

Completed acquisition by Henry Schein UK Holdings Ltd of the dental consumables business of Plandent Limited

ME/6515/15

The CMA's decision on reference under section 22(1) of the Enterprise Act 2002 given on 21 April 2015. Full text of the decision published on 18 May 2015.

Please note that [X] indicates figures or text which have been deleted or replaced in ranges at the request of the parties for reasons of commercial confidentiality.

SUMMARY

1. On 29 December 2014, Henry Schein UK Holdings Ltd (**Henry Schein**) acquired the assets and business information associated with the dental consumables business of Plandent Limited (**Plandent business**) (the **Merger**). Henry Schein and the Plandent business are together referred to as the **Parties**.
2. The Competition and Markets Authority (**CMA**) considers that the Parties have ceased to be distinct and that the share of supply test is met. The four-month statutory period for a decision, as extended, has not yet expired. The CMA therefore believes that a relevant merger situation has been created.
3. The Parties overlap in the distribution of dental consumables in the United Kingdom (**UK**). The CMA investigation found that many customers prefer to use only one or two distributors offering the full range of dental consumables products rather than splitting purchases across a number of specialist distributors, and that although the majority of distributors of dental consumables have UK-wide coverage, there are a number of distributors that focus exclusively on supplying dental consumables in Northern Ireland (**NI**). The CMA has therefore, on a cautious basis, assessed the competitive impact of the Merger in the distribution of dental consumables by full line distributors in Great Britain (**GB**) and NI separately.
4. On the basis of a frame of reference for full line distributors of dental consumables, the Merger results in a minor increment of [0–5]%, and at least

two larger competitors than the Plandent business will remain in the market post-Merger providing a competitive constraint on Henry Schein: Billericay Dental Supply Co. Ltd (trading under the name The Dental Directory) (**Dental Directory**); and Wright Health Group Ltd (**Wright**). Dental Directory is a competitor of similar size to Henry Schein.

5. The CMA concluded that the Parties had been competing pre-Merger to some extent. However, they were not particularly close competitors and Henry Schein will remain constrained by a number of full line distributors post-Merger. Further, the CMA does not believe that the Plandent business represented any higher competitive constraint in the market than its small market share suggests, and has not identified any evidence indicating that this would change in the foreseeable future.
6. As a result of these factors, the CMA does not believe that the Merger has resulted, or may be expected to result in a substantial lessening of competition (**SLC**) within any market or markets in the UK for goods or services.
7. The Merger will therefore **not be referred** under section 22(1) of the Enterprise Act 2002 (the **Act**).

ASSESSMENT

Parties

8. Henry Schein is a company registered in England and Wales, ultimately owned by Henry Schein, Inc, a global provider of healthcare products and services to office-based dental, animal health and medical practitioners.
9. In the UK, Henry Schein operates in three distinct business areas: animal health; medical supplies; and dentistry supplies. Its dental supplies business consists of supplying dental products, equipment and related services to dental professionals¹ across the UK under the following brands: Henry Schein Dental; Kent Express; Budget Dental; BA International; and Optident. Its main distribution centre is in Gillingham, Kent. Henry Schein's total UK turnover in the year ended in December 2013 was £[redacted] million, with £[redacted] million generated from the sale of dental consumables (as defined in paragraph 32).
10. The target is the Plandent business. It comprises all the assets and business information related to the distribution of dental consumables and small or hand-held dental equipment to dental professionals in the UK and the

¹ This includes dental professionals in private practices and in dental practices within the National Health Service.

Republic of Ireland, and was formerly control by Plandent Limited (**Plandent**). Its UK turnover for the year ended in October 2014 was around £[~~3~~] million.

Transaction

11. The Merger took place by way of an asset purchase as a result of which Henry Schein acquired all business information, know-how, processes, trade secrets, techniques or other proprietary information which relate to the Plandent business. These include the licences necessary for the operation of the business, suppliers and customer lists and sales representatives. The Merger completed on 29 December 2014.
12. The CMA issued an initial enforcement order on 16 January 2015 to prevent further integration of the Parties' businesses. The CMA granted derogations to the interim order that were necessary to allow the Plandent business to continue operating as a going concern. The initial enforcement order was revoked on 20 March 2015.

Jurisdiction

13. Each of the Parties constitutes an 'enterprise' for the purposes of Part 3 of the Act.² As a result of the Merger, the enterprises of Henry Schein and the Plandent business ceased to be distinct.
14. The Parties overlap in the distribution of dental consumables to dental professionals in the UK. Henry Schein estimated that the Parties' combined share of supply of dental consumables in the UK is [30–40]%, with an increment of [0–5]% (see Table 1 and Table 2 below regarding the Parties' shares of supply). The CMA therefore considers that the share of supply test in section 23 of the Act is met.
15. The Merger completed on 29 December 2014 and the CMA was first informed about the material facts of the Merger on 14 January 2015. The four-month period within which the CMA may make a phase 1 decision in completed cases pursuant to section 24 of the Act commenced on 15 January 2015 and ends on 5 June 2015. This period includes an extension of 24 calendar days, under section 25(2) of the Act because the Parties failed to fully respond to a request for information issued by the CMA under section 109 of the Act within the deadline established by the CMA.

² See section 129 of the Act and paragraph 4.8 of the [Mergers: Guidance on the CMA's jurisdiction and procedure](#).

16. The CMA therefore believes that it is or may be the case that a relevant merger situation has been created.
17. The initial period for consideration of the Merger under section 34ZA(3) of the Act commenced on 24 February 2015, and the statutory 40 working day deadline for a phase 1 decision is therefore 22 April 2015.
18. The CMA opened an own-initiative investigation into the Merger, following a complaint from a third party, by sending an Enquiry Letter to Henry Schein on 12 January 2015.³

Counterfactual

19. The CMA assesses a merger's impact relative to the situation that would prevail absent the merger (ie the counterfactual). For completed mergers the CMA generally adopts the pre-merger conditions of competition as the counterfactual against which to assess the impact of the merger. However, the CMA will assess the merger against an alternative counterfactual where, based on the evidence available to it, it considers that, in the absence of the merger, the prospect of these conditions continuing is not realistic, or there is a realistic prospect of a counterfactual that is more competitive than these conditions as between the merging parties.⁴
20. Plandent submitted that [REDACTED].⁵

Parties' submission

21. Plandent submitted that:
 - [REDACTED]
 - [REDACTED]
 - [REDACTED]
22. As a result of these factors, Plandent has been contemplating selling [REDACTED] the consumables business with Henry Schein since 2011. Plandent informed the

³ See [Mergers: Guidance on the CMA's jurisdiction and procedure](#) (CMA2), January 2014, paragraphs 6.9-6.19 and 6.59-60.

⁴ [Merger Assessment Guidelines](#) (OFT1254/CC2), September 2010, from paragraph 4.3.5. The Merger Assessment Guidelines have been adopted by the CMA (see [Mergers: Guidance on the CMA's jurisdiction and procedure](#) (CMA2), January 2014, Annex D).

⁵ [Merger Assessment Guidelines](#), paragraph 4.3.8.

CMA that its parent company, Planmeca Oy, decided that [REDACTED], although the CMA notes that there are no formal minutes recording this decision.

23. Plandent also stated, in addition to trying to sell the business, it had been attempting to implement [REDACTED] sales development plan that relied on the successful recruitment of new sales representatives and the development of existing ones in order to increase sales and profitability of the Plandent business. However, [REDACTED].
24. As a result, in Plandent's view, absent the transaction, the Plandent business would have either exited the market or materially declined.
25. Plandent also informed the CMA that, in the past, it had engaged in exploratory discussions with other third parties interested in acquiring the Plandent business or in entering into a partnership with Plandent [REDACTED]. Plandent submitted that these negotiations did not succeed, mainly due to disagreement over the valuation of the Plandent business and integration costs.

Third party submissions

26. A third party, [REDACTED], told the CMA that it would have been interested in purchasing the Plandent business if Henry Schein had not done so. The CMA considers that this may suggest that, at least, in principle there might have been an alternative less anti-competitive purchaser for the business. However, as noted in paragraph 28 below, the CMA is not required to conclude on this point.

CMA's investigation and assessment

27. The CMA considers that the Parties have provided some evidence to support their arguments that Plandent business would have exited the market in the absence of the Merger. However, the Parties have not shown that such exit would have been inevitable or that there were no alternative, less anti-competitive purchaser for the Plandent business.⁶
28. However, in the circumstances of this case, the CMA believes it is unnecessary to conclude on whether the exiting firm criteria are met as no competition concerns arise on any reasonably conceivable frame of reference.

⁶ [Merger Assessment Guidelines](#), paragraph 4.3.10.

29. Therefore, the CMA has assessed the Merger against the counterfactual of the pre-Merger conditions of competition.

Frame of reference

30. The CMA considers that market definition provides a framework for assessing the competitive effects of a merger and involves an element of judgement. The boundaries of the market do not determine the outcome of the analysis of the competitive effects of the merger, as it is recognised that there can be constraints on merger parties from outside the relevant market, segmentation within the relevant market, or other ways in which some constraints are more important than others. The CMA will take these factors into account in its competitive assessment.⁷

Overlap between the Parties

31. The Parties overlap in the distribution of dental consumables in the UK, including both GB and NI. Both Parties are full line distributors. They offer a materially complete portfolio of dental consumables⁸ through a national network of sales representatives, mail order and telesales team offering guidance to services.
32. Dental consumables are materials for use in dental surgeries and laboratories that need to be replaced regularly. These include dental sundries, computer-aided design and computer-aided manufacturing materials, dental anaesthetics, prophylaxis and restorative materials, dental sealants, tooth whiteners, topical fluoride, artificial teeth as well as small equipment such as handpieces, autoclaves, ultrasonic scalers and polishers, and curing light systems (together **dental consumables**).
33. The Parties source products, including branded products, from manufacturers and sell these to dental professionals, including independent practices, dental groups, clinics and public bodies.⁹

⁷ [Merger Assessment Guidelines](#), paragraph 5.2.2.

⁸ Henry Schein submitted that the Plandent business is not a full-service distributor because it does not include large dental equipment. The CMA considers that, on a cautious basis, the Plandent business should be considered a full line distributor as it still distributes the vast majority of products used by dental professionals.

⁹ The CMA notes that there is a small vertical relationship between the Parties as the wholesale division of Henry Schein supplied a small amount of dental consumables to the Plandent business (£[redacted]) in 2014. As the sales to Plandent represented less than [0–5]% of the total revenue of the wholesale division of Henry Schein and the small presence of Henry Schein at this upstream level of the distribution chain, the CMA will not consider further the vertical effects of the Merger, as it considers that the Merger does not raise competition concerns based on a vertical foreclosure theory of harm. No third party raised any concerns about wholesale supply from Henry Schein.

Product scope

34. Neither the CMA nor its predecessor bodies have previously considered the market for the supply of dental consumables. However, the European Commission recently considered a case in a related sector.¹⁰
35. In that case, the European Commission carried out its competitive assessment of the transaction in respect of the following markets: (a) small dental equipment; (b) dental consumables; (c) dental imaging products; and (d) medical devices (endoscope) in the EEA and France (the only country where vertically affected markets arose).
36. The European Commission left open the exact dimension of the product and geographic markets.

Full line versus single product distributors

37. Both Parties offer products across a number of different dental consumable product categories. While Henry Schein submits that the Plandent business is not a 'full line' distributor of dental products, the CMA considers that it sells a substantially complete range of dental consumables. As such, the CMA considers that the Parties can both be considered full line distributors for the purposes of its investigation.
38. The CMA considered whether the product frame of reference should be segmented by product category, assessing the extent to which:
 - customers purchased a bundle of products;
 - other retailers sell a range of similar products; and
 - the conditions of competition are similar across different product categories.
39. The Parties submitted that customers can switch between distributors with ease and typically purchase their dental consumables from more than one distributor. Further, the Parties argued that a distributor did not need to be a full line operator to compete and win consumables business. In support of this, the Parties supplied market share estimates for a wide range of distributors, many of whom would not be considered full line distributors, and yet still supply dental consumables to customers.

¹⁰ See decision of the European Commission of 4 August 2014 on COMP/M.7309 – Bridgepoint/EdRCP (**Bridgepoint/EdRCP**).

40. Some customers told the CMA that there were benefits to shopping around, and the CMA received examples from some customers who were able to save money through purchasing individual items from specific specialist distributors.
41. In contrast, the majority of customers who responded to the CMA's market testing told the CMA that they typically use full line distributors, including some who split their purchases between more than one distributor. These customers explained that there were significant benefits to purchasing from a full line distributor rather than multiple smaller specialist distributors. Among those advantages, they listed increased volume discounts, convenience and cost and administrative efficiencies when seeking and comparing proposals from fewer full line distributors.
42. When asked about the main alternative distributors for their dental consumable needs, the vast majority of customers mentioned only other full line distributors. This suggests that, for those customers at least, there may be a limited constraint from other distributors and is not consistent with there being a wide range of potential distributors, as suggested by Henry Schein.
43. As no competition concerns arise on any reasonably conceivable frame of reference, the CMA has not needed to conclude definitively on the precise frame of reference. Accordingly, the CMA has focused its assessment on full line distributors of dental consumables and the constraint exerted from short-line distributors has been taken into consideration in the competitive assessment.

Direct supply by manufacturers

44. Henry Schein submitted that, in addition to the wide range of distributors offering dental consumables, manufacturers can supply to customers directly. It provided an example of a manufacturer threatening to do this through the creation of its own online distribution portal for its products.
45. The CMA considered whether, as an alternative to using a distributor for the supply of dental consumables, customers could be supplied directly by manufacturers.
46. The CMA asked manufacturers whether they supplied, or would consider in the future supplying directly to end customers. The CMA also asked customers whether they sourced directly from any manufacturers and, if not, whether they would be able to so.

47. The vast majority of third parties indicated that they would not be prepared to source directly from manufacturers. They submitted that the necessary logistics did not exist for such arrangements to work, mainly due to the higher distribution costs to dental professionals and the need for speed of delivery in some cases.
48. The CMA has therefore not included direct supply from manufacturers in the frame of reference.

Segmentation by customer type

49. The CMA considered whether the market should be segmented by customer type. Henry Schein submitted that there were some differences between types of customers, with larger customers typically using more formal tendering processes than smaller customers. However, in Henry Schein's view, all customers are able to use a wide range of distributors, irrespective of their size.
50. The CMA's market testing identified customers of various sizes, ranging from single dentist practices to chains of dental professionals and a mixture of private and NHS dental groups. In general, the CMA found that larger customers and NHS customers tend to be more likely to conduct formal tender processes for their dental consumable products. The CMA also received some evidence that, for some larger customers, there was an increased tendency to source dental consumables from a single distributor. However, several smaller customers also exhibited similar preferences.
51. The qualification process to participate in tenders under the European procurement rules and to supply the NHS trusts that are part of the Health Trust Europe¹¹ would seem to prevent some competitors from supplying these large customers. However, third parties submitted that even customers that are part of the Health Trust Europe framework agreement can procure dental consumables from distributors outside this agreement.
52. Overall, based on the evidence before the CMA in this case, the CMA has not identified any meaningful differences in the competitive conditions faced by different types of customers that could affect their range of alternative distributors. For example, distributors of all sizes mentioned a similar range of alternative credible distributors and no customer or competitor raised specific concerns about the Merger relating to a particular customer type.

¹¹ Health Trust Europe is a central purchasing body for the health sector operating in the UK.

53. As a result, the CMA considers that the competitive effects of the Merger will not differ between different groups of customers, and has not analysed different customers groups separately.

Conclusion on product scope

54. For the reasons set out above, the CMA has considered the impact of the Merger on the distribution of dental consumables by full line distributors.
55. However, it was not necessary for the CMA to reach a definitive conclusion on the product frame of reference, since, as set out below, no competition concerns arise on any reasonably conceivable frame of reference.

Geographic scope

56. In *Bridgepoint/EdRCP*, the European Commission left open the geographic scope of the market in the supply of dental consumables and equipment, although it considered the supply in the EEA and in France.

Henry Schein's submissions

57. In this case, Henry Schein submitted that the relevant overlap occurs at a national level. They argued that both Parties supply products across the UK through a national network of multiple distributors. Henry Schein also submitted that dental consumables are readily transportable and therefore it is easy for distributors to service customers across the UK. As a result, the Parties informed the CMA that the majority of distributors operate from a single distribution centre with in-house or outsourced transport logistics.
58. The competition conditions are similar across GB. In NI, the Parties, third parties and the CMA have identified some additional local and regional distributors.

CMA's investigation and assessment

59. The CMA confirmed that the majority of distributors have national coverage. The CMA asked customers and competitors whether there were any differences in the conditions of competition between different regions, and received no responses indicating that this was the case. The CMA also received no concerns on a regional basis.
60. However, the CMA notes that there are a number of distributors that focus exclusively on supplying to NI rather than the rest of the UK. Whilst the Parties do also supply products to NI, on a cautious basis, the CMA considered the distribution of dental consumables separately for GB and NI.

In particular, the CMA considered whether the Merger might substantially lessen competition in GB where a number of the NI full line distributors are not present.

61. In practice, Henry Schein provided the CMA with share of supply information at the UK level. The CMA has, to the extent possible, used such information to assess the potential impact of the Merger in each of GB and NI.

Conclusion on geographic scope

62. For the reasons set out above, on a cautious basis the CMA has considered the impact of the Merger separately in GB and NI.
63. However, it was not necessary for the CMA to reach a conclusion on the geographic frame of reference, since, as set out below, no competition concerns arise on any reasonably conceivable frame of reference.

Conclusion on frame of reference

64. For the reasons set out above, the CMA has considered the impact of the Merger in relation to the distribution of dental consumables by full line distributors in GB and NI.

Competitive assessment

Horizontal unilateral effects

65. Horizontal unilateral effects may arise when one firm merges with a competitor that previously provided a competitive constraint, allowing the merged firm profitably to raise prices or degrade quality on its own and without needing to coordinate with its rivals.¹² Horizontal unilateral effects are more likely when the merger parties are close competitors.

Shares of supply

66. Henry Schein provided the CMA with market share information for the UK dental consumables market.¹³

¹² [Merger Assessment Guidelines](#), from paragraph 5.4.1.

¹³ The CMA was unable to obtain separate market share information for NI. However, the CMA considers that the UK shares are likely to provide a strong indication of the competitive situation in GB due to the relative size of GB compared to NI and, due to the existence of several NI-specific full line competitors, the CMA considers that it is unlikely that the Parties' shares would be materially higher in NI.

67. In relation to the distribution of dental consumables in the UK (ie not limited to full- line distributors), the Parties provided the estimates shown in Table 1 below.

Table 1: Shares of supply for all suppliers of dental consumables in the UK

<i>Company</i>	<i>Share of supply</i>
Henry Schein	[20–30]
Plandent	[0–5]
Combined	[30–40]
Dental Directory	[20–30]
Ortho-Care (UK) Ltd	[0–5]
Davis Schottlander & Davis Ltd	[0–5]
Wright	[0–5]
CTS Dental Holdings Ltd	[0–5]
Skillbond Direct Ltd	[0–5]
Straumann Ltd	[0–5]
Eschmann Holdings Ltd	[0–5]
American Orthodontics (UK) Ltd	[0–5]
Trycare Ltd	[0–5]
Other distributors	[20–30]

Source: Merger parties

68. In relation to the distribution of dental consumables in the UK by full line distributors, the CMA’s estimates based on information provided by Henry Schein is shown in Table 2 below.

Table 2: Shares of supply of dental consumables by full line distributors in the UK

<i>Company</i>	<i>Share of supply</i>
Henry Schein	[40–50]
Plandent	[0–5]
Combined	[50–60]
Dental Directory	[30–40]
Wright Health Group Ltd	[5–10]
Trycare Ltd	[0–5]
Sky Dental	[0–5]

Source: CMA’s estimates based on the information submitted by the Parties.

69. The CMA considers that the small increment resulting from the Merger and the existence of several competitors with similar or substantially higher share of supply than the Plandent business suggests that the Merger has a relatively limited impact on competition.

70. In addition, the CMA notes that the evidence available to it does not suggest that the Plandent business represented any higher competitive constraint in the market than its small market share suggests and has not identified any evidence indicating that this would change in the foreseeable future in the absence of the merger. These evidence have been stated above in the Counterfactual section (paragraphs 19 to 29), and assessing the level of

closeness of competition between the Parties below. The CMA also notes the lack of evidence showing that the Plandent business carried any significant weight driving a very dynamic competitive interaction in the market.

The Parties are not particularly close competitors

71. The CMA considered the extent to which the Parties competed with each other prior to the Merger and whether the share of supply estimates might understate the degree of competition being lost as a result of the Merger.

Parties' submissions

72. Henry Schein told the CMA that the most significant competitor to Henry Schein was Dental Directory but that there numerous other competitors, with over 30 examples of competing distributors provided by the Parties.
73. In addition, the Parties submitted that while Henry Schein has focused on competing on price and the quality of its service, Henry Schein considered that the Plandent business may have focused on competing mainly through lower prices.

Lost customer analysis

74. The Parties submitted that the market for dental consumables is not generally characterised by formal tender processes or formal contracts with dentists typically making their purchases on a spot basis and possibly using more than one distributor. As such, they submitted that this is a market that does not lend itself to a win-loss analysis.
75. However, Henry Schein provided some information on orders lost to other competitors.
76. Henry Schein was only able to identify the competitor to which it lost a particular order on a limited number of occasions, covering only [X] lost orders (which represented only [X]% of identified lost orders over the last three years). The CMA, therefore, considers the analysis of this information can only provide a weak indication of who Henry Schein lost orders to.
77. The information provided to the CMA shows that most of the orders lost by Henry Schein (around [X]%) were gained by [X]. A significant number of orders were also lost to Plandent (around [X]%) and, to a lesser extent, to other competitors such as such as [X] (around [X]%) and [X] (around [X]%).

78. While this analysis suggests that competition between the Parties might be more intense than suggested by the market share data, the CMA considers that it would be inappropriate to place significant weight on the limited amount of data provided as it covers only a small proportion of the orders lost by the Parties.
79. Other evidence before the CMA on the level of competitive interaction between the Parties are mixed. Recently Plandent lost an important client, [REDACTED], to Henry Schein. This may indicate some switching of customers between the Parties. However, it may also suggest that the Plandent business was a weak competitor losing significant market share as suggested by Plandent.
80. The CMA considers that the results of a win-loss analysis based on the limited information available to the Parties should be interpreted carefully in the context of other evidence, including submissions received from third parties.

Third party views

81. In its market testing, the CMA asked third parties on whether the Parties were imposing a particularly close constraint on each other relative to other competitors.
82. Some third parties noted that Henry Schein and Plandent compete with each other to the extent they both offer a large catalogue of dental consumables and a rapid delivery service with an extensive range of own brand products.
83. However, a number of third parties told the CMA that Plandent has traditionally focused its model on low prices. This is in contrast to Henry Schein which, according to several third parties, typically offered products at a higher price point.¹⁴
84. Furthermore, the majority of third parties (including customers, competitors and suppliers) who responded to the CMA's market testing submitted that the impact of the Merger on competition is limited due to the small size of the Plandent business compared with other distributors operating in the UK.
85. Overall, customers did not consider that Plandent was competing especially closely with Henry Schein compared to other distributors.
86. The CMA asked customers about the distributors that they currently use and their ability to supply them with all of their requirements in relation to dental

¹⁴ This is confirmed by a [REDACTED].

consumables. In addition, the CMA asked customers whether there were other distributors that would be credible alternatives to the Parties.

87. A number of customers either used or said that they could use several other full line distributors such as Wright, Dental Directory and Trycare Ltd. Some customers also mentioned other distributors (including full line and non-full line distributors), such as Sky Dental, Topdental and BDSI.
88. Some third parties, mainly competitors and suppliers, told the CMA that Henry Schein had completed a number of acquisitions in the last few years and that it was becoming the strongest player in an increasingly consolidated market. However, competitors also mentioned the existence of other full line distributors, such as Dental Directory, Wright and Trycare Ltd, and did not think that Plandent had been competing any closer with Henry Schein pre-Merger than other distributors.
89. Only two customers out of 15 who responded to the CMA's market testing submitted that they thought the Merger might have a significant impact on competition. These customers were concerned that the Merger would increase Henry Schein's market shares, and it is already the largest distributor. One customer also mentioned that since Dental Directory had been acquired by a dental group,¹⁵ it would not be a viable distributor for them. However, other third parties did not support this, with customers and competitors telling the CMA that Dental Directory had continued to compete for customers after becoming integrated with a dental provider.
90. Most customers, including some customers who expressed concerns with the Merger, stated that they can easily switch between distributors of dental consumables and that they frequently search for best prices or renegotiate terms based on competitors' offers.
91. Furthermore, third party evidence does not suggest that the Parties distribute any products or brands that other distributors cannot supply.

Internal documents

92. Internal documents from Henry Schein suggest that the main distributors of dental consumables in the UK are Henry Schein and Dental Directory.¹⁶

¹⁵ In April 2014, the private equity owners of one of the UK's largest dental clinic chains, Integrated Dental Holdings (IDH) acquired The Dental Directory, a distributor of dental products.

¹⁶ For instance, [REDACTED].

Conclusion on relative closeness of competition

93. Based on the evidence set out above, the CMA considers, on balance, that although Henry Schein is one of the main and largest full line distributors of dental consumables in the UK, post-Merger it will continue to be constrained by other full line distributors such as Dental Directory, Wright and Trycare Ltd. Further, the CMA considers that Plandent is not a particularly close competitor of Henry Schein relative to the other competitors identified above.

Constraints from non-full line distributors

94. In addition to the full line distributors identified above, the CMA received some evidence to suggest that a wide range of smaller, more specialised, distributors of dental consumables may exert some constraint on the Parties post-merger.
95. For example, some customers with whom the CMA spoke during this assessment indicated that they use specialist distributors rather than full line distributors for certain products if they are cheaper. One customer specifically told the CMA that it had recently been able to save a significant amount of money by switching to a specialist distributor and that the only barrier to switching between one or several distributors was the administrative cost of finding them.
96. The CMA acknowledges that there are a wide range of distributors that supply a particular category of dental consumables (eg gloves, brushes).
97. In this case, given the number of full line distributors remaining and the low increment of Plandent, the CMA has not needed to conclude on the level of constraint imposed by other distributors and in particular, whether a combination of several specialist distributors could place an equivalent constraint on Henry Schein post-Merger.
98. The CMA asked third parties whether competition between the Parties was particularly strong for certain types of product, but the CMA received no evidence that this was the case. As a result, the evidence available to the CMA does not indicate that the Parties' shares of supply and the evidence in relation to closeness of competition would be materially different if the product frame of reference was segmented further by product category.
99. In relation to the distribution of small dental equipment, as opposed to other dental consumables, the CMA notes that most full line distributors supply dental equipment as well as other dental consumables. Evidence received from third parties indicates that they do not distinguish between distributors of small dental equipment and other dental consumables.

Northern Ireland

100. As mentioned above, both Parties overlap in the distribution of dental consumables in NI.
101. The relative market position of the Parties in NI does not appear to be substantially different from that in GB.
102. Based on information submitted by the Parties, the main competitors of the Parties operate both in GB and NI. Furthermore, Henry Schein faces competition from two other distributors of dental consumables in NI: Mulholland and DMI.
103. The evidence available to the CMA, therefore, suggests that, post-Merger, Henry Schein will remain constrained in NI by other full line distributors, which are an effective alternative for those customers in NI and that therefore, the Merger does not raise competition concerns in NI.

Conclusion on horizontal unilateral effects

104. As set out above, the CMA considers that the combined market shares between the Parties could raise some *prima facie* competition concerns. However, the increment in the share of supply is low. Also, post-Merger Henry Schein will be constrained by several other full line distributors of dental consumables, one of them with an equivalent dimension to Henry Schein and other of similar or larger size to the Plaintiff business.
105. In addition, the CMA has found no evidence that the Parties were particularly close competitors or that the Plaintiff business was a particularly dynamic distributor of dental consumables responsible for driving competition in the market beyond what its small market share suggests. Accordingly, the CMA found that the Merger does not give rise to a realistic prospect of a substantial lessening of competition as a result of horizontal unilateral effects in relation to the supply of dental consumables in either GB or NI.

Barriers to entry and expansion

106. Entry, or expansion of existing firms, can mitigate the initial effect of a merger on competition, and in some cases may mean that there is no substantial lessening of competition. In assessing whether entry or expansion might prevent a substantial lessening of competition, the CMA considers whether such entry or expansion would be timely, likely and sufficient.¹⁷

¹⁷ [Merger Assessment Guidelines](#), from paragraph 5.8.1.

107. In this case, the CMA has not required to conclude on barriers to entry or expansion as the Merger does not give rise to competition concerns on any reasonably conceivable frame of reference.

Third party views

108. The CMA contacted customers, competitors and suppliers of the Parties. Some of these third parties raised some concerns. These included three competitors, three customers and three suppliers. In addition to some non-Merger specific issues, they raised some concerns in relation to Henry Schein's existing market position in the distribution of dental consumables and large equipment and the increasing consolidation of the market. These issues have been fully addressed in the competition assessment above.

109. The majority of third parties that responded to the CMA's market testing did not raise any competition concerns.

Conclusion

110. The CMA considers, based on the evidence set out above, that as the Merger will not result in the loss of a particularly dynamic competitor in the market and Henry Schein will remain constrained by a number of full line distributors after the Merger, there is no realistic prospect of a substantial lessening of competition arising from the Merger as a result of horizontal unilateral effects in relation to the supply distribution of dental consumables by full line distributors in both GB and NI.

Decision

111. Consequently, the CMA does not believe that it is or may be the case that the Merger has resulted, or may be expected to result, in a substantial lessening of competition within a market or markets in the United Kingdom.

112. The Merger will therefore **not be referred** under section 22(1) of the Act.

Jonathan Parker
Director of Mergers
Competition and Markets Authority
21 April 2015