

# Completed acquisition by Stanley Black & Decker, Inc. of the power tool accessories and hand tools and storage business of Newell Brands, Inc.

## Decision on relevant merger situation and substantial lessening of competition

**ME/6660/16**

The CMA’s decision on reference under section 22(1) of the Enterprise Act 2002 given on 11 April 2017. Full text of the decision published on 8 May 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.**

### Contents

	<i>Page</i>
SUMMARY .....	1
ASSESSMENT .....	4
Parties.....	4
Transaction .....	4
Jurisdiction .....	4
Counterfactual.....	5
Background.....	5
Frame of reference .....	6
Competitive assessment.....	13
Third party views .....	25
Decision .....	26

### SUMMARY

1. On 10 March 2017, Stanley Black & Decker, Inc. (**SBD**) acquired the power tool accessories and hand tools and storage business of Newell Brands, Inc. (**NTB**) (the **Merger**). SBD and NTB 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' enterprises have ceased to be distinct and that the share of supply test is met. The four-month period for a decision has not yet expired. The CMA therefore believes that it is or may be the case that a relevant merger situation has been created.
  
3. The Parties overlap in the supply of the following products in the UK:
  - (a) reciprocating saw blades;
  - (b) hole saw blades;
  - (c) jigsaw blades;
  - (d) circular saw blades;
  - (e) masonry drilling bits;
  - (f) wood drilling bits;
  - (g) metal drilling bits;
  - (h) fastening bits;
  - (i) layout tools;
  - (j) tapes;
  - (k) utility knives and blades;
  - (l) saws;
  - (m) pliers;
  - (n) chisels;
  - (o) snips;
  - (p) hex keys;
  - (q) clamps;
  - (r) planes;
  - (s) hammers; and
  - (t) storage.

4. The CMA found that a segmentation between lower quality products aimed primarily at do-it-yourself (**DIY**) users and higher quality products aimed primarily at professional users is appropriate. This was evidenced by third party submissions, as well as by both the Parties' and their competitors' brands being aimed at either DIY or professional users. The CMA found that, with respect to the overlapping products, private label products impose a competitive constraint on both DIY- and professional-quality branded products.
5. The CMA found that, although the Parties and their competitors tend to source their products from third party manufacturers (which can be located overseas), both the Parties and their competitors have a UK sales presence, with operations covering the whole of the UK.
6. The CMA therefore assessed the impact of the Merger on:
  - (a) the supply of each overlapping DIY-quality product (considering both private label and branded products together) in the UK; and
  - (b) the supply of each overlapping professional-quality product (considering both private label and branded products together) in the UK.
7. On the basis of low combined shares of supply and/or a negligible increment arising from the Merger, as well as the lack of any product-specific concerns raised by third parties, the CMA believes that there is no realistic prospect of a substantial lessening of competition (**SLC**) in the supply of reciprocating saw, hole saw, jigsaw and circular saw blades; masonry, wood and metal drilling bits; fastening bits; layout tools; tapes; pliers; snips; hex keys; clamps; hammers; or storage in the UK, in all cases for both DIY- and professional-quality products.
8. With respect to the supply of DIY- and professional-quality saws, utility knives and blades, chisels and planes in the UK, the CMA believes that the Parties are not particularly close competitors and there will remain sufficient competitors post-Merger to effectively constrain the merged entity. 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 as a result of horizontal unilateral effects in any market in the UK.
9. The Merger will therefore **not be referred** under section 22(1) of the Enterprise Act 2002 (the **Act**).

## ASSESSMENT

### Parties

10. SBD is a global provider of tools and hand tools, mechanical access solutions (ie automatic doors, commercial and residential locking systems), electronic and monitoring systems and products and services for various industrial applications. SBD organises its business around three principal business segments: (i) tools and storage; (ii) security; and (iii) industrial.
11. The tools and storage segment includes the (i) power tools; and (ii) hand tools and storage (**HTS**) businesses. The segment sells its products to a wide variety of end-users, industries and geographies using primarily the DeWalt, Black & Decker and Stanley brands. The turnover of SBD in 2016 was around £[~~XX~~] million in the UK.
12. NTB comprises companies and assets of Newell Brands, Inc. focusing on the development, manufacture, distribution and sale of hand tools, power tool accessories (**PTA**), industrial band saw blades and tools for heating, ventilation and air conditioning systems. This activity is mostly conducted under the brands of Irwin, Lenox and Hilmor, as well as private labels. The turnover of NTB in 2015 was around £[~~XX~~] million in the UK.

### Transaction

13. On 10 March 2017, SBD acquired NTB.
14. The Merger was subject to review by competition authorities in the United States, Germany, Colombia and Brazil and has been cleared by all these authorities. The Merger was also subject to a mandatory post-closing filing in Argentina.

### Jurisdiction

15. As a result of the Merger, the enterprises of SBD and NTB have ceased to be distinct.
16. The Parties overlap in the supply of a number of PTA and HTS products (see paragraph 27) to DIY and professional users. The CMA estimated the Parties' combined shares of supply in different product frames of reference on the basis of their sales revenues and those of their principal competitors. The CMA's estimates of the Parties' combined shares of supply are presented in Tables 1 and 2 below. These estimates exceed 25% in a number of cases (eg the supply

of DIY-quality saws in the UK). The CMA therefore believes that the share of supply test in section 23 of the Act is met.

17. The Merger completed on 10 March 2017 and the CMA was informed about it on the same day. The four month deadline for a decision under section 24 of the Act is 10 July 2017.
18. The CMA therefore believes that it is or may be the case that a relevant merger situation has been created.
19. The initial period for consideration of the Merger under section 34ZA(3) of the Act started on 23 February 2017 and the statutory 40 working day deadline for a decision is therefore 21 April 2017.
20. The CMA opened an own-initiative investigation into the Merger by sending an Enquiry Letter to SBD on 14 December 2016.<sup>1</sup>

## Counterfactual

21. 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 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.<sup>2</sup>
22. 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 pre-Merger conditions of competition to be the relevant counterfactual.

## Background

23. The Parties supply PTA and HTS products to retailers and wholesalers and do not sell any products to end users.<sup>3</sup> Retailers include stores such as B&Q, Screwfix and Wickes. Wholesalers include suppliers such as Toolbank. The

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<sup>1</sup> See *Mergers: Guidance on the CMA's jurisdiction and procedure* (CMA2), January 2014, paragraphs 6.9-6.19 and 6.59-60.

<sup>2</sup> *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).

<sup>3</sup> Both Parties estimate that approximately [%] of their sales are to retailers and approximately [%] are to wholesalers.

wholesale customers of the Parties supply products to independent builders' merchants, as well as chains such as Leyland.

24. Evidence provided by the Parties suggests that they have long term relationships with their customers and negotiate to supply these customers on a bilateral/rolling basis.<sup>4</sup> The Parties noted there are some exceptions to this, notably [REDACTED], which issue formal tenders.
25. There is a range of end users with a range of needs, from DIY users to professional users. Suppliers of PTA and HTS products may target specific customer types. For example, SBD has the DeWalt brand aimed at professional users, and the Black & Decker brand aimed at DIY users (see paragraph 43). In addition to branded PTA and HTS products, private label products are also available, ranging from DIY-quality to professional-quality.<sup>5</sup>

## Frame of reference

26. 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.<sup>6</sup>
27. The Parties overlap in the supply of the following products in the UK:
  - (a) reciprocating saw blades;
  - (b) hole saw blades;
  - (c) jigsaw blades;
  - (d) circular saw blades;
  - (e) masonry drilling bits;
  - (f) wood drilling bits;
  - (g) metal drilling bits;

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<sup>4</sup> NTB estimates that this form of negotiation accounts for approximately [REDACTED]% of its customers.

<sup>5</sup> SBD does not produce private label products for retailers in the UK.

<sup>6</sup> [Merger Assessment Guidelines](#), paragraph 5.2.2.

- (h) fastening bits;
- (i) layout tools;
- (j) tapes;
- (k) utility knives and blades;
- (l) saws;
- (m) pliers;
- (n) chisels;
- (o) snips;
- (p) hex keys;
- (q) clamps;
- (r) planes;
- (s) hammers; and
- (t) storage.

28. The CMA sets out its assessment of the appropriate frames of reference below.

**Product scope**

29. The Parties submitted that each overlapping product (as set out in paragraph 27) constitutes a separate product frame of reference, except for the different types of blades and drilling bits, which, according to the Parties, should be aggregated together on the basis of supply-side substitution.

30. While the boundaries of the relevant product market are generally determined by reference to demand substitution, the CMA may widen the scope of the market where there is evidence of supply-side substitution.<sup>7</sup>

31. The CMA has therefore considered whether it is appropriate, on the basis of supply-side substitution, to aggregate:

- (a) reciprocating saw blades, hole saw blades and jigsaw blades together; and

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<sup>7</sup> [Merger Assessment Guidelines](#), paragraph 5.2.17.

- (b) masonry, wood and metal drilling bits together.
32. The CMA also considered whether it is appropriate to segment frames of reference by:
- (a) quality and targeted type of user, in particular into DIY-quality and professional-quality; and
- (b) branded and private label products.<sup>8</sup>

*Reciprocating saw, hole saw and jigsaw blades*

33. The Parties submitted that, from a supply-side perspective, reciprocating saw, hole saw and jigsaw blades constitute a single product frame of reference of linear edge blades. The Parties argued that these types of blades are produced using very similar manufacturing procedures and equipment, and that most major competitors (eg Robert Bosch UK Holdings Ltd (**Bosch**), Makita (UK) Limited (**Makita**) and Techtronic Industries (UK) Ltd. (**TTI**)) supply the entire linear edge product portfolio.
34. The Parties submitted that the time needed to switch production from one type of linear edge blade to another is relatively short, with the longest switch-over period being four hours.
35. However, although a small number of third party submissions seemed to support some level of supply-side substitution, the CMA found that the conditions of competition vary between these products, with significant differences in the Parties' shares of supply across the different types of saw blades (see Tables 1 and 2).
36. For this reason, and on a cautious basis, the CMA assessed the impact of the Merger on the supply of reciprocating saw, hole saw and jigsaw blades separately. However, it was not necessary for the CMA to reach a conclusion on whether the appropriate frame of reference should aggregate reciprocating saw, hole saw and jigsaw blades, since, as set out below, no competition concerns arise on any plausible basis.

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<sup>8</sup> The CMA also considered whether a segmentation by type of customer (ie wholesaler or retailer) is appropriate. Competitors who responded to the CMA generally stated that they supply to both retailers and wholesalers and that there was no difference in supply between these two types of customer. The CMA therefore did not consider this segmentation further.



### *Masonry, wood and metal drilling bits*

37. The Parties submitted that, from a supply-side perspective, masonry, wood and metal drilling bits constitute a single product frame of reference of drilling bits. The Parties submitted that these products are produced using very similar manufacturing procedures and equipment and that their major competitors, including Bosch, TTI and Armeg Limited (**Armeg**), supply the entire portfolio of drilling bits.
38. The Parties stated that to change the type of drilling bit being produced would normally take 20 minutes for the machining process and 10-40 minutes for the heat treatment and surface application process (eg to apply a carbide tip).
39. However, although a small number of third party submissions seemed to support some level of supply-side substitution, the CMA found that some competitors offer only one type of drilling bit and that the conditions of competition vary between these products, with significant differences in the Parties' shares of supply across the different types of drilling bits (see Tables 1 and 2).
40. For this reason, and on a cautious basis, the CMA assessed the impact of the Merger on the supply of masonry, wood and metal drilling bits separately. However, it was not necessary for the CMA to reach a conclusion on whether the appropriate frame of reference should aggregate masonry, wood and metal drilling bits, since, as set out below, no competition concerns arise on any plausible basis.

### *DIY-quality versus professional-quality products*

41. The Parties submitted that it is not appropriate to segment product frames of reference on the basis of quality/targeted type of user due to both supply-side and demand-side substitution.<sup>9</sup> The Parties added that all the major suppliers sell to both DIY and professional users.
42. The Parties stated that they each offer all their products to both DIY and professional users. However, the Parties also said that, as professional users require tools for a wider range of purposes, some of which are not commonly undertaken by DIY users, professional users require a wider range of products. The Parties also noted that the products which tend to be bought by professional users either have different configurations and/or are produced to a

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<sup>9</sup> The Parties submitted that (i) if a supplier can produce a product for a professional user, it can also produce a product for a DIY user; and (ii) professional users also purchase through DIY stores (eg B&Q or Homebase) such that it is difficult to accurately delineate who is a professional user and who is a DIY user when looking at sales.

higher quality and/or are more durable than the products typically bought by DIY users.

43. The Parties also submitted that their brands are targeted at different types of user. SBD said that its:
- (a) DeWalt, MAC Tools, and Facom brands are targeted at professional users, with premium quality products and corresponding premium price points;
  - (b) Black & Decker products and Stanley PTA products are targeted at DIY users; and
  - (c) Stanley HTS products are targeted at both DIY and professional users.

The Parties said that NTB's core target market for its Irwin and Lenox brands are professional users.

44. Third parties consistently submitted that a segmentation between lower quality products aimed primarily at DIY users and higher quality products aimed primarily at professional users is appropriate. For example, one customer noted that a professional user may spend as much time using a tool in a day as a DIY user would in a lifetime and explained that a spectrum of tool quality exists to meet these different demands. This customer stated that DIY users are able to purchase high quality products if they wish but, due to the price differential, it is unlikely that they would. Another customer also said that DIY users were price focussed and would buy products of lower quality, whilst professional users are more likely to be quality focussed. Most third parties submitted that tool suppliers target their product quality and pricing at different types of users. For example, one customer submitted that Irwin products are aimed at professional users, whilst Stanley products are aimed at price conscious DIY users. Another customer noted that it adopts a 'good, better, best' split of product quality, which is accordingly targeted at different types of users.
45. One of the Parties' internal documents indicated that the Parties consider a [✂] framework for thinking about their own and their competitors' brands, and they position different types of users between [✂] categories. Another internal document indicated that the Parties assess their own shares of supply in relation to DIY- and professional-quality products separately.
46. On the basis of this evidence, the CMA assessed the impact of the Merger on the supply of DIY-quality and professional-quality products separately. However, it was not necessary for the CMA to reach a conclusion on whether the appropriate frame of reference should include both DIY-quality and professional-quality products, since, as set out below, no competition concerns arise on any plausible basis.

### *Branded versus private label products*

47. The Parties submitted that it would be inappropriate to identify separate product frames of reference based on whether the products are branded or private label as end users view them as substitutes and in many cases private label products are manufactured in the same factories as branded products. The Parties also stated that retailers consistently threaten to switch to stocking more private label products in their negotiations with the Parties.
48. With respect to DIY-quality products, the majority of customers supplying PTA and HTS products for DIY end-users submitted that private label DIY-quality products are an effective constraint on branded DIY-quality products. For example, two customers noted that DIY users are driven by price and are therefore likely to see private label products as an alternative to branded products. One customer stated that brands were less important for DIY users. Another customer submitted that it stocked a range of products, including private label products for DIY customers and price-sensitive professional users.
49. With respect to professional-quality products, some customers indicated that they focus on supplying high quality branded products and do not offer comparable private label products. These customers stated that professional users often stick to a brand they trust and therefore may not consider private label products to be substitutes. Some competitors also noted that, for very high quality products, private label products may not be a constraint.
50. However, other customers supplying PTA and HTS products to professional users submitted that private label acts as a constraint, with some customers saying that they had moved away from supplying branded products to introduce their own private label professional-quality products. One competitor noted that branded products have been competing with private label products for many years, and that it now produces private label professional-quality products as sales of branded products to professional users had declined.
51. Third party comments relating to the constraint imposed by private label professional-quality products on branded professional-quality products tended to apply across product groups. For example, one competitor noted that there were *'no product groups that are totally immune from the impact of own brand.'* However, some third parties identified specific product areas where the competition from private label on branded alternatives was particularly strong, such as tapes, knives, saws and layout tools, as well as PTA products. Some third parties explained that, whilst professional users might be particularly concerned about the brand of their main power tool, they are less concerned about the provider of their accessories.

52. On the basis of this evidence, the CMA believes that, with respect to the products in which the Parties overlap (see paragraph 27), private label products exert a competitive constraint on both DIY- and professional-quality branded products.
53. Therefore, for the purposes of this investigation (which is specific to the products in which the Parties overlap), the CMA assessed the impact of the Merger on the supply of branded and private label products together, both for DIY- and professional-quality products. However, it was not necessary for the CMA to reach a conclusion on whether the appropriate frame of reference should include both branded and private label products, since, as set out below, no competition concerns arise on any plausible basis.

#### *Conclusion on product scope*

54. For the reasons set out above, the CMA assessed the impact of the Merger on the supply of each overlapping product separately, segmenting each product into DIY and professional. The CMA considered branded and private label products together.
55. However, it was not necessary for the CMA to reach a conclusion on the product frame of reference, since, as set out below, no competition concerns arise on any plausible basis.

#### *Geographic scope*

56. The Parties submitted that the Merger should be assessed on a global basis, given that many of the products sold in the UK by the Parties and their competitors are imported from overseas.
57. SBD operates in the UK via a local distribution centre (a warehouse in Bracknell) with a sales team of [X] people. NTB operates in the UK via a local distribution centre (a warehouse in Fradley) with a sales team of [X] people.
58. The Parties' competitors submitted that they mainly produce PTA and HTS products outside of the UK. However, all competitors who responded to the CMA submitted that they have a UK presence in terms of sales distribution and that their operations cover the whole of the UK.
59. The majority of customers who responded to the CMA submitted that they prefer their suppliers to have a UK presence due to delivery times and reliability.
60. On the basis of this evidence, the CMA assessed the impact of the Merger within a UK-wide geographic frame of reference. 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 plausible basis.

### ***Conclusion on frame of reference***

61. For the reasons set out above, the CMA assessed the impact of the Merger on:
- (a) the supply of each overlapping DIY-quality product (as outlined in paragraph 27) (considering both private label and branded products together) in the UK; and
  - (b) the supply of each overlapping professional-quality product (as outlined in paragraph 27) (considering both private label and branded products together) in the UK.

## **Competitive assessment**

### ***Horizontal unilateral effects***

62. 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.<sup>10</sup> Horizontal unilateral effects are more likely when the merging parties are close competitors. The CMA assessed whether it is or may be the case that the Merger has resulted, or may be expected to result, in an SLC in relation to horizontal unilateral effects in the supply of their overlapping products in the UK.

### ***Shares of supply***

63. In order to assess the likelihood of the Merger resulting in horizontal unilateral effects, the CMA considered the Parties' shares of supply with respect to each overlapping product.
64. The CMA estimated the Parties' respective shares of supply based on the revenue information provided by the Parties and third parties.<sup>11</sup> Tables 1 and 2 present the results.

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<sup>10</sup> [Merger Assessment Guidelines](#), from paragraph 5.4.1.

<sup>11</sup> The CMA notes that these share of supply estimates are conservative and may overestimate the Parties' shares of supply to some extent, as the CMA was unable to collect revenue information from the entire set of competitors active in the supply of the overlapping products. For most of the overlapping products, the shares estimated by the CMA did not vary significantly from the shares estimated by the Parties.

**Table 1 Parties' shares of supply to DIY users in the UK, by value**

<b>Product</b>	<b>SBD (%)</b>	<b>NTB (%)</b>	<b>Combined share of supply (%)</b>
Reciprocating saw blades	[30-40]	[0-5]	[30-40]
Hole saw blades	[0-5]	[0-5]	[0-5]
Jigsaw blades	[5-10]	[0-5]	[5-10]
Circular saw blades	[5-10]	[0-5]	[5-10]
Masonry drilling bits	[10-20]	[0-5]	[10-20]
Wood drilling bits	[0-5]	[0-5]	[0-5]
Metal drilling bits	[0-5]	[0-5]	[0-5]
Fastening bits	[30-40]	[0-5]	[30-40]
Layout tools	[50-60]	[0-5]	[50-60]
Tapes	[20-30]	[0-5]	[30-40]
Utility knives and blades	[30-40]	[0-5]	[40-50]
Saws	[10-20]	[30-40]	[50-60]
Pliers	[5-10]	[10-20]	[10-20]
Chisels	[10-20]	[10-20]	[20-30]
Snips	[5-10]	[5-10]	[10-20]
Hex keys	[0-5]	[0-5]	[0-5]
Clamps	[0-5]	[50-60]	[50-60]
Planes	[20-30]	[10-20]	[30-40]
Hammers	[5-10]	[0-5]	[5-10]
Storage	[50-60]	[0-5]	[50-60]

Source: the Parties and third parties, CMA's estimates

**Table 2 Parties' shares of supply to professional users in the UK, by value**

<b>Product</b>	<b>SBD (%)</b>	<b>NTB (%)</b>	<b>Combined share of supply (%)</b>
Reciprocating saw blades	[5-10]	[30-40]	[30-40]
Hole saw blades	[0-5]	[0-5]	[0-5]
Jigsaw blades	[0-5]	[0-5]	[5-10]
Circular saw blades	[20-30]	[0-5]	[20-30]
Masonry drilling bits	[10-20]	[5-10]	[20-30]
Wood drilling bits	[5-10]	[10-20]	[20-30]
Metal drilling bits	[20-30]	[10-20]	[30-40]
Fastening bits	[40-50]	[0-5]	[50-60]
Layout tools	[40-50]	[0-5]	[40-50]
Tapes	[60-70]	[0-5]	[60-70]
Utility knives and blades	[60-70]	[5-10]	[70-80]
Saws	[0-5]	[40-50]	[40-50]
Pliers	[10-20]	[10-20]	[20-30]
Chisels	[20-30]	[40-50]	[60-70]
Snips	[10-20]	[10-20]	[30-40]
Hex keys	[30-40]	[0-5]	[30-40]
Clamps	[0-5]	[60-70]	[60-70]
Planes	[40-50]	[5-10]	[50-60]
Hammers	[20-30]	[0-5]	[20-30]
Storage	[50-60]	[0-5]	[50-60]

Source: the Parties and third parties, CMA's estimates

65. On the basis of low combined shares of supply and/or a negligible increment arising from the Merger, as well as the lack of any product-specific concerns raised by third parties, the CMA believes that there is no realistic prospect of an SLC in the supply of reciprocating saw, hole saw, jigsaw and circular saw blades; masonry, wood and metal drilling bits; fastening bits; layout tools; tapes; pliers; snips; hex keys; clamps; hammers; or storage in the UK (both for DIY- and professional-quality products). These overlapping products are not considered further in this decision as no competition concerns arise on any plausible basis.
66. The CMA identified eight product categories where further consideration was required:
- (a) DIY-quality saws ([50-60]% combined share of supply with [10-20]% increment);
  - (b) professional-quality saws ([40-50]% combined share of supply with [0-5]% increment);
  - (c) DIY-quality utility knives and blades ([40-50]% combined share of supply with [0-5]% increment);
  - (d) professional-quality utility knives and blades ([70-80]% combined share of supply with [5-10]% increment);
  - (e) DIY-quality chisels ([20-30]% combined share of supply with [10-20]% increment);
  - (f) professional-quality chisels ([60-70]% combined share of supply with [20-30]% increment);
  - (g) DIY-quality planes ([30-40]% combined share of supply with [10-20]% increment); and
  - (h) professional-quality planes ([50-60]% combined share of supply with [5-10]% increment).
67. The CMA assessed each of these product categories in more detail and considered:
- (a) the closeness of competition between the Parties; and
  - (b) competitive constraints from alternative suppliers.
68. The CMA noted two things in relation to all these product categories:



- (a) the share of supply estimates are conservative (see footnote 11), such that the remaining share of the market is likely, to some extent, to under-represent the constraint on the Parties from their competitors; and
- (b) despite the Parties' high combined share of supply in these eight product categories, all customers who responded to the CMA indicated that they source products from multiple suppliers. No customer said that it sourced any of these product categories from both the Parties and from no other party.

### *DIY- and professional-quality saws*

#### *Closeness of competition*

- 69. The Parties submitted that they are not close competitors in the supply of saws, with NTB having a large share of supply but SBD having a very small share.<sup>12</sup>
- 70. Third party submissions also indicated that the Parties are not particularly close competitors in the supply of saws. Three customers stated that SBD offers lower quality, cheaper saws, whilst NTB sells more expensive and higher quality saws. One customer submitted that Irwin is recognised as a supplier of good quality saws. Although one competitor raised concerns in relation to saws, noting that the addition of the best type of saw (NTB's Irwin saw) would increase the number of product categories in which SBD was a leader, this submission also implied that the Parties are not currently close competitors in the supply of saws.
- 71. Based on this evidence, the CMA believes that the Parties are not particularly close competitors in the supply of DIY- and professional-quality saws in the UK.

#### *Competitive constraints from alternative suppliers*

- 72. The CMA assessed whether there are alternative suppliers of DIY- and professional-quality saws which would provide a competitive constraint on the merged entity.
- 73. The Parties submitted that there are numerous alternative suppliers of DIY- and professional-quality saws which compete closely with the Parties. The Parties submitted that brands such as Carl Kammerling International Ltd. (**CK**), Clarke International (**Clarke**), Draper Tools Limited (**Draper**), Fiskars Corporation

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<sup>12</sup> The Parties submitted pricing information in relation to saws. However, given the difficulties in making like-for-like comparisons, the CMA did not place significant weight on this information. Rather, the CMA relied on third party evidence, which consistently showed that the Parties are not particularly close competitors in the supply of DIY- and professional-quality saws. The same applies to utility knives and blades; chisels; and planes.

(**Fiskars**), Olympia Tools (UK) Limited (**Roughneck**), SNA Europe (**Bahco**), Spear & Jackson (UK) Limited (**Spear & Jackson**), Eclipse Tools (**Eclipse**) and Silverline Tools Limited (**Silverline**), as well as private label brands such as Forge Steel from Kingfisher Plc (**Kingfisher**), Machine Mart from Machine Mart Limited (**Machine Mart**), Holdon and Wickes from Travis Perkins Plc (**Travis Perkins**), are targeted at both DIY and professional users of saws. The Parties said that, in addition, there are other brands which focus on DIY- and professional-quality saws separately.

- *DIY-quality saws*

74. The Parties submitted that competitor brands which are targeted primarily at DIY users include Kincrome and Rolson, while private label brands targeted at DIY users include Kingfisher's brands JCB, MacAllister and B&Q; and Homebase Group (2000) Limited's (**Homebase**) brands Homebase, Crafright and Trojan.

75. Customers which responded to the CMA identified a number of alternative branded suppliers of DIY-quality saws, including Bahco, CK, Draper, Rolson Tools Limited (**Rolson**), Wera Tools (UK) Limited (**Wera**), Roughneck, Spear & Jackson, as well as private label brands.

76. Faithfull Tools (**Faithfull**), Spear & Jackson, Hultafors Group UK Limited (**Hultafors**), Draper and CK confirmed to the CMA that they compete for the supply of DIY-quality saws in the UK, indicating that at least five alternative suppliers will continue to impose a competitive constraint on the merged entity with respect to DIY-quality saws.

- *Professional-quality saws*

77. The Parties submitted that the following competitor brands are targeted at professional users: Nicholson, Footprint, Hilka, Hultafors, ITL Insulated, Monument, Nobex, BlueSpot, Ox, Starrett, Tajima, Task, Trend and Vaughan. The Parties added that private label brands targeted at professional users include Cromwell Group (Holdings) Ltd's (**Cromwell**) brands Kennedy Industrial, Senator and Yamoto.

78. Customers which responded to the CMA identified a number of alternative branded suppliers of professional-quality saws, including Wera, KNIPEX-Werk (**Knipex**), Draper, Bahco, Ox Products Group (UK) Limited (**Ox**), Spear & Jackson, Rolson, Eclipse, as well as private label brands.

79. Faithfull, Spear & Jackson, Hultafors, Snap-on Incorporated (**Snap-on**), Toolstream Limited (**Toolstream**) and Draper confirmed to the CMA that they

compete for the supply of professional-quality saws in the UK, indicating that at least six alternative suppliers will continue to impose a competitive constraint on the merged entity with respect to professional-quality saws.

80. Based on this evidence, the CMA believes that there will remain sufficient competitors post-Merger to effectively constrain the merged entity in the supply of DIY- and professional-quality saws in the UK.

*Conclusion on DIY- and professional-quality saws*

81. As set out above, the CMA believes that the Parties are not particularly close competitors in the supply of DIY- and professional-quality saws and that there will remain sufficient competitors post-Merger to effectively constrain the merged entity. 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 DIY- and professional-quality saws in the UK.

*DIY- and professional-quality utility knives and blades*

*Closeness of competition*

82. The Parties submitted that they are not the closest competitors in the supply of utility knives and blades. The Parties explained that SBD has a significant share of supply of utility knives and blades due to it having originally invented the utility knife; however, there are now a range of competitors, including private label products, that compete with SBD in this product category. The Parties submitted that NTB utility knives and blades are no closer to SBD's products than other branded and private label products.<sup>13</sup>
83. Third party submissions indicated that the Parties are not particularly close competitors in the supply of utility knives and blades. Customers which responded to the CMA noted that SBD has a strong incumbent position in the supply of utility knives and blades having created the retractable 'Stanley knife'. Customers explained that users see the 'Stanley knife' as synonymous with utility knives. One customer submitted that '*SBD's main knife, the Stanley knife, is the most well-known and synonymous with knives, whilst Irwin is less well known (and generally is low to middle quality).*'
84. Based on this evidence, the CMA believes that the Parties are not particularly close competitors in the supply of DIY- and professional-quality utility knives and blades in the UK.

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<sup>13</sup> See footnote 12.

*Competitive constraints from alternative suppliers*

85. The CMA assessed whether there are alternative suppliers of DIY- and professional-quality utility knives and blades which would provide a competitive constraint on the merged entity.
86. The Parties submitted that there are numerous alternative suppliers of DIY- and professional-quality utility knives and blades which compete closely with the Parties. The Parties said that competitor brands such as Am-Tech, CK, Clarke, Draper, Hilka, Advent, Vitrex, Bahco, Silverline, Milwaukee and Wolfcraft, as well as private label brands such as Forge Steel, Machine Mart, Holdon and Wickes, are targeted at both DIY and professional users of utility knives and blades. The Parties said that, in addition, there are other brands which focus on DIY- and professional-quality utility knives and blades separately.
- *DIY-quality utility knives and blades*
87. The Parties submitted that competitor brands which are targeted primarily at DIY users include Kinchrome and Rolson, while private label brands targeted at DIY users include Kingfisher's brands JCB and MacAllister; and the Homebase's brands Homebase, Crafright and Trojan.
88. Customers which responded to the CMA identified a number of alternative branded suppliers of DIY-quality utility knives and blades, including Bahco, Jack Sealey Limited (**Sealey**), Draper, Rolson, Wera and Deltec Industries Limited (**Deltec**), as well as private label brands.
89. Faithfull, Spear & Jackson, Hultafors and Draper confirmed to the CMA that they compete for the supply of DIY-quality utility knives and blades in the UK, indicating that at least four alternative suppliers will continue to impose a competitive constraint on the merged entity with respect to DIY-quality utility knives and blades.
- *Professional-quality utility knives and blades*
90. The Parties submitted that competitor brands which are targeted primarily at professional users include Personna, Clauss, Bessey, Coast, Footprint, Gedore, Hultafors, Jokari, Knipex, Monument, BlueSpot, Olfa, Seber, Ox, Rodo, Marshalltown, RST and Starrett. The Parties submitted that private label brands targeted at professional users include Cromwell's brands Kennedy Industrial and Senator.
91. Customers which responded to the CMA identified a number of alternative branded suppliers of professional-quality utility knives and blades, including

Wera, Bahco, Fisco Tools Limited (**Fisco**), Draper, Hultafors, Rolson, TTI, Knipex, Makita, as well as private label brands.

92. Faithfull, Spear & Jackson, Hultafors, L.S. Starrett Company Ltd. (THE) (**Starrett**), Snap-on, Toolstream, Draper and CK confirmed to the CMA that they compete for the supply of professional-quality utility knives and blades in the UK, indicating that at least eight alternative suppliers will continue to impose a competitive constraint on the merged entity with respect to professional-quality utility knives and blades.
93. Based on this evidence, the CMA believes that there will remain sufficient competitors post-Merger to effectively constrain the merged entity in the supply of DIY- and professional-quality utility knives and blades in the UK.

*Conclusion on DIY- and professional-quality utility knives and blades*

94. As set out above, the CMA believes that the Parties are not particularly close competitors in the supply of DIY- and professional-quality utility knives and blades and that there will remain sufficient competitors post-Merger to effectively constrain the merged entity. 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 DIY- and professional-quality utility knives and blades in the UK.

*DIY- and professional-quality chisels*

*Closeness of competition*

95. The Parties submitted that they are not the closest competitors in the supply of chisels and that NTB's products are no closer to SBD's products than other branded and private label products.<sup>14</sup>
96. Third parties suggested that the Parties were not particularly close competitors in the supply of chisels, with NTB's Marples brand being the leading chisel brand and SBD being much less known for its chisels. For example, one customer submitted that NTB is known for its Marples chisels, while Stanley focuses on the low end of the chisels market. This customer noted that SBD does have a higher end Sweetheart brand, but this is seen as very old fashioned and aimed at old carpenters and for artisan work.

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<sup>14</sup> See footnote 12.

97. Based on this evidence, the CMA believes that the Parties are not particularly close competitors in the supply of DIY- and professional-quality chisels in the UK.

*Competitive constraints from alternative suppliers*

98. The CMA assessed whether there are alternative suppliers of DIY- and professional-quality chisels which would provide a competitive constraint on the merged entity.

99. The Parties submitted that there are numerous alternative suppliers of DIY- and professional-quality chisels which compete closely with the Parties. The Parties submitted that brands such as Am-Tech, BOA, Bosch, CK, Clarke, Draper, Makita, Roughneck, Record Power, Bahco, Spear & Jackson, Eclipse, Blue, Silverline and Milwaukee, as well as private label brands such as Erbauer and Forge Steel, Machine Mart, Holdon and Wickes, are targeted at both DIY and professional users of chisels. The Parties said that, in addition, there are other brands which focus on DIY- and professional-quality chisels separately.

- *DIY-quality chisels*

100. The Parties submitted that competitor brands which are targeted primarily at DIY users include Kincrome and Rolson, while private label brands targeted at DIY users include Kingfisher's brands JCB, MacAllister, OPP, Diall and Titan; and Homebase's brands Homebase and Crafright.

101. Customers which responded to the CMA identified a number of alternative branded suppliers of DIY-quality chisels, including Bahco, Draper, Rolson and Wera, as well as private label brands.

102. Faithfull, Spear & Jackson, Hultafors, Draper and Bosch confirmed to the CMA that they compete for the supply of DIY-quality chisels in the UK, indicating that at least five alternative suppliers will continue to impose a competitive constraint on the merged entity with respect to DIY-quality chisels.

- *Professional-quality chisels*

103. The Parties submitted that competitor brands which are targeted primarily at professional users include Armeg, Footprint, Hilka, Hultafors, BlueSpot, Ox, Teng, Trend and Wiha. The Parties submitted that private label brands targeted at professional users include Cromwell's brands Kennedy Industrial, Senator and Yamoto; and RS's brand RS PRO.

104. Customers which responded to the CMA identified a number of alternative branded suppliers of professional-quality chisels, including Wera, Knipex, Bahco, Draper, Ox, Rolson and Eclipse, as well as private label brands.
105. Faithfull, Spear & Jackson, Hultafors, Snap-on, Toolstream, Draper, CK and Bosch confirmed to the CMA that they compete for the supply of professional-quality chisels in the UK, indicating that at least eight alternative suppliers will continue to impose a competitive constraint on the merged entity with respect to professional-quality chisels.
106. Based on this evidence, the CMA believes that there will remain sufficient competitors post-Merger to effectively constrain the merged entity in the supply of DIY- and professional-quality chisels in the UK.

*Conclusion on DIY- and professional-quality chisels*

107. As set out above, the CMA believes that the Parties are not particularly close competitors in the supply of DIY- and professional-quality chisels and that there will remain sufficient competitors post-Merger to effectively constrain the merged entity. 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 DIY- and professional-quality chisels in the UK.

*DIY- and professional-quality planes*

*Closeness of competition*

108. The Parties submitted that they are not close competitors in the supply of planes. The Parties said that SBD's planes are premium products which are both higher quality and more expensive than NTB's Irwin branded planes. The Parties also noted that the planes market is small in the UK.<sup>15</sup>
109. Third parties noted that NTB does not have a significant presence in the supply of professional-quality planes. For example, one customer submitted that, with respect to planes, '*Irwin has no real presence, whilst this is Stanley territory*'. No third parties raised concerns relating to planes.
110. Based on this evidence, the CMA believes that the Parties are not particularly close competitors in the supply of DIY- and professional-quality planes in the UK.

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<sup>15</sup> See footnote 12.

### *Competitive constraints from alternative suppliers*

111. The CMA assessed whether there are alternative suppliers of DIY- and professional-quality planes which would provide a competitive constraint on the merged entity.
112. The Parties submitted that there are numerous alternative suppliers of DIY- and professional-quality planes which compete closely with the Parties. The Parties submitted that competitor brands such as Am-Tech, Clarke, Draper, Sealey and Silverline, as well as private label brands such as Forge Steel, Machine Mart and Wickes, are targeted at both DIY and professional users of planes. The Parties said that, in addition, there are other brands which focus on DIY- and professional-quality planes separately.
- *DIY-quality planes*
113. The Parties submitted that competitor brands which are targeted primarily at DIY users include Spear & Jackson and Draper, while private label brands targeted at DIY users include Kingfisher's brand MacAllister and Homebase's brand Homebase.
114. Customers which responded to the CMA identified a number of alternative branded suppliers of DIY-quality planes, including Veritas, Faithfull, Lie Neisen, Bahco, Bosch, Draper, Wera, Evolution and Ceka, as well as private label brands.
115. Faithfull, Spear & Jackson and Draper confirmed to the CMA that they compete for the supply of DIY-quality planes in the UK, indicating that at least three alternative suppliers will continue to impose a competitive constraint on the merged entity with respect to DIY-quality planes.
- *Professional-quality planes*
116. The Parties submitted that competitor brands which are targeted primarily at professional users include Blackspur and Hilka, while private label brands targeted at professional users include Cromwell's brand Senator.
117. Customers which responded to the CMA identified a number of alternative branded suppliers of professional-quality planes, including Wera, Knipex, Bahco, Draper and Faithfull, as well as private label brands.
118. Faithfull, Toolstream and Draper confirmed that they compete for the supply of professional-quality planes in the UK, indicating that at least three alternative suppliers will continue to impose competitive constraint on the merged entity with respect to professional-quality planes.



119. Based on this evidence, the CMA believes that there will remain sufficient competitors post-Merger to effectively constrain the merged entity in the supply of DIY- and professional-quality planes in the UK.

*Conclusion on DIY- and professional-quality planes*

120. As set out above, the CMA believes that the Parties are not particularly close competitors in the supply of DIY- and professional-quality planes and that there will remain sufficient competitors post-Merger to effectively constrain the merged entity. 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 DIY- and professional-quality planes in the UK.

*Barriers to entry and expansion*

121. 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**

122. The CMA contacted customers and competitors of the Parties. Third party comments have been taken into account where appropriate in the competitive assessment above.
123. In addition, some customers and competitors raised concerns regarding the size of the combined business, as, due to the complementary nature of the two businesses, the merged entity would hold many of the market leading brands across product categories. However, third party testing consistently showed that, although customers have a preference for dealing with a limited number of suppliers, they are willing, if necessary, to purchase individual product lines separately. The CMA found that most customers procure different products from different suppliers. Third party submissions and evidence submitted by the Parties indicated that customers do not, and will not, buy bundles of products that they do not want. Therefore, as customers would have alternatives to purchase each product from different suppliers (see Competitive Assessment above), the CMA did not believe that the aggregation of the Parties' products across product categories would cause competition concerns.
124. One competitor expressed a concern that some manufacturers might stop supplying if those manufacturers supplied the merged entity. However, this competitor was unable to identify any overlapping products where the increment arising from the Merger would affect the manufacturer's incentives to supply. The CMA also noted that this competitor had received reassurances from the manufacturers in question.

## **Decision**

125. 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 an SLC within a market or markets in the UK.
126. The Merger will therefore **not be referred** under section 22(1) of the Act.

**Andrew Wright**  
**Director, Mergers**  
**Competition and Markets Authority**  
**11 April 2017**