

## Completed acquisition by Ecolab Inc. of The Holchem Group Limited

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

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

**ME/6793/18**

#### **SUMMARY**

1. On 30 November 2018, Ecolab Inc. (**Ecolab**) acquired The Holchem Group Limited (**Holchem**) (the **Merger**). Ecolab and Holchem are together referred to as the **Parties**.
2. The Competition and Markets Authority (**CMA**) believes that it is or may be the case that each of Ecolab and Holchem is an enterprise; that these enterprises have ceased to be distinct as a result of the Merger, 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 manufacture and supply of cleaning chemicals to professional (ie, non-residential) customers. Within the professional end-user category, the Parties supply both industrial and institutional customers.
4. The primary overlap between the Parties is within the supply of cleaning chemicals to food and beverage (**F&B**) customers (a category of industrial customer) in the United Kingdom (**UK**). The CMA has assessed the impact of the Merger in the supply of cleaning chemicals for F&B customers in the UK.
  - (a) The CMA considered whether it would be appropriate to broaden the product frame of reference beyond F&B customers to include other types of industrial customers. However, the CMA believes that significant differences exist between the F&B segment and other industrial

segments, particularly in relation to the knowledge, expertise and services required by F&B customers, such that F&B should be considered a distinct frame of reference within the broader industrial segment.

- (b) The CMA also considered whether the product scope could be further segmented within F&B customers to distinguish between each of food manufacturing customers, beverage customers and dairy customers. Although the CMA received some evidence indicating that competitive conditions could differ between these segments, the CMA found these differences to be significantly more limited in extent than as between the F&B segment and other industrial segments.
5. Consistent with the approach adopted in previous cases, the CMA considers the geographic frame of reference to be UK-wide. The CMA did not receive any evidence to suggest that an alternative geographic frame of reference would be appropriate in this case.
  6. The CMA has, therefore, assessed whether the Merger gives rise to horizontal unilateral effects in the supply of cleaning chemicals for F&B customers in the UK, and has taken into account any differences between food manufacturing customers, beverage customers and dairy customers, to the extent relevant, within its competitive assessment.
  7. The CMA believes that the Parties' combined share of supply to F&B customers is significant ([35-45]%) within an already concentrated market, and that the Merger will bring about a material increment in share of supply ([10-20]%).
  8. The CMA also believes that the Parties are close competitors and that, post-Merger, only two remaining competitors, Diversey and Christeyns, would impose a significant constraint on the Parties (and that Christeyns' business is focused primarily on dairy, and therefore that it has less expertise and experience in relation to food manufacturing and beverage customers). The CMA believes that other suppliers impose a very limited constraint on the Parties and that the continued presence of Diversey and Christeyns in the UK F&B market would not provide a sufficient competitive constraint on the Parties post-Merger. This conclusion is supported by the views of the Parties' customers, who raised significant concerns about the effects of the Merger on competition.
  9. The CMA also considered possible entry or expansion into the supply of cleaning chemicals for F&B customers. In general, the CMA believes that while it may be relatively straightforward to start or expand the manufacture of cleaning chemicals, suppliers face greater commercial challenges in winning

customers and establishing a strong reputation in the market. The CMA also considered the specific position of Kersia, which the Parties submitted was materially expanding in the UK through the purchase of Kilco, and which could be expected to provide an increased competitive constraint on the Parties in future. While the available evidence indicates that Kersia intends to enter the UK F&B market, [§] it is not clear that Kersia will be able to establish a material market presence within the short-to medium-term. Accordingly, the CMA believes that entry or expansion by Kersia would not be timely, likely or sufficient to prevent a realistic prospect of a substantial lessening of competition (**SLC**) as a result of the Merger.

10. On this basis, the CMA believes that the Merger gives rise to a realistic prospect of an SLC as a result of horizontal unilateral effects in relation to the supply of cleaning chemicals for F&B customers in the UK.
11. The CMA also assessed the impact of the Merger in the supply of cleaning chemicals for institutional customers in the UK. In view of the Parties' low shares of supply and the presence of numerous alternative options to the Parties, the CMA does not believe there is a realistic prospect of an SLC as a result of horizontal unilateral effects in the supply of cleaning chemicals for institutional customers in the UK.
12. Having found that the Merger gives rise to a realistic prospect of an SLC in the supply of cleaning chemicals for F&B customers in the UK, the CMA is considering whether to accept undertakings under section 73 of the Enterprise Act 2002 (**the Act**). Ecolab has until 17 April 2019 to offer an undertaking to the CMA that might be accepted by the CMA. If no such undertaking is offered, then the CMA will refer the Merger pursuant to sections 22(1) and 34ZA(2) of the Act.

## **ASSESSMENT**

### **Parties**

13. Ecolab is a US-headquartered global manufacturing and services company. Amongst other products, it supplies cleaning chemicals and ancillary services to (i) industrial customers including F&B manufacturers; and (ii) institutional customers active in the foodservice (catering), hospitality, lodging, healthcare, government, education and retail industries. It is a public company listed on the New York Stock Exchange. The turnover of Ecolab in 2017 was \$13,838.3 million worldwide and \$[§] in the UK.
14. Holchem is a UK-headquartered manufacturer and supplier of cleaning chemicals and ancillary services primarily to industrial customers active in the

F&B industry, as well as distributors in the institutional segment. It is a private company owned by several individuals and family trusts. The turnover of Holchem in 2017 was £43.4 million worldwide and £[redacted] in the UK. Holchem generates only limited revenues from outside the UK (the vast majority of which are to customers in Ireland).

## Transaction

15. On 30 November 2018, Ecolab, through two wholly-owned subsidiaries, entered into a sale and purchase agreement (**SPA**) to become the sole shareholder of Holchem.<sup>1</sup> The transaction completed on the same date. The purchase price was [redacted].
16. Ecolab submitted that its rationale for the Merger was to improve its product offering, both in the UK and more widely in Europe, in particular with respect to the supply of cleaning chemicals to independent food and beverage industry customers and distributors of institutional cleaning chemicals. Ecolab also described Holchem's expertise in food safety, which Ecolab believes can be used to add value to its customers, as being a key commercial driver of the Merger.
17. For its part, Holchem submitted that the individuals and family trusts who controlled Holchem were keen to sell the business for personal reasons, and to offer longstanding employees better opportunities for advancement within the wider Ecolab business than would be available to them within Holchem.
18. The Parties informed the CMA that the Merger had not been notified for review by competition authorities in any other jurisdictions.

## Procedure

19. The Merger was considered at a Case Review Meeting.<sup>2</sup>

## Jurisdiction

20. Each of Ecolab and Holchem is an enterprise. As a result of the Merger, these two enterprises have ceased to be distinct.

---

<sup>1</sup> Under the terms of the SPA, Ecolab US 2 Inc. (**Ecolab US**) became the owner of [redacted]% of Holchem's shares directly, while Ecolab Lux 11 Sarl, a subsidiary of Ecolab US, became the owner of the remaining [redacted]% of Holchem's shares.

<sup>2</sup> *Mergers: Guidance on the CMA's jurisdiction and procedure (CMA2)*, January 2014, from paragraph 7.34.

21. The Parties overlap in the supply of cleaning chemicals to F&B customers with a combined share of supply of [35-45]% and an increment of [10-20]% (measured by sales value).<sup>3</sup> The Parties also overlap in the supply of cleaning chemicals to food manufacturers (a sub-segment of F&B customers) with a combined share of supply of [50-60]% and an increment of [5-15]% (measured by sales value).<sup>4</sup>
22. The Merger completed on 30 November 2018. While the Merger was publicised by the Parties on 5 December 2018, it was not evident from the Parties' press releases that Ecolab and Holchem had ceased to be distinct.<sup>5</sup> In accordance with section 24 of the Act, and the CMA's Guidance on its jurisdiction and procedure,<sup>6</sup> notice of material facts was not given at this stage or at any point prior to 18 December 2018. The Parties first informed the CMA that Ecolab and Holchem had ceased to be distinct on 18 December 2018. The four-month deadline for a decision under section 24 of the Act is therefore 18 April 2019.
23. The CMA therefore believes that it is or may be the case that a relevant merger situation has been created.
24. The initial period for consideration of the Merger under section 34ZA(3) of the Act started on 14 February 2019 and the statutory 40 working day deadline for a decision is therefore 10 April 2019.

## Counterfactual

25. 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

---

<sup>3</sup> See Table 1: F&B share of supply estimates (UK, 2017).

<sup>4</sup> Ibid.

<sup>5</sup> Ecolab's [press release](#) of 5 December 2018 entitled 'Ecolab to Acquire Cleaning Solutions Provider Holchem' states: 'The acquisition is subject to clearance by the Competition and Markets Authority, which is anticipated to occur in early 2019, and both businesses will continue to operate separately until the acquisition has been cleared. No other details were announced.' See also Holchem's [press release](#) of 5 December 2018 entitled 'Ecolab to acquire cleaning solutions provider Holchem', which contains the same wording quoted from Ecolab in the previous sentence.

<sup>6</sup> [Mergers: Guidance on the CMA's jurisdiction and procedure \(CMA2\)](#), January 2014, paragraph 4.43.

a realistic prospect of a counterfactual that is more competitive than these conditions.<sup>7</sup>

26. 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.

## **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 merging 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>8</sup>

## **Product scope**

28. The Parties overlap in the manufacture and supply of cleaning chemicals for professional use in the UK. Within the professional end-user category, the Parties supply both industrial and institutional customers.<sup>9</sup> Industrial customers include those who use cleaning chemicals to clean manufacturing and processing equipment and premises, and who normally purchase in bulk directly from cleaning chemical manufacturers. Institutional customers include those who use cleaning chemicals and associated products to clean their premises and equipment at which products or services are offered to consumers, including public customers (eg hospitals, schools) and commercial customers (eg hotels, restaurants).
29. The Parties initially submitted that the narrowest appropriate product frames of reference should be the supply of cleaning chemicals to:
- (a) F&B customers (as a segment within industrial customers). The Parties submitted that competition should not be assessed on a narrower basis

---

<sup>7</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>8</sup> *Merger Assessment Guidelines*, paragraph 5.2.2.

<sup>9</sup> Holchem makes only minimal sales to industrial customers outside of the F&B segment (eg in agriculture). Accordingly, we have only considered the Parties' overlaps in F&B.

than F&B customers because there was considerable overlap of products within the F&B segment, and because manufacturers did not tend to specialise in individual segments such as food, beverage and dairy.<sup>10</sup> The Parties further submitted that industrial customers should not be further segmented on a product or functional basis.<sup>11</sup>

(b) Non-specialised institutional customers (as a segment within institutional customers), on the basis that only certain customer types (eg hospitals, dry-cleaners) require specialised products, and because Holchem has limited visibility over the end-users of its products (the majority of its sales being through distributors rather than direct sales). The Parties also submitted that there should be no further segmentation between different institutional customers on the basis that many of the products sold to institutional customers are substitutable between different types of institutional customers.

30. The Parties subsequently submitted in their Final Response to the CMA's Issues Paper that there is significant product overlap and supply-side substitutability between the F&B segment and other industrial segments (such as agricultural and life sciences), in terms of the manufacture of the products, the commonality of the products used and the expertise required.<sup>12</sup> On this basis, the Parties argued that suppliers active in the agricultural segment in particular should be seen as operating on the same market or alternatively, as offering a competitive constraint over suppliers active in the F&B segment. The Parties further argued that the CMA should take account of evidence of demand-side and supply-side substitutability of products across the broader industrial and institutional segments.

31. In addition, the Parties submitted that self-supply should be included in the product frame of reference, on the basis that customers' purchases of raw materials (such as nitric acid or caustic soda) are substitutable with purchases of the Parties' cleaning chemicals.<sup>13</sup>

---

<sup>10</sup> Final Merger Notice submitted by the Parties on 12 February 2019 (**Final Merger Notice**), paragraph 98.

<sup>11</sup> Final Merger Notice, paragraphs 103-106. The Parties further submitted that related support services such as hazard management could be considered within the scope of the supply of cleaning chemicals on the basis that these services are typically provided as add-ons by the vast majority of suppliers within the industrial segment (Final Merger Notice, paragraph 101).

<sup>12</sup> Parties' final response dated 21 March 2019 to the CMA's issues paper dated 15 March 2019 (**Final Response to the CMA's Issues Paper**).

<sup>13</sup> On that basis, the Parties included estimates for self-supply in their share of supply figures.

## **Customer segmentation**

32. The CMA has previously considered the supply of cleaning chemicals in its decision in *Zenith/Bain*.<sup>14</sup> The European Commission has also considered the supply of cleaning chemicals in its decisions in *Unilever/Diversey* and *Johnson Professional Holdings/Diverseylever*.<sup>15</sup>
33. The CMA's *Zenith/Bain* decision distinguished between industrial and institutional customers, in line with the European Commission's approach in *Unilever/Diversey* and *Johnson Professional Holdings/Diverseylever*.<sup>16</sup> The CMA has not received any evidence to indicate that it should depart from this approach (for example, by segmenting the market by product type rather than customer type).

## **Industrial F&B customers**

34. In *Zenith/Bain*, the CMA considered the impact of the merger in relation to the supply of cleaning chemicals to industrial customers but did not reach a conclusion on the product frame of reference as no competition concerns arose under any plausible segmentation.<sup>17</sup> However, the CMA considered further segmentation within the industrial segment (including within the F&B segment) in its competitive assessment.
35. The European Commission has also considered further segmentation within industrial customers, including by distinguishing between F&B customers and professional laundry customers, and further segmenting F&B customers into processed food, beverage, dairy, and agriculture customers.<sup>18</sup>
36. The CMA notes that the primary overlap between the Parties relates to their activities across the F&B segment. The CMA does not believe that widening the product scope to include other (non-F&B) industrial customers is justified. In particular:
  - (a) With regard to demand-side substitution, F&B customers who responded to the CMA's merger investigation told the CMA that they require F&B-specific knowledge, expertise and services from suppliers. In addition,

---

<sup>14</sup> ME/6723/17 *Anticipated acquisition by Bain Capital of Zenith Hygiene Group PLC* (19 March 2018).

<sup>15</sup> Case No IV/M.704 - *Unilever/Diversey* (1996); Case No COMP/M.2665 - *Johnson Professional Holdings/Diverseylever* (2002).

<sup>16</sup> ME/6723/17 *Anticipated acquisition by Bain Capital of Zenith Hygiene Group PLC*, paragraph 26; Case No IV/M.704 - *Unilever/Diversey*, paragraph 7; Case No COMP/M.2665 - *Johnson Professional Holdings/Diverseylever*, paragraph 9.

<sup>17</sup> ME/6723/17 *Anticipated acquisition by Bain Capital of Zenith Hygiene Group PLC*, paragraph 38.

<sup>18</sup> Case No IV/M.704 - *Unilever/Diversey*, paragraph 8. The Commission accepted the Parties' proposed further segmentation within F&B for the purposes of that decision, but did not reach a conclusive determination on product scope.



F&B customers indicated that they would not consider companies not already supplying the F&B segment in the event of a price increase by their current F&B supplier.

- (b) With regard to supply-side substitution the CMA notes that:
- (i) The existence of distinctive conditions of competition in the F&B segment compared to other industrial segments is supported by the different positions of the Parties across different segments: Holchem is larger than Ecolab in the F&B segment but has negligible sales in other industrial segments.
  - (ii) Evidence from competitors active in other (non-F&B) industrial segments (and in the institutional segment) indicated they had struggled to build a significant presence in F&B due to a lack of expertise, and because F&B customers' purchasing managers were unwilling to consider companies that lacked a reputation in the F&B segment.
  - (iii) A number of companies that third parties identified as suppliers to other (non-F&B) industrial customers (and to institutional customers) have negligible presence in F&B.
  - (iv) The CMA did not receive any evidence to support the Parties' contention that the supply of cleaning chemicals to life sciences customers is substitutable from a supply-side perspective with F&B.
  - (v) Ecolab has separate strategic plans for the F&B segment and its stated purpose in acquiring Holchem is to benefit, *inter alia*, from Holchem's capabilities within the F&B segment (ie its position as a core F&B player and its food safety expertise).<sup>19</sup>
- (c) The CMA also notes that the Parties' submission in their Final Response to the CMA's Issues Paper<sup>20</sup> that suppliers active in the agricultural segment should be seen as operating on the same market as suppliers active in the F&B segment, appears to be inconsistent with their submissions earlier in the CMA's proceedings. In particular, in the Final Merger Notice the Parties suggested that arguments for further division of product markets within the industrial segment are 'strongest with respect

---

<sup>19</sup> Annex 9.1 to the Final Merger Notice.

<sup>20</sup> Final Response to the CMA's Issues Paper, paragraph 4.3.

to....for example, the professional laundry services Sub-Segment, the life sciences Sub-Segment and the agricultural Sub-Segment'.<sup>21</sup>

37. The CMA did receive some evidence that there are some similarities between the agricultural segment and the F&B segment. A limited number of third parties told the CMA that the products supplied in the agricultural and F&B segments are similar, and that vertically integrated 'farm to fork' customers may be interested in suppliers that can service both segments.
38. However, the CMA believes that there are significant differences within the overall conditions of competition for the supply of chemicals to the agricultural and F&B sub-segments (which are driven not only by manufacturing but also by important service considerations). Companies such as Kersia<sup>22</sup> and Evans Vanodine are significant in agricultural supply but not in F&B and evidence from third parties indicates that no supplier has yet made the transition from agriculture to F&B. On this basis, the CMA does not believe that a product frame of reference for F&B customers should be widened to include agricultural customers.
39. The CMA has also considered whether the product scope could be further segmented within F&B customers (that is, to distinguish between each of food manufacturing customers, beverage customers and dairy customers). The CMA has received some evidence from third parties to suggest that competitive conditions may differ between these segments. For instance, some customer responses to the CMA's merger investigation indicated that service quality was particularly important in the food manufacturing sector. There is also some evidence to suggest that certain suppliers are active in the beverage or dairy segments whilst not having a significant presence in food. As an example, [X] is active in [X] but has very limited sales in food.
40. However, a number of other factors weigh against further segmentation within F&B from a supply-side perspective. In particular, the CMA notes that:
  - (a) Ecolab's UK (and European and Global) business plans cover the full F&B segment;
  - (b) The four largest competitors (the Parties, Diversey and Christeyns) are active across each of food, beverage and dairy customers; and
  - (c) There is considerable overlap in the products provided to customers in each of these segments.

---

<sup>21</sup> Final Merger Notice, paragraph 108.

<sup>22</sup> Kersia is considered further below, see paragraphs 140, 143 and 144.

41. A supplier active in all three segments across F&B also told the CMA that there are important similarities between the F&B segments, including that:
- (i) the manufacturing process, packaging and delivery methods for products are identical across food manufacturing, beverage and dairy;
  - (ii) the relevant chemical formulations are almost identical as the functionality, levels of concentration and health and safety standards are almost identical;
  - (iii) typically, the same sales team covers all F&B customers;
  - (iv) many applications, eg Clean-in-Place (**CIP**) cleaning,<sup>23</sup> are used across different F&B customers; and
  - (v) the margins realised across the F&B customer groups are very similar.
42. The CMA therefore believes that the differences in the competitive conditions between food, dairy and beverage are, overall, significantly more limited than the differences between F&B customers (as a whole), and other types of industrial customers. Accordingly, for the reasons set out above, the CMA has considered the impact of the Merger within the supply of cleaning chemicals to F&B customers.<sup>24</sup> The CMA has taken account of differences between customer segments within F&B, to the extent relevant, in its competitive assessment.

### ***Institutional customers***

43. In *Zenith/Bain*, the CMA considered whether the institutional segment should be further divided by product type or by customer type. Based on the evidence from customers and competitors, the CMA decided to consider all institutional customers within a single product frame of reference (ie without

---

<sup>23</sup> The CMA understands that F&B processing equipment is either cleaned-in-place, or cleaned-out-of place (**COP**), with CIP referring to cleaning of the interior surfaces of pipes, vessels, process equipment, filters and associated fittings, without disassembly. COP instead cleans equipment items by removing them from their operational area and taking them to a designated cleaning station for cleaning.

<sup>24</sup> In the CMA's issues paper dated 15 March 2019 (the **Issues Paper**), the CMA referred to the appropriate product frame of reference as being for the manufacture and supply of cleaning chemicals to F&B customers. This reflects the fact that the Parties and their main competitors both manufacture and supply their own cleaning chemicals. For ease of reference, the CMA refers in this decision to the product frame of reference as being for the 'supply of cleaning chemicals to F&B customers', but does so on the basis that this definition continues to cover both manufacture and supply. For the avoidance of doubt, the product frame of reference (and estimated shares of supply) for the supply of cleaning chemicals to F&B customers continues in this decision to cover both supply via distributors to F&B customers, and supply directly to end-F&B customers.

segmenting further by product type or customer type).<sup>25</sup> In this case, the CMA has analysed institutional customers as a whole, and has considered specifically certain concerns raised by catering distributors in its competitive assessment. However, it was not necessary for the CMA to reach a conclusion on the precise product frame of reference, since, as set out below, no competition concerns arise on any plausible basis.<sup>26</sup>

### **Self-supply**

44. The CMA investigated whether customers' purchases of raw materials such as nitric acid or caustic soda (ie self-supply) should be included in the relevant product frame of reference.
45. The Parties submitted that they consider self-supply to constitute part of the addressable market because many customers could switch to raw materials, providing a constraint on suppliers of formulated products. The Parties noted that using raw materials is significantly cheaper and requires less training than using formulated products; that the original equipment manufacturers of the manufacturing plant purchased by the Parties' customers will typically recommend the use of raw materials; and that there are no additional legal permissions required to use raw materials compared to formulated products.
46. Ecolab provided several examples of customers switching between raw materials and formulated products. However, all but one of these examples were of customers switching from raw materials to Ecolab's formulated products. The Parties were not able to provide any substantiated examples of customers who had shifted some of their purchases from the Parties' products to self-supply.<sup>27</sup>
47. Ecolab also submitted an internal presentation from January 2018 which discussed the opportunities Ecolab had to target customers who use raw materials for CIP cleaning.<sup>28</sup> However, the presentation focused specifically

---

<sup>25</sup> The European Commission has also considered whether the supply of products within the institutional customer segment should be further divided by product type between kitchen hygiene, on-premises laundry and housekeeping hygiene products, without concluding on any of these segments (Case IV/M.704 – *Unilever/Diversey*, paragraph 9, and Case M.2665 – *Johnson Professional Holdings/Diverseylever*, paragraphs 10-16).

<sup>26</sup> Some manufacturers supply institutional customers mainly through third-party distributors. In the *Zenith/Bain* decision, manufacture and supply to institutional customers were considered in two separate frames of reference. In this case, the CMA has considered manufacturing and distribution to institutional customers within a single frame of reference on the basis that Holchem makes the majority ([<]%) of its sales to institutional customers through distributors, while Ecolab conversely makes only [<] of its sales to institutional customers through distributors.

<sup>27</sup> Paragraph 32, RFI 4 response.

<sup>28</sup> Annex 16.1 to RFI 4 response.

on dairy customers and did not appear to relate to the UK.<sup>29</sup> Moreover, the presentation showed there is a large financial benefit to customers from switching to formulated cleaning chemicals [REDACTED].<sup>30</sup>

48. The CMA will generally only include self-supply in the relevant frame of reference if there is demonstration that customers would switch to self-supply in the event of a SSNIP.<sup>31</sup> None of the Parties' F&B customers who responded to the CMA's merger investigation indicated that they would switch to self-supply in the event of a SSNIP, with most saying that self-supply was not possible. In particular, F&B customers raised concerns that switching to self-supply could have health and safety implications, for example 'due to the hazardous nature of the materials and formulation'. Customers also reported that they would lack the necessary expertise to self-supply in this way. One customer also noted that 'we wouldn't be able to buy the broad range of chemicals we need at a cheaper price'.<sup>32</sup>
49. Therefore, the CMA has not included self-supply within the relevant frames of reference.

### **Geographic scope**

50. The Parties consider that the appropriate geographic frame of reference is national in scope.
51. In its previous decisions in the cleaning chemical industry, the European Commission evaluated the mergers on a national basis.<sup>33</sup> In *Zenith/Bain*, the CMA considered the impact of the merger on a UK-wide basis.
52. The CMA has not received any evidence to suggest that an alternative geographic frame of reference would be appropriate in this case. Accordingly, the CMA believes that the geographic frame of reference is UK-wide.

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

53. For the reasons set out above, the CMA has considered the impact of the Merger in the following frames of reference:

---

<sup>29</sup> Annex 16.1 to RFI 4 response (slides 13 to 16) show prices for a number of countries. The UK is not included in any of the tables [REDACTED].

<sup>30</sup> Annex 16.1 to RFI 4 response, slides 7 and 8. The Parties stated that the presentation was intended to [REDACTED]. The CMA nevertheless believes the points made in the presentation to be revealing in that they demonstrate the broader incentives to customers of using cleaning chemicals as opposed to raw materials.

<sup>31</sup> [Merger Assessment Guidelines](#), paragraph 5.2.20.

<sup>32</sup> [REDACTED].

<sup>33</sup> Case No IV/M.704 - *Unilever/Diversey* (1996); Case No COMP/M.2665 - *Johnson Professional Holdings/Diverseylever* (2002).

- (a) the supply of cleaning chemicals for F&B customers in the UK; and
- (b) the supply of cleaning chemicals for institutional customers in the UK.

## **Competitive assessment**

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

54. 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>34</sup> Horizontal unilateral effects are more likely when the merging parties are close competitors.
55. 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 each of the frames of reference set out above.

### ***Supply of cleaning chemicals for F&B customers in the UK***

56. The CMA assessed the likelihood of the Merger resulting in horizontal unilateral effects with respect to the supply of cleaning chemicals for F&B customers in the UK. In order to assess the likelihood of the Merger resulting in horizontal unilateral effects, the CMA considered evidence in relation to:
- (a) the shares of supply of the Parties and their competitors;
  - (b) the closeness of competition between the Parties;
  - (c) the competitive constraints posed by alternative suppliers; and
  - (d) third party concerns on the impact of the Merger.

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

57. Neither the Parties nor the CMA are aware of any reliable publicly available data on the volumes and value of cleaning chemicals sold by segment in the UK.

---

<sup>34</sup> [Merger Assessment Guidelines](#), from paragraph 5.4.1.

58. The Parties provided share of supply estimates by revenue for the supply of cleaning chemicals to F&B customers, which estimated that the Parties had a combined share of supply of [15-25]%.<sup>35</sup>
59. The CMA understands that these estimates were based on a market size calculated through a process in which: (a) the Parties first made individual estimates of market size; (b) Ecolab then made revised estimates using Eurostat data on production and employees of F&B producers, the volume of cleaning products used by the Parties' customers and the price of cleaning chemicals; and (c) these estimates were then discussed between the Parties and their advisers, and a final figure was agreed.
60. The CMA believes that the shares of supply submitted by the Parties underestimate the Parties' shares of supply. In particular, the CMA notes that the Parties' final estimated market size was significantly larger than the estimate made by the merging parties in *Zenith/Bain*, the estimate in the Freedonia report (the only third party report covering the UK F&B market size provided by the Parties to the CMA)<sup>36</sup> and Ecolab's pre-merger estimates, all of which are within a reasonably close range. Moreover, the Parties have been able to provide the CMA with only very limited documentation showing how the Parties' market size estimates were calculated:
- (a) Ecolab did not provide to the CMA the analysis underlying its revised estimates based on Eurostat data;<sup>37</sup>
  - (b) Holchem submitted that its own estimate – which was substantially higher than Ecolab's pre-merger estimate – was simply calculated 'around the kitchen table' and that accordingly, there existed no documentary evidence to support their estimate;<sup>38</sup> and
  - (c) The analysis supporting the final figure agreed by the Parties and their advisers was also not provided.
61. The CMA did not find any evidence to corroborate the Parties' estimate of the F&B market size. The CMA has, therefore, based its own estimates of market size, and shares of supply, on estimates from the Parties' competitors, estimates made during the *Zenith/Bain* merger investigation, and on previous

---

<sup>35</sup> Annex 14.1 to the Final Merger Notice.

<sup>36</sup> A November 2014 study by The Freedonia Group, Inc on the global market for industrial and institutional cleaning chemicals (Annex 10.1 to the Final Merger Notice).

<sup>37</sup> Ecolab only provided the Eurostat calculations relating to handcare products.

<sup>38</sup> Holchem's Managing Director, [REDACTED] stated, in the issues meeting attended by the Parties at the CMA on 20 March 2019 that the estimate were calculated by [Holchem's Managing Director], together with Holchem's Sales Director and Holchem's Technical Director 'around the kitchen table'.

internal estimates of market size made by Ecolab in its ordinary course of business.<sup>39</sup>

62. As a general principle, the CMA believes that internal documents prepared in the ordinary course of business are liable to have higher probative value than internal documents specifically prepared for the purposes of the CMA's merger investigation. The CMA therefore believes that its own estimates, which are more consistent with such ordinary course documents (to the extent that these are available), are likely to be more accurate than those of the Parties, which are therefore likely to materially overestimate their competitors' sales. In particular, the CMA has found very limited evidence of competitors other than the Parties, Diversey and Christeyns having material sales in the F&B segment or in any of the narrower segments therein.<sup>40</sup> For the same reason, the CMA notes the possibility that even its own estimates (which include a significant proportion of supply allocated to other competitors)<sup>41</sup> may overestimate the market size and underestimate the shares of supply of the Parties.

**Table 1: F&B share of supply estimates (UK, 2017)**

	Food customers	Beverage customers	Dairy customers	F&B total
Ecolab	[5-15]%	[10-20]%	[15-25]%	[10-20]%
Holchem	[40-50]%	[5-10]%	[0-5]%	[20-30]%
<b>Combined</b>	<b>[50-60]%</b>	<b>[20-30]%</b>	<b>[20-30]%</b>	<b>[35-45]%</b>
Diversey	[15-25]%	[30-40]%	[10-20]%	[20-30]%
Christeyns	[5-10]%	[10-20]%	[15-25]%	[10-20]%
<i>Others</i>	[10-20]%	[20-30]%	[35-45]%	[20-30]%
<i>Total</i>	100%	100%	100%	100%

Source: CMA analysis of the Parties' and competitors' data and estimates.

63. The CMA's share of supply estimates, reported in Table 1 above, indicate that in the F&B segment as a whole, the merged entity will be the largest player (by some distance) and hold a significant position (having a share of supply of approximately [35-45]%, with an increment of [10-20]% brought about by the Merger). The CMA found only minimal evidence of any suppliers other than the Parties, Diversey and Christeyns making material sales in the F&B segment as a whole.
64. In the narrower food manufacturing segment within F&B, the Parties will again be the largest player (again by some distance), holding a more significant

<sup>39</sup> Final Merger Notice, paragraph 124.

<sup>40</sup> Accepting the Parties' estimate of market size would involve attributing substantial sales to those competitors (ie, suppliers other than the Parties, Diversey and Christeyns).

<sup>41</sup> The CMA allocated to other competitors the difference between its estimated total market size and the sales of the Parties, Diversey and Christeyns, which the CMA was able to verify. The CMA has been able to confirm the sales of only a small number of competitors other than the Parties, Diversey and Christeyns, and as such the sales allocated to other competitors may have been overestimated.



share of supply (estimated at [50-60]%, with an increment of [5-15]% brought about by the Merger). The CMA again found only minimal evidence of any suppliers other than the Parties, Diversey and Christeyns making material sales in the food manufacturing segment (with Christeyns' position within this segment being materially smaller than its position within the other F&B segments).

65. In the beverage segment, the merged entity will, with an estimated [20-30]% share of supply and [5-10]% increment brought about by the Merger, be the second player behind Diversey (which has an estimated [30-40]% share of supply). The merged entity will also face competition from Christeyns, which has an estimated [10-20]% share of supply in this segment. The CMA found only minimal evidence of any parties other than these four suppliers making material sales in the beverage segment.
66. Within the dairy segment, the merged entity will have an estimated [20-30]% share of supply, although the Merger brings about only a limited increment of [0-5]% within this segment (given Holchem's relatively limited activities at present). The Parties will face competition from Christeyns, which has an estimated [15-25]% share of supply. The Parties will also face competition from Diversey, which has an estimated share of supply of [10-20]% in this segment. The CMA found only minimal evidence of other suppliers making material sales in the dairy segment.
67. As noted above, there is some uncertainty around the total market size and the CMA, therefore, considers that these estimates should be treated with caution (and considered in the round with the other evidence considered in the remainder of this decision, particularly the evidence in relation to how closely the Parties compete and the extent of competitive constraints posed by other suppliers). The CMA notes that the share data nevertheless suggests that the Merger may be likely to result in a substantial increase in concentration in what may be an already concentrated market.

#### *Closeness of competition*

68. The Parties have submitted that they do not compete closely, as Ecolab primarily targets large international corporate customers, while Holchem focuses mainly on national independent customers. The Parties noted that Holchem is often not invited to bid for multi-jurisdictional contracts by international customers, since it lacks a considerable presence outside the UK and Ireland.<sup>42</sup>

---

<sup>42</sup> Final Merger Notice, paragraph 165.

69. The Parties nevertheless acknowledge that Ecolab considers Holchem one of its 'top five' competitors in the F&B segment, and Holchem considers Ecolab one of its top five competitors in all customer segments within F&B.<sup>43</sup>
70. Notwithstanding the Parties' submissions as to their different customer focus, the evidence that the CMA has received (as described further in paragraphs 72 to 97 below) indicates that the Parties compete closely in the UK.
71. The CMA has examined the closeness of competition between the Parties by evaluating the following evidence and data:
- (a) the Parties' bidding data;
  - (b) Holchem's records of customers gained and lost;
  - (c) third party views on closeness of competition; and
  - (d) evidence from internal documents.

*Bidding data*

72. The Parties provided data to the CMA on their participation in recent F&B tenders.<sup>44</sup> In particular:
- (a) Ecolab listed all its bids from June to December 2018, including details of the customers, the value of the bids and the incumbent suppliers; and
  - (b) Holchem listed all its bids from 2016 to 2018, including details of the customers, the value of the bids, the incumbent suppliers<sup>45</sup> and the identity of other competitors that were understood to have bid.
73. The Parties submitted that the tender data was not representative of the closeness of competition between the Parties as the majority of the Parties' business is not done through tenders. The CMA believes, however, that this data provides useful evidence of the closeness of competition between the Parties on the basis that:
- (a) sales won through tenders constitute a sizeable proportion of the Parties' overall sales (for Ecolab, [X] % in 2017 and [X] % in 2018; and, for Holchem, [X] % in 2018); and

---

<sup>43</sup> Final Merger Notice, paragraphs 152-153.

<sup>44</sup> Annexes 16.1-16.4 to the Final Merger Notice.

<sup>45</sup> Sometimes more than one incumbent supplier is listed for a particular account.

(b) both Parties recorded tender data, which suggests that they consider such data relevant to their ordinary course business operations.

74. Table 2 below shows the results of the CMA's analysis of the F&B bidding data. The results are broadly mirrored by the CMA's analysis of the narrower food manufacturing segment only, the results of which are set out in Annex 1 to this decision. The CMA did not undertake a separate analysis of each of the beverage and dairy segments given the limited data available in relation to the Parties' bidding activity in these segments.

**Table 2: F&B bidding analysis (includes food manufacturing, beverage and dairy)**

A. Holchem's F&B bids (2016-2018)							
All bids		Bids w/ Ecolab incumbent	Bids w/ Diversey incumbent	Bids w/ Christeyns incumbent	Bids w/ Ecolab competitor	Bids w/ Diversey competitor	Bids w/ Christeyns competitor
Number	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Value	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Share (number)	100%	[25-35]%	[30-40]%	[5-15]%	[35-45]%	[35-45]%	[15-25]%
Share (value)	100%	[25-35]%	[40-50]%	[5-10]%	[35-45]%	[50-60]%	[20-30]%
Average value	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

B. Ecolab's F&B bids (June-December 2018)				
All bids		Bids w/ Holchem incumbent	Bids w/ Diversey incumbent	Bids w/ Christeyns incumbent
Number	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Value	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Share (number)	100%	[40-50]%	[5-15]%	[5-10]%
Share (value)	100%	[80-90]%	[0-5]%	[0-5]%
Average value	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

C. Overlapping F&B bids (June-December 2018)		
	Value of bid	
	Ecolab   Holchem	Winner
[REDACTED]	[REDACTED]   [REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]   [REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]   [REDACTED]	[REDACTED]
<b>Total (number)</b>	<b>3   3</b>	
<b>Total (value)</b>	<b>[REDACTED]   [REDACTED]</b>	
<b>Share (number)</b>	<b>[5-15]%   [20-30]%</b>	
<b>Share (value)</b>	<b>[15-25]%   [15-25]%</b>	

Source: CMA analysis of the Parties' data.

Notes: Parts A and B of the table are based only on the Parties' data – the CMA did not collect bidding data from the Parties' competitors. Part C of the table is based on the CMA analysis matching Ecolab and Holchem's data. In Holchem's bidding data, Holchem was listed as an incumbent on [REDACTED] occasions. No other company other than the Parties, Diversey and Christeyns was named as an incumbent. In Ecolab's bidding data, Ecolab was listed as an incumbent on [REDACTED] occasions, [REDACTED] once and the incumbent was unknown [REDACTED].

75. Part C of Table 2 shows that, during the six months between June and December 2018, the Parties bid three times for the same customer (all in the food manufacturing segment), and that these three bids accounted

respectively for [5-15]% and [20-30]% by number, and [15-25]% and [15-25]% by value, of all Ecolab and Holchem's bids for UK-based F&B customers over the period. This suggests that there is a significant degree of competitive interaction between the Parties.

76. However, the CMA does not believe that the full extent of the competitive interactions between the Parties is likely to be captured by the circumstances in which they formally bid for the same customers. The tendering carried out by F&B companies does not follow the procurement structure that public sector bodies are required to use, with the consequence that suppliers may be seriously considered by customers, but not formally invited to bid.<sup>46</sup> The CMA therefore believes that bids where one of the Parties identified the other as a competitor or where one Party bid for a customer that was previously served by the other Party also provide an indication of competitive interaction, even if the Parties were not strictly recorded as bidding against each other.
77. Accordingly, the CMA believes that the bidding data demonstrates a significant degree of competitive interaction between the Parties. Part A of Table 2 above shows that approximately [25-35]% of Holchem's F&B bids from 2016 to 2018 were for a customer whose incumbent supplier was Ecolab. In approximately [35-45]% of all bids, Holchem identified Ecolab as a competitor. Analysis of the data shows that Holchem bid more frequently for customers previously served by Diversey or for which Diversey was identified as a competitor, and that Holchem bid less frequently on customers previously served by Christeyns or for which Christeyns was considered a competitor. This is consistent with the Parties' respective shares of supply.
78. Part B of Table 2 further shows that a considerable proportion (approximately [40-50]% by number and [80-90]% by value) of Ecolab's bids in the six month period June to December 2018 were for customers previously served by Holchem. Ecolab bid less frequently for customers previously served by Diversey or Christeyns.
79. The CMA therefore believes, on the basis of the Parties' bidding data, that the Parties compete against each other for tenders in the F&B segment and have been winning business from each other. The CMA also believes that Holchem competes often against Diversey (while Ecolab competes less often with Diversey for tenders). By contrast, the bidding analysis indicates that Christeyns appears to be less important as a competitor of the Parties.

---

<sup>46</sup> See for example, Final Merger Notice, paragraph 186.

## Gain and loss data

80. The CMA asked the Parties to provide any data or other records that the Parties held for the last two years on the previous supplier of customers won and the subsequent supplier of customers lost. Holchem provided monthly records of all the customers it had won and lost in 2017 and 2018.<sup>47</sup> Ecolab provided a log of new business opportunities considered in 2017 and 2018. Ecolab submitted that this log would not represent an exhaustive record [REDACTED].<sup>48</sup> The CMA has, therefore, analysed only Holchem's records.
81. Where Holchem won a customer for which Ecolab was identified as a competitor, or where Holchem lost a customer to Ecolab, the CMA considers that this provides an indication of closeness of competition between the Parties.

**Table 3: F&B gain and loss analysis (includes food manufacturing, beverage and dairy)**

Holchem's F&B new accounts (2017-2018)						
All new accounts (excluding new business)		New accounts w/ Ecolab competitor	New accounts w/ Diversey competitor	New accounts w/ Christeys competitor	New accounts w/ other competitors	
Number	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Value	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Share (number)	100%	[15-25]%	[15-25]%	[5-15]%	[45-55]%	[REDACTED]
Share (value)	100%	[15-25]%	[45-55]%	[5-15]%	[15-25]%	[REDACTED]
Average value	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Holchem's F&B accounts lost to competitors (2017-2018)						
Accounts lost to competitors		Accounts lost to Ecolab	Accounts lost to Diversey	Accounts lost to Christeys	Accounts lost to other competitors	
Number	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Value	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Share (number)	100%	[5-10]%	[10-20]%	[20-30]%	[50-60]%	[REDACTED]
Share (value)	100%	[15-25]%	[15-25]%	[30-40]%	[20-30]%	[REDACTED]
Average value	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Source: CMA analysis of Holchem's data.

Notes: No other competitor to which the far-right column refers (ie, competitors other than Ecolab, Diversey and Christeys) was named on more than [REDACTED] occasions in the gain analysis, or on more than [REDACTED] occasions in the loss analysis. The value of the deals won by Holchem from any of these other competitors did not exceed £[REDACTED] in total; and the value of the deals lost by Holchem to any of these competitors did not exceed £[REDACTED] in total.

82. Table 3 above shows the results of the CMA's analysis of Holchem's data on F&B customer accounts gained and lost. The results are broadly mirrored by the CMA's analysis of the narrower food manufacturing segment only, the results of which are reported in Annex 2 of this decision. The CMA did not

<sup>47</sup> Annexes 16.5-16.28 to the Final Merger Notice.

<sup>48</sup> Final Merger Notice, paragraph 185.

undertake a separate analysis of each of the beverage and dairy segments given the limited number of Holchem's customer accounts in these segments.

83. Table 3 shows that Holchem won F&B customers where Ecolab was identified as a competitor, or lost customers to Ecolab, on a material number of occasions, although Diversey was identified as a competitor more often than Ecolab and Holchem lost customers more often to Christeysns than to Ecolab. The data also shows that a large number of accounts were won or lost by Holchem against competitors other than Ecolab, Diversey and Christeysns. However, these accounts had a considerably lower value.
84. Overall, the CMA's analysis of Holchem's records of customers gained and lost demonstrates that there is a significant degree of competitive interaction between Holchem and Ecolab, as well as with Diversey and Christeysns, in the F&B segment.

*Third parties*

85. As part of its merger investigation, the CMA requested customers to rank suppliers according to how closely those suppliers could meet their needs.
86. Overall, the Parties' customers considered that:
- (a) In both the F&B segment as a whole, and the narrower food manufacturing segment, Holchem and Ecolab are the strongest competitors, followed by Diversey and, some way back, Christeysns.
  - (b) In the beverage segment, Ecolab and Diversey are the strongest competitors, followed by Holchem. None of the Parties' beverage customers included Christeysns in their rankings.
  - (c) In the dairy segment, Holchem and Ecolab are the strongest competitors, followed by Christeysns, and then Diversey.
87. The CMA also notes that:
- (a) Holchem's F&B customers considered that Ecolab is a strong competitor, and the second strongest player after Holchem. Diversey was considered to be the third strongest player and Christeysns the fourth.
  - (b) Ecolab's F&B customers considered Holchem to be a strong competitor, and the third strongest player after Ecolab and Diversey. None of Ecolab's customers mentioned Christeysns as a supplier that could meet their needs.

- (c) For customers buying internationally (ie on the basis of multi-jurisdictional contracts), Ecolab and Diversey were considered the main competitors. The identification of Holchem by these customers suggests that some may consider buying nationally. No international customers included Christeyns in their rankings.
88. A number of other suppliers in addition to the Parties, Diversey and Christeyns were also mentioned by some customers, namely AFCO, Arrow Solutions, Caldic, Calvatis, Chemex, CHP, Kilco, Sopura and Woburn Chemicals. However, for the reasons set out in paragraphs 114 to 116 below, the CMA does not believe that these other competitors would exercise a sufficient competitive constraint on the Parties post-Merger.
89. The CMA also notes the reasoned and articulated concerns expressed by a number of F&B customers that the Merger would reduce the number of effective competitors, some of whom reported that the reduction would be from three to two. In particular:
- (a) One F&B customer commented that ‘with fewer independent suppliers the price of chemicals may increase.’
  - (b) One food manufacturing customer commented that ‘available suppliers we are aware of, who can provide the full range of chemicals and related training and audit services across [the company group], is reduced from 3 to 2.’
  - (c) One food manufacturing customer commented that the ‘local competitive landscape [would be] negatively affected.’
  - (d) One beverage customer commented that ‘the foreseen merger would further consolidate the market leading to a situation where the choices become too limited to be able to speak about a healthy competitive [environment].’
  - (e) One beverage customer commented that ‘cleaning chemicals have now become polarised into 2 giant American corporate players, Ecolab and Sealed Air Diversey (who have just taken over Zenith Hygiene). The other competitors are probably too small to compete and [this] may result in further rationalisation and reduction of supplier choice.’
  - (f) One beverage customer commented that ‘the merger may reduce the number of potential suppliers who can meet [our] needs.’

- (g) One dairy customer commented that ‘effectively, without Holchem, there are only two chemical suppliers...We oppose the takeover as it will reduce choice, increase production costs and push up input prices.’
90. Competitors’ responses to the CMA’s merger investigation confirmed that the Parties compete closely in the F&B market as a whole. One competitor told the CMA that ‘Holchem and Ecolab are the number 1 and 2 in the UK F&B market. Competition will inevitably decline.’ Another competitor said that the Parties ‘compete closely in the food and beverage sectors and dominate the UK open plant cleaning market.’ Similarly, a third competitor commented that ‘after the Merger, there will only be three major players in the UK F&B market.’
91. Overall, the evidence provided by third parties shows a significant degree of competitive interaction between the Parties in the F&B segment overall and particularly within food manufacturing.

*Evidence from internal documents*

92. The CMA notes that Ecolab provided only a limited number of internal documents to the CMA.
93. The CMA’s analysis of the internal documents Ecolab did provide suggests that Ecolab does view Holchem as a strong competitor in F&B. For example:
- (a) In a board presentation on the business case for the Merger dated 2 February 2018, Holchem is considered by Ecolab as [REDACTED];<sup>49</sup>
- (b) In the same document, Ecolab also notes that it is buying Holchem to strengthen its own position in the F&B segment and in food manufacturing in particular, [REDACTED];<sup>50</sup> and
- (c) Ecolab’s business plan for the UK and Ireland, dated 11 September 2018, reports that Ecolab lost out on [1-5] F&B contracts in the previous 12 months [REDACTED], explaining that [REDACTED].<sup>51</sup>
94. Holchem submitted that, as a family business, it has almost no internal documents. However, it nevertheless provided a copy of a recent F&B bid document dated 9 July 2018 in which it was asked ‘what other suppliers do you consider as your competitors?’ Holchem’s response was that its

---

<sup>49</sup> Annex 9.1 to the Final Merger Notice.

<sup>50</sup> Ibid.

<sup>51</sup> Annex 8.10 to the Final Merger Notice.



competitors were Ecolab, Diversey and Christeyns. The remaining two cells in the spreadsheet were left blank.<sup>52</sup>

95. In response to a request from the CMA at the issues meeting attended by the Parties at the CMA on 20 March 2019 (the **Issues Meeting**), Holchem also provided to the CMA copies of its monthly regional sales reports from January 2017 to present. These monthly regional sales reports contain sales figures and targets and gain and loss analysis, in addition to a section monitoring 'competitor information and activity.' The CMA notes that these documents were responsive to Question 10 of the CMA's Template Merger Notice.<sup>53</sup> However, the Parties did not originally provide these documents to the CMA with their Final Merger Notice on the basis that they considered (and continue to consider) them to not be responsive to the CMA's Template Merger Notice.<sup>54</sup> The Parties provided these documents to the CMA on 20 and 25 March 2019 only after the CMA questioned, and was subsequently made aware of, their existence at the Issues Meeting.
96. For each of Holchem's five sales regions in Great Britain (Central East, Central West, North, South East and South West), the reports consistently monitor the activity of Ecolab, Diversey and Christeyns. According to these reports, Holchem does not consistently monitor the activity of any other competitor in the relevant regions. In contrast, the reports for Holchem's Ireland (including Northern Ireland) region consistently monitor the activity of Ecolab, Diversey and Christeyns, as well as a broader group of competitors that includes Water Technology, Gannon, Carbon Group and Kilco.
97. Overall, the CMA believes that the Parties' internal documents support the conclusion that the Parties are competing closely in the supply of cleaning chemicals for F&B customers in the UK.

---

<sup>52</sup> Annex 21.2 to RFI 4 response, [§].

<sup>53</sup> See [CMA Merger Notice Template](#), November 2017 (**Merger Notice Template**). Question 10 of the Merger Notice Template states: 'Provide copies of documents (including, but not necessarily limited to, reports, presentations, studies, internal analyses, industry/market reports or analysis, including customer research and pricing studies) in either merger parties' possession and prepared or published in the last two years which: (a) have been prepared by or for, or received by, any member of the board of directors (or equivalent body) or senior management of either merger party (whether prepared internally or by external consultants), and (b) set out the competitive conditions, market conditions, market shares, competitors, or the merging parties' business plans in relation to the product(s) or service(s) where the merger parties have a horizontal overlap as identified in response to question 12 below'.

<sup>54</sup> The CMA notes that, following submission of the Final Merger Notice and prior to 20 March 2019, the Parties had submitted only one monthly regional sales report (for Ireland) in response to a notice served by the CMA under section 109 of the Act on 15 February 2019.

### *Conclusion on closeness of competition*

98. The CMA believes that Ecolab and Holchem compete closely with each other in the supply of cleaning chemicals to F&B customers, on the basis of:
- (a) the Parties' bidding data, which shows there is a significant degree of competitive interaction between the Parties, which compete against and win business from each other both in the F&B segment as a whole and in the narrower food manufacturing segment;
  - (b) Holchem's gain and loss data, which shows that Holchem won customers where Ecolab was identified as a competitor or lost customers to Ecolab in a material number of cases in both the F&B segment as a whole and in the food manufacturing segment;
  - (c) evidence from third parties, in particular customers, indicating that the Parties are close competitors, particularly within the food manufacturing segment, and which expressed reasoned and articulated concerns about the Merger; and
  - (d) the Parties' internal documents, which show that each considers the other to be a key competitor in F&B overall and in particular within the food manufacturing segment.

### *Competitive constraints*

99. The Parties submitted that they are constrained by a wide range of suppliers active in the UK F&B market, as well as by suppliers active in other industrial segments (particularly agriculture) and suppliers with a presence in F&B in other jurisdictions. The CMA has considered the extent to which alternative suppliers would provide a competitive constraint on the combined entity.

### *Diversey*

100. Diversey is a global manufacturer and supplier of cleaning and hygiene chemicals serving a wide range of customers in different industrial and institutional segments. Diversey's sister company, Zenith Hygiene, is also a cleaning chemicals manufacturer and supplier, and it has acquired a number of competitors in recent years (eg CCL Pentasol).
101. The Parties have submitted that Holchem regards Diversey as one of its five closest competitors in all F&B segments. Ecolab, as well as regarding Diversey as one of its five closest competitors in F&B, includes Diversey among its main international competitors (together with Christeyns and

Kersia).<sup>55</sup> Holchem's monthly regional sales reports closely monitor Diversey as a competitor, together with Ecolab and Christeyns.

102. As the shares of supply in Table 1 illustrate, Diversey is currently one of the two largest F&B suppliers in the UK with a [20-30]% share of supply. Diversey is particularly strong in the beverage segment and will also continue to be one of the key competitors in each of the food and dairy segments.
103. The bidding analysis showed that Holchem (and to a lesser extent Ecolab) often compete closely with Diversey for F&B tenders (see paragraph 79). The gain and loss analysis confirmed that Holchem often competes closely with Diversey (see paragraph 83).
104. Diversey was considered as a strong competitor by the Parties' customers. The CMA's merger investigation indicated that the Parties' customers considered that overall Diversey is particularly strong within the beverage segment, where it was ranked the second strongest player after Ecolab. In both the F&B segment as a whole, and within the narrower food manufacturing segment, Diversey was ranked by customers as the next strongest player behind the Parties. In the dairy segment its ranking is weaker than in the other segments, with customers ranking Diversey behind both the Parties and Christeyns.
105. Customers also noted that Diversey's strengths include its expertise, range of chemicals, geographic reach and global company profile.
106. Overall, the CMA believes that the evidence indicates that both Parties compete closely with Diversey in the F&B segment (and in particular, the beverage segment) as well as with each other.

#### *Christeyns*

107. Christeyns is an international manufacturer and supplier of cleaning and hygiene chemicals serving a wide range of customers in different industrial and institutional segments. Christeyns entered the UK F&B market in 2018 after its acquisition and integration in 2017 of Klenzan, an F&B cleaning chemicals manufacturer and supplier that is particularly strong in dairy.
108. The Parties have submitted that Holchem regards Christeyns as one of its five closest competitors in all the F&B segments. Ecolab, as well as regarding Christeyns as one of its five closest competitors in F&B, has submitted that it

---

<sup>55</sup> Final Merger Notice, paragraphs 152-154.

includes Christeys among one of its main international competitors (together with Diversey and Kersia).<sup>56</sup> In addition, the Parties have submitted that they expect Christeys to provide an increased competitive constraint going forward as a result of the completed integration of Klenzan into its business.<sup>57</sup> Holchem's monthly regional sales reports closely monitor Christeys as a competitor, together with Ecolab and Diversey. The CMA notes, however, that Ecolab's documents make few references to Christeys.

109. As the shares of supply estimates illustrate, Christeys is currently the only F&B supplier with a share above 10% other than the Parties and Diversey in the F&B segment as a whole (see Table 1 above). Christeys' position in F&B is primarily attributable to its strength in the dairy segment. It is weaker in food and beverage. Christeys has indicated to the CMA that [✂].
110. The bidding analysis indicates that Christeys is a relatively minor competitor of the Parties for F&B tenders (see paragraphs 77 and 79). By contrast, the gain and loss analysis indicates that Holchem often competes closely with Christeys (see paragraph 83).
111. Christeys' weaker position relative to the Parties and Diversey in both the food manufacturing and beverage segments is confirmed by the feedback the CMA received from the Parties' customers in its merger investigation. As explained in paragraphs 86 and 87 above, the Parties' customers generally considered Christeys as a weaker F&B supplier compared with the Parties and Diversey. This is in particular within the food and beverage segments. Customers considered Christeys' position to be strongest in the dairy segment, in which it was ranked behind the Parties, but ahead of Diversey.
112. The CMA also notes that none of Ecolab's customers mentioned Christeys as an alternative supplier that they considered at their last review. The national customers that included Christeys in their rankings also raised the following issues:
  - (a) Two customers said that Christeys' standards were lower than Holchem's;
  - (b) One customer said they 'couldn't clean one key piece of kit' with the chemicals proposed by Christeys; and
  - (c) One customer said it was 'unsure of [Christeys] Group's capabilities'.

---

<sup>56</sup> Ibid.

<sup>57</sup> Final Merger Notice, paragraphs 221-222.

113. Overall, the CMA believes that Christeyns exerts a degree of competitive constraint on the Parties in F&B (particularly within the dairy segment). The CMA believes that Christeyns poses a weaker constraint in the narrower food and beverage segments, where the available evidence indicates that the Parties and Diversey are stronger competitors.

*Other competitors*

114. Both the Parties and their customers mentioned a number of other suppliers of cleaning chemicals for F&B customers. These include AFCO, Arrow Solutions, Brentagg, Byotrol, Caldic, Calvatis, Chela, Chemex, ChemiKal, CID Lines, Cleenol, CPH, Dasic, Evans Vanodine, Gannon Chemicals, InnuScience, Niche Solutions, Novadan, Quat-Chem, Selden, Shorrock Trichem, Sopura, Water Technology and Woburn Chemicals.<sup>58</sup>
115. On the basis of the evidence obtained in the course of this merger investigation, the CMA believes that these suppliers offer only a very limited constraint on the Parties. In particular:
- (a) The available evidence indicates that the F&B sales and shares of supply of all these competitors are negligible, and fall well behind those of each of the Parties, Diversey and Christeyns by very significant margins (with none of these suppliers having an estimated share of more than 3% in F&B).
  - (b) Overall, the responses of the Parties' customers to the CMA's merger investigation indicated that suppliers other than the Parties, Diversey and Christeyns have only a minimal presence in F&B. In particular, only AFCO and Sopura were listed by more than one customer as suppliers considered at the last review or as potential alternatives to the Parties (and even they were listed by only three and two customers respectively). By way of comparison, the Parties were each listed by sixteen customers, Diversey by thirteen customers and Christeyns by six customers.
  - (c) The CMA's analysis of Holchem's records of customers gained and lost shows that no single supplier apart from Ecolab, Diversey and Christeyns was identified as a competitor for customers won or lost by Holchem on more than [X] occasions in total. By way of comparison, each of Ecolab, Diversey and Christeyns was identified as a competitor over [X] times. Moreover, the deals won or lost by Holchem against Ecolab, Diversey and

---

<sup>58</sup> The Parties also mentioned Kersia as a competitor. In view of the arguments made by the Parties about Kersia's plans to expand its F&B presence, Kersia is considered in the Entry and Expansion section, at paragraphs 140, 143 and 144 below.

Christeyns were, on average, of considerably higher value than those won or lost against other competitors.

- (d) The CMA's analysis of the Parties' bidding data shows that no competitor other than Ecolab, Diversey and Christeyns is named in Holchem's bidding records and that, apart from Holchem, Diversey and Christeyns, only one other player [redacted] is named ([redacted]) as a competitor in Ecolab's bidding records.
- (e) There are very limited references to any of these other competitors in the Parties' internal documents. The CMA notes that Holchem's regional sales reports for its five regions in Great Britain consistently monitor the activities of Ecolab, Diversey and Christeyns, but do not mention any other competitors. By contrast, Holchem's regional sales reports for Ireland consistently monitor a number of other competitors, which suggests that if other suppliers were competing closely with Holchem across Great Britain, they would also likely be monitored in these reports.
- (f) The responses the CMA received from these suppliers listed at paragraph 114 confirm that they have limited sales in the UK F&B segment.
  - (i) One supplier said that 'we do not have a direct presence in the actual food processing and food manufacturing sectors.'
  - (ii) Another supplier said that 'while we are active in the UK Food and Drinks market, as of now it represents a very small proportion of our overall market activity.'
  - (iii) One supplier said that they have 'no [UK F&B] business worth mentioning and no immediate plans for that.'
  - (iv) Another supplier told the CMA that they have only £120,000 sales in F&B, which represents less than 5% of their total sales in the industrial segment (and less than [0-0.5]% of the CMA's estimate of the UK F&B market size).
  - (v) Only [redacted] and [redacted] told the CMA that they have more than £1 million sales in UK F&B (by way of comparison, the UK F&B sales of each of the Parties exceed £[redacted] million). However, [redacted] noted that its sales accounted for only 10% of their total UK business, while [redacted] noted that the vast majority of its sales was generated in the [redacted] segment within F&B. [redacted] also said that this business is [redacted], and that for the same reason they [redacted].

(g) The CMA also believes that many of these suppliers have limitations such that they could not be considered full competitors of the Parties for F&B. For instance, some suppliers specialise mainly in a particular segment within F&B (eg [REDACTED]); some have a limited geographical reach within the UK (eg [REDACTED]); and some manufacture only a narrow range of chemicals (eg [REDACTED]).

116. For all of these reasons, the CMA believes that the other competitors mentioned by the Parties and their customers currently represent, individually and in aggregate, only a very limited competitive constraint on the Parties. Based on the gain and loss analysis and the bidding analysis, and on customers' and competitors' feedback, the CMA believes these suppliers may also be an alternative option for only a limited proportion of F&B customers.

#### *Conclusion on competitive constraints*

117. Overall, the CMA believes that Diversey is a strong competitive constraint on the Parties in F&B (particularly in the beverage segment). Christeyns exerts a degree of competitive constraint on the Parties in F&B (particularly in the dairy segment). However, the CMA believes that other suppliers currently represent a very limited constraint on the Parties.

#### *Third party concerns on the impact of the Merger*

118. A large number of the Parties' national or regional F&B customers that responded to the CMA's merger investigation expressed concerns about the Merger. Concerns included that the Merger could lead to higher prices, a lower quality of service (particularly, in relation to Holchem) and reduce their options from three (the Parties and Diversey) to two suppliers.

119. Whilst a number of (primarily international) customers did not consider that the Merger would impact them or their business, two international customers reported concerns. One said the Merger may reduce the number of potential suppliers that can meet its needs, while the other said that the local competitive landscape would be negatively affected.

120. With respect to the Parties' competitors:

- (a) One competitor told the CMA that it was concerned about the Merger as 'Holchem and Ecolab are the number 1 and 2 in the UK F&B market' and 'competition will inevitably decline'.
- (b) Another competitor commented that food company purchasing managers operate under a 'no one got fired for buying IBM' mentality, which makes

them reluctant to select a supplier outside ‘the big 3’ of Holchem, Diversey and Ecolab.

(c) One competitor expressed concern as ‘more and more within Europe and outside Europe, we see that Ecolab is extensively dominating the market by multiple acquisitions.’

(d) Another competitor said that the Merger ‘monopolises the market and reduces the number of competitors that the industry can rely on.’

121. The CMA notes that these third party views are consistent with the CMA’s concerns that the Merger will lessen the competitive constraint on the merged entity, allowing it to increase prices or otherwise reduce the quality of its products and services.

### *Conclusion*

122. For the reasons set out above, the CMA believes that the Parties’ position in the supply of cleaning chemicals for F&B customers in the UK is significant, within what appears to be an already concentrated market, and that the Merger will bring about a material increment in share of supply. The CMA believes that the Parties are close competitors and that there are only two other competitors which currently impose a significant constraint on the Parties – Diversey and Christeyns – with the remaining smaller suppliers providing only a very limited competitive constraint individually and in aggregate.

123. Accordingly, the CMA believes that the Merger raises significant competitive concerns in relation to the supply of cleaning chemicals for F&B customers in the UK.

### ***Supply of cleaning chemicals for institutional customers in the UK***

124. The CMA also assessed the likelihood of the Merger resulting in horizontal unilateral effects with respect to the supply of cleaning chemicals for institutional customers in the UK.<sup>59</sup>

### *Shares of supply*

125. The Parties submitted that the Parties’ estimated shares of supply in this sector were minimal. This is largely corroborated by the CMA’s own estimates

---

<sup>59</sup> As explained at footnote 24, the CMA has taken into account in its assessment of the supply of cleaning chemicals for institutional customers, both direct supply to institutional customers and supply through distributors.



of the merged entity's share of supply for institutional customers as a whole, which estimates that at [5-10]% (with a [0-5]% increment from Holchem), the merged entity's share of supply would remain lower than market leader Diversey's estimated [10-20]% share of supply. Other competitors in this market include Christeyns, Evans Vanodine and Greyland, all of which have shares of supply of less than 10%.

#### *Closeness of competition and competitive constraints*

126. The Parties submitted that they do not compete closely in the institutional segment as Holchem [X], while Ecolab [X].
127. This is consistent with Ecolab's internal documents [X].
128. Third party responses to the CMA's merger investigation within this segment were mixed. Some customers in the institutional segment that responded to the CMA's merger investigation expressed concerns, including the possibility of increased prices and the number of competitors becoming too low. A small proportion of distributors active in the catering sector expressed concerns about the Merger and Ecolab's previous purchase of RP Adam (Arpal Group), on the basis that Holchem and RP Adam are two of a small number of manufacturers of low-price white label cleaning chemicals to catering distributors, and that the number of available manufacturers would be even lower post-Merger.<sup>60</sup>
129. However, feedback from the Parties' institutional distributors identified 19 credible alternative suppliers to the Parties in total, including Coventry Chemicals, Diversey and Evans Vanodine. This is consistent with the CMA's share of supply estimates (which, as detailed in paragraph 125 above, found concentration in this segment to be low). The Parties' competitors raised no concerns in relation to the institutional segment.

#### *Conclusion*

130. In view of the Parties' low shares of supply and the presence of numerous alternative suppliers to the Parties that will continue to constrain the Parties post-Merger, the CMA does not believe there is a realistic prospect of an SLC

---

<sup>60</sup> These distributors expressed concerns that given Ecolab is a supplier of branded cleaning chemicals, the merged entity may have an incentive to stop supplying Holchem and RP Adam's white label chemicals so that customers would switch to Ecolab's more expensive branded products.

from horizontal unilateral effects in the supply of cleaning chemicals for institutional customers in the UK.

#### *Conclusion on horizontal unilateral effects*

131. For the reasons set out above, the CMA believes that the Parties are close competitors in what appears to be an already concentrated market and that, post-Merger, only Diversey and Christeyns would impose a meaningful constraint on the Parties. Other suppliers impose a very limited constraint on the Parties, and the continued presence of Diversey and Christeyns as suppliers to F&B customers in the UK would not represent a sufficient competitive constraint on the Parties post-Merger. This conclusion is supported by the views of the Parties' customers, which articulated significant concerns about the effects of the Merger on competition.
132. Accordingly, the CMA found that the Merger raises significant competition concerns as a result of horizontal unilateral effects in relation to the supply of cleaning chemicals for F&B customers in the UK.

#### ***Barriers to entry and expansion***

133. Entry, or expansion of existing firms, can mitigate the initial effect of a merger on competition, and in some cases may mean that there is no SLC. In assessing whether entry or expansion might prevent an SLC, the CMA considers whether such entry or expansion would be timely, likely and sufficient.<sup>61</sup>
134. The Parties submitted that barriers to entry and expansion are low in relation to the manufacture and supply of cleaning chemicals in general. In particular, the Parties submitted that:
- (a) Entry in the UK is easy for manufacturers already active in the EEA as the regulatory regime is the same in all the EEA countries, including the UK;
  - (b) Entry in a particular cleaning chemical segment for a manufacturer already active in other segments is easy due to strong supply-side substitutability; and
  - (c) Entrants do not need large market shares to be profitable (many small players are active in the market), and expanding production is easy due to

---

<sup>61</sup> [Merger Assessment Guidelines](#), from paragraph 5.8.1.

supply-side substitutability and can be easily achieved through manufacturing agreements.

135. The CMA believes that the arguments presented by the Parties on the ease of entry and expansion relate mainly to the manufacturing of cleaning chemicals, and not to their supply to F&B customers. In particular, the available evidence indicates that high quality services and specific technical knowledge of customers' needs are required from suppliers of cleaning chemicals, in the F&B segment.
136. The CMA also notes that several F&B customers told the CMA that the quality of additional services (including training, advice and regulatory compliance) and the brand and reputation of suppliers are key choice parameters for them. Most F&B customers that responded to the CMA's merger investigation also reported that switching supplier requires product testing and staff training, and, as such, it is time consuming and costly. The majority of customers who responded to the CMA's merger investigation were also unable to identify any examples of recent new entrants into the market.
137. The CMA also received mixed feedback from the Parties' competitors, which in the round indicates that entry and expansion into F&B are not straightforward:
- (a) One competitor noted that, although R&D and IP are not a barrier and it considers that manufacturers currently have spare production capacity, there has been no recent entry.
  - (b) Another competitor submitted that very few companies manage to enter the market successfully and that an initial investment of over £1 million is needed to do so; and
  - (c) Another competitor reported that expanding in the British F&B market is difficult as customers usually consider only Ecolab, Holchem and Diversey as suppliers.
138. Moreover, in response to a request for internal documents analysing recent or potential new entrants in F&B dated on or after 1 January 2016, the Parties submitted only four documents<sup>62</sup> [redacted].<sup>63</sup> This suggests that the Parties have, in practice, placed limited weight on the potential for entry as a competitive threat to their businesses within the F&B segment.

---

<sup>62</sup> Annexes 6.1-6.4 to RFI 5 response.

<sup>63</sup> Annexes 6.1 and 6.4 to RFI 5 response.

139. Accordingly, the CMA believes that, although starting or expanding the manufacturing of cleaning chemicals may be relatively straightforward, suppliers face greater challenges in obtaining customers and establishing a strong reputation.

*Kersia*

140. The Parties submitted that Kersia's recent expansion into the UK through its acquisition of Kilco is expected to provide an increased competitive constraint on the Parties.<sup>64</sup> In support of this position, the Parties submitted that:

- (a) Three of Kersia's affiliates – AntiGerm, Hypred and LCB Food Safety – all have significant F&B operations in their respective EU Member State home markets, which means that Kersia possesses considerable know-how in relation to the provision of cleaning chemicals to F&B customers;
- (b) Kersia will be able to leverage in the UK the reputation of its affiliates active in F&B in other EU Member States;
- (c) Kersia has taken steps to bolster its UK reputation and expertise with the recruitment of an experienced Sales Manager ([REDACTED]), who previously worked for Holchem and Diversey) to run its F&B business in the UK;
- (d) Ecolab is aware that Kilco has the manufacturing capability to make the full range of products at its Lockerbie plant; and
- (e) Holchem understands that Kersia is seeking to recruit 10 field-based F&B specialists in order to increase F&B sales on the UK market.

141. The CMA recognises that there is some evidence which indicates that Kersia currently intends to enter the UK F&B market. [REDACTED]:

- (a) [REDACTED];
- (b) [REDACTED];
- (c) [REDACTED];
- (d) [REDACTED];
- (e) [REDACTED];

---

<sup>64</sup> The Parties also submitted that the recent integration of Klenzan by Christeyns is expected to provide an increased competitive constraint on the Parties. The CMA has addressed the competitive constraint provided by Christeyns at paragraphs 107 above.

(f) [REDACTED]; and

(g) [REDACTED].

142. However, the CMA notes [REDACTED] that the weight it can place on Kersia's entry, and possible success in establishing a market presence following that entry, is limited.

(a) [REDACTED]; and

(b) [REDACTED].

143. Customer feedback also indicates that Kilco is currently viewed in the market as primarily an agricultural supplier, and Kersia, as a foreign/international supplier. Only one of the Parties' customers mentioned Kersia as an alternative supplier for F&B. The CMA also notes that there are no examples of cleaning chemicals suppliers transitioning from agriculture to food processing.

144. In respect of the suggested ability of international suppliers without an established UK presence to easily expand within the UK, the CMA notes that the trend for acquisitions by international suppliers of UK players in F&B (eg Christeyns acquired Klenzan in 2017; Kersia acquired Kilco in 2018 and indeed, the Merger), indicates that international suppliers seeking to establish a meaningful presence in the UK face challenges that cannot be easily addressed by, for example, simply hiring some local employees with technical expertise.

145. For the reasons set out above, the CMA believes entry or expansion would not be sufficient, timely or likely to prevent a realistic prospect of an SLC as a result of the Merger in the supply of cleaning chemicals to F&B customers.

## **Conclusion on substantial lessening of competition**

146. Based on the evidence set out above, the CMA believes that it is or may be the case that the Merger has resulted, or may be expected to result in an SLC as a result of horizontal unilateral effects in relation to the supply of cleaning chemicals for F&B customers in the UK. The CMA has not found significant competition concerns in relation to the supply of cleaning chemicals for institutional customers in the UK.

## **Decision**

147. Consequently, the CMA believes that it is or may be the case that (i) a relevant merger situation has been created; and (ii) the creation of that

situation has resulted, or may be expected to result, in an SLC within a market or markets in the UK.

148. The CMA therefore believes that it is under a duty to refer under section 22(1) of the Act. However, the duty to refer is not exercised whilst the CMA is considering whether to accept undertakings under section 73 of the Act instead of making such a reference.<sup>65</sup> Ecolab has until 17 April 2019<sup>66</sup> to offer an undertaking to the CMA.<sup>67</sup> The CMA will refer the Merger for a phase 2 investigation<sup>68</sup> if Ecolab does not offer an undertaking by this date; if Ecolab indicates before this date that it does not wish to offer an undertaking; or if the CMA decides<sup>69</sup> by 26 April 2019 that there are no reasonable grounds for believing that it might accept the undertaking offered by Ecolab, or a modified version of it.
149. The statutory four-month period mentioned in section 24 of the Act in which the CMA must reach a decision on reference in this case expires on 18 April 2019. For the avoidance of doubt, the CMA hereby gives Ecolab notice pursuant to section 25(4) of the Act that it is extending the four-month period mentioned in section 24 of the Act. This extension comes into force on the date of receipt of this notice by Ecolab and will end with the earliest of the following events: the giving of the undertakings concerned; the expiry of the period of 10 working days beginning with the first day after the receipt by the CMA of a notice from Ecolab stating that it does not intend to give the undertakings; or the cancellation by the CMA of the extension.

**Colin Raftery**  
**Senior Director, Mergers**  
**Competition and Markets Authority**  
**10 April 2019**

---

<sup>65</sup> Section 22(3)(b) of the Act.

<sup>66</sup> Section 73A(1) of the Act.

<sup>67</sup> Section 73(2) of the Act.

<sup>68</sup> Sections 22(1) and 34ZA(2) of the Act.

<sup>69</sup> Section 73A(2) of the Act.

## Annex 1 – Food manufacturing bidding analysis

A. Holchem's food manufacturing bids (2016-2018)							
	All bids	Bids w/ Ecolab incumbent	Bids w/ Diversey incumbent	Bids w/ Christeyns incumbent	Bids w/ Ecolab competitor	Bids w/ Diversey competitor	Bids w/ Christeyns competitor
Number	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Value	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Share (number)	100%	[20-30]%	[30-40]%	[5-15]%	[30-40]%	[35-45]%	[20-30]%
Share (value)	100%	[25-35]%	[45-55]%	[0-5]%	[35-45]%	[60-70]%	[20-30]%
Average value	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

B. Ecolab's food manufacturing bids (June-December 2018)				
	All bids	Bids w/ Holchem incumbent	Bids w/ Diversey incumbent	Bids w/ Christeyns incumbent
Number	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Value	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Share (number)	100%	[35-45]%	[5-15]%	[0-5]%
Share (value)	100%	[80-90]%	[0-5]%	[0-5]%
Average value	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

C. Overlapping food manufacturing bids (June-December 2018)		
	Value of bid Ecolab   Holchem	Winner
[REDACTED]	[REDACTED]   [REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]   [REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]   [REDACTED]	[REDACTED]
<b>Total (number)</b>	<b>3   3</b>	
<b>Total (value)</b>	<b>[REDACTED]   [REDACTED]</b>	
<b>Share (number)</b>	<b>[10-20]%   [25-35]%</b>	
<b>Share (value)</b>	<b>[20-30]%   [15-25]%</b>	

Source: CMA analysis of the Parties' data.

Notes: Part A and B of the table are based only on the Parties' data – the CMA did not collect bidding data from the Parties' competitors. Part C of the table is based on the CMA analysis matching Ecolab and Holchem's data. In Holchem's bidding data, Holchem was listed as an incumbent on [REDACTED] occasions. No other company other than the Parties, Diversey and Christeyns was named as an incumbent. In Ecolab' bidding data, Ecolab was listed as an incumbent on [REDACTED] occasions, [REDACTED] once and the incumbent was unknown [REDACTED].

1. The bidding data demonstrates a significant degree of competitive interaction between the Parties in food manufacturing. Part A of the table above shows that approximately [20-30]% of Holchem's food manufacturing bids from 2016 to 2018 were for a customer whose incumbent supplier was Ecolab ([25-35]% by value). In approximately [30-40]% of all bids, Holchem identified Ecolab as a competitor ([35-45]% by value). The CMA notes that Holchem bid more frequently on customers previously served by Diversey or for which Diversey was identified as competitor, and that Holchem bid less frequently on customers previously served by Christeyns or for which Christeyns was considered a competitor. This is consistent with the Parties' respective shares of supply.

2. Part B of the table further shows that a considerable proportion (approximately [35-45]% by number and [80-90]% by value) of Ecolab's bids in the period June to December 2018 were for customers previously served by Holchem. Ecolab bid less frequently for customers previously served by Diversey or Christeyns.
3. Part C of the table shows that between June and December 2018, the Parties bid three times for the same food manufacturing customer, and that these three bids accounted respectively for [10-20]% and [25-35]% by number, and [20-30]% and [15-25]% by value, of all Ecolab and Holchem's bids for UK based food manufacturing customers over the period.



## Annex 2 – Food manufacturing gain and loss analysis

Holchem's food manufacturing new accounts (2017-2018)					
	All new accounts	New accounts w/ Ecolab competitor	New accounts w/ Diversey competitor	New accounts w/ Christeys competitor	New accounts w/ other competitors
Number	[x]	[x]	[x]	[x]	[x]
Value	[x]	[x]	[x]	[x]	[x]
Share (number)	100%	[15-25]%	[20-30]%	[5-10]%	[30-40]%
Share (value)	100%	[15-25]%	[50-60]%	[5-10]%	[10-20]%
Average value	[x]	[x]	[x]	[x]	[x]
Holchem's food manufacturing accounts lost to competitors (2017-2018)					
	Accounts lost to competitors	Accounts lost to Ecolab	Accounts lost to Diversey	Accounts lost to Christeys	Accounts lost to other competitors
Number	[x]	[x]	[x]	[x]	[x]
Value	[x]	[x]	[x]	[x]	[x]
Share (number)	100%	[5-10]%	[5-10]%	[20-30]%	[50-60]%
Share (value)	100%	[15-25]%	[10-20]%	[25-35]%	[25-35]%
Average value	[x]	[x]	[x]	[x]	[x]

Source: CMA analysis of Holchem's data.

Notes: No other competitor to which the far-right column refers (ie, competitors other than Ecolab, Diversey and Christeys) was named on more than [x] occasions in the gain analysis, or on more than [x] occasions in the loss analysis. The value of the deals won by Holchem from any of these other competitors did not exceed £[x] in total; and the value of the deals lost by Holchem to any of these competitors did not exceed £[x] in total.

1. The table above shows the results of the CMA's analysis of Holchem's data on food manufacturing customer accounts gained and lost.
2. The table shows that Holchem won food manufacturing customers where Ecolab was identified as a competitor, or lost customers to Ecolab in a material number of cases. However, Diversey was identified as a competitor more often than Ecolab and Holchem lost customers more often to Christeys than to Ecolab.
3. Overall, the CMA's analysis of Holchem's records of customers gained and lost shows that Holchem competes closely with Ecolab, as well as with Diversey and Christeys, in the food manufacturing segment.