



EUROPEAN COMMISSION
DG Competition

***Case M.8183 - AVNET /
PREMIER FARNELL***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 06/10/2016

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EUROPEAN COMMISSION

Brussels, 6.10.2016
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In the published version of this decision, some information has been omitted pursuant to Article 17(2) of Council Regulation (EC) No 139/2004 concerning non-disclosure of business secrets and other confidential information. The omissions are shown thus [...]. Where possible the information omitted has been replaced by ranges of figures or a general description.

PUBLIC VERSION

MERGER PROCEDURE

To the Notifying Party:

Dear Sir/Madam,

Subject: Case M.8183 - AVNET / PREMIER FARNELL
Commission decision pursuant to Article 6(1)(b) of Council Regulation No 139/2004¹ and Article 57 of the Agreement on the European Economic Area²

- (1) On 01.09.2016, the European Commission received notification of a proposed concentration pursuant to Article 4 of the Merger Regulation by which the undertaking Avnet, Inc. ("Avnet", United States) acquires within the meaning of Article 3(1)(b) of the Merger Regulation control of the whole of the undertaking Premier Farnell plc ("Premier Farnell", United Kingdom) by way of public bid announced on 28 July 2016 (the "Transaction").³ Avnet is designated hereinafter as the "Notifying Party" and Avnet and Premier Farnell are collectively referred to as the "Parties".

1. THE PARTIES

- (2) **Avnet** is a global distributor of electronic components, enterprise computer and storage products, IT solutions and services and embedded subsystems. In addition,

1 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.

2 OJ L 1, 3.1 1994, p. 3 (the "EEA Agreement").

3 Publication in the Official Journal of the European Union No C 334, 10.09.2016, p. 8.

Avnet provides engineering and design support, materials management and logistics services, system integration and configuration and supply chain services customised to meet specific requirements of customers and suppliers. Avnet operates through two business segments, Electronics Marketing and Technology Solutions.

- (3) **Premier Farnell** is a global high service distributor of technology products and solutions for electronic system design, production, maintenance and repair. It has two main businesses: element14 and CPC/MCM. The first, element14 (which trades as Farnell element14 in Europe, Newark element14 in North America and element14 across Asia Pacific) distributes electronic components and related products to three main groups of customers: electronic design engineers; maintenance and repair engineers; and contract equipment manufacturers. The second, CPC/MCM, supplies mainly finished electrical products to end-users and resellers in the United Kingdom and North America.

2. THE CONCENTRATION

- (4) The Transaction consists of the acquisition by Avnet of sole control over Premier Farnell by way of public bid announced on 28 July 2016.
- (5) Avnet or a wholly-owned subsidiary of Avnet will acquire the entire issued share capital of Premier Farnell. The Transaction will be concluded by a scheme of arrangement, which must be approved by the High Court of Justice in England and Wales.⁴ After the Transaction, Premier Farnell will be re-registered as a private limited company wholly-owned by Avnet or by a wholly-owned subsidiary of Avnet.
- (6) The Transaction therefore 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 million⁵ (Avnet: EUR 25 169 million; Premier Farnell: EUR 1 243 million). Each of them has an EU-wide turnover in excess of EUR 250 million (Avnet: [...]; Premier Farnell: [...]), but they do not achieve more than two-thirds of their aggregate EU-wide turnover within one and the same Member State.
- (8) The notified operation therefore has an EU dimension within the meaning of Article 1(2) of the Merger Regulation.

4. MARKET DEFINITION

- (9) The Transaction concerns the market for the wholesale distribution of electronic components, and its four market segments, i.e. semiconductors,⁶ passive

4 Annex 3.1.3 to the Form CO, Recommended Cash Offer for Premier Farnell plc ("Premier Farnell") by Avnet, Inc. ("Avnet") or a wholly owned subsidiary of Avnet to be effected by means of a scheme of arrangement under Part 26 of the Companies Act 2006.

5 Turnover calculated in accordance with Article 5 of the Merger Regulation.

6 Semiconductors are materials which have conductivity between conductors (metals) and non-conductors or insulators. They conduct electricity under some conditions but not others, allowing them to be used as a medium for controlling electronic currents. They are used extensively in the manufacture of electronic devices. There are a wide variety of semiconductors

components,⁷ electromechanical and interconnect components ("E-Mech")⁸ and embedded products.⁹

4.1. Markets for the wholesale distribution of electronic components

4.1.1. Product market

- (10) In previous decisions,¹⁰ 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).

4.1.1.1. Direct sales by manufacturers vs. wholesale distribution by distributors

4.1.1.1.1. Notifying Party's view

- (11) The Notifying Party submits that the relevant product market is an overall market for the distribution of electronic components, which includes direct sales by manufacturers in addition to the wholesale distribution by distributors. The sale of electronic components via distributors is small compared to direct sales by manufacturers.¹¹ In addition, the traditional distinctions between the roles of manufacturers and distributors in the supply chain are continuing to diminish. First, manufacturers increasingly offer value-added services of the type that distributors offer, including field application engineers who work with customers to design-in components into their end-products, in order to achieve early design "leads". Second, proximity to customers continues to be eroded by the growth of e-commerce and by low transport costs, allowing both manufacturers and distributors to supply customers across Member States and regions.¹² Competition between distributors and manufacturers is therefore growing, in particular as manufacturers extend earlier into the customer's product lifecycle and thus compete more with early stage "high service" component distributors (in addition to "high volume" production-stage distributors).

4.1.1.1.2. Results of the market investigation and Commission's assessment

- (12) In previous decisions, the Commission considered that direct sales of electronic components by manufacturers constitute a separate product market from the wholesale distribution of these components by distributors.

including discrettes, analogue IC semiconductors, programmable logic semiconductors, MOS Micro Logic devices and memory devices.

7 Passive components ("passives") cannot introduce net energy into a circuit. They are defensive components. These include capacitors (which store and release electronic charge), resistors (which oppose the flow of current) and electronic filters (which perform signal processing).

8 E-Mech can carry out electronic operations by using moving parts or by using electronic connections. E-Mech products include a wide range of components, including relays, switches, circuit protection devices (e.g., fuses), batteries, racks, etc. Many companies and market consultancies, including Europartners, include interconnector sales within E-Mech. Interconnectors represent the largest category of E-Mech products.

9 Embedded systems are comprised of displays, computer boards and networking modules, together with the necessary software. The solution is then integrated into technology products.

10 Decision of 4 September 2013 in Case COMP/M.6863 - Avnet EMG/MSC Investoren, paragraph 11, 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.

11 According to the Notifying Party direct sales by manufacturers account for [70-80]% of sales of electronic components by value in the EEA, with distributor sales accounting for only [20-30]%.

12 Traditionally, distributors have had local sales forces in many territories, while manufacturers have not had a widespread local presence.

- (13) In *Avnet/Abacus*¹³ the Commission noted that especially smaller customers of electronic components could not easily switch from purchasing from distributors to manufacturers, as manufacturers usually refuse to deal directly with such customers. 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 often having local warehouses), as well as value added services, such as technical assistance.
- (14) The market investigation in *Avnet EMG/MSC Investoren* confirmed these findings.¹⁴ Even though some manufacturers are able to offer the same types of services to customers than distributors, manufacturers would only deal with limited high volume customers. In addition, distributors offer a broader product range and have more sophisticated logistics management capabilities.
- (15) The results of the market investigation in this case indicate that direct sales by manufacturers constitutes indeed a separate market from the wholesale distribution by distributors. While recognising that depending on price and availability manufacturers are an alternative source of supply for customers to distributors¹⁵, a majority of respondents to the market investigation agreed with the approach in past Commission decisions that direct sales by manufacturers and wholesale distribution by distributors constituted separate markets.¹⁶ As noted by a manufacturer: "*Usually the bigger and strategic[ally] important customers are served directly and smaller customers [are supplied] through distributors*".¹⁷ Customers have confirmed that often they cannot buy smaller quantities directly from manufacturers.¹⁸ While recognising that manufacturers and distributors alike can offer technical sales personnel, most respondents stated that distributors offer a broad product range, intelligent logistics, inventory management and technical sales personnel.¹⁹ The results of the market investigation were mixed as to whether manufacturers are able to offer these same services.
- (16) Based on the above, the Commission considers, in line with past decisions, that the wholesale distribution of electronic components by distributors constitutes a separate market from the direct sales of electronic components by manufacturers.

4.1.1.2. Distribution of all electronic components vs. categories of electronic components

4.1.1.2.1. Notifying Party's view

- (17) The Notifying Party submits that the relevant product market comprises the distribution of all electronic components and should not be further segmented by reference to the categories of electronic components, namely semiconductors, passive components, electromechanical and interconnect components and embedded products. The Notifying Party disagrees with the Commission's finding

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

14 Decision of 4 September 2013 in Case COMP/M.6863 - *Avnet EMG/MSC Investoren*, paragraph 20.

15 See replies to questionnaire Q1 to competitors of 2 September 2016, question 19; questionnaire Q2 to customers of 2 September 2016 question 13; and questionnaire Q3 to suppliers of 2 September 2016, question 12.

16 See replies to questionnaire Q1 to competitors of 2 September 2016, question 14; questionnaire Q2 to customers of 2 September 2016 question 10; and questionnaire Q3 to suppliers of 2 September 2016, question 13.

17 See replies to questionnaire Q3 to suppliers of 2 September 2016, question 13.

18 See replies to questionnaire Q2 to customers of 2 September 2016 question 10.

19 See replies to questionnaire Q1 to competitors of 2 September 2016, question 21; questionnaire Q2 to customers of 2 September 2016 question 15; and questionnaire Q3 to suppliers of 2 September 2016, question 15.

in a past decision that there is no demand-side substitutability between the different product categories because the different product categories are not functionally substitutable in terms of use.²⁰ Due to the existence of non-exclusive distribution agreements, every manufacturer uses at least two or three distributors per territory and should a distributor increase its prices for a component category or for the products of a certain manufacturer or brand, customers have plenty of readily available alternatives to supply their needs. The Notifying Party agrees with the Commission's finding in a past decision that most electronic components distributors supply all categories of electronic components and that most customers purchase more than one category of electronic components from the same distributor.²¹ The vast majority of electronic component distributors, including the Parties, distribute all four categories of electronic components and almost all of Avnet's sales in the EEA are to customers purchasing electronic components in more than one category. The Notifying Party in any event considers that the precise product market definition can be left open as the Transaction does not give rise to competition concerns on any possible market segment.

4.1.1.2.2. Results of the market investigation and Commission's assessment

- (18) In a previous decision,²² the Commission considered that there was no demand-side substitutability between the different product categories (namely semiconductors, passive components, electromechanical and interconnect components and embedded products) because the different product categories were not functionally substitutable for the client's needs and customers would not switch to other product categories if electronic component manufacturers were to raise any of these products' prices by 5-10% because of the differences in product functionality. However, on the supply-side, 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 and customers purchase more than one of the different product categories from them. Ultimately, the Commission did not conclude on the exact product market definition.
- (19) In the present case, customers, distributors and manufacturers which replied to the market investigation considered that semiconductors; passives; electromechanical and interconnect components; and, embedded products, belong to separate product markets.²³ In addition, respondents did not consider that a further segmentation was appropriate.²⁴
- (20) More specifically, from the demand-side, most customers and distributors which replied to the market investigation considered that there is no functional substitutability between the different product categories for the customers' needs.²⁵ Customers, distributors and manufacturers also stated that generally customers

20 Decision of 4 September 2013 in Case COMP/M.6863 - Avnet EMG/MSC Investoren, paragraph 28.

21 Decision of 4 September 2013 in Case COMP/M.6863 - Avnet EMG/MSC Investoren, paragraph 29.

22 Decision of 4 September 2013 in Case COMP/M.6863 - Avnet EMG/MSC Investoren, paragraphs 28-29. See also Decision of 19 January 2009 in Case COMP M.5385 - Avnet/Abacus, paragraph 10.

23 See replies to questionnaire Q1 to competitors of 2 September 2016, question 5; questionnaire Q2 to customers of 2 September 2016 question 5; and questionnaire Q3 to suppliers of 2 September 2016, question 5.

24 See replies to questionnaire Q1 to competitors of 2 September 2016, question 6; questionnaire Q2 to customers of 2 September 2016 question 6; and questionnaire Q3 to suppliers of 2 September 2016, question 6.

25 See replies to questionnaire Q1 to competitors of 2 September 2016, question 7 and questionnaire Q2 to customers of 2 September 2016 question 7.

would not switch to another product category if electronic component distributors or manufacturers would raise any of these products' prices by 5-10%.²⁶

- (21) On the supply-side, the results of the market investigation indicate that, despite there being some specialization amongst distributors for example regarding the provision of high volumes or services,²⁷ most distributors are able to supply all components²⁸ and customers typically purchase products belonging to more than one of the product categories.²⁹
- (22) 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.

4.1.1.3. Distribution via line cards vs. distribution via catalogues

- (23) "Line cards" and "catalogues" are traditional methods of selling electronic components. A "line card" is the summary list of manufacturers whose products are distributed by the distributor, while a catalogue lists the manufacturers' products, together with indicative prices and technical details for each product. This distinction is potentially relevant in that "line cards" and "catalogues" typically serve different stages in the product lifecycle: low-volume, high-service or catalogue distribution for early stages and high-volume, low-service or line-card distribution for later stages.³⁰ For these reasons, the Commission will assess whether it would be necessary to segment the relevant product market by selling method. In *Avnet/Abacus*³¹ the Commission noted that distributors who use catalogues mainly sell small quantities on an irregular basis while distributors who use line cards usually sell larger quantities.

4.1.1.3.1. Notifying Party's view

- (24) The Notifying Party submits that it is not necessary to segment the relevant production market by reference to their traditional methods of selling via line cards or catalogues.
- (25) According to the Notifying Party, distribution via catalogues is for "high service" distributors (who focus on the early design stages of the customers' product lifecycle), while distribution via line cards, on the other hand, is for "high volume" distributors (who focus on the production stages of the customer's product lifecycle).³² The market shares in a market for line card distribution would not be materially different from those in a market including both. Furthermore, the traditional distinction between both types of distribution has blurred significantly as the product range and prices of all distributors are made available online and distributors are increasingly selling via their e-commerce platforms. In addition

26 See replies to questionnaire Q1 to competitors of 2 September 2016, question 8; questionnaire Q2 to customers of 2 September 2016 question 8; and questionnaire Q3 to suppliers of 2 September 2016, question 7.

27 See replies to questionnaire Q1 to competitors of 2 September 2016, question 13.

28 See replies to questionnaire Q1 to competitors of 2 September 2016, question 10.

29 See replies to questionnaire Q1 to competitors of 2 September 2016, question 12.

30 Form CO, paragraphs 314 to 323 and 351 to 355.

31 Decision of 19 January 2009 in Case COMP M.5385 - *Avnet/Abacus*, paragraph 23.

32 According to the Notifying Party, a "line card" does not contain detailed technical product information or price information. Moreover, the line cards of high volume distributors typically list a much smaller selection of components than catalogues. They are intended to quickly inform the customer about the franchises and product types and technologies offered by the distributor.

there are no external data sources that consider line card and catalogue distribution separately. In any event, the Notifying Party submits that as Avnet is a line card distributor whereas Premier Farnell is a catalogue distributor, there would be no (or very limited) overlap between the Parties if the Commission were to segment the relevant market.³³

4.1.1.3.2. Results of the market investigation and Commission's assessment

- (26) In previous decisions,³⁴ the Commission assessed whether the market for distribution of electronic components should be segmented between a market for line card distribution and a market for catalogue distribution.
- (27) In *Avnet/Abacus*,³⁵ the Commission left the actual market definition open. It noted that the market for catalogue distribution accounted for a very small proportion of the total EEA market and therefore the market shares on a separate market for line card distribution would only marginally differ from those in a market including catalogue distribution.³⁶
- (28) In *Avnet EMG/MSC Investoren*,³⁷ the Commission similarly left the market definition open. The Commission noted that the market investigation in that case did not provide any indication that the market share and positions of the parties to the transaction in that case and/or their competitors 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.³⁸
- (29) In the present case, distributors which replied to the market investigation indicated that they realize the vast majority of their sales through line-cards.³⁹ In addition, a majority of distributors stated that not all distributors are able to sell via catalogues.⁴⁰ Also, the market investigation did not indicate that the market share and position of the Parties and/or their competitors in a possible separate market for line card distribution would be materially different from their respective market share and market position in an overall market encompassing catalogue distribution. In any event, since Avnet is mainly a line card distributor and has only a minimal catalogue offering (see paragraph (25)), while Premier Farnell is a catalogue distributor, there would be no, or only a very limited overlap between the Parties if the Commission were to consider separate markets for line card distribution and for catalogue distribution.
- (30) 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

33 Form CO, paragraph 178.

34 Decision of 4 September 2013 in Case COMP/M.6863 - Avnet EMG/MSC Investoren, paragraphs 34-37 and decision of 19 January 2009 in Case COMP M.5385 - Avnet/Abacus, paragraph 23-25.

35 Decision of 19 January 2009 in Case COMP M.5385 - Avnet/Abacus, paragraph 24.

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

37 Decision of 4 September 2013 in Case COMP/M.6863 - Avnet EMG/MSC Investoren, paragraph 36.

38 Decision of 4 September 2013 in Case COMP/M.6863 - Avnet EMG/MSC Investoren, paragraph 37.

39 See replies to questionnaire Q1 to competitors of 2 September 2016, question 15.

40 See replies to questionnaire Q1 to competitors of 2 September 2016, question 17.

catalogue distribution as the Transaction would not raise any competition concerns under any alternative product market definition.⁴¹

4.1.1.4. Standalone vs. integrated provision of value-added support tools and services

- (31) As part of their electronic component distribution businesses, the Parties provide various support tools and services that help customers evaluate, choose, design-in and procure electronic components throughout the lifecycle of the customer's technology products and systems ("value-added support and services"). According to the Notifying Party, such value-added support and services can be in relation to product design, *i.e.* services allowing customers to optimise their component selection, or supply logistics, *i.e.* services focused on warehousing and logistics, finance, information technology and asset management.⁴²
- (32) These services are an important marketing and sales development tool for distributors, since, by providing these services, distributors are able to engage with customers and encourage them to choose electronic components stocked by the distributor.⁴³

4.1.1.4.1. Notifying Party's view

- (33) The Notifying Party submits that value-added support tools and services are predominantly provided by electronic component distributors as an integral part of the sales process, as opposed to on a standalone basis. Supply chain support services, on the one hand, are frequently provided jointly with the distribution of components, as they are often requested by customers as part of the supply. Design support tools and services, on the other hand, are almost always offered to customers with the aim of subsequently leading to the sale of components, thus functioning as a form of marketing for the component distribution business. The Parties' standalone sales of value-added support tools and services are minimal.⁴⁴ According to the Notifying Party, the competitive assessment of the electronic components distribution market will necessarily encompass the impact of the present transaction on these value-added support tools and services since value-added support tools and services are not reported separately either in internal key performance indicators (KPIs) and financial reporting or by third-party companies. The Notifying Party therefore submits that a separate assessment of value-added support tools and services is not necessary for the purpose of this Transaction.

4.1.1.4.2. Results of the market investigation and Commission's assessment

- (34) In *Avnet/Abacus*⁴⁵, the Commission indicated that some respondents to the market investigation submitted that distributors of electronic components do not only sell the products, but they also regularly provide a range of value added services, including technical advice and design-in activities, for which a sound knowledge of

⁴¹ See also Section 5.1.1.2.

⁴² Form CO, paragraphs 77-79.

⁴³ Form CO, paragraph 82.

⁴⁴ Form CO, paragraphs 88 and 89. The Parties' standalone sales for supply chain and design support services are not higher than [0-5]% of their total sales in the EEA.

⁴⁵ Decision of 19 January 2009 in Case COMP M.5385 - *Avnet/Abacus*, paragraph 15.

the product is necessary. However, the Commission did not conclude on the exact product market definition.

- (35) In the present case, most distributors which replied to the market investigation stated that they usually offer services, including technical assistance, end-user support, after-sale assistance and design support tools, together with the electronic components and not as stand-alone services.⁴⁶ As a distributor noted, customers require these services as a pre-requisite for doing business with a distributor.
- (36) Moreover, manufacturers which replied to the market investigation also noted that they do not sell value added services separately.⁴⁷ According to manufacturers, technical assistance and design support tools are standard services provided during the design-in phase (when customers choose an electronic component to design-in into their end-products) and in the after-sales phase.⁴⁸ Customers generally require a complete offer including services in order to buy electronic components from a supplier.⁴⁹ As one manufacturer pointed out, the provision of value-added services by distributors and manufacturers are indispensable in order to enable an end-customer to use the manufacturer's products in their application and therefore these services are an integral part of the product's sales process. Finally, a manufacturer noted that he/she usually provides services and support for free.⁵⁰
- (37) While most customers which replied to the market investigation stated that they do not usually purchase value-added services together with electronic components,⁵¹ the Commission notes that this should also be seen in light of the fact that, as confirmed by the market investigation,⁵² some services are provided before or after a sale has taken place (e.g. during the design-in phase and in the after-sales phase) and in some cases, these services are provided for free. This may contribute to the customer's perception, in the Commission's view, that these services are provided separately, although they may be part of the same contract with a distributor. Moreover, some customers replied that they purchase these services together with electronic components.⁵³ Furthermore, the Commission also notes that, as stated by the Notifying Party, value-added support tools and services are not reported separately either internally in KPIs and financial reporting or by companies providing market intelligence.
- (38) Based on the above, the Commission considers that the provision of value-added services forms an integral part of the market for the wholesale distribution of electronic components.

⁴⁶ See replies to questionnaire Q1 to competitors of 2 September 2016, question 20.

⁴⁷ See replies to questionnaire Q3 to suppliers of 2 September 2016, question 14.

⁴⁸ See replies to questionnaire Q3 to suppliers of 2 September 2016, questions 14 and 15.

⁴⁹ See replies to questionnaire Q2 to customers of 2 September 2016, question 14.

⁵⁰ See replies to questionnaire Q3 to suppliers of 2 September 2016, question 14.

⁵¹ See replies to questionnaire Q2 to customers of 2 September 2016, question 14.

⁵² See replies to questionnaire Q3 to suppliers of 2 September 2016, question 14.

⁵³ See replies to questionnaire Q2 to customers of 2 September 2016, question 14.

4.1.2. Geographic market

4.1.2.1.1. Notifying Party's view

- (39) The Notifying Party submits that the relevant geographic market for the wholesale distribution of electronic components is at least EEA-wide. The Parties argue that they both serve the EEA market from only a handful of distribution logistics centres,⁵⁴ that the transport of components within the EEA takes place mainly by road and that the costs are minimal.⁵⁵ The importance of having a local presence in order to provide value-added support and services, a factor that the Commission previously found to indicate that markets might be national,⁵⁶ is decreasing and will continue to do so over time because of the increasing use of online resources.⁵⁷
- (40) The Notifying Party does not provide a separate view regarding the geographic scope of the possible segmentations of the wholesale distribution of electronic components' market by reference to i) the different categories of electronic components (i.e. semiconductors, passive components, electromechanical and interconnect components and embedded products), and to ii) the methods of selling electronic components via either "line cards" or "catalogues", discussed in sections 4.1.1.2 and 4.1.1.3 above.

4.1.2.1.2. Assessment of the Commission in previous cases

- (41) In previous decisions, the Commission has so far considered the geographic markets for the wholesale distribution of electronic components to be national, while acknowledging a tendency towards a widening of the geographic scope of the market.⁵⁸ This geographic market definition was based on: (i) the fact that distributors typically have local sales offices, (ii) the importance of the local presence of technical staff for product customisation, development and quality control, and (iii) the importance of having local warehouses to ensure quick delivery times. In a more recent decision⁵⁹, while ultimately leaving the exact geographic scope of the product market definition open, the Commission has noted that, on the one hand, transport costs represent only a small part of the total price and there are no significant differences in the overall price level of electronic components across the EEA. On the other hand, the Commission noted 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.

⁵⁴ Avnet's in Belgium, Germany and the United Kingdom; Premier Farnell's in Belgium and the United Kingdom.

⁵⁵ On average less than [...] % of the price per order charged by distributors.

⁵⁶ Decision of 24 June 2005 in Case COMP/M.3820 – *Avnet/Memec*, paragraphs 26.

⁵⁷ The value added design support and services that the Parties and their competitors offer include detailed product specifications, technical information, and engineering support, all of which are now also available through online websites and forums.

⁵⁸ Decision of 24 June 2005 in Case COMP/M.3820 – *Avnet/Memec*, paragraphs 24-26.

⁵⁹ Decision of 19 January 2009 in Case COMP M.5385 - *Avnet/Abacus*, paragraphs 40-41 and decision of 4 September 2013 in Case COMP/M.6863 - *Avnet EMG/MSI Investoren*, paragraphs 34-37.

- (42) In previous decisions, the Commission has not concluded on the exact geographic scope of the possible market segments of the wholesale distribution of electronic components' market.⁶⁰

4.1.2.1.3. Results of the market investigation and Commission's assessment

- (43) Despite pointing somewhat towards a widening of the geographic scope of the markets as defined in past cases, the results of the market investigation conducted in the present case were mixed overall. On the one hand, a large majority of respondents explained that transport costs represent only a small part of the total price that customers pay for electronic components and stressed the importance of the internet as a point of sale, with most products being available for shipping worldwide.⁶¹ The respondents also did not point to significant differences in the overall price level of electronic components across the EEA.⁶² However, on the other hand, a large majority of respondents replied that it is important for wholesale distributors to have a local presence in order to be able to provide value added services, such as technical assistance during the design-in phase of the components.⁶³ For most respondents, value added and support services in the form of remote assistance by internet and/or by phone cannot completely replace the local presence of distributors.⁶⁴
- (44) Furthermore, the market investigation did not reveal any elements that would point to a different geographic market definition in relation to the distribution of the different categories of electronic components (i.e. semiconductors, passive components, electromechanical and interconnect components and embedded products).⁶⁵ Nor did the market investigation point to a different conclusion in relation to the different selling methods (line cards vs. catalogue distribution).
- (45) In any event, for the purposes of the present decision, it is not necessary to conclude on the exact geographic scope of the market for the wholesale distribution of electronic components and all its possible segments, as the Transaction does not raise any competition concerns under any alternative geographic market definition.

⁶⁰ Decision of 4 September 2013 in Case COMP/M.6863 - *Avnet EMG/MSI Investoren*, paragraphs 40-41 and decision of 19 January 2009 in Case COMP M.5385 - *Avnet/Abacus*, paragraphs 26-29.

⁶¹ See replies to questionnaire Q1 to competitors of 2 September 2016, question 24; questionnaire Q2 to customers of 2 September 2016 question 18; and questionnaire Q3 to suppliers of 2 September 2016, question 17.

⁶² See replies to questionnaire Q1 to competitors of 2 September 2016, question 28; questionnaire Q2 to customers of 2 September 2016 question 22; and questionnaire Q3 to suppliers of 2 September 2016, question 19.

⁶³ See replies to questionnaire Q1 to competitors of 2 September 2016, question 27; questionnaire Q2 to customers of 2 September 2016 questions 19-21; and questionnaire Q3 to suppliers of 2 September 2016, question 18.

⁶⁴ See replies to questionnaire Q1 to competitors of 3 September 2016, question 28; questionnaire Q2 to customers of 3 September 2016 question 22; and questionnaire Q3 to suppliers of 3 September 2016, question 19.

⁶⁵ See replies to questionnaire Q1 to competitors of 2 September 2016, question 23, 27, 28 and 30; questionnaire Q2 to customers of 2 September 2016 questions 17, 21, 22 and 24; and questionnaire Q3 to suppliers of 2 September 2016, question 18, 19 and 21.

4.2. Markets for the manufacture of electronic components

(46) Avnet is active in the manufacture of electronic components, which is upstream of the market for the wholesale distribution of electronic components. Avnet manufactures [production quantities] electromechanical and interconnect components.⁶⁶

4.2.1. Product market

(47) The Notifying Party submits that Avnet is active upstream in relation to electromechanical and interconnect components, [Avnet's source of supply].⁶⁷ The Notifying Party further submits that it sells a number of Avnet [Avnet's source of supply] passive components [Avnet's source of supply].⁶⁸ In any event, [Avnet's source of supply], the Notifying Party submits that these sales would be minimal ([0-5]% of Avnet's total sales in the EEA for electromechanical and interconnect components and less than [0-5]% for passive components).⁶⁹

4.2.2. Geographic market

(48) Past Commission decisions⁷⁰ have considered that the relevant geographic market for the manufacture of electronic components to be at least EEA-wide, if not worldwide.⁷¹

4.2.3. Conclusion on product and geographic market definition

(49) For the purposes of the present case, the exact definition of the product and geographic market for the manufacture of electronic components can be left open, since no serious doubts as to the compatibility of the Transaction with the internal market arise under any plausible alternative product and geographic market definition.

4.3. Markets for the distribution of products other than electronic components

(50) The Parties are active in the distribution of products other than electronic components, namely: (i) the distribution of enterprise computer and storage products, IT solutions and services and, (ii) the distribution of finished electronic and computer products.

4.3.1. Notifying Party's view

(51) Avnet is active in the distribution of enterprise computer and storage products, IT solution and services, through its "Technology Solutions" operating group, through

⁶⁶ Form CO, paragraph 121.

⁶⁷ Form CO, paragraph 212 and 213.

⁶⁸ Form CO, paragraphs 206 to 208.

⁶⁹ In relation to a possible product market that would encompass some or all types of electronic components (e.g. electronic and interconnect components and passive components), the Commission considers that the Parties' market shares would also be minimal (these sales would only correspond to Avnet).

⁷⁰ See Commission Decision M.6572 – *Kemet/ NEC/ NEC Tokin* of 11 July 2012, paragraphs 18 to 22, Commission Decision M.5255 – *TDK/ Epcos* of 15 September 2008, paragraphs 17 to 20.

⁷¹ Under any of these alternative geographic market definitions (EEA-wide or worldwide), the Parties' market shares would be very small.

which it offers complex IT solutions to a variety of customers including OEMs, systems builders, systems integrators, etc. These solutions can include a combination of services, software and hardware.⁷²

- (52) Premier Farnell is active in the distribution of finished electronic and computer products, conducted through Premier Farnell's CPC/MCM division. This division provides finished electronic products, primarily audiovisual, electronic and home security products, lights and lighting, security, test equipment, tools, computing equipment, etc. Premier Farnell's main customers are wholesalers, education and government bodies, utility companies, resellers and hobbyists. According to the Notifying Party, Premier Farnell also sells the Raspberry Pi, a low cost single board computer aimed at hobbyists and education customers, which belongs to the segment of finished electronic and computer products.⁷³

4.3.2. *Commission's assessment*

- (53) In *Avnet/Magirus*, the Commission assessed whether the market for the wholesale distribution of all IT products should be segmented between the distribution of servers, storage devices and network products, but ultimately left the product market definition open.⁷⁴ The Commission also left the geographic market definition open.⁷⁵
- (54) For the purposes of the present case, the exact definitions of the product and geographical markets for (i) the distribution of enterprise computer and storage products, IT solutions and services and, (ii) the distribution of finished electronic and computer products, can be left open, since no serious doubts as to the compatibility of the Transaction with the internal market arise under any plausible alternative product and geographic market definition. This would also apply to the case where these two market segments may eventually be considered a single product market.⁷⁶

5. COMPETITIVE ASSESSMENT

- (55) The Transaction gives rise to the following horizontally affected markets in the market for wholesale distribution of electronic components:
- Overall wholesale market for the distribution of electronic components in: the EEA, Austria, Belgium, Bulgaria, Croatia, Czech Republic, Denmark, France, Germany, Ireland, Italy, Latvia, the Netherlands, Romania, Spain, Slovakia, Slovenia, Sweden and the United Kingdom.
- (56) If the market for the wholesale distribution of electronic components is further segmented by product category, the Transaction would give rise to the following horizontally affected markets:

⁷² Form CO, paragraph 94.

⁷³ Form CO, paragraph 99.

⁷⁴ Commission Decision M.6577 – *Avnet / Magirus* of 21 September 2012, paragraphs 10 to 21.

⁷⁵ Commission Decision M.6577 – *Avnet / Magirus* of 21 September 2012, paragraphs 25 to 27.

⁷⁶ Form CO, paragraphs 93 to 107. The Notifying Party submits that the Transaction would not lead to a market share of 20% or more under any plausible alternative product or market definition.

- The wholesale distribution of semiconductors in: the EEA, Austria, Belgium, Bulgaria, Croatia, Czech Republic, Denmark, Finland, France, Germany, Hungary, Ireland, Italy, Lithuania, Latvia, the Netherlands, Norway, Poland, Portugal, Romania, Spain, Slovakia, Slovenia, Sweden and the United Kingdom.
 - The wholesale distribution of passive components in: Latvia, Romania, Slovenia and the United Kingdom.
 - The wholesale distribution of electromechanical and interconnect components in: Belgium, Denmark, the Netherlands, Slovenia and the United Kingdom.
 - The wholesale distribution of embedded products in: Austria, Finland and Germany.
- (57) The Transaction would give rise to vertically affected markets in relation to those markets for the distribution of electronic components where the Parties have over 30% market share, in that Avnet is active in selling some electronic components to competing distributors of electronic components, namely:
- a. The overall wholesale market for electronic components in Belgium, Czech Republic, Denmark, France, Romania, Slovakia, Slovenia and the United Kingdom.
 - b. The wholesale distribution of semiconductors in the EEA, Austria, Belgium, Bulgaria, Czech Republic, Denmark, France, Germany, Ireland, Italy, Lithuania, the Netherlands, Norway, Poland, Portugal, Romania, Spain, Slovakia, Slovenia, Sweden and the United Kingdom.
 - c. The wholesale distribution of electromechanical and interconnect components in Denmark and the Netherlands.

5.1. Horizontal assessment

5.1.1.1. Notifying Party's view

- (58) The Notifying Party submits that the Transaction does not give rise to competition concerns neither in the overall market for the wholesale distribution of electronic components nor in any of its possible segments both in the EEA and at the national level since the increment brought about to Avnet's share by Premier Farnell is very small and the Transaction would therefore have a limited effect. In addition, the Notifying Party submits that, post-Transaction, the Parties will continue to face strong competition from other market players such as Arrow, Rutronik Group, Future Group, TTI Group and Electrocomponents Group, as well as from a number of other smaller distributors.

5.1.1.2. Commission's assessment

- (59) The following table indicates the Parties' market shares for 2015 in the overall wholesale market for distribution of electronic components as well as in its possible segments.

Table 1 – Overview of Parties' market shares

| 2015 | Total Components | | Semiconductors | | Passives | | E-mech | | Embedded | |
|----------------|------------------|----------|----------------|----------|----------|----------|----------|----------|----------|----------|
| | increment | Combined | inc. | Combined | inc. | Combined | inc. | Combined | inc. | Combined |
| EEA | [0-5]% | [20-30]% | [0-5]% | [30-40]% | [0-5]% | [5-10]% | [0-5]% | [10-20]% | [0-5]% | [10-20]% |
| Austria | [0-5]% | [20-30]% | [0-5]% | [40-50]% | [0-5]% | [5-10]% | [0-5]% | [10-20]% | [0-5]% | [20-30]% |
| Belgium | [0-5]% | [30-40]% | [0-5]% | [50-60]% | [0-5]% | [5-10]% | [10-20]% | [20-30]% | [0-5]% | [0-5]% |
| Luxembourg | [0-5]% | [20-30]% | [0-5]% | [40-50]% | [0-5]% | [0-5]% | [0-5]% | [20-30]% | [0-5]% | [0-5]% |
| Netherlands | [5-10]% | [20-30]% | [0-5]% | [30-40]% | [0-5]% | [10-20]% | [20-30]% | [30-40]% | [0-5]% | [5-10]% |
| Bulgaria | [0-5]% | [20-30]% | [0-5]% | [40-50]% | [0-5]% | [0-5]% | [5-10]% | [10-20]% | [0-5]% | [0-5]% |
| Cyprus | [0-5]% | [50-60]% | [0-5]% | [50-60]% | [0-5]% | [0-5]% | [0-5]% | [0-5]% | [0-5]% | [0-5]% |
| Croatia | [0-5]% | [20-30]% | [0-5]% | [20-30]% | [5-10]% | [5-10]% | [10-20]% | [10-20]% | [0-5]% | [0-5]% |
| Czech Republic | [0-5]% | [30-40]% | [0-5]% | [40-50]% | [0-5]% | [5-10]% | [5-10]% | [10-20]% | [0-5]% | [10-20]% |
| Denmark | [0-5]% | [30-40]% | [0-5]% | [40-50]% | [0-5]% | [10-20]% | [5-10]% | [30-40]% | [0-5]% | [10-20]% |
| Estonia | [0-5]% | [10-20]% | [0-5]% | [10-20]% | [0-5]% | [10-20]% | [5-10]% | [10-20]% | [0-5]% | [0-5]% |
| Finland | [0-5]% | [10-20]% | [0-5]% | [20-30]% | [0-5]% | [0-5]% | [0-5]% | [5-10]% | [0-5]% | [20-30]% |
| France | [0-5]% | [30-40]% | [0-5]% | [40-50]% | [0-5]% | [10-20]% | [5-10]% | [10-20]% | [0-5]% | [10-20]% |
| Germany | [0-5]% | [20-30]% | [0-5]% | [30-40]% | [0-5]% | [5-10]% | [0-5]% | [10-20]% | [0-5]% | [20-30]% |
| Greece | [0-5]% | [10-20]% | [0-5]% | [10-20]% | [0-5]% | [0-5]% | [0-5]% | [0-5]% | [0-5]% | [0-5]% |
| Hungary | [0-5]% | [10-20]% | [0-5]% | [20-30]% | [0-5]% | [0-5]% | [0-5]% | [0-5]% | [5-10]% | [10-20]% |
| Iceland | [0-5]% | [20-30]% | [0-5]% | [40-50]% | [0-5]% | [0-5]% | [0-5]% | [0-5]% | [0-5]% | [0-5]% |
| Ireland | [0-5]% | [20-30]% | [0-5]% | [30-40]% | [0-5]% | [5-10]% | [10-20]% | [10-20]% | [0-5]% | [0-5]% |
| United Kingdom | [5-10]% | [30-40]% | [0-5]% | [40-50]% | [10-20]% | [20-30]% | [10-20]% | [20-30]% | [0-5]% | [0-5]% |
| Italy | [0-5]% | [20-30]% | [0-5]% | [40-50]% | [0-5]% | [10-20]% | [0-5]% | [10-20]% | [0-5]% | [5-10]% |
| Latvia | [0-5]% | [20-30]% | [0-5]% | [20-30]% | [5-10]% | [20-30]% | [10-20]% | [10-20]% | [0-5]% | [10-20]% |
| Lichtenstein | [0-5]% | [0-5]% | [0-5]% | [5-10]% | [0-5]% | [0-5]% | [0-5]% | [0-5]% | [0-5]% | [0-5]% |
| Lithuania | [0-5]% | [10-20]% | [0-5]% | [20-30]% | [0-5]% | [5-10]% | [5-10]% | [10-20]% | [0-5]% | [0-5]% |
| Malta | [0-5]% | [10-20]% | [0-5]% | [10-20]% | [0-5]% | [5-10]% | [0-5]% | [5-10]% | [0-5]% | [0-5]% |
| Norway | [0-5]% | [10-20]% | [0-5]% | [30-40]% | [0-5]% | [5-10]% | [0-5]% | [5-10]% | [0-5]% | [5-10]% |
| Poland | [0-5]% | [10-20]% | [0-5]% | [20-30]% | [0-5]% | [5-10]% | [0-5]% | [5-10]% | [0-5]% | [0-5]% |
| Portugal | [0-5]% | [10-20]% | [0-5]% | [30-40]% | [0-5]% | [0-5]% | [0-5]% | [5-10]% | [0-5]% | [0-5]% |
| Spain | [0-5]% | [20-30]% | [0-5]% | [30-40]% | [0-5]% | [5-10]% | [0-5]% | [5-10]% | [0-5]% | [0-5]% |
| Slovakia | [0-5]% | [30-40]% | [0-5]% | [40-50]% | [0-5]% | [10-20]% | [5-10]% | [5-10]% | [0-5]% | [0-5]% |
| Slovenia | [0-5]% | [30-40]% | [0-5]% | [40-50]% | [5-10]% | [20-30]% | [10-20]% | [20-30]% | [0-5]% | [0-5]% |
| Romania | [0-5]% | [30-40]% | [0-5]% | [40-50]% | [0-5]% | [20-30]% | [5-10]% | [10-20]% | [0-5]% | [0-5]% |
| Sweden | [0-5]% | [20-30]% | [0-5]% | [30-40]% | [0-5]% | [10-20]% | [0-5]% | [0-5]% | [0-5]% | [5-10]% |

Source: Europartners Reports and Notifying Party's estimates

- (60) As shown in Table 1 above, in many of the possible national markets as well as at EEA level, the Parties' combined market share will remain below 25% post-Transaction.
- (61) The following sub-sections will present the Commission's assessment in relation to the other affected markets at EEA and national level, in turn.

Assessment at EEA level

Overall market for the distribution of electronic components at EEA level

- (62) According to the information submitted by the Notifying Party, considering an **overall market for the distribution of electronic components at EEA level**, the parties' combined market shares would be c. [20-30]% (Avnet: [20-30]%; Premier Farnell: [0-5]%). Avnet would be the largest distributor of electronic components in the EEA. However, the market share increment resulting from the Transaction is low ([0-5]%), hence Avnet will marginally increase its position in the EEA market post-Transaction. In addition, the merged entity will continue to face competition from Arrow (c. [10-20]% market share), a strong competitor in the electronic component distribution market in the EEA as well as from other medium and small rival distributors, such as Rutronik Group (c. [5-10]%), Future Group and TTI

Group (c. [0-5]% each). Furthermore, the market investigation revealed that the parties are not close competitors in the overall market for the distribution of electronic components neither at EEA level nor at national market level,⁷⁷ as will be further elaborated below in paragraphs (67),(68) and (69) of this decision.

Segments of electronic components at EEA level

- (63) Also at **EEA** level, but according to a narrower definition of the relevant markets based on the **different segments of electronic components**, the parties' combined market share would be above 25% only in the wholesale distribution of semiconductors market (Combined: c. [30-40]%; Avnet: [30-40]%; Premier Farnell: [0-5]%) with Avnet already being the largest distributor in this segment on an EEA-wide level pre-merger. However, in this market segment, the increment resulting from the Transaction will again be low ([0-5]%) and the merged entity will face competition from strong competitors in the semiconductor distribution market in the EEA such as Arrow (c. [20-30]%) and other medium and small rival distributors, such as Rutronik Group (c. [5-10]%) and Future Group (c. [5-10]%). According to the market participants who replied to the market investigation, the impact of the Transaction in the wholesale distribution of semiconductors market will be mostly neutral.⁷⁸

Assessment of the national markets

- (64) First, as can be seen in Table 2 below, with regard to the **overall market for the wholesale distribution of all electronic components** at the national level, the combined entity's market shares are above 25% in Austria (c. [20-30]%), Belgium (c. [30-40]%), Bulgaria (c. [20-30]%), Czech Republic (c. [30-40]%), Denmark (c. [30-40]%), France (c. [30-40]%), Germany (c. [20-30]%), Italy (c. [20-30]%), the Netherlands (c. [20-30]%), Romania (c. [30-40]%), Slovakia (c. [30-40]%), Slovenia (c. [30-40]%) and the United Kingdom (c. [30-40]%). The market share increment resulting from the Transaction is less than [0-5]% in each of the above mentioned Member States, except in the United Kingdom (c. [5-10]%) and the Netherlands (c. [5-10]%).

⁷⁷ See replies to questionnaire Q1 to competitors of 3 September 2016, question 32; questionnaire Q2 to customers of 3 September 2016 question 26; and questionnaire Q3 to suppliers of 3 September 2016, question 23.

⁷⁸ See replies to questionnaire Q1 to competitors of 3 September 2016, question 42.3; questionnaire Q2 to customers of 3 September 2016 question 33.3; and questionnaire Q3 to suppliers of 3 September 2016, question 33.3.

Table 2: Overview of market shares on Member State level for the wholesale distribution of all electronic components - 2015

| 2015 | Avnet | Premier Farnell | Combined | Arrow | Rutronik Group | Future Group | TTI Group | Electro-components Group | Codico |
|----------------|----------|-----------------|----------|----------|----------------|--------------|-----------|--------------------------|---------|
| Austria | [20-30]% | [0-5]% | [20-30]% | [10-20]% | [5-10]% | [0-5]% | [0-5]% | [0-5]% | [5-10]% |
| Belgium | [30-40]% | [0-5]% | [30-40]% | [10-20]% | [0-5]% | [0-5]% | [0-5]% | [0-5]% | [0-5]% |
| Netherlands | [20-30]% | [5-10]% | [20-30]% | [10-20]% | [0-5]% | [0-5]% | [0-5]% | [0-5]% | [0-5]% |
| Bulgaria | [20-30]% | [0-5]% | [20-30]% | [20-30]% | [5-10]% | [5-10]% | [5-10]% | [0-5]% | [5-10]% |
| Czech Republic | [20-30]% | [0-5]% | [30-40]% | [10-20]% | [5-10]% | [0-5]% | [0-5]% | [0-5]% | [0-5]% |
| Denmark | [30-40]% | [0-5]% | [30-40]% | [10-20]% | [5-10]% | [0-5]% | [0-5]% | [0-5]% | [0-5]% |
| France | [20-30]% | [0-5]% | [30-40]% | [0-5]% | [10-20]% | [5-10]% | [5-10]% | [5-10]% | [0-5]% |
| Germany | [20-30]% | [0-5]% | [20-30]% | [10-20]% | [10-20]% | [0-5]% | [0-5]% | [0-5]% | [0-5]% |
| United Kingdom | [20-30]% | [5-10]% | [30-40]% | [10-20]% | [0-5]% | [5-10]% | [0-5]% | [5-10]% | [0-5]% |
| Italy | [20-30]% | [0-5]% | [20-30]% | [20-30]% | [0-5]% | [0-5]% | [0-5]% | [0-5]% | [0-5]% |
| Slovakia | [20-30]% | [0-5]% | [30-40]% | [10-20]% | [10-20]% | [0-5]% | [5-10]% | [0-5]% | [0-5]% |
| Slovenia | [30-40]% | [0-5]% | [30-40]% | [10-20]% | [10-20]% | [5-10]% | [0-5]% | [0-5]% | [0-5]% |
| Romania | [30-40]% | [0-5]% | [30-40]% | [10-20]% | [0-5]% | [0-5]% | [0-5]% | [0-5]% | [0-5]% |

Source: Europartners Reports and Notifying Party's estimates

- (65) As the increment resulting from the transaction is low, Avnet will marginally increase its position in the overall market for the electronic components' distribution post-Transaction while, pre-Transaction, Avnet was already the strongest player in all of the above mentioned territories. Furthermore, in these Member States Avnet will continue to be confronted with strong competitors such as Arrow, other rival distributors such as Rutronik Group, Future Group, TTI Group, Electrocomponents Group, as well as a number of smaller distributors. This was confirmed by the market investigation.⁷⁹ The merged entity will also be constrained by the increasing overseas sourcing by customers.⁸⁰
- (66) Second, as can be seen in Table 3 below, in the possible narrower market segment for the **wholesale distribution of semiconductors**, where Avnet is particularly strong, the combined entity's market shares is above 25% in the EEA (c. [30-40]%), Croatia (c. [20-30]%), Finland (c. [20-30]%), Germany (c. [30-40]%), Ireland (c. [30-40]%), the Netherlands (c. [30-40]%), Norway (c. [30-40]%), Poland (c. [20-30]%), Portugal (c. [30-40]%), Spain ([30-40]%) and Sweden (c. [30-40]%). The combined market shares of the parties will exceed 40% post-Transaction in Austria (c [40-50]%), Bulgaria (c. [40-50]%), Czech Republic (c. [40-50]%), Denmark (c. [40-50]%), France (c. [40-50]%), Italy (c. [40-50]%), Romania (c. [40-50]%), Slovakia (c. [40-50]%), Slovenia (c. [40-50]%) and United Kingdom (c. [40-50]%). The parties' market shares will exceed 50% only in Belgium (c. [50-60]%).

⁷⁹ See replies to questionnaire Q1 to competitors of 3 September 2016, questions 34, 36 and 42.2.1; questionnaire Q2 to customers of 3 September 2016 questions 28, 30 and 33.2.1; and questionnaire Q3 to suppliers of 3 September 2016, questions 25, 27 and 33.2.1.

⁸⁰ See replies to questionnaire Q2 to customers of 3 September 2016 question 19.

3: Overview of market shares on Member State level for the wholesale distribution of semiconductors - 2015

| 2015 | Avnet | Premier Farnell | Combined | Arrow | Rutronik Group | Future Group | TTI Group | Electro-components Group | Codico |
|----------------|----------|-----------------|----------|----------|----------------|--------------|-----------|--------------------------|----------|
| Austria | [40-50]% | [0-5]% | [40-50]% | [20-30]% | [0-5]% | [5-10]% | [0-5]% | [0-5]% | [0-5]% |
| Belgium | [50-60]% | [0-5]% | [50-60]% | [10-20]% | [0-5]% | [0-5]% | [0-5]% | [0-5]% | [0-5]% |
| Netherlands | [20-30]% | [0-5]% | [30-40]% | [10-20]% | [0-5]% | [0-5]% | [0-5]% | [0-5]% | [0-5]% |
| Bulgaria | [40-50]% | [0-5]% | [40-50]% | [20-30]% | [5-10]% | [5-10]% | [0-5]% | [0-5]% | [5-10]% |
| Croatia | [20-30]% | [0-5]% | [20-30]% | [0-5]% | [10-20]% | [0-5]% | [5-10]% | [0-5]% | [10-20]% |
| Czech Republic | [40-50]% | [0-5]% | [40-50]% | [10-20]% | [5-10]% | [0-5]% | [0-5]% | [0-5]% | [0-5]% |
| Denmark | [40-50]% | [0-5]% | [40-50]% | [20-30]% | [0-5]% | [5-10]% | [0-5]% | [0-5]% | [0-5]% |
| Finland | [20-30]% | [0-5]% | [20-30]% | [10-20]% | [0-5]% | [0-5]% | [0-5]% | [0-5]% | [0-5]% |
| France | [40-50]% | [0-5]% | [40-50]% | [10-20]% | [0-5]% | [5-10]% | [0-5]% | [0-5]% | [0-5]% |
| Germany | [30-40]% | [0-5]% | [30-40]% | [10-20]% | 10.57% | [0-5]% | [0-5]% | [0-5]% | [0-5]% |
| United Kingdom | [30-40]% | [0-5]% | [40-50]% | [20-30]% | [0-5]% | [5-10]% | [0-5]% | [0-5]% | [0-5]% |
| Ireland | [30-40]% | [0-5]% | [30-40]% | [10-20]% | [0-5]% | [5-10]% | [0-5]% | [10-20]% | [0-5]% |
| Italy | [40-50]% | [0-5]% | [40-50]% | [20-30]% | [0-5]% | [5-10]% | [0-5]% | [0-5]% | [0-5]% |
| Norway | [30-40]% | [0-5]% | [30-40]% | [30-40]% | [0-5]% | [5-10]% | [0-5]% | [0-5]% | [0-5]% |
| Poland | [20-30]% | [0-5]% | [20-30]% | [30-40]% | [0-5]% | [0-5]% | [0-5]% | [0-5]% | [0-5]% |
| Portugal | [30-40]% | [0-5]% | [30-40]% | [20-30]% | [0-5]% | [0-5]% | [0-5]% | [0-5]% | [0-5]% |
| Spain | [30-40]% | [0-5]% | [30-40]% | [20-30]% | [0-5]% | [0-5]% | [0-5]% | [0-5]% | [0-5]% |
| Sweden | [30-40]% | [0-5]% | [30-40]% | [20-30]% | [0-5]% | [0-5]% | [0-5]% | [0-5]% | [0-5]% |
| Slovakia | [40-50]% | [0-5]% | [40-50]% | [20-30]% | [10-20]% | [0-5]% | [0-5]% | [0-5]% | [0-5]% |
| Slovenia | [40-50]% | [0-5]% | [40-50]% | [10-20]% | [10-20]% | [5-10]% | [0-5]% | [0-5]% | [0-5]% |
| Romania | [40-50]% | [0-5]% | [40-50]% | [20-30]% | [0-5]% | [0-5]% | [0-5]% | [0-5]% | [0-5]% |

Source: Europartners Reports and Notifying Party's estimates

- (67) However, also in this narrower segment, the market share increment resulting from the Transaction is limited (below [0-5]% in all national markets). In particular, as regards Austria, Belgium, Bulgaria, the Czech Republic, Denmark, Italy, Romania and Slovakia (where the market shares are over [40-50]%) the increment is below c.[0-5]%. In France and Slovenia (where the market shares are over [40-50]%) the increment is c.[0-5]%. The Transaction would therefore only marginally affect the current market structure due to Premier Farnell's small market shares compared both to Avnet and other distributors active in these countries. Arrow, who is active in all of the above geographic markets except in Croatia,⁸¹ is the closest and strongest competitor to Avnet. Respectively, Digikey, RS Components and Mouser were reported as closest competitors to Premier Farnell in this market segment.⁸² In addition, the market investigation confirmed that, in most of these countries other medium and small-sized distributors are present, such as Future Group, Rutronik Group, Electrocomponents, TTI Group and/or Codico, who will exert competitive

⁸¹ In Croatia, other strong competitors are present, such as Rutronik Group ([10-20]%) and Codico ([10-20]%). The Croatian market is highly fragmented with [40-50]% share attributed to small-sized distributors.

⁸² See replies to questionnaire Q1 to competitors of 3 September 2016, question 32; questionnaire Q2 to customers of 3 September 2016 question 26; and questionnaire Q3 to suppliers of 3 September 2016, question 23.

constraint to the merged entity, post-merger.⁸³ The market investigation also did not bring to light any elements which would indicate the existence of barriers to switching between different distributors of semiconductors in any of these national markets.⁸⁴

- (68) Third, in the market segment for the **wholesale distribution of passive components**, the combined entity's market share is above 25% only in the United Kingdom (c. [20-30]%). In this Member State and segment, a large number of competitors to Avnet are present, such as TTI Group (c. [10-20]%), Arrow (c. [5-10]%), Electrocomponents Group (c. [5-10]%), Anglia (c. [5-10]%), Digi-key (c. [5-10]%), Future Group (c. [5-10]%), Charcroft Electronics (c. [0-5]%). More particularly, Arrow was reported as the closest and strongest competitor to Avnet in this market segment in the United Kingdom, along with Digikey, Future Group and TTI Group. Respectively, Digikey, Electrocomponents, Arrow, RS Components and Mouser were reported as closest competitors to Premier Farnell.⁸⁵ Moreover, the market investigation did not point towards the existence of barriers to switching between different distributors of passive components.⁸⁶ Customers from the United Kingdom who submitted a response to the market investigation did not express competition concerns arising from this Transaction and confirmed that, post-Transaction, they will have easy access to sufficient alternatives to the merged entity.⁸⁷
- (69) Fourth, the Parties' combined market shares are also above 25% (but below 40%) in the segment for the **wholesale distribution of electromechanical and interconnect components** in Belgium (c. [20-30]%),⁸⁸ Denmark (c. [30-40]%),⁸⁹ the Netherlands (c. 30-40]%),⁹⁰ Slovenia (c. 30-40]%)⁹¹ and the United Kingdom (c. [20-30]%).⁹² In this narrower segment, the market share increment resulting

⁸³ See replies to questionnaire Q1 to competitors of 3 September 2016, questions 36 and 42.3.1; questionnaire Q2 to customers of 3 September 2016 questions 30 and 33.3.1; and questionnaire Q3 to suppliers of 3 September 2016, question 25.1, question 27 and question 33.3.1.

⁸⁴ See replies to questionnaire Q2 to customers of 3 September 2016 question 29.1 and question 32.1.1.

⁸⁵ See replies to questionnaire Q1 to competitors of 3 September 2016, question 32; questionnaire Q2 to customers of 3 September 2016 question 26; and questionnaire Q3 to suppliers of 3 September 2016, question 23.

⁸⁶ See replies to questionnaire Q2 to customers of 3 September 2016 question 29.2 and question 32.1.2.

⁸⁷ See replies to questionnaire Q2 to customers of 3 September 2016 question 28.2, question 32.1.2 and question 33.4.1.

⁸⁸ Medium-sized competitors to Avnet in Belgium and their respective market share for 2015: Telerex ([10-20]%) Arrow ([5-10]%), Electrocomponents ([5-10]%), Alcom ([5-10]%), TTI Group ([5-10]%), Texim ([5-10]%).

⁸⁹ Medium-sized competitors to Avnet in Denmark and their respective market share for 2015: Acte Group ([5-10]%), Arrow ([5-10]%), Electrocomponents ([5-10]%), TTI Group ([5-10]%).

⁹⁰ Medium-sized competitors to Avnet in the Netherlands and their respective market share for 2015: Telerex ([10-20]%), Arrow ([5-10]%), Electrocomponents ([5-10]%), Alcom ([5-10]%), TTI Group ([5-10]%), Texim ([5-10]%).

⁹¹ Medium-sized competitors to Avnet in Slovenia and their respective market share for 2015: Telerex ([10-20]%), Arrow ([5-10]%), Electrocomponents ([5-10]%), Alcom ([5-10]%), TTI Group ([5-10]%), Texim ([5-10]%).

⁹² Medium-sized competitors to Avnet in the United Kingdom and their respective market share for 2015: Electrocomponents ([10-20]%), Arrow ([5-10]%), Aerco ([0-5]%), TTI Group ([0-5]%), Future Group ([0-5]%), Anglia ([0-5]%)

from the Transaction is ranging between c. [5-10]% and c. [20-30]%.⁹³ However, as confirmed by the market investigation, the number of alternative distributors to the parties and present in the above-mentioned national markets are considered by customers to be sufficient as to source their products.⁹⁴ Arrow was reported as the closest and strongest competitor to Avnet in all these national markets, along with TTI Group and Rutronik. Respectively, Digikey, Mouser and RS Components were reported as closest competitors to Premier Farnell in this market segment.⁹⁵ The market investigation also did not bring to light any elements which would indicate the existence of barriers to switching between different distributors.⁹⁶

- (70) Fifth, in the segment for the **wholesale distribution of embedded products** the combined entity's market share does not exceed 25% in any Member State or in the EEA.
- (71) With regard to all segments concerned by this Transaction and in all of the affected national markets reported above,⁹⁷ as well as at EEA level, the market investigation indicated that, in view of the strong position of Arrow⁹⁸ the impact of the Transaction will be mostly neutral.⁹⁹ In addition, no respondent raised concerns in relation to the proposed transaction in neither of these national markets nor at EEA level.
- (72) Indeed, the majority of customers who provided a reply to the market investigation expect no negative effects from the Transaction due to the existence of a large number of alternative distributors.¹⁰⁰
- (73) Moreover, with regard to all segments concerned by this Transaction, the market investigation confirmed that manufacturers of electronic components are able to restrain the merged entity's potential market power and ability to influence market prices for electronic components by switching away from the merged entity to other distributors or by selling directly to customers.¹⁰¹ This would be the case in the event that price increases or decreases, imposed by the merged entity, would directly affect the manufacturers' volume of sales by leading to a decrease of quantities of electronic components sold. The manufacturer-distributor contracts

⁹³ More particularly, the increment brought about by the Transaction is: in Belgium [10-20]%, in Denmark [5-10]%, in the Netherlands [20-30]%, in Slovenia [10-20]% and in the United Kingdom [10-20]%.

⁹⁴ See replies to questionnaire Q2 to customers of 3 September 2016 question 28.3, question 32.1.3 and question 33.5.1.

⁹⁵ See replies to questionnaire Q1 to competitors of 3 September 2016, question 32; questionnaire Q2 to customers of 3 September 2016 question 26; and questionnaire Q3 to suppliers of 3 September 2016, question 23.

⁹⁶ See replies to questionnaire Q2 to customers of 3 September 2016 question 29.3, question 32.1.3 and question 32.1.3.

⁹⁷ Namely, Belgium, Croatia, Finland, Germany, Ireland, the Netherlands, Norway, Poland, Portugal, Spain, Sweden, Austria, Bulgaria, Czech Republic, Denmark, France, Italy, Romania, Slovakia, Slovenia and the United Kingdom.

⁹⁸ Or, in the absence of Arrow (i.e. in Croatia), of alternative strong competitors to the merged entity.

⁹⁹ See replies to questionnaire Q1 to competitors of 3 September 2016, question 42; questionnaire Q2 to customers of 3 September 2016 question 33; and questionnaire Q3 to suppliers of 3 September 2016, question 33.

¹⁰⁰ See replies to questionnaire Q2 to customers of 3 September 2016 question 33.

¹⁰¹ See replies to questionnaire Q3 to suppliers of 3 September 2016, question 32.

are usually concluded on a non-exclusive basis and for a short period of time, therefore facilitating switching.¹⁰² Moreover, the market investigation indicates that barriers to entry appear not to be high; with the majority of suppliers indicating that they would be able to sponsor entry of new distributors in the market.¹⁰³

- (74) Finally, the majority of respondents to the market investigation mentioned that there will remain sufficient alternative distributors to the merged entity for customers to source their products following the Transaction.¹⁰⁴ The majority of customers who provided a reply confirmed that it would be easy to switch their purchases from the merged entity to other distributors if the merged entity were to raise its prices.¹⁰⁵ Furthermore, the majority of these customers also submitted that they already source electronic components, irrespective of the product category, either from a large number of different distributors or directly from manufacturers.¹⁰⁶
- (75) According to the Guidelines on the assessment of horizontal mergers under the Council Regulation on the control of concentrations between undertakings ("Horizontal Guidelines"),¹⁰⁷ combined market shares below 25% may indicate that the concentration is not likely to impede effective competition. The market investigation has not revealed special circumstances which would indicate otherwise. On most of the affected national markets as well as at EEA level the merged entity will continue to face competition from another strong competitor, Arrow. In addition, other medium and small rival distributors, such as Rutronik Group, Future Group, Electrocomponents Group and/or TTI Group are present on these markets and will continue to exert competitive constraint on the merged entity, post-merger.
- (76) In relation to provision of value-added services, referred to in Section 4.1.1.4, the market investigation did not reveal any competition concerns. In any event, the Commission considers that value-added services only represent a small amount of the Parties' overall distribution revenues¹⁰⁸ and, post-Transaction, these services would continue to be available from a range of competing distributors.
- (77) In light of all the foregoing factors, with regard to the horizontal overlaps arising from the proposed Transaction, the Commission considers that the Transaction would not raise serious doubts as to its compatibility with the internal market in relation to horizontal overlaps in the overall market for the wholesale distribution of electronic components, as well as in all possible segments thereof, neither at EEA level nor at national level.

¹⁰² See replies to questionnaire Q1 to competitors of 3 September 2016, question 31.

¹⁰³ See replies to questionnaire Q3 to suppliers of 3 September 2016, question 32.2.

¹⁰⁴ See replies to questionnaire Q1 to competitors of 3 September 2016, question 34; questionnaire Q2 to customers of 3 September 2016 question 28; and questionnaire Q3 to suppliers of 3 September 2016, question 25.

¹⁰⁵ See replies to questionnaire Q2 to customers of 3 September 2016 question 32.

¹⁰⁶ See replies to questionnaire Q2 to customers of 3 September 2016 question 29.

¹⁰⁷ OJ C31, 5 February 2004, p.5."Guidelines on the assessment of horizontal mergers under the Council regulation on the control of concentrations between undertakings", paragraph 18.

¹⁰⁸ Form CO, paragraph 76.

5.2. Vertical assessment

(78) Avnet is active in the manufacture of electronic components (upstream of the market for the wholesale distribution of electronic components), which gives rise to a vertical relationship which the Commission will discuss in Section 5.2.1. In addition, both Avnet and Premier Farnell sell small amounts of electronic components to each other, therefore amounting to another vertical relationship (see Section 5.2.2).¹⁰⁹ Therefore, the Transaction gives rise to the following vertical relationships:

- a. The manufacture of electronic components upstream, where Avnet is active, and the distribution of electronic components downstream, where both Parties are active (in both markets, further segments in relation to the manufacture/distribution of semiconductors, passive components, electromechanical and interconnect components and embedded products were identified as per paragraph (9).
- b. The wholesale distribution of electronic components by the Parties to competing distributors of electronic components.

(79) The Commission will consider each of these vertical relationships in turn.

5.2.1. *Manufacture and distribution of electronic components*

(80) Avnet has certain activities in the manufacture of electronic components (upstream market). Since the Parties are also active in the downstream market for the wholesale distribution of electronic components (as discussed in Section 5.1), this would lead to an affected market because: (i) the Parties are active in two vertically related markets (the manufacture and distribution of electronic components), (ii) under some of the hypothetical product and geographic markets for the downstream market (e.g. national markets, different product markets for semiconductors, passive components, etc.) the Parties' combined market share is above 30% (e.g. the overall market for the distribution of electronic components in France or the United Kingdom), and (iii) the Transaction leads to an overlap in the downstream market for the distribution of electronic components.

(81) The Commission assesses whether the Transaction could reinforce the ability and incentive of the merged entity to either foreclose other distributors of electronic components to source electronic components manufactured by the merged entity (input foreclosure) or foreclose electronic components produced by manufacturers other than the merged entity from being used in the merged entity's distribution activities (customer foreclosure).

(82) According to the information provided by the Notifying Party, Avnet sells [Avnet's source of supply] electromechanical and interconnect components although it submits [Avnet's source of supply], usually categorised as part of the same category¹¹⁰ Whereas Avnet sells some passive components, it is not active in their

¹⁰⁹ Form CO, paragraphs 222 and 224. Distributors usually source components from other distributors where it is cost-effective to do so to address a shortfall in supply. Premier Farnell does not manufacture electronic components but resells a very limited amount to Avnet.

¹¹⁰ Form CO, paragraph 212 and 213.

manufacture. Moreover, the Notifying Party reports that Avnet's sales of these two types of components are minimal. For example, [Avnet's source of supply], Avnet's share in the manufacture of components overall would represent less than [0-5]% of the EEA and less than [0-5]% of the global market.¹¹¹ In any event, according to the Notifying Party, the combined share of each of these types considered separately would be below [10-20]%, irrespective of whether the geographic scope of the market is global or EEA-wide.¹¹²

- (83) In relation to customer foreclosure of competing manufacturers, the Commission notes that, as discussed in Section 5.1, the Transaction is unlikely to have a material effect on the merged entity's ability and incentive to engage in customer foreclosure because, first, the Transaction only gives rise to a small increment in the market for wholesale distribution of electronic components (see paragraph (65)) and, second, as highlighted in paragraph (74), there will remain a sufficient number of competing distributors of electronic components, to which competing manufacturers can sell. The Commission therefore considers that the merged entity is unlikely to engage in customer foreclosure in relation its manufacturing activities of electronic components.
- (84) The Commission considers that Avnet's minimal market shares in the markets for the manufacture of electronic components makes it unlikely that the merged entity will have the ability or the incentive to engage in an input or customer foreclosure strategy.
- (85) Based on the above and the available evidence, the Commission concludes that the Transaction would not raise serious doubts as to its compatibility with the internal market due to input or customer foreclosure of competitors in relation to the manufacture and distribution of electronic components.

5.2.2. *Wholesale distribution of electronic components by the Parties to other distributors of electronic components*

- (86) Some distributors of electronic components source these components not only from manufacturers but also from competing distributors of electronic components. For example, high-volume distributors may sell components to low-volume distributors, who will in turn sell them to final customers. In the present case, Avnet and Premier Farnell sell each other small amounts of electronic components.¹¹³

¹¹¹ As per Section 4.2.2, in previous decisions, the Commission did not take a view on whether the geographic market definition should be EEA-wide or worldwide. Therefore, the assessment in the present case is conducted for both alternatives.

¹¹² Form CO, paragraphs 216 to 218.

¹¹³ For example, Avnet purchased components worth EUR [...] from Premier Farnell in 2016. In turn, Premier Farnell purchased EUR [...] worth of components from Avnet in EEA, which represented [0-5]% of Avnet's total sales of electronic components in the EEA and less than [0-5]% of Premier Farnell's EEA-wide purchases of electronic components (Form CO, paragraphs 222 and 223). The Notifying Party further submits that these purchases from a high-volume distributor by a low volume distributor are not unique and Premier Farnell makes these purchases when [purchasing strategy] (Form CO, paragraph 224).

- (87) According to the information provided by the Notifying Party, Avnet's sales to other distributors represent a small fraction of Avnet's total sales in the EEA.¹¹⁴
- (88) The Commission has assessed whether the Transaction could reinforce the ability and incentive of the merged entity to either foreclose other distributors of electronic components to source electronic components (input foreclosure) or foreclose electronic components produced by distributors other than the merged entity from being used in the merged entity's distribution activities (customer foreclosure).
- (89) In relation to input foreclosure by the merged entity in relation to sales of electronic components to competing distributors of electronic components, the Commission examines, first, whether the merged entity would have, post-Transaction, the ability to substantially foreclose access to inputs, second, whether it would have the incentive to do so, and third, whether a foreclosure strategy would have a significant detrimental effect on competition downstream.¹¹⁵
- (90) First, as regards the merged entity's ability to engage in input foreclosure of competing distributors of electronic components (to which it sells electronic components), the Commission considers that Avnet's sales to competing distributors are unlikely to constitute an important input in the meaning of paragraph 34 of the Non-Horizontal Merger Guidelines. In addition, these components cannot be considered important for other reasons such as being a critical component to a downstream product,¹¹⁶ as these inputs are typically resold by competing distributors to end-customers.¹¹⁷ Therefore, the Commission concludes that electronic components sold by the merged entity are not likely to constitute an important input for competing distributors.
- (91) Second, the Commission considers it unlikely that the merged entity has market power in the sale of electronic components to competing distributors on an overall market at EEA level as the combined market share post Transaction would be below 30%.¹¹⁸
- (92) The Commission also considers that high-volume distributors of electronic components may be more likely to sell components to competing distributors than low-volume competitors. In that respect, even considering the merged entity's presence in the narrower high-volume segment, its market share in that segment would only be of [20-30]% in the EEA.¹¹⁹ This suggests that even in this narrower segment, the merged entity is unlikely to have market power in the upstream market.

¹¹⁴ "Less than [0-5]% to [0-5]% of Avnet's total sales of electronic components in the EEA", Notifying Party's email to the Commission of 20 September 2016.

¹¹⁵ See Guidelines on the assessment of non-horizontal mergers under the Council Regulation on the control of concentrations between undertakings, OJ C 265 of 18/10/2008, p. 6-25 ("Non-Horizontal Merger Guidelines"), paragraph 32.

¹¹⁶ Non-Horizontal Merger Guidelines, paragraph 34.

¹¹⁷ This consideration is underpinned by the fact that the merged entity only sells a small part of its sales to competing distributors of electronic components. As reported by the Notifying Party, Avnet only sells EUR [...] worth of electronic components in the EEA (less than [0-5]% Avnet's total sales of components and [0-5]% of the total sales of electronic components in the EEA).

¹¹⁸ Non-Horizontal Merger Guidelines, paragraph 35.

¹¹⁹ Notifying Party's email to the European Commission of 20 September 2016.

- (93) Moreover, as per paragraph 36 of the Non-Horizontal Merger Guidelines, the merged entity is unlikely to significantly affect the overall availability of inputs (electronic components) to competing distributors, as it currently only sells a small part of its production to these downstream competitors. The Commission further notes that, as submitted by the Notifying Party, exclusive contracts play a limited role in the relevant markets,¹²⁰ which further supports the view that such an input foreclosure strategy is unlikely to affect the availability of inputs, as other manufacturers currently selling to the merged entity would generally remain free to sell to competing distributors of the merged entity.
- (94) Finally, the Commission considers that competing distributors of electronic components have a number of alternatives to source electronic components. In addition to manufacturers, a high a number of distributors will remain on the market, including a number of important high-volume distributors, such as Arrow, Rutronik, Future Group and TTI Group (see paragraph (24) for an explanation about the differences between high-volume and low-volume distributors). The market investigation confirmed that these distributors are close competitors to Avnet and active in the high-volume segment.¹²¹ Therefore, the Commission concludes that the merged entity is unlikely to have the ability to engage in an input foreclosure strategy.
- (95) As regards the **merged entity's incentives to foreclose inputs to competing distributors of electronic components**, the Commission considers that the merged entity is unlikely to engage in an input foreclosure strategy because:
- a. its incentives are unlikely to change following the Transaction, as the increment added by Premier Farnell is very small ([0-5]% in the EEA), and Avnet currently sells electronic components to competitors, and
 - b. the merged entity is unlikely to benefit from an input foreclosure strategy given its low share of the overall market for distribution of electronic components in the EEA ([20-30]%) as it would forego sales to competing distributors.¹²² This is confirmed by the fact that Premier Farnell's purchases from Avnet account for less than [10-20]% of Avnet's sales to competing distributors. Therefore, this strategy would not make economic sense for Premier Farnell.¹²³
- (96) In relation to narrower markets or segments (e.g. national markets, each of the electronic components segments referred to in paragraph (63)), the market investigation indicated that competing distributors are likely to be able to source components directly from manufacturers and from distributors in other Member States. Indeed, the majority of competitors responding to the market investigation

¹²⁰ Form CO, paragraphs 139 to 142 and Table 2. Exclusive franchises with manufacturers only represent [10-20]% of Avnet's EMEA turnover and, in countries where the merged entity has more than 40% market shares in semiconductors sales, these exclusive franchises do not account for more than 10% in any Member State.

¹²¹ Notifying Party's email to the European Commission of 20 September 2016 and responses to the market investigation, Questionnaire 1 to competitors, question 32, Questionnaire 2 to customers, question 26 and Questionnaire 3 to supplier, question 23.

¹²² Non-Horizontal Merger Guidelines, paragraphs 43 and 44.

¹²³ Notifying Party's email to the European Commission of 22 September 2016.

were of the view that manufacturers and distributors within or outside the EEA are an alternative source of supply.¹²⁴

- (97) Moreover, even if the merged entity restricted its input foreclosure strategy to Premier Farnell's competing distributors in the low-volume segment, the Commission considers that the merged entity is unlikely to have the incentive to do so.
- (98) First, Premier Farnell's market share in the low-volume segments is also relatively modest ([10-20]%)¹²⁵ which suggests that an input foreclosure strategy targeted at competing low-volume distributors might not be profitable to the merged entity.
- (99) In any event, in terms of the overall likely impact on downstream competition of an input foreclosure strategy by the merged entity, the Commission considers that the current amount of sales to competing distributors by the merged entity (less than [0-5]% of the total sales of electronic components in the EEA)¹²⁶ and the presence of a high number of competitors in the downstream market (which also applies to the narrower segment for low-volume distributors) makes it unlikely that an input foreclosure strategy would materially affect effective competition in the downstream market for the distribution of electronic components.
- (100) Based on the above and the available evidence, the Commission concludes that the Transaction would not raise serious doubts as to its compatibility with the internal market due to input foreclosure of competitors in relation to the distribution of electronic components.¹²⁷

6. CONCLUSION

- (101) 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

¹²⁴ Responses to the market investigation, Questionnaire 1 to competitors, questions 25 and 26.

¹²⁵ Notifying Party's email to the European Commission of 20 September 2016.

¹²⁶ Notifying Party's email to the European Commission of 20 September 2016.

¹²⁷ Given that Premier Farnell's share of the low-volume segment is only [10-20]% and given that according to the Notifying Party, Premier Farnell already purchases from Avnet [80-90]% of the components it sourced from competing distributors, which in any event represent a very small quantity (Premier Farnell's purchases from competing distributors were EUR [...] in the EEA in 2015), customer foreclosure issues are not considered further in this decision.