

ECOLAB INC / THE HOLCHEM GROUP LIMITED merger inquiry

Summary of third party calls

1. The Competition and Markets Authority ('**CMA**') is investigating the completed acquisition by Ecolab, Inc ('**Ecolab**') of The Holchem Group Limited ('**Holchem**') (the '**Merger**') under the merger control provisions of the Enterprise Act 2002 (the '**Act**').
2. In relation to this Merger the CMA invited comments of third parties which are customers of either Ecolab or Holchem and discussed key points to understand the market of cleaning chemicals.
3. This document provides an overview of the responses and comments of five third parties provided in response to the CMA's Phase 1 inquiry.

Background – relationship between customer and supplier

Contract negotiations

4. All customers stated that they would carry out a tender process to invite offers from suppliers of cleaning chemicals. Contracts are usually awarded for 2-3 years and before extending a contract most companies would undertake a benchmarking exercise to assess whether a more viable option was available on the market.
5. In case prices increased significantly in comparison to the previous contract, customers stated that they usually seek justification from their respective supplier.

Choosing a supplier

6. Customers stated that, besides price, the provision of support and other services including ongoing technical support provided by the suppliers of cleaning chemicals are the most decisive factors for choosing a supplier. These services include the provision of cleaning information cards, routine inspections and audits of manufacturing facilities, ad-hoc advice, management of statutory requirements and the provision of staff training.
7. Two customers mentioned that it was important that their supplier is attentive to their needs and that services should be targeted at identifying

means of saving money (i.e. using different chemicals in different dosages to reduce the use of water and staff resources while achieving the same results).

8. Further factors mentioned as important in considering a supplier were the range and quality of products and the geographic footprint (i.e. the ability to supply nationally/internationally).

Competitive assessment

Alternative suppliers

9. Customers all mentioned Holchem, Ecolab and Diversey Inc. (**'Diversey'**) as main competitors in the United Kingdom (**'UK'**). Some customers also included Christeyns Food Hygiene (**'Christeyns'**) or Novadan APS in the list of competitors in the UK.
10. Most customers held that suppliers of cleaning chemicals offer a very similar range of products and services; essentially like-for-like substitutes. However, some customers mentioned examples of differences in suppliers:
 - a. One customer held that Ecolab provided considerably less service / less qualitative service than its competitors.
 - b. One customer held that its supplier needs an international presence, thus not considering UK only suppliers such as Holchem as a viable option.

Switching to other suppliers

11. All customers stated that switching is technically and economically possible. However, all customers said that it is difficult to switch supplier as it is costly and time-consuming. For example, new suppliers would have to undergo trials, staff would need to be re-trained and retailers need to approve the new supplier.
12. Most customer stated that self-supply (the manufacturing of cleaning chemicals) is not a viable option.

Views on the merger

13. All customers stated that there was a general consolidation in the market and that the number of alternative suppliers of cleaning chemicals decreased in the past 3-5 years.
14. A minority of customers held that while the merger will reduce competition, there will still be enough viable providers of cleaning chemicals.
15. However, more than half of the customers stated that the merger would further reduce competition in an industry that already does not function as competitively as others.