

ECOLAB INC / THE HOLCHEM GROUP LIMITED MERGER INQUIRY

Summary of third party hearing 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 held telephone hearings with six customers of either Ecolab and Holchem (together, 'the **Parties**') in May and June 2019 to discuss key points to understand the market of cleaning chemicals.
3. This document provides a brief overview of the comments received from the customers via third party hearing calls during the CMA's Phase 2 inquiry.

Background – relationship between customer and supplier

Choosing a supplier

4. All customers said that they carried out a tender process to invite offers from suppliers of cleaning chemicals.
5. Customers said that, pricing, quality, service, innovation, the provision of support and other services including ongoing technical support were the most decisive factors when choosing a supplier. These services included but were not limited to regular routine inspections and audits of manufacturing facilities, ad-hoc advice, and management of statutory requirements.
6. One customer said that agreements on service levels were written into the contracts and if it was dissatisfied with service levels partway through a contract, there was a mechanism to end the contract early.

Possibility of using unformulated cleaning chemicals to replace formulated cleaning chemicals

7. Customers said that using unformulated chemicals would be difficult to implement and would lead to more inconsistency in the process. It was unlikely that this would be an option for them. One customer stated it would need to buy big quantities to make it worthwhile and this would involve a lot of storage, which in turn is costlier. Another mentioned that there is a potential to be vulnerable to any market fluctuations of the raw materials, such as caustic soda.
8. Customers also noted that the pure chemical companies would not be able to offer the same types of support services that they require.

Competitive assessment

Alternative suppliers

9. All customers mentioned Ecolab, Holchem and Diversey as alternative suppliers. Some customers also noted Christeyns and Kersia (or Kilco which is now part of Kersia).
10. One customer noted that there was an element of size required and if a supplier was too small, they would not have the resource to offer the technical support services expertise it required.

Switching to other suppliers

11. One customer said that it was not easy to change a supplier because there was a whole validation and testing process required, to make sure that it was compliant with the level of quality expected. Another customer said that there were no costs associated with switching suppliers, and it switched suppliers on a regular basis, as long as the product specifications were within the tolerances it required. One customer noted the process can take 3-4 months.

Views on the merger

12. Some customers said they had some concerns about the merger, because the merger might reduce the number of potential suppliers. One customer said that the choice of supplier seemed to have polarised, into two suppliers, namely Diversey and Ecolab. If the polarisation continued it feared would have to go to a smaller supplier, and it was not confident that they could provide the level of service it required.

13. However, a few customers said they had no concerns regarding the merger. For the food industry in general, the bulk of the chemicals were standard across suppliers. Should the market reduce from four large suppliers down to three, there would still be choice available if needed.