

Anticipated acquisition by ACCO Europe Limited of Esselte Group Holdings AB

Decision on relevant merger situation and substantial lessening of competition

ME/6651/16

The CMA's decision on reference under section 33(1) of the Enterprise Act 2002 given on 20 January 2017. Full text of the decision published on 13 February 2017.

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.

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SUMMARY

1. ACCO Europe Limited (**ACCO**) has agreed to acquire **Esselte Group Holdings AB (Esselte)** (the **Merger**). ACCO and Esselte are together referred to as the **Parties**.

2. The Competition and Markets Authority (**CMA**) believes that it is or may be the case that the Parties will cease to be distinct as a result of the Merger, that the share of supply test is met and that, accordingly, arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation.
3. Both Parties supply office stationery products for wholesalers, distributors, dealers, retailers, and e-tailers.¹ The Parties do not sell directly to end-consumers and [✂].²
4. The Parties overlap in the supply of office stationery products in the following categories: binding machines, laminating machines, binding consumables, laminating consumables, staplers, staples, hole punchers, and storage and organisation (**S&O**) products.
5. The CMA found that most of these products are supplied to UK retailers by suppliers with operations in the UK. Whilst some of the Parties' customers source office stationery from suppliers outside the UK, the majority do not, and these customers stated that they would be unlikely to switch to suppliers outside of the UK in response to a small but significant price increase. Therefore, on a cautious basis, the CMA assessed the impact of the Merger in a geographic frame of reference which is UK-wide.
6. The CMA considered whether it was appropriate to include branded and 'own-brand'³ products within the same frame of reference for each product category. This part of the CMA's assessment was particularly significant in light of the high volume of own-branded office stationery sold to end-consumers. The evidence gathered by the CMA indicated that, for binding and laminating machines, the appropriate product frame of reference includes branded products only; while, for the remaining product categories, the CMA concluded that the appropriate product frame of reference included both branded and own-brand products because most customers told the CMA that end-consumers would readily switch between the two in response to a small but significant price increase.
7. The CMA therefore assessed the impact of the Merger in relation to the supply of the following products in the UK:
 - (a) branded binding machines;

¹ 'E-tailers' refers to retailers who sell products primarily via the internet to end-consumers.

² The Parties also carry out some limited [✂].

³ 'Own-brand' refers to those products which are supplied to retailers by manufacturers or distributors for sale by the retailer to end-consumers under one of its own brands.

- (b) branded laminating machines;
 - (c) branded and own-brand binding consumables;
 - (d) branded and own-brand laminating consumables;
 - (e) branded and own-brand staplers;
 - (f) branded and own-brand staples;
 - (g) branded and own-brand hole punchers; and
 - (h) branded and own-brand S&O products.
8. For each of the frames of reference in paragraph 7, the CMA assessed whether the Merger would give rise to a realistic prospect of a substantial lessening of competition (**SLC**) as a result of horizontal unilateral effects.
9. For branded binding machines, the CMA found that, whilst ACCO was the largest supplier of these products, Esselte had limited sales and the increment brought about by the merger was only [0-2]%. The CMA found that, post-Merger the merged entity would continue to face competition from Fellowes (the second largest supplier in the market) and another smaller branded supplier, and that it would face some out of market constraints from own-branded products. On this basis, the CMA found that the Merger would not give rise to a realistic prospect of an SLC in the supply of branded binding machines in the UK.
10. For branded laminating machines, the CMA found that the Parties were not each other's closest competitor and that the merged entity would continue to face competition from five other branded suppliers, three of which had greater shares of supply than Esselte in this product category. On this basis, the CMA found that the Merger would not give rise to a realistic prospect of an SLC in the supply of branded laminating machines in the UK.
11. For the remaining frames of reference, the CMA found that:
- (a) The Parties held a moderate share of supply and/or only a small increment would arise from the Merger.
 - (b) Several strong competitors will remain post-Merger.
 - (c) Customers said that they could switch readily to alternative suppliers in the event of a price increase by the merged entity (including by a reduction in the discounts offered) or a reduction in the quality of their products or services.

12. The CMA believes that these constraints, taken together, are sufficient to ensure that the Merger does not give rise to a realistic prospect of an SLC in the UK in these other frames of reference.
13. The Merger will therefore **not be referred** under section 33(1) of the Enterprise Act 2002 (the **Act**).

ASSESSMENT

Parties

14. ACCO is a wholly-owned, indirect subsidiary of ACCO Brands Corporation, a US-based supplier of office stationery products for wholesalers and resellers. ACCO's turnover for the financial year 2015 was £1.03 billion worldwide, and £[REDACTED] in the UK.⁴
15. Esselte is owned by J.W. Childs Associates, a US-based private equity firm, and is also a supplier of office stationery products for wholesalers and resellers. Esselte's turnover for the financial year 2015 was £[REDACTED] worldwide, and £[REDACTED] in the UK.⁵

Transaction

16. ACCO intends to acquire the entire issued share capital of Esselte for €296.9 million.
17. The Parties informed the CMA that the Merger was the subject of review by competition authorities in Germany, Poland, Spain and Russia, each of which had cleared the Merger.

Jurisdiction

18. As a result of the Merger, the enterprises of ACCO and Esselte will cease to be distinct.
19. The Parties overlap in the supply of office stationery products, with a combined share of supply in the UK in excess of 25% in the following product categories: binding machines, laminating machines, binding consumables,

⁴ Using an exchange rate of \$1=£0.681. The worldwide and UK turnover figures for financial year 2015 in USD are \$1.51 billion and \$[REDACTED] respectively.

⁵ Exchange rates of \$1=£0.681 and €1=£0.725 have been used to convert all revenue figures from EUR to GBP. The worldwide turnover figure for financial year 2015 in USD is [REDACTED] and the UK turnover figure for financial year 2015 in EUR is [REDACTED].

and staplers, calculated on the basis of value of sales.⁶ The CMA believes that the share of supply test in section 23 of the Act is therefore met.

20. The CMA therefore believes that it is or may be the case that arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation.
21. The initial period for consideration of the Merger under section 34ZA(3) of the Act started on 5 December 2016 and the statutory 40 working day deadline for a decision is therefore 1 February 2017.⁷

Counterfactual

22. The CMA assesses a merger's impact relative to the situation that would prevail absent the merger (ie the counterfactual). For anticipated mergers the CMA generally adopts the prevailing 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 believes 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.⁸
23. In this case, there is no evidence supporting a different counterfactual, and the Parties and third parties have not put forward arguments in this respect. Therefore, the CMA believes the prevailing conditions of competition to be the relevant counterfactual.

Background

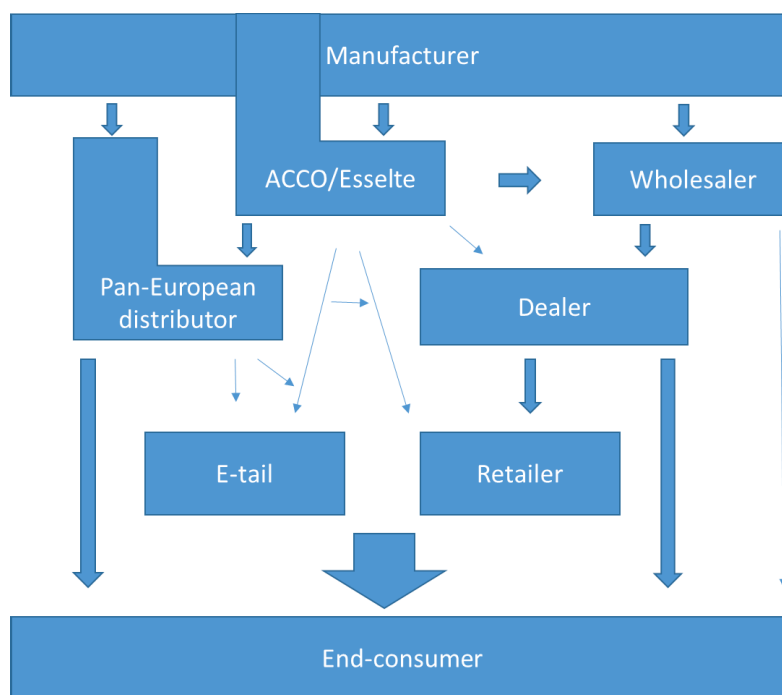
24. Figure 1 shows the different possible supply chains for office stationery products in the UK.

⁶ See Tables 1, 2, 3 and 5 respectively.

⁷ See *Mergers: Guidance on the CMA's jurisdiction and procedure* (CMA2), January 2014, from paragraph 7.34.

⁸ *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).

Figure 1: Supply chain for office stationery products



Source: CMA

25. The Parties overlap in the supply of office stationery, specifically the following product categories: binding machines, laminating machines, binding consumables, laminating consumables, staplers, staples, hole punchers, and S&O products. The Parties supply wholesalers, distributors, dealers, retailers, and e-tailers.⁹ The Parties do not sell directly to end-consumers.¹⁰ For some of the overlapping product categories, the same manufacturer supplies both Parties. In addition, some of the Parties' manufacturers also supply some of their competitors and some of their customers directly (which sell products under their own brands to end-consumers).
26. The majority of the Parties' customers fall into five broad categories: (i) wholesalers (including buying groups); (ii) pan-European distributors, with extensive European networks; (iii) dealers, which purchase goods for resale to retailers and end-consumers; (iv) retailers; and (v) e-tailers. As shown in Figure 1, different parts of the supply chain are not always distinct as wholesalers might supply end-consumers directly, suppliers, such as the Parties, might supply competitors or other intermediaries, and manufacturers might supply retailers.

⁹ 'E-tailers' refers to retailers who sell products primarily via the internet to end-consumers.

¹⁰ The Parties also carry out some [X] manufacturing of stationery products; however, [X].

Frame of reference

27. 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 takes these factors into account in its competitive assessment.¹¹

Product scope

Segmentation by office stationery product category

28. The Parties submitted that the relevant product frame of reference for the levels of the supply chain where they operate is the supply of office products. This is because they and their competitors source and supply a wide range of office products for their respective customers.
29. However, the Parties also submitted that, in light of previous decisional practice, the narrowest reasonable frames of reference were the manufacture and supply to wholesalers and resellers of the following products: binding machines, binding consumables, laminating machines, laminating consumables, staplers, staples, and hole punchers.
30. The CMA notes that in previous merger investigations, *Unipapel/Spicers*¹² and *Evo Business Supplies (Endless)/Office2Office*,¹³ the European Commission and CMA respectively considered an appropriate product frame of reference to be ‘traditional stationery’, consisting of staplers, staples, hole-punchers, and S&O products. However, both of these investigations involved companies active at the distribution, rather than wholesale level of the supply chain.
31. In *ACCO/GBC*, the OFT’s investigation concerned the supply of branded office stationery products to wholesalers and resellers. In this case the OFT found the relevant product frames of reference to be: binding equipment, binding consumables, laminating equipment, laminating consumables, document shredders, and boards and easels.¹⁴ However, the OFT did not

¹¹ [Merger Assessment Guidelines](#), paragraph 5.2.2.

¹² [M.6382 - Unipapel/Spicers \(case\)](#), [European Commission, 20 December 2011](#), paragraph 22.

¹³ ME/6459/14 - Anticipated acquisition by EVO Business Supplies Limited (part of Endless which also controls Vasanta Group) of Office2Office plc, CMA, 14 November 2014. [Endless / Office2Office merger enquiry](#), paragraph 36.

¹⁴ ME/1683/05 Anticipated merger between [ACCO World Corporation and General Binding Corporation](#), OFT, 4 July 2005.

conclude on these product frames of reference since it found no competition concerns on any basis.

32. In the present case, the majority of customers who responded to the CMA's merger investigation said that they negotiated contracts with suppliers covering a range of products; however, some customers said that contracts may sometimes be negotiated at an individual product category level.¹⁵ Several customers also told the CMA that they only buy certain products from the Parties, and often only one product type (eg staplers) together with its complementary consumable product (ie staples). These customers told the CMA they did not consider purchasing a wider product range from the Parties.
33. The majority of competitors who responded to the CMA's investigation said that they do not supply the whole range of products offered by the Parties.
34. Internal documents submitted by ACCO indicated that both ACCO and its customers monitor competitors/suppliers at a product category level rather than on an aggregated basis. [✂].
35. The CMA believes that products from different office stationery categories have different functions and/or purposes and therefore are not substitutes for each other from an end-consumer's perspective.
36. Based on the above evidence, and on a cautious basis, the CMA assessed the Merger using separate product frames of reference for each of the product categories in which the Parties overlap, namely:
 - (a) binding machines;
 - (b) laminating machines;
 - (c) binding consumables;
 - (d) laminating consumables;
 - (e) staplers;
 - (f) staples;
 - (g) hole punchers; and
 - (h) S&O products.

¹⁵ For example, following the introduction of a new product.

Own-brand versus branded products

37. The CMA considered whether it was appropriate to consider 'own-brand'¹⁶ products to be part of the same product frame of reference as branded products for each of the product categories listed above. This was significant given the high volume of own-brand product sales in each category.
38. The CMA noted that several large retailer customers (including Tesco, WH Smith and Staples) supply own-brand office stationery, sourced from Asian manufacturers, which are stocked on their shelves next to the Parties' branded goods.
39. The Parties submitted that branded and own-brand products across all the relevant product categories should be considered as part of the same product frames of reference. The Parties submitted that own-brand products are of similar quality and have similar features and packaging to branded products, which allows resellers to present and sell them as substitutable products to their customers. The Parties said that own-brand products are typically placed on the same catalogue pages, websites and shelves as branded equivalents and that, whilst normally cheaper, some own-brand product ranges now included premium-priced products. The Parties said that awareness of the differences between branded and own-brand products amongst end-consumers is low, and their customers would switch to an own-brand product in response to a price rise on one of their branded products.
40. The CMA received many responses from third parties on the substitutability of own-brand and branded products. This evidence was broadly consistent, indicating that the substitutability of own-brand with branded products varied across product categories. We set out this evidence by product category below.

Binding and laminating machines

41. In relation to both binding and laminating machines, the majority of customers told the CMA that branded suppliers of these products offer a greater range, and that branded products have better functionality than own-brand products. Two of the five customers who responded to the CMA regarding these products said that they believed branded binding and laminating machines to be of better quality than own brand, whilst the remaining three told the CMA that they were the same quality.

¹⁶ Own-brand refers to those products sold by retailers and distributors under their own branding.

42. The majority of customers submitted that end-consumers would not switch from branded to own-brand in respect of binding and laminating machines as a result of a small but significant price increase.
43. A competitor told the CMA that branded binding and laminating machines were perceived to be of superior quality and were priced higher than own-brand products. This competitor also said that most customers would not switch away from branded products if the price of these products were to rise by a small but significant amount, though customers who purchased entry level products might consider switching.
44. [REDACTED]¹⁷ [REDACTED].
45. On the basis of this evidence, and on a cautious basis, the CMA assessed the Merger focussing on branded products only for each of binding and laminating machines. However, the CMA considered the strength of the competitive constraint provided by own-brand binding and laminating machines on branded products in its competitive assessment.

Staplers and hole punchers

46. Competitors and customers told the CMA that branded staplers and hole punchers were: (i) more functional (with more advanced features); (ii) of a higher quality; and (iii) priced higher than own-brand equivalents. However, competitors also said that they thought customers would switch from branded to own-brand products in response to a small but significant increase in the price of branded products. One competitor noted that the market for hole punchers had already seen high penetration from own-brand products. The majority of customers also said that they thought end-consumers would switch from branded to own-brand staplers and hole punchers in response to a small but significant increase in the price of branded products.
47. Internal documents submitted by the Parties included [REDACTED].¹⁸ This document indicated that there was no clear price distinction between branded and own-brand stapler products. In addition, some of the Parties' internal documents which compared different types of stapler showed that products sold by some suppliers under their own-brand were similar in terms of appearance, functionality and quality to the branded products available.

¹⁷ [REDACTED].

¹⁸ [REDACTED].

48. On the basis of this evidence, the CMA assessed the effects of the Merger on the supply of each of staplers and hole punchers including both branded and own-brand products together.

Binding and laminating consumables, staples and S&O products

49. In relation to binding and laminating consumables, staples and S&O products the CMA found that there is little distinction between branded and own-brand products with regards to price, product characteristics and quality. The CMA received no evidence from third parties to suggest that customers have any significant brand loyalty to specific branded suppliers of these products.
50. For all of these product categories, the majority of competitors said that customers would switch from branded to own-brand products in response to a small but significant increase in the price of branded products. The majority of customers also told the CMA that end-consumers would switch to own-brand versions of these products if the prices of branded products increased by a small but significant amount.
51. On the basis of this evidence, the CMA assessed the effects of the Merger on the supply of each of binding and laminating consumables, staples and S&O products including both branded and own-brand products together.

Conclusion on product scope

52. For the reasons set out above, the CMA has assessed the impact of the Merger in the following product frames of reference:
- (a) branded binding machines;
 - (b) branded laminating machines;
 - (c) branded and own-brand binding consumables;
 - (d) branded and own-brand laminating consumables;
 - (e) branded and own-brand staplers;
 - (f) branded and own-brand staples;
 - (g) branded and own-brand hole punchers; and
 - (h) branded and own-brand S&O products.

Geographic scope

53. The Parties submitted that the appropriate geographic frame of reference at the level of the supply chain where they operate is at least EEA-wide. This was because they, and their competitors, have global sourcing arrangements and supply the vast majority of their products to large customers who either: (i) already have pan-European procurement arrangements; or (ii) could put such arrangements in place if their supplier raised prices.
54. Some competitors which responded to the CMA's investigation said that it was necessary to have a UK operation to supply all of the relevant products to UK customers and, in particular, that it was very important to have a UK warehouse in order to make next day or same day deliveries. However, other competitors told the CMA that, although having a UK warehouse would be helpful, it was possible to supply UK customers without one.
55. One competitor said that, while negotiations with some customers are conducted at a pan-European level, certain elements (such as price and marketing) are different for the UK market.
56. The majority of competitors which responded to the CMA said that customers would be likely to switch to suppliers outside of the UK in response to a small but significant price rise by UK suppliers, but they said that this varied by product category. Two competitors said that customers would be less likely to switch to non-UK suppliers for branded binding and laminating machines than for other product categories. However, the majority of customers told the CMA that they would be unlikely to switch to non-UK suppliers following a small but significant price rise by UK suppliers for any product category. One customer told the CMA that it had recently experienced an effective 10% price increase due to the fall in the value of sterling which had not prompted it to switch to a non-UK supplier. The only two customers which told the CMA that they would switch to non-UK suppliers in the event of such a price rise also said that they already sourced some products from outside the UK, suggesting that their existing relationships with overseas suppliers put them in a better position than other customers to make such a switch.
57. Some customers who responded to the CMA's investigation said that, although they considered European (and, on occasion, Asian) suppliers for branded products, they generally only sourced from UK-based suppliers due to high transportation costs and higher recognition by UK end-consumers of UK brands than non-UK brands. This response was broadly consistent across all product categories.

Conclusion on geographic scope

58. On the basis of the evidence above, and on a cautious basis, the CMA assessed the impact of the Merger for each product category on a UK-wide basis. However, the CMA has not concluded on the geographic frame of reference as no SLC has been found for any of the product categories.
59. The CMA notes that all of the Parties' overlap products may be sourced from suppliers located outside the UK, and that some customers already source some or all of these products from overseas suppliers. In particular, large retailers source a wide range of own-brand products from Asian suppliers. The CMA took these constraints into account in its competitive assessment for each of the relevant frames of reference.

Conclusion on frame of reference

60. For the reasons set out above, the CMA assessed the impact of the Merger in the following frames of reference in the UK:
- (a) branded binding machines;
 - (b) branded laminating machines;
 - (c) branded and own-brand binding consumables;
 - (d) branded and own-brand laminating consumables;
 - (e) branded and own-brand staplers;
 - (f) branded and own-brand staples;
 - (g) branded and own-brand hole punchers; and
 - (h) branded and own-brand S&O products.

Competitive assessment

Horizontal unilateral effects

61. 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 to degrade quality on its own and

without needing to coordinate with its rivals.¹⁹ Horizontal unilateral effects are more likely when the merger parties are close competitors.

62. The CMA assessed whether it is or may be the case that the Merger may be expected to result in an SLC as a result of horizontal unilateral effects in each of the frames of reference listed above.

Parties' submissions regarding the overlapping product categories

63. The Parties submitted that all of the product categories in which they overlap have become increasingly commoditised and that products supplied by different suppliers within each of these categories do not differ from each other materially in terms of price, quality, functionality or appearance. The Parties submitted that, as innovation in the overlapping product categories often consists of product feature or design improvements which are not subject to intellectual property protection, replicating such improvements is easy and competitors' product ranges have become aligned over time.
64. The Parties submitted that, whilst their product ranges in the overlapping categories are largely directly substitutable with each other, they are also directly substitutable with those of a number of other competitors. The Parties submitted that they do not consider themselves to be particularly close competitors in any of their overlapping product categories.
65. The Parties submitted that own-brand products are an increasing competitive constraint in all of the overlapping product categories. [REDACTED].

Supply of branded binding machines

Shares of supply

66. The CMA estimated shares of supply for the Parties and their main competitors in binding machines using information submitted by the Parties and several of their competitors.²⁰ The results are set out in Table 1.

¹⁹ [Merger Assessment Guidelines](#), from paragraph 5.4.1.

²⁰ The Parties submitted estimates of their competitors' shares of supply based on [REDACTED]. Across the overlapping product categories there were some differences between the Parties' estimates and sales figures submitted to the CMA by third parties. The CMA therefore believes that the estimates of shares of supply presented in Tables 1 to 8 should be considered with some caution.

Table 1: Estimated shares of supply of binding machines in the UK, 2015²¹

	<i>Binding machines</i>		
	<i>Turnover, £m</i>	<i>Market share (including own-brand), %</i>	<i>Market share (excluding own-brand), %</i>
ACCO	[X]	[40-50]%	[60-70]%
Esselte*	[X]	[0-5]%	[0-5]%
<i>Combined</i>	[X]	[40-50]%	[60-70]%
Fellowes	[X]	[20-30]%	[30-40]%
Peach†	[X]	[0-5]%	[0-5]%
Other branded suppliers	[X]	[0-5]%	[0-5]%
<i>Own brand suppliers</i>	[X]	[20-30]%	-
EVO	[X]	[0-5]%	-
SPOT	[X]	[10-20]%	-
Office Depot	[X]	[0-5]%	-
Other own brand suppliers	[X]	[0-5]%	-
Total	[X]	100%	100%

Source: CMA analysis of the Parties' and third parties' data.

*Turnover has been rounded to the nearest £0.01 million and market share to the nearest %.

67. The CMA's estimates indicate that ACCO is by far the largest supplier of branded binding machines in the UK, with a share of supply of approximately [60-70]%. The next largest supplier is Fellowes, with a share of supply of [30-40]%. Both Esselte and the other remaining branded suppliers have significantly smaller shares of supply than either ACCO or Fellowes, at [0-5]% or less. In 2015, Esselte had sales of branded binding machines of only £[X].
68. The CMA noted that, although the Parties will have a high combined share of supply of branded binding machines post-Merger of approximately [60-70]%, the increment arising from the Merger will be very small.

Closeness of competition

69. The Parties submitted that [X].
70. Two competitors told the CMA that they considered the Parties' branded binding machines to be close substitutes for each other. However, one of these competitors said that the Parties do not compete with each other for many resellers given the limited extent of Esselte's distribution network for these products. This view was supported by evidence from [X]. These competitors also told the CMA that there are no significant differences in the

²¹ Although the CMA did not include own-brand binding machines in the relevant product frame of reference, the CMA notes that suppliers of own-brand binding machines will constrain the Parties to an extent. For reference, the CMA has therefore shown the revenues of own-brand suppliers and estimates of their shares of supply.

core functionality of any branded binding machines, whether produced by the Parties or another supplier.

71. The CMA also considered evidence from customers regarding the suppliers whose products they currently list, and would consider listing in future, to gauge how closely they view the Parties as alternatives to each other for these products. Four of the nine customers which responded to the CMA and which currently listed ACCO products said that they also listed Fellowes products, while only three said that they also listed Esselte products. Four of the nine customers only listed ACCO products, and none of these customers said that they would consider Esselte to be a possible alternative supplier of binding machines, while two said that they would consider Fellowes to be an alternative supplier and the other two said that they would consider another alternative supplier.²²
72. The CMA believes that this evidence supports the view that ACCO and Esselte are not close competitors for the supply of branded binding machines, and that Fellowes is ACCO's closest competitor.

Competitive constraints

73. Several customers told the CMA that suppliers of branded binding machines whose products they did not currently list, including some from other European countries, were a competitive constraint when they were negotiating with the Parties.²³ Two of these customers said that they benchmarked the prices proposed by the Parties for a particular range of their products against those of alternative suppliers.
74. ACCO submitted an internal strategic review of the binding market (covering both machines and consumables), which showed that [REDACTED].

Conclusion on supply of branded binding machines

75. Based on the evidence above, the CMA found that ACCO is the leading supplier of branded binding machines with Fellowes its closest competitor. Esselte is a small supplier of branded binding machines, and the Merger will result in an increment of only [0-5]%. Post-Merger, the Parties will continue to be constrained by Fellowes and a few very small branded suppliers. Some out-of-market constraint will also remain post-Merger, both from suppliers of

²² Renz and Vivid.

²³ The Continental European suppliers listed by customers were Pavo and Monolith. Renz and Vivid, two UK based suppliers, were also listed by customers as possible alternatives; however, the CMA was unable to attribute sales of branded binding machines to either of these firms when making its calculations in Table 1.

own-brand binding machines and from suppliers of branded binding machines located in other European countries.

76. Accordingly, the CMA believes that the Merger does not give rise to a realistic prospect of an SLC as a result of horizontal unilateral effects in relation to the supply of branded binding machines in the UK.

Supply of branded laminating machines

Shares of supply

77. The CMA estimated shares of supply for the Parties and their main competitors in laminating machines using information submitted by the Parties and several of their competitors. The results are set out in Table 2.

Table 2: Estimated shares of supply of laminating machines in the UK, 2015

	<i>Laminating machines</i>		
	<i>Turnover, £m</i>	<i>Market share (including own-brand), %</i>	<i>Market share (excluding own-brand), %</i>
ACCO	[X]	[20-30]%	[20-30]%
Esselte	[X]	[0-5]%	[0-5]%
<i>Combined</i>	[X]	[20-30]%	[30-40]%
Fellowes	[X]	[30-40]%	[40-50]%
Pavo	[X]	[5-10]%	[10-20]%
Texet	[X]	[0-5]%	[5-10]%
Cathedral	[X]	[0-5]%	[0-5]%
Swordfish	[X]	[0-5]%	[0-5]%
Other branded suppliers	[X]	[0-5]%	[0-5]%
<i>Own brand suppliers</i>	[X]	[10-20]%	-
SPOT	[X]	[5-10]%	-
EVO	[X]	[0-5]%	-
Office Depot	[X]	[0-5]%	-
Staples	[X]	[0-5]%	-
Amazon	[X]	[0-5]%	-
WH Smith	[X]	[0-5]%	-
Other own-brand†	[X]	[0-5]%	-
Total	[X]	100%	100%

Source: CMA analysis of the Parties' and third parties' data.

78. The CMA estimates that the Parties will have a combined share of supply of [30-40]% in branded laminating machines, with an increment of [0-5]%. The merged entity will be the second largest supplier after Fellowes (which has a [40-50]% share).

79. The CMA found that, in addition to Fellowes, there is one other significant supplier of branded laminating machines, Pavo, which has a share of supply of [10-20]%, and one further competitor, Texet, which has a larger share of supply ([5-10]%) than Esselte. There are several further suppliers with smaller shares, including Cathedral and Swordfish, which each have a share of [0-5]%.

Closeness of competition

80. The Parties submitted that Esselte is not regarded by ACCO as a close competitor in the supply of branded laminating machines. The Parties identified Fellowes as the leading supplier, stating that Fellowes' high sales volumes had made it viable for it to set up its own factory for laminating machines in China. The Parties said that [X].
81. Two competitors told the CMA that they considered the Parties' laminating machines to be close substitutes for each other; however, these competitors also said that the core functionality of branded laminating machines was similar across all suppliers.
82. Seven of the ten customers which responded to the CMA and which currently list ACCO laminating machines said that they also listed Fellowes products, while only four said that they also listed Esselte products. None of the customers which said that they did not list Esselte products said that they would consider Esselte to be an alternative to their current suppliers.
83. The CMA believes that this evidence supports the view that ACCO and Esselte are not close competitors for the supply of branded laminating machines, and that Fellowes is ACCO's closest competitor.

Conclusion on supply of branded laminating machines

84. Based on the above evidence, the CMA found that, although the Parties compete to some extent for the supply of branded laminating machines in the UK, they are not each other's closest competitor, with ACCO and Fellowes competing more closely. Esselte is a small supplier of branded laminating machines, and the Merger will result in an increment of only [0-5]%. Post-Merger, the Parties will continue to be constrained by Fellowes and a few other branded suppliers, some of which have a higher share of supply than Esselte. Some out-of-market constraint will also remain post-Merger from suppliers of own-brand laminating machines.

85. Accordingly, the CMA believes that the Merger does not give rise to a realistic prospect of an SLC as a result of horizontal unilateral effects in relation to the national supply of branded laminating machines in the UK.

Supply of branded and own-brand binding consumables

86. The CMA estimated shares of supply for the Parties and their main competitors in binding consumables using information submitted by the Parties and several of their competitors. The results are set out in Table 3.

Table 3: Estimated shares of supply of binding consumables in the UK, 2015

	<i>Binding consumables</i>	
	<i>Turnover, £m</i>	<i>Market share (including own-brand), %</i>
ACCO	[X]	[20-30]%
Esselte	[X]	[0-5]%
<i>Combined</i>	[X]	[30-40]%
Fellowes	[X]	[5-10]%
Opus	[X]	[10-20]%
Peach	[X]	[0-5]%
<i>Own brand suppliers</i>	[X]	[50-60]%
EVO	[X]	[10-20]%
SPOT	[X]	[10-20]%
Office Depot	[X]	[5-10]%
Staples	[X]	[5-10]%
Lyreco	[X]	[0-5]%
Other own-brand	[X]	[10-20]%
Total	5.01	100%

Source: CMA analysis of the Parties' and third parties' data.

87. The CMA's estimates indicate that ACCO is the largest supplier of binding consumables in the UK and that the Parties will have a combined share of supply of [30-40]%, with an increment of [0-5]%.
88. The CMA found that, post-Merger, the Parties will continue to be constrained by three alternative suppliers of branded binding consumables (two of which, Fellowes and Opus, have a higher share of supply than Esselte) and at least five alternative suppliers of own-brand binding consumables (each of which has a higher share than Esselte).
89. Customers confirmed this evidence, identifying nine different alternative suppliers of branded binding consumables in addition to suppliers of own-brand products. Only two of the nine customers which responded to the CMA said that they currently listed Esselte's products, and none of the other seven

said that they would consider Esselte to be an alternative to their current supplier.

90. The CMA noted that ACCO's strategic review indicated that [✂].

Conclusion on branded and own-brand binding consumables

91. Based on the above evidence, the CMA found that, although the Parties compete to some extent for the supply of binding consumables in the UK, they are not close competitors, with ACCO competing more closely with other branded and own-brand suppliers. Esselte is a small supplier of binding consumables and the Merger will result in an increment of only [0-5]%. Post-Merger, the Parties will continue to be constrained by a large number of branded and own-brand suppliers.
92. Accordingly, the CMA believes that the Merger does not give rise to a realistic prospect of an SLC as a result of horizontal unilateral effects in relation to the supply of branded and own-brand binding consumables in the UK.

Supply of branded and own-brand laminating consumables

93. The CMA estimated the shares of supply for the Parties and their main competitors in laminating consumables using information submitted by the Parties and several of their competitors. The results are set out in Table 4.

Table 4: Estimated shares of supply of laminating consumables in the UK, 2015

	<i>Laminating Consumables</i>	
	<i>Turnover, £m</i>	<i>Market share (including own-brand), %</i>
ACCO	[X]	[5-10]%
Esselte	[X]	[0-5]%
<i>Combined</i>	[X]	<i>[5-10]%</i>
Fellowes	[X]	[20-30]%
Pavo	[X]	[5-10]%
Textet	[X]	[0-5]%
Cathedral	[X]	[0-5]%
Swordfish	[X]	[0-5]%
Peach	[X]	[0-5]%
Other branded suppliers	[X]	[0-5]%
<i>Own brand suppliers</i>	[X]	<i>[50-60]%</i>
SPOT	[X]	[5-10]%
EVO	[X]	[10-20]%
Office Depot	[X]	[0-5]%
Staples	[X]	[0-5]%
Lyreco	[X]	[0-5]%
Amazon	[X]	[0-5]%
Consortium	[X]	[10-20]%
WH Smith	[X]	[0-5]%
Total	[X]	100%

Source: CMA analysis of the Parties' and third parties' data.

94. The CMA estimates that the Parties will have a combined share of supply of [5-10]%, with an increment of [0-5]%. The merged entity will be the third largest supplier post-Merger, behind Fellowes ([20-30]%) and Pavo ([5-10]%).
95. The CMA found that there are four branded suppliers²⁴ and several own-brand suppliers of laminating consumables each with larger shares of supply than Esselte. In addition, three own-brand suppliers²⁵ have a higher share of supply than ACCO.
96. Customers confirmed this evidence, identifying 13 different alternative suppliers of branded products, in addition to suppliers of own-brand products.

Conclusion on supply of branded and own-branded laminating consumables

97. Based on the above evidence, the CMA found that the Parties are not close competitors for the supply of laminating consumables in the UK. Esselte is a small supplier of laminating consumables and the Merger will result in an

²⁴ Cathedral, Fellowes, Pavo and Textet.

²⁵ Consortium, EVO and SPOT.

increment of only [0-5]%. Post-Merger, the Parties will continue to be constrained by a large number of branded and own-brand suppliers.

98. Accordingly, the CMA believes that the Merger does not give rise to a realistic prospect of an SLC as a result of horizontal unilateral effects in relation to the supply of branded and own-brand laminating consumables in the UK.

Supply of branded and own-brand staplers

Shares of supply

99. The CMA estimated shares of supply for the Parties and their main competitors in staplers using information submitted by the Parties and several of their competitors. The results are set out in Table 5.

Table 5: Estimated shares of supply of staplers in the UK, 2015

	<i>Staplers</i>	
	<i>Turnover, £m</i>	<i>Market share (including own-brand), %</i>
ACCO	[X]	[20-30]%
Esselte	[X]	[5-10]%
<i>Combined</i>	[X]	[30-40]%
Rapesco	[X]	[20-30]%
Maped	[X]	[0-5]%
PaperPro	[X]	[0-5]%
Other branded suppliers	[X]	[0-5]%
<i>Own brand suppliers</i>	[X]	[40-50]%
SPOT	[X]	[5-10]%
EVO	[X]	[0-5]%
Office Depot	[X]	[5-10]%
Staples	[X]	[5-10]%
Lyreco	[X]	[0-5]%
Consortium	[X]	[0-5]%
Tesco	[X]	[5-10]%
WH Smith	[X]	[0-5]%
Total	[X]	100%

Source: CMA analysis of the Parties' and third parties' data.

100. The CMA estimates that the Parties will have a combined share of supply of [30-40]%, with an increment of [5-10]%. Post-Merger, the merged entity will be the largest supplier of staplers in the UK, ahead of Rapesco (which has a [20-30]% share).
101. The CMA found that, in addition to Rapesco, there are four own-brand suppliers of staplers each of which has a similar share of supply to Esselte

(between 5% and 10%), four further smaller own-brand suppliers and two smaller branded suppliers.

102. Customers confirmed this evidence, identifying 11 different alternative suppliers of branded staplers,²⁶ in addition to many different own-brand suppliers. Almost all of the Parties' customers which responded to the CMA said that they were able to use alternative suppliers in their negotiations with the Parties.
103. In addition, ACCO's strategic review of stapling and hole punching for 2015/16 indicated that [redacted].

Conclusion on branded and own-brand staplers

104. Based on the above evidence, the CMA found that, while the merged entity will be the largest supplier of staplers in the UK post-Merger, the Parties are not each other's closest competitor, with ACCO and Rapesco competing more closely. Post-Merger, the Parties will continue to be constrained by Rapesco and several other branded suppliers, and many own-brand suppliers.
105. Accordingly, the CMA believes that the Merger does not give rise to a realistic prospect of an SLC as a result of horizontal unilateral effects in relation to the supply of branded and own-brand staplers in the UK.

Supply of branded and own-brand staples

Shares of supply

106. The CMA estimated shares of supply for the Parties and their main competitors in staples using information submitted by the Parties and several of their competitors. The results are set out in Table 6.

²⁶ Amax, Dahle, Eastpoint, Heyi-Stationery, Maped, Ningbo, Novus, Paperpro, Rapid, Rapesco, and Snopake.

Table 6: Estimated shares of supply of staples in the UK, 2015

	Staples	
	Turnover, £m	Market share (including own-brand), %
ACCO	[X]	[10-20]%
Esselte	[X]	[0-5]%
<i>Combined</i>	[X]	[10-20]%
Rapesco	[X]	[10-20]%
Maped	[X]	[0-5]%
PaperPro	[X]	[0-5]%
<i>Own brand suppliers</i>	[X]	[60-70]%
SPOT	[X]	[10-20]%
EVO	[X]	[5-10]%
Office Depot	[X]	[5-10]%
Staples	[X]	[5-10]%
Lyreco	[X]	[5-10]%
Tesco	[X]	[0-5]%
WH Smith	[X]	[0-5]%
Other own-brand suppliers	[X]	[10-20]%
Total	[X]	100%

Source: CMA analysis of the Parties' and third parties' data.

107. The CMA estimates that the Parties will have a combined share of supply of [10-20]%, with an increment of [0-5]%. Post-Merger, the merged entity will be the largest supplier of staples in the UK, ahead of SPOT (which has a [10-20]% share) and Rapesco (which has a [10-20]% share).
108. The CMA found that, in addition to Rapesco, there are five own-brand suppliers which have a larger share of supply than Esselte, as well as several other smaller branded and own-brand suppliers.
109. Customers confirmed this evidence, identifying a large number of suppliers of staples in the UK, including several that are not listed in Table 6.²⁷ Almost all of the Parties' customers which responded to the CMA said that they were able to use alternative suppliers in their negotiations with the Parties.

Conclusion on supply of branded and own-brand staples

110. Based on the above evidence, the CMA found that, while the merged entity will be the largest supplier of staples in the UK post-Merger, the Parties are not each other's closest competitor, with SPOT and Rapesco competing more

²⁷ For example Eastpoint, Ningbo, Novus, and Snopake.

closely with ACCO. Post-Merger, the Parties will continue to be constrained by these suppliers and many other branded and own-brand suppliers.

111. Accordingly, the CMA believes that the Merger does not give rise to a realistic prospect of an SLC as a result of horizontal unilateral effects in relation to the supply of branded and own-brand staples in the UK.

Supply of branded and own-brand hole punchers

Shares of supply

112. The CMA estimated shares of supply for the Parties and their main competitors in hole punchers using information submitted by the Parties and several of their competitors. The results are set out in Table 7.

Table 7: Estimated shares of supply of hole punchers in the UK, 2015

	<i>Hole punchers</i>	
	<i>Turnover, £m</i>	<i>Market share (including own-brand), %</i>
ACCO	[X]	[10-20]%
Esselte	[X]	[5-10]%
<i>Combined</i>	[X]	[10-20]%
Rapesco	[X]	[20-30]%
Maped	[X]	[0-5]%
<i>Own brand suppliers</i>	[X]	[40-50]%
SPOT	[X]	[5-10]%
EVO	[X]	[5-10]%
Office Depot	[X]	[5-10]%
Staples	[X]	[5-10]%
Lyreco	[X]	[0-5]%
WH Smith	[X]	[5-10]%
Consortium	[X]	[0-5]%
Tesco	[X]	[5-10]%
Total	[X]	100%

Source: CMA analysis of the Parties' and third parties' data.

113. The CMA estimates that the Parties will have a combined share of supply of [10-20]%, with an increment of [5-10]%. The merged entity will be the second largest supplier behind Rapesco (which has a share of [20-30]%).
114. The CMA found that, in addition to Rapesco, there are two own-brand suppliers which have a larger share of supply than Esselte, as well as several other smaller branded and own-brand suppliers.

115. Customers confirmed this evidence, identifying a large number of suppliers of hole punchers in the UK, including several that are not listed in Table 7.²⁸ Almost all of the Parties' customers which responded to the CMA said that they were able to use alternative suppliers in their negotiations with the Parties.

Conclusion on supply of branded and own-brand hole punchers

116. Based on the above evidence, the CMA found that Rapesco will continue to be the largest supplier of hole punchers in the UK and that the Parties will continue to be constrained by a large number of branded and own-brand suppliers post-Merger.
117. Accordingly, the CMA believes that the Merger does not give rise to a realistic prospect of an SLC as a result of horizontal unilateral effects in relation to the supply of branded and own-brand hole punchers in the UK.

Supply of branded and own-brand S&O products

Shares of supply

118. The CMA estimated shares of supply for the Parties and their main competitors in S&O products using information submitted by the Parties and several of their competitors. The results are set out in Table 8.

²⁸ For example Duplo, Ningbo, Novus, Pukka, and Snopake.

Table 8: Estimated shares of supply of S&O products in the UK, 2015

	S&O Products	
	Turnover, £m	Market share (including own-brand), %
ACCO	[X]	[5-10]%
Esselte	[X]	[5-10]%
<i>Combined</i>	[X]	[10-20]%
Hamelin	[X]	[20-30]%
Avery	[X]	[10-20]%
Rapesco	[X]	[0-5]%
Fellowes	[X]	[5-10]%
Other branded suppliers	[X]	[0-5]%
<i>Own-brand suppliers</i>	[X]	[40-50]%
EVO	[X]	[10-20]%
Tesco	[X]	[0-5]%
Consortium	[X]	[0-5]%
WH Smith	[X]	[10-20]%
Total	[X]	100%

Source: CMA analysis of the Parties' and third parties' data.

119. The CMA estimates that the Parties will have a combined share of supply of [10-20]%, with an increment of [5-10]%. The merged entity will be the third largest supplier of S&O products behind Hamelin (with a [20-30]% share) and EVO (with a [10-20]% share).
120. The CMA found that, post-Merger, the Parties will continue to be constrained by at least four alternative suppliers of branded S&O products (three of which have a higher share of supply than Esselte)²⁹ and at least four alternative suppliers of own-brand S&O products (two of which have a higher share than Esselte).³⁰
121. Customers confirmed this evidence, identifying more than 20 different alternative suppliers of S&O products in the UK. All of the Parties' customers which responded to the CMA said that they were able to use alternative suppliers in their negotiations with the Parties.

Conclusion on supply of branded and own-brand S&O products

122. Based on the above evidence, the CMA found that, while the merged entity will be the third largest supplier of S&O products in the UK, its share of supply will remain relatively low and similar to that of a number of other suppliers.

²⁹ Avery, Fellowes, and Hamelin.

³⁰ EVO and WH Smith.

Post-Merger, the Parties will continue to be constrained by a large number of branded and own-brand suppliers of S&O products.

123. Accordingly, the CMA believes that the Merger does not give rise to a realistic prospect of an SLC as a result of horizontal unilateral effects in relation to the supply of branded and own-brand S&O products in the UK.

Barriers to entry and expansion

124. Entry, or the expansion of existing firms, can mitigate the initial effect of a merger on competition, and in some cases may mean that there is no SLC.³¹
125. In the present case, the CMA has not had to conclude on barriers to entry or expansion as the Merger does not give rise to competition concerns on any basis.

Third party views

126. The CMA contacted customers and competitors of the Parties. Most third parties had no concerns regarding the Merger.
127. Two (out of 14) customers and three (out of seven) competitors raised concerns regarding the Merger in relation to the possible increase in the Parties' market power and consequences in terms of prices and quality of service. None of these customers, and only one of these competitors specified the product categories for which these concerns applied (staplers and hole punchers). For the reasons set out above, the CMA does not believe that the Merger will result in a realistic prospect of an SLC in any of the overlapping product categories.
128. One competitor raised a concern regarding the impact of the Merger in relation to the Parties' rebate structures. This competitor told the CMA that, as ACCO's rebate structures are applied across several product categories, its ability post-Merger to use its market power in at least one of these product categories could be strengthened, thus reducing rivalry.
129. The CMA considered this concern carefully and, in particular, it assessed whether the Merger may give rise to conglomerate effects. The CMA believes that a Merger-specific effect could only arise if ACCO was to gain a significant increment in market share in the specific product category which was a cause

³¹ [Merger Assessment Guidelines](#), from paragraph 5.8.1.

of concern. However, the CMA has not found this to be the case. The CMA also found that [REDACTED].³²

Decision

130. Consequently, the CMA does not believe that it is or may be the case that the Merger may be expected to result in an SLC within a market or markets in the UK.

131. The Merger will therefore **not be referred** under section 33(1) of the Act.

Andrew Wright
Director, Mergers
Competition and Markets Authority
20 January 2017

ⁱ With respect to footnote 26, subsequent to the announcement of the CMA's decision, the Parties informed the CMA that Rapid is an Esselte Brand. This information did not affect the CMA's assessment.

³² [REDACTED].