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***Case No COMP/M.7622 - DUFRY/ WORLD DUTY FREE***

Only the English text is available and authentic.

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

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Article 6(1)(b) NON-OPPOSITION  
Date: 05/08/2015

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## EUROPEAN COMMISSION

Brussels, 5.8.2015  
C(2015) 5686 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 Where possible the information omitted has been replaced by ranges of figures or a general description.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 M.7622 – Dufry/ World Duty Free  
Commission decision pursuant to Article 6(1)(b) of Council Regulation  
No 139/2004<sup>1</sup> and Article 57 of the Agreement on the European Economic  
Area<sup>2</sup>**

(1) On 1 July 2015, the European Commission received notification of a proposed concentration pursuant to Article 4 of the Merger Regulation by which the undertaking Dufry AG ("Dufry", Switzerland) acquires within the meaning of Article 3(1)(b) of the Merger Regulation control of the whole of the undertaking World Duty Free S.p.A ("WDF", Italy) by way of purchase of shares (Dufry and WDF together the "Parties").

#### **1. THE PARTIES**

(2) Dufry is a global travel retail company which operates retail outlets in airports and other transport hubs. Dufry is headquartered in Switzerland and it is active in North America, South America, Europe, Asia, the Middle East and Africa.

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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> OJ L 1, 3.1.1994, p.3 ('the EEA Agreement').

- (3) WDF is also a global travel retail company which operates retail outlets in airports and other transport hubs, headquartered in Italy. WDF is active in North America, South America, Europe, the Middle East and parts of Asia.

## **2. THE PROPOSED TRANSACTION**

- (4) WDF is solely controlled by Schematrentaquattro S.p.A. ("Seller"), which owns 50.1% of its issued share capital, and which is in turn indirectly controlled by the Benetton family. Currently, the two largest single shareholders of WDF hold 4.8% and 2.2% of the issued share capital, 42.9% are free-float. As a result, no other shareholder is able to exercise control of WDF.
- (5) On 28 March 2015, Dufry agreed to purchase the Seller's entire stake of 50.1% in WDF resulting in the acquisition of sole control. Apart from this, the shareholder structure will remain identical to the situation pre-transaction. According to Italian law, Dufry is obliged to launch an offer to acquire the remaining shares of WDF within 20 days of completion.
- (6) The proposed transaction constitutes a concentration within the meaning of Article 3(1)(b) of the Merger Regulation

## **3. EU DIMENSION**

- (7) The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 000 million<sup>3</sup> (Dufry: EUR [...], WDF: EUR [...] million). Each of them has a EU-wide turnover in excess of EUR 250 million (Dufry: EUR [...], WDF: EUR [...] million), but they do not achieve more than two-thirds of their aggregate EU-wide turnover within one and the same Member State. The notified operation therefore has an EU dimension.

## **4. THE COMMISSION'S ASSESSMENT**

- (8) The competitive assessment focuses on two relevant product markets, namely (i) the market for the provision of travel retail services at airports, (ii) and the award of concessions for the provision of travel retail services at airports.

### **4.1. Travel retail services**

#### *4.1.1. Relevant product market*

- (9) Both Parties are active globally in offering travel retail services at airports.
- (10) Travel retailers operate shops at different locations including airports, on-board aircraft, seaports, cruise liners and other tourist locations, such as hotels or resort complexes. The Parties' activities focus on sales outlets at airports, where 90% of their revenues are achieved. Moreover, as in the EEA their activities only overlap in the airport segment, the Commission's analysis is limited to this segment<sup>4</sup>.

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<sup>3</sup> Turnover calculated in accordance with Article 5 of the Merger Regulation and the Commission Consolidated Jurisdictional Notice (OJ C 95, 16.4.2008, p. 1).

<sup>4</sup> The Commission has in previous cases left open whether sales at airports from a distinct product market from that of travel retail services in general – for example, IV/M.782 Swissair/Allders

- (11) At airports, travel retailers operate a variety of duty free and duty paid<sup>5</sup> retail outlets including general travel retail shops that sell “typical” duty free products (such as perfumes and cosmetics, confectionery, wine and spirits and tobacco), specialised shops, brand boutiques and news and convenience stores.

#### Previous Commission decisions

- (12) In previous decisions, the Commission considered the following sub-segmentations of the travel retail services at airports, but ultimately left the market definition open:
- a. by retail product category, for example, perfumes and cosmetics, confectionery, wine, spirits and tobacco, watches, jewellery and accessories, fashion and leather;<sup>6</sup>
  - b. into airside sales (duty free and “travel value” only accessible to ticket holding passengers and staff who have passed through customs, immigration and security) and landside sales (duty paid, accessible to non-travellers as well as ticket holders ).<sup>7</sup>

#### Notifying Party's views

- (13) The Notifying Party submits that the relevant market should be defined as the overall travel retail market. In this context, the Notifying Party contends that there is a large degree of demand-side substitutability, as most customers buy out of impulse, for example to spend remaining local currency or simply to pass time.

#### The Commission's assessment

- (14) In addition to the segmentations contemplated in previous decisions, the Commission also investigated whether the market could be delineated according to the type of store at which travel retailers sell their goods, and considered the following types of stores in its investigation: general travel retail stores, selling "classic" duty free products such as alcohol, tobacco and perfumes; brand boutiques; specialised stores and news and convenience stores.
- (15) Conversely, based on the Notifying Party's submissions, a strong role of impulse customers could justify a finding that there is a large degree of demand side

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International at paragraph 8; COMP/M.3728 Autogrill/Altadis/Aldeasa at paragraph 9; COMP/M.4762 Autogrill/Alpha Airports Group at paragraph 9; COMP/M.5123 Autogrill/World Duty Free at paragraph 12; COMP/M.5389 Aéroports de Paris/The Nuance Group at paragraph 15; and COMP/M.6263 Aelia/Aéroports de Paris/JV at paragraph 18.

<sup>5</sup> Duty paid products include all taxable goods, including goods where the tax/duty is paid by the consumer and goods where the tax is absorbed by the retailer in order to be able to offer the same or similar prices to intra-EU travellers as the prices for duty free products, so-called “travel value” prices.

<sup>6</sup> COMP/M.5114 Pernod Ricard/V&S at paragraph 41; COMP/M.6212 LVMH/Bulgari at paragraph 17; COMP/M.6263 Aelia/Aéroports de Paris/JV at paragraphs 30-33.

<sup>7</sup> COMP/M.3728 Autogrill/Altadis/Aldeasa at paragraph 9; COMP/M.4581 Imperial Tobacco/Altadis at paragraph 20; COMP/M.5389 Aéroports de Paris/The Nuance Group at paragraphs 16 and 17; and COMP/M.6263 Aelia/Aéroports de Paris/JV at paragraphs 25-29.

substitutability between different kinds of stores and products, reducing the relevance of such a distinction.

- (16) In the framework of the market investigation, the majority of respondents considered that customers at airport retail stores buy largely based on impulse<sup>8</sup>. For example, one airport operator responded that "*primarily customers are using the airport to travel [...] During the time they have available, they browse the shops and in many cases they make purchases [...] however as retail isn't their focus this is mainly impulse/unplanned purchases*"<sup>9</sup>. Another respondent stated that "*the essence of airport travel retail is to generate and manage non-planned, impulse purchases*"<sup>10</sup>; "*a consequence of this is that shops offering different product categories still find themselves in competition, for the time, interest and purchasing power of travelling consumers*"<sup>11</sup>. At the same time, there are indications that impulse is even more prominent as a motivation to buy in some of the "classic" duty free product categories and possibly in this type of store.<sup>12</sup> Nonetheless, the results of the market investigation were not fully conclusive as to whether a segmentation by store type or by product category is warranted.
- (17) As regards a possible distinction between airside and landside stores, a number of respondents to the market investigation indicated that it might be appropriate to make such a distinction given the different range of products available and the restricted access to airside stores.<sup>13</sup> However, the market investigation was not fully conclusive on this point either.
- (18) In any event, the definition of the relevant product market can be left open for the purposes of the present decision as the proposed transaction does not raise concerns under any plausible market definition.

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<sup>8</sup> Replies to question 4 – Questionnaire to airport operators, and replies to question 5 – Questionnaire to competitors.

<sup>9</sup> Replies to question 4 – Questionnaire to airport operators.

<sup>10</sup> Replies to question 5 – Questionnaire to competitors.

<sup>11</sup> Replies to question 5 – Questionnaire to competitors.

<sup>12</sup> Replies to question 4 – Questionnaire to airport operators, and replies to question 5 – Questionnaire to competitors.

<sup>13</sup> Replies to question 6 – Questionnaire to competitors.

#### 4.1.2. Relevant geographic market

##### Previous Commission decisions

- (19) In its previous practice, the Commission has left open the definition of the relevant geographic market, indicating that the market could be (i) limited to a given airport, (ii) EEA-wide or (iii) global<sup>14</sup>.

##### Notifying Party's views

- (20) The Notifying Party submits that the relevant market is worldwide in scope. They argue that customers can purchase products in a number of airports or other travel retail locations along their journey, where a comparable range of products is available. The presence of online shopping and digital price comparison tools furthermore strengthens the possibility to compare prices.
- (21) The Notifying finally submits that from a supply-side perspective, the fact that most travel retailers are active world-wide speaks in favour of a global scope of the relevant market.

##### The Commission's assessment

- (22) The market investigation indicated that consumers tend to compare prices between airports, increasingly by relying on online-tools. This behaviour seems to be of particular relevance as regards certain categories of goods such as perfumes, tobacco and alcohol<sup>15</sup>.
- (23) One airport operator characterised the situation as follows: "*Customers will compare prices between different airports within the EEA. There is significant competition at each airport from duty free shops airside and duty paid shops on arrival and also from international return airports*".<sup>16</sup>
- (24) Overall, this could indicate that the relevant geographic market has to be defined as being at least EEA-wide in scope.
- (25) In any event, the geographic definition can be left open for the purposes of the present decision as no competition concerns arise irrespective of the market definition.

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<sup>14</sup> IV/M.782 Swissair/Allders International at paragraph 10; COMP/M.3728 Autogrill/Altadis/Aldeasa at paragraph 12; COMP/M.4762 Autogrill/Alpha Airports Group at paragraph 14; COMP/M.5123 Autogrill/World Duty Free at paragraph 18; COMP/M.5389 Aéroports de Paris/The Nuance Group at paragraph 22; and COMP/M.6263 Aelia/Aéroports de Paris/JV at paragraph 47.

<sup>15</sup> Replies to question 6 – Questionnaire to airport operators.

<sup>16</sup> Replies to question 6.1 – Questionnaire to airport operators.

## **4.2. Award of concessions for travel retail services**

### *4.2.1. Relevant product market*

- (26) Retail services at airports are provided on the basis of concession agreements between airport operators and travel retail operators, which are mostly awarded through tenders, and which can also be negotiated directly without a tender process<sup>17</sup>. Under these concession agreements, retailers typically pay the airport operator a concession fee which can for example comprise a fixed, guaranteed fee and a variable amount linked to the revenues generated through retail sales<sup>18</sup>.
- (27) In many cases, airport operators specify in the tender documents the type of product(s) that are to be sold in the outlet(s) covered by a given concession.<sup>19</sup>

### Past Commission decisions

- (28) In previous decisions<sup>20</sup>, the Commission found that a separate market for the award of such concessions exists, but did not contemplate further segmentations.

### Notifying Party's views

- (29) The Notifying Party agrees with the approach of the Commission in previous cases, and submits that most travel retail companies can and will bid for concession irrespective of the product categories covered. If the concession relates to a specific product, such as fashion for example, then specialist retailers may bid as well.

### The Commission's assessment

- (30) The market investigation did not provide any indications that would warrant departing from the Commission's previous practice and to further segment the market. The information assessed relating to recent tenders for concessions at airports in which the Parties were involved demonstrates the presence of a number of different bidders for concession of different type and duration.<sup>21</sup>

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<sup>17</sup> Replies to question 15 – Questionnaire to competitors.

<sup>18</sup> Minutes of a telephone conference with an EU airport operator dated 25 June 2015.

<sup>19</sup> Minutes of a telephone conference with an EU airport operator dated 25 June 2015.

<sup>20</sup> COMP/M.5123 Autogrill/World Duty Free at paragraphs 15-17; COMP/M.5389 Aéroports de Paris/The Nuance Group at paragraph 21; COMP/M.6263 Aelia/Aéroports de Paris JV at paragraphs 44-46; and COMP/M.6723 Ferrovial/Qatar Holding/CDPQ/Baker Street/BAA at paragraphs 25 and 26.

<sup>21</sup> Replies to question 8 – Questionnaire to airport operators; Minutes of a telephone conference with an EU airport operator dated 25 June 2015.

#### 4.2.2. *Relevant geographic market*

##### Past Commission decisions

(31) In its previous decisions, the Commission left open the exact scope of the geographic market, while pointing to factors indicating the possible existence of an EEA-wide or even global market.<sup>22</sup>

##### Notifying Party's views

(32) The Notifying Party agrees with the Commission's approach, stating that tenders are generally open to all bidders irrespective of their origin. Moreover, most travel retailers are active on a global scale and airport operators aim at attracting bids from as many companies as possible. Therefore, the Notifying Party considers the market to have a worldwide scope.

##### The Commission's assessment

(33) The market investigation indicates that the large majority of travel retail operators participate in tenders across the EEA and a number of these operators even participate at on a world-wide scale.<sup>23</sup> This suggests that the scope of the relevant geographic market could be regarded as at least EEA-wide, with some indications of an even broader market.

(34) In any event, the geographic definition can be left open for the purposes of the present case as no competition concerns arise irrespective of the market definition.

### **4.3. COMPETITIVE ASSESSMENT**

#### 4.3.1. *Travel retail services*

(35) On the basis of the plausible market definitions, the proposed transaction gives rise to affected markets at three geographic levels, namely as regards (i) the EEA, (ii) at global level and (iii) at the level of a number of individual airports.

#### 4.3.2. *Horizontally affected markets in travel retail services in the EEA*

(36) The table below sets out the Parties' market shares by revenue (EUR) and by volume (number of stores) in the affected markets on the basis of the different market sub-segmentations considered in the present decision (airside/landside, store type, type of product sold in the store).

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<sup>22</sup> COMP/M.5123 Autogrill/World Duty Free at paragraph 23; COMP/M.5389 Aeroports de Paris/The Nuance Group at paragraph 23; and COMP/M.6263 Aelia/Aéroports de Paris/JV at paragraph 34.

<sup>23</sup> Replies to question 8 – Questionnaire to airport operators.



**Table: Affected markets in the EEA**

Operator	EEA retail market shares															
	2014															
	All sales		Airside		Landside		General Travel Retail Stores		Fashion & Accessories		Alcohol & Tobacco		Perfume & Cosmetics		Fine Food & Confectionary	
	by revenue	by nr of stores	by revenue	by nr of stores	by revenue	by nr of stores	by revenue	by nr of stores	by revenue	by nr of stores	by revenue	by nr of stores	by revenue	by nr of stores	by revenue	by nr of stores
Dufry	[5-10] %	[5-10] %	[5-10] %	[5-10] %	[5-10] %	[5-10] %	[5-10] %	[5-10] %	[10-20] %	[5-10] %	[5-10] %	[5-10] %	[5-10] %	[5-10] %	[5-10] %	[5-10] %
WDF	[10-20] %	[5-10] %	[20-30] %	[5-10] %	[0-5] %	[0-5] %	[20-30] %	[10-20] %	[0-5] %	[0-5] %	[20-30] %	[5-10] %	[30-40] %	[10-20] %	[20-30] %	[5-10] %
<b>Combined</b>	<b>[20-30] %</b>	<b>[10-20] %</b>	<b>[30-40] %</b>	<b>[10-20] %</b>	<b>[5-10] %</b>	<b>[5-10] %</b>	<b>[30-40] %</b>	<b>[10-20] %</b>	<b>[20-30] %</b>	<b>[10-20] %</b>	<b>[20-30] %</b>	<b>[10-20] %</b>	<b>[30-40] %</b>	<b>[10-20] %</b>	<b>[20-30] %</b>	<b>[10-20] %</b>
Heinmann	[10-20] %	[5-10] %	[10-20] %	[5-10] %	[10-20] %	[0-5] %	[10-20] %	[5-10] %	[10-20] %	[5-10] %	[10-20] %	[5-10] %	[10-20] %	[5-10] %	[10-20] %	[0-5] %
Lagardère	[10-20] %	[30-40] %	[10-20] %	[30-40] %	[10-20] %	[40-50] %	[5-10] %	[20-30] %	[10-20] %	[30-40] %	[0-5] %	[10-20] %	[5-10] %	[20-30] %	[10-20] %	[40-50] %
Aer Rianta	[0-5] %	[0-5] %	[0-5] %	[0-5] %	[0-5] %	[0-5] %	[0-5] %	[0-5] %	[0-5] %	[0-5] %	[0-5] %	[0-5] %	[0-5] %	[0-5] %	[0-5] %	[0-5] %
Kappe	[0-5] %	[0-5] %	[0-5] %	[0-5] %	[0-5] %	[0-5] %	[0-5] %	[0-5] %	[0-5] %	[0-5] %	[0-5] %	[0-5] %	[5-10] %	[0-5] %	[0-5] %	[0-5] %
IDF	[0-5] %	[0-5] %	[0-5] %	[0-5] %	[0-5] %	[0-5] %	[0-5] %	[0-5] %	[0-5] %	[0-5] %	[0-5] %	[0-5] %	[0-5] %	[0-5] %	[0-5] %	[0-5] %
Flemingo	[0-5] %	[0-5] %	[0-5] %	[0-5] %	[0-5] %	[0-5] %	[0-5] %	[0-5] %	[0-5] %	[0-5] %	[0-5] %	[0-5] %	[0-5] %	[0-5] %	[0-5] %	[0-5] %
Others	[30-40] %	[40-50] %	[30-40] %	[40-50] %	[50-60] %	[40-50] %	[30-40] %	[40-50] %	[30-40] %	[40-50] %	[40-50] %	[40-50] %	[60-70] %	[30-40] %	[40-50] %	[30-40] %

Source: Notifying Party's best estimates, based on third party reports

- (37) As the table above illustrates, affected markets arise under the contemplated market segmentations as a result of the proposed transaction.
- (38) On a possible general product market for retail travel services at EEA airports, the Parties would have a combined overall market share of [20-30]% by revenue (no affected market by number of stores). Likewise, if one were to distinguish between landside and airside stores, the proposed transaction would lead to a [30-40]% market share by revenue in the airside segment (again, the market share by number of stores is much lower with [10-20]%).
- (39) On the basis of a segmentation by type of store, the proposed transaction would give rise in particular to a market share of [30-40]% (by revenue) for general retail stores. Finally, if product markets were defined on the basis of the product sold, affected markets would arise, by revenue, for fine food and confectionery ([20-30]%) alcohol and tobacco ([20-30]%), perfume and cosmetics ([30-40]%) and fashion and accessories ([20-30]%).
- (40) As a result of the proposed transaction, the combined entity would be the strongest player in all of the affected markets. At the same time, the market share of the combined entity does not exceed a maximum of [30-40]% (by revenue) in the perfume and cosmetics segment.

- (41) In addition, two significant competitors, Heinemann and Lagardère, with market shares of [10-20]% and [10-20]% respectively in terms of overall travel retail revenues are likely to constitute a competitive constraint for the combined entity. These two companies are also the most important competitors in the other affected markets, namely airside stores ([10-20]% and [10-20]% by revenue) and landside stores ([10-20]% and [10-20]% by revenue), general travel retail stores ([10-20]% and [5-10]% by revenue), fashion and accessories ([10-20]% and [10-20]% by revenue), alcohol and tobacco ([10-20]% and [0-5]% by revenue), perfume and cosmetics ([10-20]% and [5-10]% by revenue), fine food and confectionary ([10-20]% and [10-20]% by revenue).
- (42) Although the remainder of the market is rather fragmented (often companies with an overall market share in the respective segment below 1%), there are a number of strong local players such as Aer Rianta (active for example at Dublin airport), Kappe (active at Amsterdam-Schiphol) and IDF (active at Brussels-Zaventem), and a number of airport operators that run general travel retail stores themselves on an in-house basis (for example in Zagreb, Sofia, Venice and Stuttgart). All of these competitors are active in the general travel retail store segment, offering classic duty free products, such as alcohol and tobacco and fine food and confectionary, and focus also on airside sales.
- (43) As regards fashion and accessories and perfumes and cosmetics in particular, the number of actual and potential competitors is much greater, given that a large number of high street retailers and brands are active independently at airports.
- (44) There are also clear indications that this is overall a dynamic market, which has experienced entry and will likely continue to do so in the future. For example, since 2010 Flemingo, which now has a presence in 34 countries, is active in the EEA, and there are indications that a number of Asian travel retailers (DFS, Lotte and Shilla) are capable of and intend to enter the EEA market in the near future<sup>24</sup>. An EU airport operator also indicated that those companies can be expected to participate in the next tender for concessions.<sup>25</sup>
- (45) In addition to the considerations relating to the market structure, the combined entity remains subject to two significant constraints limiting its ability to increase prices post-transaction.
- (46) First, the majority of airport operators consulted in the market investigation indicated that consumers tend to compare prices at airport shops with high streets shops in their home or destination country, those of other airports, or those of online merchants<sup>26</sup>. One airport operator stated that "*people have an idea about high street pricing, and would only buy at airports if they believe they can get [...] a good deal pricewise*"<sup>27</sup>. A competitor claimed that "*general retail markets exercise a strong pressure on the airport travel retail markets, because [...] passengers do compare*

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<sup>24</sup> Replies to question 18 – Questionnaire to airport operators, and replies to question 18 – Questionnaire to competitors; also for example the Verdict Report “Global Airport Retailing 2015.

<sup>25</sup> Minutes of a telephone conference with an EU airport operator dated 25 June 2015.

<sup>26</sup> Replies to question 6 and 7 – Questionnaire to airport operators and replies to questions 10 and 11 – Questionnaire to competitors.

<sup>27</sup> Replies to question 7 – Questionnaire to airport operators.

*prices and their shopping is mostly subject to finding attractive deals*"<sup>28</sup>. Moreover, the development and increasing spread of internet-based price comparison tools, combined with the ever-more widespread installation of wireless internet in airports, and the growing role of pre-order possibility, where consumers order their product online and pick it up at their arrival at the airport, is likely to increase the significance of these competitive constraints in the future.

- (47) Second, there are indications that airport operators regularly impose some form of pricing policy on travel retailers as an element of concession agreements. The market investigation indicates that travel retailers at airports can often not set their prices independently. For example, 44% of competitors indicate that they are subject to price surveys or comparisons, further 33% to maximum selling prices and the remaining 11% declare that they are obliged to enable "price tagging", that is to show cost saving to consumers. Indeed, one competitor answered that *"very often the airport operator expects from the retailers that their prices are in sync or lower as peer airports. Such has to be proven by regular price comparisons."*<sup>29</sup>
- (48) Airport operators have largely confirmed the presence of these pricing policies – all respondents have indicated that they limit in some way the pricing behaviour of their concessionaires. One operator pointed to a policy which would benchmark the prices at the duty free shops in the airport twice a year with those down town.<sup>30</sup>
- (49) Finally, the market investigation indicated that there was no risk that the proposed transaction could lead to an increase in price or less choice in travel retail stores in airports. Almost 90% of airport operators expect prices to remain stable or decrease as a result of proposed transaction.<sup>31</sup>
- (50) It follows from the above that the proposed transaction does not raise serious doubts as to its compatibility with the common market in markets for travel retail services at airports in the EEA.

#### 4.3.3. *Horizontally affected markets in travel retail services on a global level*

- (51) Were the markets for travel retail services defined at a global level, the proposed transaction would also give rise to a number of affected markets. In particular, the combined entity would have a [20-30]% market share by revenue in the overall retail travel market, [20-30]% in the airside segment, [30-40]% in the general travel retail store segment, [30-40]% in news and convenience, [20-30]% in alcohol and tobacco, [20-30]% in perfumes and cosmetics and [30-40]% in fine food and confectionary. If market shares were assessed by number of stores, no affected markets would arise.
- (52) The proposed transaction would create the largest travel retail company in all the affected product markets. However, in each of these markets strong competitors will be present post-merger. More precisely, in the overall travel retail market and each of the above mentioned possible segmentations (airside, general travel retail, news and

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<sup>28</sup> Replies to question 11 – Questionnaire to competitors.

<sup>29</sup> Replies to question 11 – Questionnaire to competitors.

<sup>30</sup> Replies to question 12 – Questionnaire to airport operators.

<sup>31</sup> Replies to question 19 – Questionnaire to airport operators.

convenience, alcohol and tobacco, perfumes and cosmetics, food and confectionary, the most important competitors will be Heinemann, Dubai Duty Free, Lagardère, Lotte and others with individual market shares of around [5-10]% and up to [10-20]% (Lagardère) in the news and convenience segment.

- (53) Although the market would remain fragmented, there are a number of strong local players such as Aer Rianta (active for example at Dublin airport), Kappe (active at Amsterdam-Schiphol) and IDF (active at Brussels-Zaventem), and a number of airport operators that run general travel retail stores themselves on an in-house basis (for example in Zagreb, Sofia, Venice and Stuttgart). All of these competitors are active in the general travel retail store segment, offering classic duty free products, such as alcohol and tobacco and fine food and confectionary, and focus also on airside sales.
- (54) In addition, the considerations set out above in recitals (47) and (48) as to the structure of the market and the pricing constraints to which airport retailers are generally exposed applies to all the plausible product markets.
- (55) Therefore, the proposed transaction does not raise serious doubts as to its compatibility with the common market in markets for travel retail services at airports at a global level.

#### 4.3.4. *Horizontally affected markets at airport level*

- (56) If local markets at airport level were defined, the proposed transaction would give rise to affected markets in the airports of Düsseldorf, Manchester and London Heathrow, and in several Spanish airports (Madrid, Las Palmas, Malaga, and in Fuerteventura, Lanzarote and Tenerife) taking into account the percentage of stores operated by each party.

##### 4.3.4.1. Düsseldorf

- (57) At the Düsseldorf airport, WDF is present with seven stores and Dufry operates three out of a total of 77.
- (58) On the basis of the plausible product market segmentations contemplated above in section 4.1.1, the only affected market that arises as a result of the transaction is the airside market segment, where the Parties would have a combined market share of [20-30]% (by number of stores).
- (59) Given the consideration on pricing restraints set forth in recitals (47) and (48) above which apply also for this individual airport, the modest combined market share and presence of numerous competitors (e.g. Hollmann Books [10-20]%), the proposed transaction does not raise any serious doubt as to its compatibility with the common market regarding the Düsseldorf airport.

##### 4.3.4.2. Manchester

- (60) WDF is present with eight stores, whereas Dufry operates four, out of a total of 58 at Manchester airport. Dufry's stores sell fashion and accessories articles. WDF operates 5 general travel retail stores, and a Victoria's Secret Beauty & Accessories concept store, which also sell a small volume of fashion and accessories.
- (61) On the basis of the plausible product market segmentations contemplated above in section 4.1.1, the combined entity would have a share of [20-30]% in Manchester airport

of all travel retail stores, and of [20-30]% for airside stores. A further affected market arises in the fashion and accessories product category, where the combined entity would have a share of [30-40]%.

(62) However, as regards the affected market with respect to all travel retail stores and airside stores, the Parties face competition in particular from WHSmith and ([10-20]% and [20-30]%) and, Boots ([10-20]% and [10-20]%) and Dixons ([5-10]% and [5-10]).

(63) The affected market in the fashion and accessories segment does not give rise to serious doubts as it stems from the inclusion of WDF's general duty free stores as well as its Victoria's Secret beauty & accessories concept store in the fashion & accessories category. This inclusion overstates the actual market share, given the small volumes of relevant (i.e. fashion & accessories) sales in those stores. Finally, the consideration on pricing restraints set forth in recitals (47) and (48) above applies also for this individual airport.

#### 4.3.4.3. London Heathrow

(64) WDF is present with 31 stores, whereas Dufry operates four, out of a total of 166 at London Heathrow. Dufry's stores are [4 branded boutiques], selling fashion and accessories. WDF operates 3 branded boutiques offering cosmetics and perfumes.

(65) On the basis of the product market segmentations contemplated above in section 4.1.1, the proposed transaction would lead to a combined market share of [20-30]% of all travel retail stores in Heathrow, and of [20-30]% for airside stores.

(66) Given the consideration on pricing restraints set forth in recitals (47) and (48) which apply also to this airport, and given the presence of many competitors such as WHSmith (all travel retail stores [10-20]% and airside stores [10-20]%), Dixons (all travel retail stores [0-5]% and airside stores [0-5]%), Harrods (all travel retail stores [5-10]% and airside stores [5-10]%), Boots (all travel retail stores [5-10]% and airside stores [5-10]%), the transaction does not raise serious doubt as to its compatibility with the common market.

#### 4.3.4.4. Madrid

(67) Dufry plans to open its first store (Gap & Superdry) in Madrid airport in August, where it is currently not active. WDF operates 33 in Madrid. In total, there are over 100 stores at this airport.

(68) On the basis of the product market segmentations contemplated above in section 4.1.1, this new store would raise the market share of the new entity to [30-40]% (of all travel retail stores at Madrid airport), and create an overlap in the fashion & accessories segment.

(69) Given the consideration on pricing restraints set forth at recitals (47) and (48) above which apply also to this individual airport, the small size of the increment (below [0-5]%), and the presence of many competitors that are active in the fashion & accessories business at the airport including Accessorize, Adolfo Dominguez, Boss, Burberry, El Corte Ingles, Max Mara, the proposed transaction does not raise any serious doubt as to its compatibility with the common market.

#### 4.3.4.5. Malaga

- (70) Dufry is present in Malaga with one Hudson store. World Duty Free is present with six stores. The combined entity has therefore seven stores out of a total of 26.
- (71) On the basis of the product market segmentations contemplated above in section 4.1.1, the proposed transaction will give rise to affected markets in the general travel retail store segment ([20-30]% market share) and the airside segment ([30-40]% market share).
- (72) Given the consideration on pricing restraints set forth at recitals (47) and (48) above which apply also to this airport, the small size of the increment (4 respectively [5-10]%), and the presence of many competitors including Lagardère (15, respectively [10-20]%) and Areas (12 respectively [10-20]%) the proposed transaction does not raise serious doubt as to its compatibility with the common market.

#### 4.3.4.6. Las Palmas

- (73) Dufry is present in Las Palmas with 4 Hudson stores that predominantly sell newspapers, books and magazines, but also tobacco and some food in small quantities, and it plans on opening a GAP & Superdry store selling fashion items. World Duty Free is present with 3 general duty free stores, and one store selling fashion. The combined entity therefore has 8 (9 as of August 2015) stores out of 21.
- (74) On the basis of the product market segmentations contemplated above in section 4.1.1, the proposed transaction will give rise to affected markets in the alcohol and tobacco segment ([70-80]%) and in the fine food and confectionery segment ([70-80]%). Moreover, the Parties have a [30-40]% market share of all travel retail stores at the airport and a [30-40]% market share in airside stores. As of August 2015, there will be an overlap in the fashion & accessories segment, where the transaction would lead to a market share of [20-30]%.
- (75) Aside from the consideration on pricing restraints set forth at recitals (47) and (48) above which apply also for this airport, there are seven competitors at this airport, including Leocadia Matos with a market share of [30-40]% in the general travel retail and [40-50]% in the airside segment.
- (76) In the fashion and accessories segment, there are three other companies (Lenita XTG, the Mint Company and Lava) selling similar products. For the remaining affected markets in alcohol and tobacco, and fine food and confectionery, the Parties are no close competitors.
- (77) Concerning alcohol and tobacco, Hudson stores do not sell alcohol but only cigarettes. In addition, the type of tobacco products sold by Dufry (small packs containing 10 or 20 cigarettes) and World Duty Free (large cartons of more than 200 cigarettes) do not serve the same purpose and the decision to purchase is not based on the same consumers' motivation.
- (78) Concerning fine food and confectionery, Hudson's sales of fine food and confectionery represents only [...] % of its total sales. In addition, the Parties' offerings are very different. World Duty Free sells chocolate and other products in large pack sizes (such as chocolates), generally intended as gifts, while Dufry sells much smaller packs usually intended for immediate consumption in the airport. Finally, the combined

entity would also be constrained by the numerous stores and cafés (which are not included in the market share calculations) that also sell fine food and confectionery.

(79) Therefore, the proposed transaction does not raise any serious doubt as to its compatibility with the common market.

#### 4.3.4.7. Fuerteventura

(80) Dufry is present at Fuerteventura with 2 Hudson stores that predominantly sell newspapers, books and magazines, but also tobacco and some food in small quantities. World Duty Free is present with 3 stores, including a general travel retail store.

(81) The combined entity operates 5 stores out of a total 14 of stores. On the basis of the product category segmentation contemplated above in section 4.1.1, the proposed transaction will give rises to the following affected markets and market shares: [30-40]% of all airport travel retail stores, [40-50]% for airside stores, [90-100]% in the alcohol and tobacco segment and [70-80]% in the fine food and confectionery segment.

(82) Aside from the consideration on pricing restraints set forth at recitals (47) and (48) above which apply also to this airport, there are 6 competitors at this airport, which constrain the Parties in the general travel retail segment and the airside segment.

(83) As regards the affected markets in the alcohol and tobacco and fine food and confectionery segments, the Commission considers that the proposed transaction does not raise serious doubts as to its compatibility with the common market, for the same reasons as those explained in relation to the Las Palmas airport above at recital (78). Moreover, no serious doubts exist with respect to any of the other market segments assessed in relation to this airport.

#### 4.3.4.8. Lanzarote

(84) Dufry is present at Lanzarote with two Hudson stores that predominantly sell newspapers, books and magazines, but also tobacco and some food in small quantities. World Duty Free is present with four stores comprising two general travel retail stores, a fashion and a souvenir store.

(85) On the basis of the product market segmentations contemplated above in section 4.1.1, and the fact that the combined entity would operate six out of ten stores at the airport, the proposed transaction lead to a [60-70]% market share of all travel retail stores, as well as affected markets in the airside ([50-60]%), alcohol and tobacco ([90-100]%) and fine food and confectionery segments ([90-100]%).

(86) It should be noted that these high market shares are in particular due to the small overall number of stores at this airport, which is due to the relatively small size of this airport. Nonetheless, and aside from the consideration on pricing restraints set forth at recitals (47) and (48) above which apply also to this airport, there are three competitors (Devigardena, aloe Plus Lanzarote, Mas Palomas) at this airport, which constrain the Parties in the general travel retail and airside market segments.

(87) As for the affected markets in the alcohol and tobacco and fine food and confectionery segments, the Commission considers that the proposed transaction does not raise any serious doubt as to its compatibility with the common market, for the same reasons as mentioned in relation to the Las Palmas airport above at recitals (77) and

(78). Moreover, no serious doubts exist with respect to any of the other market segments assessed in relation to this airport.

#### 4.3.4.9. Tenerife Norte

(88) Dufry is present at Tenerife Norte with a Hudson store that predominantly sell newspapers, books and magazines, but also tobacco and some food in small quantities. It plans to open a Gap & Superdry store in August 2015. World Duty Free is present with 2 general duty free stores.

(89) On the basis of the product market segmentations contemplated above in section 4.1.1, and the fact that the combined entity would operate 3 stores out of 6 stores at the airport (4 out of 7 as of August 2015), the proposed transaction leads to a [50-60]% market share of all travel retail stores, as well as affected markets in the airside segment ([70-80]%) and in the alcohol and tobacco segment ([90-100]%).

(90) It should be noted that these high market share are due in particular to the small overall number of stores at this airport, which is due to the relatively small size of the airport. Nonetheless, and aside from the consideration on pricing restraints set forth at recitals (47) and (48) above which apply also to this individual airport, there are three competitors (Lagardère, Farmacia and Loro Parque) at this airport, which constrain the Parties in the general travel retail and airside market segments.

(91) As for the affected markets in the alcohol and tobacco segment, the Commission considers that the proposed transaction does not raise any serious doubt as to its compatibility with the common market, for the same reasons as mentioned in relation to the for the Las Palmas airport above at recital(77). Moreover, no serious doubts exist with respect to any of the other market segments assessed in relation to this airport.

#### 4.3.4.10. Tenerife Sur

(92) Dufry is present at Tenerife Sur with 1 fashion store, one local specialities store and one store selling sweets and candies. World Duty Free is present with four general Duty Free stores and two Fashion & accessories stores. The combined entity has therefore eight stores out of 16 in total at this airport.

(93) On the basis of the product market segmentations contemplated above in section 4.1.1, the proposed transaction would lead to a [50-60]% market share of all travel retail stores, as well as affected markets in the airside ([50-60]%), specialised stores ([30-40]%), fine food and confectionery ([50-60]%) as well as fashion and accessories segments.

(94) It should be noted that these high market share are due in particular to the small overall number of stores at this airport, which is due to the relatively small size of the airport.. Nonetheless, and aside from the consideration on pricing restraints set forth at recitals (47) and (48) above which apply also to this airport, there are 8 competitors at this airport, which constrain the Parties in the general travel retail and airside market segments.

(95) As regards the fine food and confectionary market segment, the same reasons as those enumerated for the Las Palmas airport above in paragraphs (75) and (77) apply also to the airport at hand.



(96) As for the overlap in specialised stores and fashion and accessories, the presence of competitors in this segment in the airport (Devigardena and Maspalomas), will constrain the combined entity post-transaction.

(97) Therefore, the Commission considers that the proposed transaction does not raise serious doubt as to its compatibility with the common market.

#### 4.3.5. *Award of concessions for the provision of travel retail services at airports*

(98) In this context, the Commission has analysed information concerning recent tenders for airport retail space in which the Parties participated in the EEA and world-wide. Moreover, the Commission has taken into account market share information based on total revenues in the airport retail segment in the EEA and world-wide.

(99) The analysis of the tendering information shows that both Parties together participated in about [...]% of these tenders (EEA and world-wide) in which they were competing against a number of other players, including six general travel retailers (Lagardère, Heinemann, DFASS, Duty Free Americas, ATU Americas and Flemingo) and six high street brands tendering for specialist retail concessions. One of the Parties was the winning bidder in [...]% of the tender processes taken into account.

(100) In terms of market shares an affected market arises at global level for sales at airport travel retail stores, with a combined market share by revenue of [20-30]% (Dufry [10-20]%, WDF [5-10]%). In the EEA, an affected market arises at this level with a combined market share by revenue of approximately [20-30]% (Dufry [5-10]%, WDF [10-20]%).

(101) The analysis of the tender data and the market share data explained in the preceding paragraphs indicate that the Parties will significantly enhance their positions in the market by combining their respective businesses. In particular, at world-wide level, the Parties will have a combined overall market share in the travel retail segment at airports of [20-30]% (by revenue), while the most important competitors<sup>32</sup> have market shares of [0-5]% (by revenue). In the EEA, the Parties will have a combined market share of [20-30]% (by revenue), while Heinemann would be the next largest competitor with a share of [10-20]% (by revenue) and Lagardère with [10-20]% (by revenue) would be the third-largest. Smaller operators such as Aer Rianta, Kappe and International Duty Free would have market shares of between [0-5]% at EEA level.

(102) In the framework of the market investigation, some competitors expressed the view that the combined entity could have a better negotiating position in future tenders and that it could therefore be able to achieve more favourable conditions, although these comments were rather general and not substantiated.<sup>33</sup>

(103) Despite the Parties' strengthened position in the market, there are however strong indications that the overall market for the award of concessions for the provision of travel retail services at airports will remain competitive, in particular in the EEA, as the Parties will continue to face strong competition.

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<sup>32</sup> Including Lagardère, Lotte Duty Free, Dubai Duty Free, Heinemann, DFS, Aer Rianta.

<sup>33</sup> Replies to questions 19-21 – Questionnaire to competitors.

- (104) There are several established travel retail operators that are already active in the EEA, in particular Heinemann and Lagardère. In addition, in the EEA a multitude of local actors are also bidding for those concessions, namely Aer Rianta (active for example at Dublin airport), Kappe (active at Amsterdam-Schiphol) and IDF (active at Brussels-Zaventem), and a number of airport operators that run general travel retail stores themselves on an in-house basis (for example in Zagreb, Sofia, Venice and Stuttgart).
- (105) Moreover, the results of the market investigation indicate that the barriers to entry are rather low, evidenced by actual recent entries in the EEA market. For example, in 2010 the Dubai-based operator Flemingo entered the market and is now regularly bidding in EEA tenders. Other important non-EEA operators such as DFS, Lotte and Shilla which already have an international presence appear to be credible new entrants<sup>34</sup> in the years to come. As one airport operator puts it: *"With the growth of all forms of travel hubs we would expect to see new operators at airports across EEA. We see significant demand from new potential entrants, for example, in the following retail categories: department stores, duty free operators, fashion, gifts as well as catering"*<sup>35</sup>. Another EU airport operator also expressed the opinion that DFS, Lotte and Shilla were likely to participate in the next tender for concessions.<sup>36</sup>
- (106) Further, the majority of the airport operators consulted in the framework of the market investigation were of the opinion that the proposed transaction would have no tangible impact on this market, whereas others merely stated in a rather general manner that it would decrease the number of bidders without specifying any negative effects on competition. One of the airport operators consulted stated that *"in the duty free industry there are still enough operators to achieve competition"*, another airport operator explained that *"there are number of credible global retail operators who would participate in any concession award process"*<sup>37</sup>.
- (107) In addition, and as claimed by the Parties, there are indications that airport operators have some degree of countervailing buyer power, evidenced by the fact that concession fees have been rising over the last years.
- (108) Finally, the market investigation also related to the prerequisites to successfully participate in tenders for concessions for retail space at airports. The results of the market investigation did not indicate the existence of any practices that would benefit the combined entity in a specific way, such as requirements to offer a particular brand or a particular portfolio of goods at one or more airports.<sup>38</sup>

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<sup>34</sup> Replies to question 18 – Questionnaire to airport operators, and replies to question 18 – Questionnaire to competitors; also for example the Verdict Report “Global Airport Retailing 2015.

<sup>35</sup> Replies to question 18 – Questionnaire to airport operators.

<sup>36</sup> Minutes of a telephone conference with an EU airport operator dated 25 June 2015.

<sup>37</sup> Replies to question 22 – Questionnaire to airport operators. It is import to note that airport operators have an interest in maintaining a competitive bidding market, as they participate directly in the revenues achieved by the travel retailers through flexible – and revenue-related – concession fees.

<sup>38</sup> Replies to question 14 – Questionnaire to airport operators.

(109) For the reasons above, the proposed transaction does not raise serious doubts as to its compatibility with the common market in the area of the award of concessions for the provision of retail services at airports.

#### CONCLUSION

(110) For the above reasons, the European Commission has decided not to oppose the notified operation and to declare it compatible with the internal market and with the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of the Merger Regulation and Article 57 of the EEA Agreement.

*For the Commission*  
*(Signed)*  
*Margrethe VESTAGER*  
*Member of the Commission*