the actual market definition open, considered a further market segmentation based on different selling methods, namely the wholesale distribution through line-cards and the distribution through catalogues.
35. In that case, the market for catalogue distribution was found to account for a very small proportion of the total EEA market and the Commission concluded that the market shares on a possible separate market for line card distribution would only marginally differ from those in an overall market also including catalogue distribution.
36. In the present case, the market investigation confirmed the Commission's past findings. A large majority of distributors replied that they sell a very high proportion of their electronic components through line-cards.<sup>21</sup> The market investigation also did not provide any indication that the Parties' and/or their competitors' market share and position would be materially different in a possible separate market for line card distribution from their market share and market position in an overall market also including catalogue distribution.
37. Based on the above, for the purposes of the present decision, the Commission considers that it is not necessary to conclude on the segmentation of the market for the wholesale distribution of electronic components between line card and catalogue distribution.

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20 Decision of 19 January 2009 in Case COMP M.5385 - *Avnet/Abacus*, paragraph 25.

21 See replies to questionnaire Q1 to competitors of 2 August 2013, question 13.

## 2. Geographic Market

### View of the Notifying Party

38. The Notifying Party submits that the geographic scope of the relevant product market(s) has widened, and should now be defined as EEA-wide or even global. This is due to the lower transport costs and flat tariff rates for transportation in the EU, the ability of technical sales personnel to provide cross-border support, and the increased commoditisation of electronic components that allows customers to make a trade-off between the added value services provided by distributors in the EEA against the possibility of purchasing lower priced products in Asia. The Notifying Party provides several examples of US-based distributors, such as Digi-Key and Mouser, which increasingly sell throughout the EEA from their US base.

### Commission's assessment

39. In a previous decision, the Commission, while acknowledging a tendency towards a widening of the geographic scope of the market,<sup>22</sup> has so far defined the geographic markets for the wholesale distribution of electronic components as national.<sup>23</sup> This definition was based on the fact that distributors typically have local sales offices, on the importance of the local presence of technical staff for product customisation, development and quality control, and on the importance of having local warehouses to ensure quick delivery times.
40. The results of the market investigation conducted for the purpose of the present case were mixed. While, on the one hand, a large majority of suppliers, distributors and customers explained that transport costs represent only a small part of their total price<sup>24</sup> and suppliers and distributors are not aware of significant differences in the overall price level of electronic components across the EEA,<sup>25</sup> on the other hand, a large majority of suppliers and customers also replied that it was very important for wholesale distributors to have a local presence to be able to provide value-added services, such as technical assistance, end-user support and/or after-sales assistance.<sup>26</sup>
41. In any event, for the purposes of the present decision, it is not necessary to conclude on the exact geographic scope of the product market definitions, as the proposed concentration does not raise any competition concerns under any alternative geographic market definition for the wholesale distribution of electronic components.

## V. COMPETITIVE ASSESSMENT

42. The proposed concentration will give rise to the following horizontally affected markets in the wholesale distribution of electronic components:

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22 Decision of 19 January 2009 in Case COMP M.5385 - *Avnet/Abacus*, paragraph 27.

23 Decision of 24 June 2005 in Case COMP/M.3820 – *Avnet/Memec*, paragraph 26.

24 See replies to questionnaire Q1 to competitors of 1 August 2013, question 20; questionnaire Q2 to suppliers of 2 August 2013, question 14; and questionnaire Q3 to customers of 2 August 2013, question 9.

25 See replies to questionnaire Q1 to competitors of 1 August 2013, question 25; and questionnaire Q2 to suppliers of 2 August 2013, question 16.

26 See replies to questionnaire Q2 to suppliers of 2 August 2013, question 15; and questionnaire Q3 to customers of 2 August 2013, question 11.



- The wholesale distribution of electronic components as a whole in: the EEA, Austria, Belgium, Bulgaria, Czech Republic, Denmark, France, Germany, Ireland, Italy, Malta, the Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and the UK.
43. If the market for the wholesale distribution of electronic components is segmented between semiconductors, passive components, emechs and embedded products, the proposed concentration would give rise to the following horizontally affected markets:
- The wholesale distribution of semiconductors in the EEA, Austria, Belgium, Bulgaria, Czech Republic, Denmark, Estonia, Finland, France, Germany, Hungary, Ireland, Italy, Malta, the Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, and the UK.
  - The wholesale distribution of emechs in Denmark, Malta and Slovenia.
  - The wholesale distribution of embedded products in the EEA and Germany.
44. The proposed concentration does not give rise to vertically affected markets in the manufacturing of electronic components

View of the Notifying Party

45. In a nutshell, the Notifying Party submits that the proposed concentration does not give rise to competition concerns in the overall market for the wholesale distribution of electronic components and/or in any of its possible segments both in the EEA and at the national level since MSC's market position is very limited and, post transaction, Avnet will continue to face strong competition from a very strong market player such as Arrow, but also from a number of medium and small EEA-based distributors, as well as from non-EEA based (both US-based and Asian) market players.

Commission's assessment

46. ***Wholesale distribution of electronic components.*** The Parties' combined market shares in the affected markets for the wholesale distribution of all electronic components are as follows:

Table 1: Wholesale distribution of electronic components, market shares (2012)

<b>Territory</b>	<b>Avnet</b>	<b>MSC</b>	<b>Parties combined</b>
<b>EEA</b>	[20-30]%	[0-5]%	[20-30]%
<b>Austria</b>	[20-30]%	[0-5]%	[20-30]%
<b>Belgium</b>	[20-30]%	[0-5]%	[20-30]%
<b>Netherlands</b>	[10-20]%	[0-5]%	[10-20]%
<b>Czech Republic</b>	[10-20]%	[0-5]%	[10-20]%
<b>Denmark</b>	[20-30]%	[0-5]%	[20-30]%
<b>France</b>	[20-30]%	[0-5]%	[20-30]%
<b>Germany</b>	[10-20]%	[0-5]%	[20-30]%
<b>Portugal</b>	[20-30]%	[0-5]%	[20-30]%
<b>Spain</b>	[10-20]%	[0-5]%	[20-30]%
<b>Italy</b>	[20-30]%	[0-5]%	[20-30]%
<b>Poland</b>	[10-20]%	[0-5]%	[10-20]%
<b>United Kingdom</b>	[20-30]%	[0-5]%	[20-30]%
<b>Norway</b>	[10-20]%	[0-5]%	[10-20]%
<b>Bulgaria</b>	[10-20]%	[0-5]%	[10-20]%
<b>Ireland</b>	[20-30]%	[0-5]%	[20-30]%
<b>Malta</b>	[10-20]%	[0-5]%	[10-20]%
<b>Romania</b>	[20-30]%	[0-5]%	[30-40]%
<b>Slovakia</b>	[10-20]%	[0-5]%	[10-20]%
<b>Slovenia</b>	[30-40]%	[0-5]%	[40-50]%

**Source: Notifying Party's estimates and Europartners data**

47. Firstly, as shown by Table 1 above, in most of the affected national markets as well as at the EEA level, the Parties' combined market share will remain below [20-30]% post-transaction. According to the Guidelines of the assessment of horizontal mergers under the Council Regulation on the control of concentrations between undertakings ("Horizontal Guidelines")<sup>27</sup>, market shares below that threshold constitute a presumption that the concentration is not likely to impede effective competition.

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27 OJ C31, 5 February 2004, P.5

48. Secondly, as concerns those Member States, in which the combined market share of the Parties exceeds [20-30]%, but remains below [30-40]% (namely France and Ireland), the increment in the Notifying Party's market share is very limited (below [0-5]%).
49. In France, Avnet will marginally increase its leading position in the electronic components distribution market with a market share of [20-30]% and an increment of [0-5]%. However, Avnet will continue to be confronted with a strong competitor, such as Arrow, with a market share of [10-20]%. Rival distributors Electrocomponents ([5-10]%), Rutronik ([5-10]%) and Future ([5-10]%) will also continue to exert a competitive constraint on the merged entity, as will other smaller electronic components distributors such as Farnell, TTI, PN Electronics, Matelco and Eurocomposent, which collectively hold an estimated share of supply of around [10-20]%.
50. Likewise, in Ireland, where Avnet's market share will be [20-30]% post-transaction, the increment will be negligible ([0-5]%) and, post-transaction, the merged entity will still be faced with competitive pressure from competing distributors, such as Arrow, Future, TTI, Electrocomponents, Farnell, Acal and Digi-Key.
51. As regards Romania, where Avnet's market share will reach [30-40]%, the market share increment will be limited to [0-5]%. Moreover, the market investigation has confirmed that, post-transaction, several other distributors such as, among others, Arrow, Future and Rutronik, will continue to be active on the market and continue to exercise competitive pressure on the combined entity.<sup>28</sup> Romanian customers also confirmed that there will remain sufficient alternative distributors to the merged entity for them to source their products following the proposed concentration<sup>29</sup> and that it would be easy for customers to switch their purchases from the merged entity to other distributors if the merged entity was to raise its prices.<sup>30</sup>
52. Finally, as regards Slovenia, post-transaction, the combined market share of the parties will reach [40-50]%, with, however, a limited market share increment of [0-5]%. Moreover, the Slovenian customers, which responded to the market investigation, did not raise any concerns as regards the proposed concentration<sup>31</sup> and confirmed the presence in the market of strong competitors, such as Arrow, Rutronik and Future, which will continue to exert a competitive constraint on the merged entity<sup>32</sup>. These customers also confirmed that there will remain sufficient alternative distributors to the merged entity for customers to source their products following the proposed concentration<sup>33</sup> and that it would be easy for customers to switch their purchases from the merged entity to other distributors if the merged entity was to raise its prices.<sup>34</sup>
53. Finally, it should be noted that the majority of the respondents to the market investigation did not raise competition concerns as regards the proposed concentration.<sup>35</sup>

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28 See replies to questionnaire Q3 to customers of 2 August 2013, question 15.

29 See replies to questionnaire Q3 to customers of 2 August 2013, question 16.

30 See replies to questionnaire Q3 to customers of 2 August 2013, question 17.

31 See replies to questionnaire Q3 to customers of 2 August 2013, questions 25 and 26.

32 See replies to questionnaire Q3 to customers of 2 August 2013, question 15.

33 See replies to questionnaire Q3 to customers of 2 August 2013, question 16.

34 See replies to questionnaire Q3 to customers of 2 August 2013, question 17.

35 See replies to questionnaire Q1 to competitors of 2 August 2013, questions 35 and 36; questionnaire Q2 to suppliers of 2 August 2013, questions 25 and 26; questionnaire Q3 to customers of 2 August 2013, questions 25 and 26.

To the contrary many respondents indicated that the proposed concentration may actually have positive effects on the market because a broader range of products and more competitive prices will be offered by the merged entity<sup>36</sup>. Moreover, a large majority of the customers, which responded to the market investigation, indicated that post-merger, alternative solutions to source their products will still be available and easily accessible.<sup>37</sup> Finally, a majority of manufacturers also believed that it would be easy for them to enter into new contracts with distributors others than the merged entity, and to transfer their business to competing distributors.<sup>38</sup>

54. Based on the above, the Commission concludes that the proposed concentration is unlikely to give rise to competition concerns in the wholesale distribution of electronic components in the EEA and each of the national markets that are affected by the proposed concentration and, therefore, does not raise serious doubts as to its compatibility with the internal market.
55. **Wholesale distribution of semiconductors.** The Parties' combined markets share in the possible affected markets/segments for the wholesale distribution of semiconductors are as follows:

Table 2: Wholesale distribution of semiconductors, market shares (2012)

<b>Territory</b>	<b>Avnet</b>	<b>MSC</b>	<b>Parties combined</b>
<b>EEA</b>	[30-40]%	[0-5]%	[30-40]%
<b>Austria</b>	[30-40]%	[0-5]%	[30-40]%
<b>Belgium</b>	[30-40]%	[0-5]%	[30-40]%
<b>Netherlands</b>	[20-30]%	[0-5]%	[20-30]%
<b>Czech Republic</b>	[20-30]%	[0-5]%	[30-40]%
<b>Denmark</b>	[30-40]%	[0-5]%	[30-40]%
<b>Finland</b>	[20-30]%	[0-5]%	[20-30]%
<b>France</b>	[40-50]%	[0-5]%	[40-50]%
<b>Germany</b>	[20-30]%	[0-5]%	[20-30]%
<b>Hungary</b>	[10-20]%	[0-5]%	[20-30]%
<b>Portugal</b>	[30-40]%	[0-5]%	[30-40]%
<b>Spain</b>	[30-40]%	[0-5]%	[30-40]%
<b>Italy</b>	[30-40]%	[0-5]%	[30-40]%
<b>Poland</b>	[20-30]%	[0-5]%	[20-30]%
<b>Sweden</b>	[20-30]%	[0-5]%	[20-30]%
<b>United Kingdom</b>	[30-40]%	[0-5]%	[30-40]%
<b>Norway</b>	[30-40]%	[0-5]%	[30-40]%
<b>Bulgaria</b>	[30-40]%	[0-5]%	[30-40]%
<b>Estonia</b>	[10-20]%	[0-5]%	[10-20]%

36 See replies to questionnaire Q2 to suppliers of 2 August 2013, question 25.1; and questionnaire Q3 to customers of 2 August 2013, question 25.1.

37 See replies to questionnaire Q3 to customers of 2 August 2013, questions 16 and 17.

38 See replies to questionnaire Q2 to suppliers of 2 August 2013, questions 19 and 20.

<b>Ireland</b>	[30-40]%	[0-5]%	[30-40]%
<b>Malta</b>	[10-20]%	[0-5]%	[10-20]%
<b>Romania</b>	[40-50]%	[0-5]%	[40-50]%
<b>Slovakia</b>	[20-30]%	[0-5]%	[20-30]%
<b>Slovenia</b>	[50-60]%	[0-5]%	[50-60]%

**Source: Notifying Party's estimates and Europartners data**

56. Firstly, as shown in Table 2 above, the Parties' combined market share does not exceed [20-30]% in a number of national markets (the Netherlands, Finland, Hungary, Poland, Sweden, Estonia, and Malta). According to the Horizontal Guidelines, market shares below that threshold constitute a presumption that the concentration is not likely to impede effective competition.
57. Secondly, in markets where the combined share of the Parties exceed [20-30]%, but remains below [40-50]%, (notably at the EEA level and in Austria, Belgium, Bulgaria, Czech Republic, Denmark, Germany, Ireland, Italy, Norway, Portugal, Slovakia, Spain and the United Kingdom), the increment in market share brought by the proposed concentration is limited (below [0-5]%, except in the Czech Republic and in Germany, where it is between [0-5]% and [0-5]%). Moreover, in all these territories, Avnet will continue to face competition from large players, such as Arrow, and/or medium and small distributors.
58. Moreover, the majority of the customers which replied to the market investigation stated that the proposed concentration would likely have a positive impact on the market in these territories because the merged entity will be able to offer a wider range of products, better conditions and better customer service<sup>39</sup>. The majority of suppliers were also of the opinion that the concentration will be overall positive both on the competitive situation and on the price level in the wholesale distribution of semiconductors in the relevant territories.<sup>40</sup> In addition, the majority of the customers, suppliers and competitors, which answered the investigation, considers that, post-transaction, there will remain sufficient and easily accessible alternatives to the merged entity.<sup>41</sup>
59. Thirdly, the combined market shares of the Parties will exceed [40-50]% post-transaction in France, Romania and Slovenia.
60. In France, following the proposed concentration, Avnet will have an estimated market share of [40-50]%. However, the increment to the Notifying Party's existing share is negligible ([0-5]%). Moreover, while the combined entity will remain the largest distributor of semiconductors in the country, its direct competitor, Arrow, with a market share of almost [20-30]%, will still be able to exercise a competitive constraint on the merged entity. Other large players, such as Future, Rutronik and PN Electronics will also continue to be active in the market.
61. In Romania and Slovenia, following the proposed concentration, the combined entity will have an estimated market share of respectively [40-50]% and [50-60]%. However, the increment to Avnet's existing share is very low (in both cases below [0-5]%).

<sup>39</sup> See replies to questionnaire Q3 to customers of 2 August 2013, question 25.

<sup>40</sup> See replies to questionnaire Q2 to suppliers of 2 August 2013, question 25.

<sup>41</sup> See replies to questionnaire Q1 to competitors of 2 August 2013, questions 27 and 28; questionnaire Q2 to suppliers of 2 August 2013, questions 19 and 20; and questionnaire Q3 to customers of 2 August 2013, questions 16 and 17.

Moreover, the Romanian and Slovenian customers, who replied to the market investigation, confirmed that, in both countries, Avnet's main rival distributors, such as Arrow and Future will continue to be active on the market<sup>42</sup> and will be exerting a competitive constraint on the merged entity. These customers also confirmed that there will remain sufficient alternative distributors to the merged entity for customers to source their products following the proposed concentration<sup>43</sup> and that it would be easy for customers to switch their purchases from the merged entity to other distributors if the merged entity was to raise its prices.<sup>44</sup>

62. Based on the above, the Commission concludes that the proposed concentration is unlikely to give rise to competition concerns in the wholesale distribution of semiconductors in the EEA and each of the national markets that are affected by the proposed concentration and, therefore, does not raise serious doubts as to its compatibility with the internal market.
63. **Wholesale distribution of emechs.** The Parties' combined market share in the possible affected markets/segments for the wholesale distribution of electromechanical and interconnect components are as follows:

*Table 3: Wholesale distribution of emechs, market shares (2012)*

<b>Territory</b>	<b>Avnet</b>	<b>MSC</b>	<b>Parties combined</b>
<b>Denmark</b>	[30-40]%	[0-5]%	[30-40]%
<b>Malta</b>	[20-30]%	[0-5]%	[20-30]%
<b>Slovenia</b>	[20-30]%	[0-5]%	[20-30]%

**Source: Notifying Party's estimates and Europartners data**

64. As shown by Table 3 above, the Parties' combined market share in Malta is just over [20-30]%. Moreover, the market investigation has confirmed that other competing distributors, such as Arrow, Weidmueller, Phoenix, Wuerth electronics are active on the Maltese market,<sup>45</sup> and will be able to exert a competitive pressure on the merged entity. Finally, the majority of Maltese customers, which replied to the market investigation, confirmed that they will have easy access to sufficient alternatives to the merged entity.<sup>46</sup>
65. In the other affected markets, namely Denmark and Slovenia, the Parties' combined market share exceeds [20-30]%, but remains below [30-40]% for Slovenia and slightly exceeds [30-40]% in Denmark. However, the increment in the Notifying Party's market share is below [0-5]% in both instances and, post transaction, the merged entity will face the competition constraint of a number of other market players.
66. In Denmark, while Avnet will marginally increase its leading market position, it will continue to face strong competition from larger players, such as Acte and Arrow (each with a market share of around [5-10]%). Moreover, distributors such as TTI, Farnell and

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42 See replies to questionnaire Q3 to customers of 2 August 2013, question 15.

43 See replies to questionnaire Q3 to customers of 2 August 2013, question 16.

44 See replies to questionnaire Q3 to customers of 2 August 2013, question 17.

45 See replies to questionnaire Q3 to customers of 2 August 2013, question 15.

46 See replies to questionnaire Q3 to customers of 2 August 2013, questions 16 and 17.

Electrocomponents, as well as a large number of other small competitors will continue to be active on the market.

67. In Slovenia Avnet will continue to face strong competition from larger players, such as Arrow and Rutronik.<sup>47</sup> Moreover, a majority of the customers, which submitted a response the market investigation, reported no competition concerns stemming from the proposed concentration and confirmed that they will have easy access to sufficient alternatives to the merged entity following the proposed concentration.<sup>48</sup>
68. Based on the above, the Commission concludes that the proposed concentration is unlikely to give rise to competition concerns in the wholesale distribution of emechs in each of the national markets that are affected by the proposed concentration and, therefore, does not raise serious doubts as to its compatibility with the internal market.
69. **Wholesale distribution of embedded products.** The Parties' combined markets share in the possible affected markets/segments for the wholesale distribution of embedded products are as follows:

*Table 4: Wholesale distribution of embedded products, market shares (2012)*

	Avnet	MSC	Parties combined
<b>EEA</b>	[0-5]%	[10-20]%	[10-20]%
<b>Germany</b>	[0-5]%	[20-30]%	[20-30]%

**Source: Notifying Party's estimates and Europartners data**

70. As shown by Table 4 above, at the EEA level and in Germany, the Parties' combined market share remains below [20-30]%. According to the Commission Horizontal Guidelines, market shares behind that threshold constitute a presumption that the concentration is not likely to impede effective competition. At the EEA level, the merged entity will continue to face competitive pressure from distributors of equal size, such as Arrow ([10-20]%), and other distributors, such as Farnell ([0-5]%), Electroncomponents ([0-5]%) and Acal ([0-5]%). In Germany, the merged entity will continue to face competitive pressure from a number of middle-sized competitors, such as Glyn ([5-10]%), Arrow ([5-10]%), Endrich Baulemente ([0-5]%) and Rutronik ([0-5]%).
71. Moreover, a large majority of the suppliers, competitors, and customers, which answered to the market investigation, replied that, post-transaction, there will remain sufficient alternative distributors to the merged entity for customers to source their products,<sup>49</sup> and that it would be easy for customers to switch their purchases from the merged entity to other distributors if the merged entity was to raise its prices.<sup>50</sup>
72. Based on the above, the Commission concludes that the proposed concentration is unlikely to give rise to competition concerns in the wholesale distribution of embedded

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47 See replies to questionnaire Q3 to customers of 2 August 2013, question 15.

48 See replies to questionnaire Q3 to customers of 2 August 2013, questions 16 and 17.

49 See replies to questionnaire Q1 to competitors of 2 August 2013, question 27; questionnaire Q2 to suppliers of 2 August 2013, question 19; and questionnaire Q3 to customers of 2 August 2013, question 16.

50 See replies to questionnaire Q1 to competitors of 2 August 2013, questions 28 and 34.1; questionnaire Q2 to suppliers of 2 August 2013, questions 20 and 24, replies to questionnaire Q3 to customers of 2 August 2013, questions 17 and 24.

products in the EEA and in Germany and, therefore, does not raise serious doubts as to its compatibility with the internal market.

## **VI. CONCLUSION**

73. For the above reasons, the Commission considers that the proposed concentration does not raise serious doubts as to its compatibility with the internal market.
74. It has therefore decided not to oppose the proposed 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*