TVS/3G: Comments on the customer questionnaire

3 September 2020

1. SUMMARY

1. During conversations with the CMA, the CMA stated that they were not going to undertake a customer questionnaire on the TVS/3G case. The CMA nevertheless stated that they were likely to undertake a less formal version of a customer questionnaire, using a written questionnaire and asking for customer feedback.

2. The views of customers expressed in the questionnaires are highly important aspects of a Phase II investigation. In the formal customer surveys conducted as part of Phase II investigations, the Parties are involved from an early stage and they are given the opportunity to provide feedback both on the design and methodology of the survey and on the actual questionnaire[1]. Consistent with this, the Parties' advisors requested that they could view that questionnaire and provide feedback on the questions, even if they were not part of a formal survey, given the complexity of the industry structure meant that there was a danger that customers may misinterpret or not fully understand questions.

3. Contrary to the request, the Parties did not receive the CMA customer questionnaire and therefore were unable to provide any feedback on how the questions were structured or worded. However, subsequent to this TVS has received enquiries from customers with several of them expressing their confusion regarding the CMA questionnaire. A copy of the questionnaire the customers shared with TVS is attached as **Annex A**.

4. On the basis of this shared questionnaire, the Parties believe that there is a significant risk that the customer responses are biased or do not fully capture the constraints faced by the Parties in the supply of commercial and vehicle trailer ("**CVT**") parts. Specifically, the Parties have significant concerns in the way that the CMA has structured and worded aspects the questionnaire. The main concerns of the Parties are summarized below.

5. **First**, the most fundamental flaw with the questionnaire is that many questions are asked about customers' *all purchases* of CVT parts, which is not how customers make purchasing decisions. Customers do not purchase all CVT parts from a single supplier, they make decisions on a product field-by-product field basis and within each field, in addition to other so-called 'wide range' wholesalers, the Parties face strong competition from suppliers focused on one or a smaller number of product fields (referred to by the CMA in its Phase 1 Decision as 'niche' and 'narrow' suppliers respectively). The risk of asking customers about *all purchases* includes the following:

1 "Good practice in the design and presentation of customer survey evidence in merger cases", May 2018, para. 1.17.

a. Those suppliers focused on one or a smaller number of product categories may be significantly under-represented in the list of the 10 most important suppliers in question 3 simply because customers do not purchase all their requirements from them.

b. Customer views on frequency based on orders across all their purchases in question 3 may highlight differences between suppliers, which simply reflect the fact customers purchase products from multiple product fields from the Parties while they purchase from a single product field from those suppliers focused on one or a smaller number of product categories.

c. The ranking of the importance of certain criteria when choosing which supplier customers purchase CVT parts from in question 6 will fail to capture differences in the drivers of choice across product fields. It may also highlight differences with those suppliers focused on one or a smaller number of product categories, which simply reflect the fact that comparisons are not done with reference to the same product fields.

d. Similarly, price negotiations in question 7 (UC) and 9 (3G) will fail to capture differences across product fields and differences across suppliers may reflect the fact that customers purchase different product fields from different suppliers.

e. The diversion questions 8 (UC) and 10 (3G) will fail to capture (or will significantly understate) the constraint from smaller suppliers, who may be effective alternatives for the customers in certain but not all product categories.

f. The constraint from 'all makes' suppliers in question 14 and 16 may be understated if these suppliers do not compete with motor factors across the full range of CVT parts.

6. **Second**, in questions where customers are asked to state their preference or express their views for certain types of products, this is done on the basis of a *'product category',* which is defined by the CMA at the most aggregate level in the Parties' product hierarchy. As noted above, this is not the level of aggregation where purchasing decisions are made therefore it will again significantly understate the constraint of suppliers, which are effective alternative to the Parties in the narrower product fields.

7. **Finally**, the CMA asks customers to distinguish between 'OEM and OES parts' and 'private label parts'. The definitions provided by the CMA on the distinction between the two are not clear therefore caution is needed when interpreting the results.

8. The Parties note that they are unable to test these concerns without seeing the customer responses. As such the Parties request that they have access to these responses, even if it is on an Advisor only basis, to the extent that they form part of the CMA's evidence base.

9. The remainder of this submission provides comments on the following: first, the defined terms of in the questionnaire; and second, detailed comments on the questions.

2. COMMENTS ON THE DEFINED TERMS IN THE QUESTIONNAIRE

2.1. Definition of OEM, OES and private label parts

10. The CMA asks the views of customers for two categories of products: the 'OEM and OES parts'; and the 'private label parts'. The definitions provided in the CMA's guidance are:

a. ***"OEM and OES parts –*** *Original Equipment Manufacturer and Original Equipment Supplier commercial vehicle and trailer parts, respectively."*

b. ***"Private Label parts** – Private Label (PL) commercial vehicle and trailer parts made by manufacturers who were not involved in the manufacture of the original commercial vehicle or trailer, generally on behalf of wholesalers. They are also called 'aftermarket parts'."*

11. The Parties believe that these definitions are vague and do not explain clearly the distinction between the different types of brand particularly the distinction between OES parts and private label parts, which do not carry the brand of the wholesaler who supplies them. For example, a customer who purchased a private label (but not UC-branded) part from UC may consider the part as being as private label (if the customer is aware of the fact that the third-party manufacturer was not involved in the manufacture of the original CVT) or may consider it to be an OES part (simply because it is not branded as UC). The definition does not provide clear guidance as to how customers should classify these products when responding to the questionnaire. This confusion potentially affects a large proportion of responses as parts which do not carry the brand of the wholesaler that supplies them (the so-called 'private label other' parts) account for a significant proportion of the market: sales of 'PL Other' parts accounted for about [✂] of UC sales and about of [✂] of 3G sales in FY2020.[2]

12. As detailed in response to question 6 of the Financial Questionnaire, there is no industry-accepted definition for type of brand and the Parties do not typically split sales by OES and private label. In instances where no industry accepted definition exists, the CMA's Good Survey Practice notes: *"technical terms should be used only where these are widely used and understood or – if not widely used/understood but their use is unavoidable – carefully explained so that they are understood in the same way by all respondents."*[3]

13. For the purpose of responding to the CMA's question in the Financial Questionnaire asking for a breakdown by type of brand, the Parties distinguished clearly between 'OES', 'private label' and 'private label other', explaining in great detail how they have made the distinction between the three. As explained by UC:[4]

- 'OES' refers to parts purchased from an original equipment supplier or OES. UC defines an OES as a manufacturer that provides parts to the CVT manufacturer (OEM) for inclusion in the initial production of a commercial vehicle or trailer. As discussed below, 'OES parts' are distinct from 'PL Other' parts, which are parts from a supplier that does not provide products to truck/trailer manufacturers (OEMs) for inclusion during initial production. An example of an OES supplier is Hella, which is a manufacturer and supplier of lighting products.
- 'Private label other' are parts purchased from either a recognised brand or from other private label (i.e. non-UC) suppliers that do not supply their parts to OEMs. As such, the category may include large and well-known branded providers such as Diesel Technik, insofar as they do not supply products to OEMs for inclusion in the initial production of commercial vehicles/trailers. Examples of 'private label other' suppliers include Sampa, Aspoeck UK Ltd, and Vernon Developments.
- 'Private label' are parts branded as UC.

2 See Response to the Financial Questionnaire s.109 Annex 5 (UC) and Annex 4 (3G).
3 "Good practice in the design and presentation of customer survey evidence in merger cases", May 2018, para. 3.8.
4 Response to the question 6 of the Financial Questionnaire s.109. A similar explanation was provided by 3G in the response to question 3 of the Financial Questionnaire s.109.

14. Based on the definitions provided by the CMA, it is not clear how customers define and interpret the different types of brand i.e. whether they understand the defined terms in the questionnaire, and whether they all treat purchases of 'private label other' parts as part of private label.

2.2. Definition of product categories

15. The questionnaire defines a **product category** *as "axle, body, braking, consumables, electrical, engine, general chassis, lightning, steering and suspension, transmission, etc."* The Parties view is that this level of aggregation is not meaningful as it is too aggregated and will tend to bias customer responses towards whole range wholesalers who supply all product fields within a category. This is set out in more detail below.

16. The underlying issue with using aggregated product categories is that these do not reflect how customers make purchasing decisions. As explained in the Response to the Phase I Decision and in previous submissions, customers make decisions to buy individual CVT parts – not groups of products, or on a product category basis. This is particularly important because many important providers of products will not provide all categories, or even all products within a wide category.[5] For this reason it is necessary to ask the question at product category level – rather than at an aggregated level. Asking questions on much wider category levels, will bias the customer towards only those competitors who operate across the entire wider category, *even though the customer may actually buy from many different competitors* each strong in a different product category.

17. The Parties provided ample evidence to the CMA to demonstrate that customers do not buy products on 'bundle' basis – but rather pick the products they need from the cheapest provider of that product.

18. First, CRA's 'one-stop' shopping analysis showed that customers do not purchase all their requirements from a single supplier, rather they use different suppliers for different products. In addition, the market shares provided to the CMA as part of the Response to the Phase I Decision also illustrate the differences in the competitive conditions across product fields. As shown in that Response, within each product field, the Parties face strong competition from different sets of suppliers who only supply a single or a small number of product fields.

19. By way of example, whilst the CMA's customer questionnaire mentions the overall category 'Braking', the Parties distinguish between the following braking product fields: Air Brakes, Axle Braking, Fittings, Air Brakes Coils & Couplings and Slack Adjusters. This is important because as can be seen here, the shares can be very different across the different braking product categories. The table below demonstrates this. For example, Wabco and Knorr Bremse are relatively strong in Air Brakes; TMD Friction and Winnards are present in Axle Braking; Reflex & Allen in Air Brake Coils & Couplings; Tube Gear and Air Brake Connections in Fittings; and Mei in Slack Adjusters.

5 See response to Question 1 of the Market Questionnaire for the categorisations used by the Parties.

Table 1 Competitor shares in product fields within the CMA’s Braking product category

	Air Brake	Axle Braking	Air Brake Coils & Couplings	Fittings	Slack Adjusters	Total Braking
UC	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
3G	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Wabco	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Knorr Bremse	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
TMD Friction	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Ebs	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Haldex	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Winnards	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Mei	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
New World	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Juratek	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Borg & Beck	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Tube Gear	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Reflex & Allen	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Air Brake Connections	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Granning / J4	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Exb	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Norgren	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Cv Logix	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Raufoss	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]

Note: the market shares by product field have been provided to the CMA in the Response to the Phase I Decision (see Table 2 of the Response). The table includes only competitors with known revenue in at least one field. “n/a” means that a competitor is active in the field but revenue information is not available.

20. The above clearly demonstrates that different suppliers are present in different product fields. Certain suppliers may be strong in an individual product field, but they may have a modest presence across all fields within the same more aggregate category. For example, TMD Friction has a modest share of 13% across the Braking fields, however the supplier is particularly strong in Axle Braking. Similarly, Mei is a large supplier of Slack Adjusters (with a share of 62% in the product field) however across all Braking fields, its share is only 5%.

21. Taken together, the evidence above suggests that asking customers about purchases on an aggregated category basis, asking them about their purchasing decision ‘across’ that category, will naturally bias them to thinking about only those suppliers that provide products across the whole category. However, if the question was more direct, and asked the customer about the previous product they bought, this would elicit a more meaningful response – as it would be based on the product that they actually bought (rather than a hypothetical bundle which they may not have bought from a single provider).

3. COMMENTS ON THE QUESTIONS

3.1. Questions 3 and 5

22. Question 3 asks customers to identify the 10 most important suppliers *across* all their purchases and state how frequently they used each of them.[6] There are three methodological problems with the wording of this question.

23. **First** as explained above, customers do not make purchasing decisions *across* all purchases. Customers make decisions on a product field-by-field basis and within each product field they have a choice from different sets of suppliers. Asking a question about the most important supplier *across all products*, rather than on individual products will bias responses towards suppliers who sell all (or many) products and against those suppliers focused on one or a smaller number of product categories. This bias can be shown using the example from the CMA's Braking category above. A customer making significant purchases of Axle Braking from TMD Friction is unlikely to be picked up as a main supplier across Braking and even less likely to be picked up as being amongst the largest supplier across all products. This is the case even though TMD Friction is an important supplier of Axle Braking with 44%, much greater than UC or 3G's percentage of [✀] and [✀] respectively. The result is that the CMA responses will completely fail to capture the constraint of these suppliers, not because they are not strong constraints, but because of the way the question has been asked.

24. This issue is likely to be exacerbated by any confusion caused by the wording of this question. Customers asked about *all purchases* may interpret the question as asking them to only consider suppliers who are able to supply all (or the majority of) their CVT purchases. This means that even if they purchase a significant proportion of their purchases from a supplier focusing on one or a smaller number of product categories, they may not name them as they mis-interpret the question to be asking them to focus on so-called 'wide range' wholesalers.

25. **Second**, as explained in the response to question M15 of the Market Questionnaire, any measure of frequency based on orders across all purchases should be interpreted with caution if the CMA's intention is to make comparisons across suppliers. As also detailed in the CRA report on 'one-stop' shopping, customers order different products from different suppliers at different frequencies. This means that it cannot be assumed that, for example, a customer who orders 4-5 times per week from UC uses UC as the main supplier for the full range of products and places orders for all products with the same frequency. This high frequency may simply be a regular order in one or two products within a product field or product group, with no orders or occasional purchases in other fields. As such, calculating frequencies across all product categories and comparing these with those of a competitor supplying a smaller number of product categories is not meaningful. The relevant comparator is the frequency of UC's deliveries of any given product field versus the frequency of a competitor's deliveries within the same product field. However, this question is not asked by the CMA.

6 Question 5 asks the same question for purchases from UC and/or 3G if the customer did not identify UC/3G amongst the top 10 suppliers in question 3.

26. To demonstrate the potential bias from using frequency across purchases, consider a simplified example where a customer purchases only two products fortnightly: an axle brake and an exhaust. Across both products, the customer makes a weekly purchase, however for each one of them, the customer purchases less than once a week. This means that if the customer sources both from a so-called 'wide range' wholesaler, the frequency of purchasing would be weekly while the same purchases from suppliers focusing on one or a smaller number of product categories would appear as less than once a week.

Table 2 Number of times a product is purchased by a customer in a 4-week period

	Axle brake part	Exhaust part	All parts
Week 1	1		1
Week 2		1	1
Week 3	1		1
Week 4		1	1
Total	2	2	4
Frequency of purchasing (number of times per week)	**0.5**	**0.5**	**1**

27. The above shows that asking customers about frequency across *all purchases* will overstate the frequency of purchasing from so-called 'wide range' wholesalers even when at the individual product or product field basis, the frequency of purchasing from so-called 'wide range' suppliers and other suppliers is the same.

28. **Third**, the question provides three frequency bands to customers to choose from: (a) Less than once a week; (b) 1-3 times a week; and (b) 4 or more times a week. This limited set of frequency bands for customers to choose from means that all purchases of less than once a week are treated the same. For example, regular purchases of less than a month but more than once a week will be treated the same as one-off purchases and this will have implication for certain types of analysis – for example, if this measure is used to distinguish between main and secondary supply.

29. However as explained in the 'one-stop' shopping analysis submitted to the CMA and shown again in the table below, a significant proportion of the Parties sales ([✂] of UC sales and [✂] of 3G sales) were from product groups purchased *less than once a week*. Aggregating these all together and treating all of them as infrequent purchases will fail to accurately identify the suppliers used by the customer for their main supply of products.

Table 3 Parties' sales by frequency of purchasing parts from product groups, 2019

	UC	**3G**
More than 5 times a week	[✂]	[✂]
4-5 times a week	[✂]	[✂]
2-3 times a week	[✂]	[✂]
Once a week	[✂]	[✂]
Less than once a week but more than once a month	[✂]	[✂]
Less than once a month	[✂]	[✂]
Total (£)	[✂]	[✂]

Source: CRA analysis of the Parties' transaction data. See also Table 1 of the CRA paper on 'one-stop' shopping and switching analyses.

3.2. Question 4

30. This question builds on the responses to question 3 asking customers to indicate the product categories and types of brand (OEM/OES/PL) purchased from each supplier and the main reasons why each supplier was used. There are two key methodological problems with this question.

31. **First**, the list of suppliers the question asks details for, only relates to the 10 largest suppliers across *all purchases* identified in question 3. Although customers are now asked to indicate the product categories they purchase from these suppliers, the question does not allow them to amend or add to the list if there are some suppliers that are important for a product category but fall outside the 10 largest suppliers across all purchases. This means that the constraints of those suppliers focused on one or a smaller number of product categories (unless captured in question 3 above, which as we explained is unlikely) will be missed.

32. **Second**, the question asks customers to indicate the product categories and types of brand based on the definitions given at the beginning of the questionnaire. Both definitions suffer from the issue of an overly wide level of products aggregation, as detailed in the previous section.

3.3. Question 6

33. The question asks customers to rank the importance of certain criteria when choosing which supplier to purchase CVT parts from. There are three key methodological problems with this question.

34. **First**, the question asks about *all purchases* and does not allow customers to rank differently an attribute depending on the product field they purchase from. For example, a customer may consider price as being 'very important' for fittings but 'not important' for exhaust products. At this instance, the customer may be confused as to how to answer the question e.g. whether it is appropriate to rank the importance of price as 'fairly important' (i.e. any average between the two) or something else.

35. **Second**, the question does not capture instances where a customer uses multiple suppliers and these suppliers have been chosen for different reasons. For example, a customer may consider price as being 'very important' for the main supply but 'not important' for an one-off purchase from a different supplier, who was used simply because the main supplier could not deliver the product on time. Again, at this instance the customer may be confused about how to answer the question.

36. **Finally**, it is not clear why the stock-related criteria are relevant to a customer and as such customers may interpret the question in different ways. For example, customers are unlikely to know the number of each SKU held by the wholesalers and/or consider this information relevant to them hence they may rank the importance of this attribute low. However, a more relevant measure from a customer perspective is likely to be security of supply so if customers interpret stock level as security of supply may rank this as high importance.

37. Similarly, for response 'depth of range products', this may potentially be interpreted as how many parts the suppliers keep in stock which is irrelevant to the customers as what customers value is the availability of a part, not how many of the same parts are in the supplier's warehouse. Furthermore, it is unclear whether the depth of range should only apply to a single category, or across several categories. For example, to the extent that the CMA is interested in the depth of range within a specific product category, it is often the case that suppliers focused on one or a smaller number of product categories have a much wider range within that category than UC or 3G. Whilst if the CMA is interested in the depth of range across many product categories, then this would imply that a firm such as UC or 3G are better placed. As such, our view is that the poor phrasing risks confusion amongst customers who may interpret the question in different ways.

38. The importance of clarity in the wording of the questions is highlighted in the CMA's Good Survey Practice which states that: "*There needs to be consistency in interpretation of the survey questions by respondents to ensure that the views they express are based on a common understanding of the questions being asked. Any scope for ambiguity or confusion in the phrasing of a customer survey question is likely to reduce its evidential weight.*"[7]

3.4. Questions 7 (UC) and 9 (3G)

39. The question asks customers details about how they negotiate prices when they purchase from UC (question 7) and 3G (question 9) i.e. whether they also contact alternative suppliers (part a), whether they purchase at list price or at individually negotiated prices (part b) and if the latter what the most important aspects they seek to agree on are (part c). There are two key methodological problems with this question.

40. First, the question is confusing in the way it is being asked. Specifically, the wording *when you purchase* from UC/3G could be misinterpreted to be asking if customers shop around for each and every purchase they make from the Parties. However, our understanding is that whilst customers make multiple purchases a day, they will typically choose to contact alternative suppliers on a less frequent basis.

41. The implication is that depending on the interpretation of the question i.e. whether it refers to every purchase or the first contact with a supplier, means that responses may not accurately reflect how customers make decisions on which suppliers to contact.

42. Second, the question asks again about *all purchases,* but this is not how customers buy CVT parts. For example, a customer may contact different set of alternative suppliers for different parts and may negotiate the price with UC/3G for some parts and not others. At this instance, a generic question about price negotiations that cover all products bought from UC/3G will cause confusion to the customer and generate a response that is not meaningful. It may highlight differences across UC/3G and smaller suppliers that simply reflect the fact that the customer buys different and a greater number of products from the Parties compared to those suppliers focused on one or a smaller number of product categories.

7 "Good practice in the design and presentation of customer survey evidence in merger cases", May 2018, para. 3.9.

3.5. Questions 8 (UC) and 10 (3G)

43. The question asks customers a variant of the diversion question. *"Thinking about the parts that you bought from [UC/3G] in the last 6 months, suppose that [UC/3G] had not been operating - which alternative supplier(s) would you have used instead to buy these parts?*

    a. *Name of the alternative supplier that you would have used (or the one that you would have bought the most from if you would have used more than one alternative supplier).*

    b. *What product categories would you have bought from them?*

    c. *Why would you have used them?*

    If you would have used more than one alternative supplier, what proportion of the purchases you previously made from [UC/3G] would you have bought from this main supplier? Please provide details for all the other suppliers you would have used to buy the parts that you previously bought from [UC/3G]:"

44. The CMA typically places significant weight on the responses to the diversion question in surveys in general both in terms of the closeness of competition and in terms of market definition. However, we believe there are significant methodological problems with the wording of the question which bias responses towards so-called 'wide range' wholesalers.

45. Specifically, the first part of the questions asks customers to focus on "*the parts you bought from [UC/3G] in the last 6 months"* and then asks for the *"name of the alternative supplier that you would have used".*

46. As discussed above, this framing biases the response significantly to suppliers who supply across many categories. Asking customers to focus on *all purchases* from the Parties and then asking them to name a *single alternative* across these products may be interpreted by respondents as limiting their options to a single alternative who can replace all purchases from the Parties. This means that those suppliers focused on one or a smaller number of product categories are highly unlikely to be named as effective alternatives by customers. This is not because they may not be very strong constraints in a given product or purchase, but simply because they cannot replace *all purchases* these customers make from the Parties. This therefore leaves no option to the customer but to name another so-called 'wide range' wholesaler.

47. We note that whilst the second (and last) part of the question allows the customer to split purchases by product category, the framing bias at the beginning of the question is likely to affect these responses as well. In addition, by defining categories in an aggregate way as explained above, responses exclude those suppliers focused on one or a smaller number of product categories who may be effective alternatives for certain product fields.

48. The Parties would like to reiterate that customers make decisions on a product by product basis. This means that the diversion question should focus customers on individual purchases, rather than aggregate across all of them. The CMA's Survey Good Practice clearly cautions against using wording which influences the answers and leads them to express an opinion that does not represent their behaviour:[8] *"the questionnaire must not influence customers to give particular answers: it must not lead them to express an opinion or fact that is not a proper representation of their views or behaviours. It is important, therefore, to provide a* sufficient range of response options at all questions so that customer views are represented properly." It then goes on to say *"A question that is presented in a way that leads customers to one answer in preference to another (irrespective of their actual view or behaviour) constitutes bias, and is likely to be of limited evidential value as a result."*

3.6. Questions 11 to 14

49. The questionnaire asks customers four questions about how they monitor competitors, in particular, how they set the prices to their own customers (question 11); how many competitors they monitor and how they decide which ones to monitor (question 12); whether they monitor aspects of their competitors other than price (question 13); and whether they monitor prices of 'all makes' suppliers (question 14).

50. It is not clear what is the purpose of all the questions about competitor monitoring but to the extent that the CMA is seeking to assess the constraint of 'all makes' suppliers, we do not think that the series of questions will achieve this.

51. 'All makes' is not an industry accepted term and some customers may have different viewpoints on what constitutes an 'all makes' supplier. The definition provided by the CMA in the footnote saying *"'all makes' are an aftermarket arm of vehicle manufacturers business"* is not precise and does not provide any names that would allow the customer to easily identify 'all makes' suppliers. For customers who are not familiar with the term or do not understand the definition, the question may therefore cause confusion.

52. Second, the question asks customers about monitoring of all CVT parts. To the extent customers monitor the prices of individual products or product categories set by 'all makes', the question may fail to produce meaningful results as customers may interpret the question to ask whether they monitor all prices set by 'all makes' suppliers.

53. Finally, the questionnaire asks customers whether they monitor aspects of competitors other than price, but this question is not asked for 'all makes' suppliers. It is not clear if this omission is intentional. Either way, by not asking customers the same set questions both for 'all makes' and for competing motor factors risks making erroneous conclusions about the differences between the two.

3.7. Questions 15

54. The question asks customers *"If UC and/or 3G increased the prices of all their products by 5%, would this have any influence on the prices that you set for your customers?".* The wording of the question is ambiguous, and it is not clear what the CMA is trying to capture with this question.

8 "Good practice in the design and presentation of customer survey evidence in merger cases", May 2018, paras 3.10 and 3.11.

55. First, it is not clear if the hypothetical price increase relates to the products that the customer buys from at least one of the Parties, or all purchases regardless whether they are purchased from UC/3G. For example, if the customer buys many products from UC/3G this will have a significant impact and is likely to increase its prices across the board. However, if the customer only buys limited products, it will have a more limited impact – and the customer may reply that it will have a limited impact – even though it may impact that product price. It will be difficult to use the responses in any meaningful way if customers interpret and respond to the question in different ways.

56. Second, the wording of the question may also create confusion as it does not cover all possibilities and provides only a limited range of options available them. Specifically, a potential response to UC/3G increasing their price by 5%, is for the customer to switch to alternative suppliers or reduce their purchases from the Parties. The wording of the question does not provide these options for the customer to choose from.

57. Finally, the question asks about the impact on the customer's price if the price of *all purchases* increased. However, similar to the Parties, customers are unlikely to be making pricing decisions that are uniform across all products. Differences in the competitive conditions across product fields are likely to reflect on profitability and cost pass through rates. The assumption that the conditions are the same therefore reactions to price increases will be uniform across products is unfounded and is therefore unlikely to produce meaningful responses from customers.

3.8. Question 16

58. The question asks customers (motor factors) about instances where their customers switch between them and 'all makes' suppliers. However, similar to the comments on other questions above, this question assumes that downstream purchasing decisions are again made across all products. As before, this assumption is unfounded. Asking customers about all purchases is unlikely to capture instances where 'all makes' suppliers are strong constraints in certain product categories.

3.9. Question 17

59. The survey asks customers whether they consider that a distinction between 'wide range', 'narrow range' and 'niche' wholesalers is relevant. However, as previously explained, these are not widely accepted terms with any specific definition and therefore are likely to create inconsistent results between customers. Furthermore the use of the 'narrow' or 'niche' terminology may also bias customers' responses on the other questions if they are not answered in sequence.

60. A neutral way to provide evidence on the appropriate distinction between different types of wholesalers would be to allow a spontaneous unprompted answer. This would avoid risk that the CMA's defined terms of 'wide range', 'narrow range' and 'niche' wholesalers introduce bias.

Anticipated acquisition of 3G Truck & Trailer Parts Ltd by Universal Components UK Limited

CMA customer questionnaire

Deadline for reply: Please respond by **5:00 pm on Friday 24 July 2020**

The CMA is investigating the completed acquisition of 3G Truck & Trailer Parts Ltd (**3G**) by TVS Europe Distribution Limited, the parent company of Universal Components UK Limited (**Universal Components**) (the **Merger**). TVS EDL, including its subsidiary Universal Components, and 3G are together referred to as the **Parties** and, for statements referring to the future, the **Merged Entity**.

Both 3G and Universal Components are engaged in the wholesale distribution of a diverse range of commercial vehicle and trailer parts.

As a customer of one or both of the above businesses, we would be grateful if you could answer the following questions in relation to the acquisition.

Please note that it is an offence under section 117 of the Enterprise Act 2002 to provide materially false or misleading information to the CMA if you know that it is false or misleading or are reckless as to whether it is false or misleading.

The CMA processes personal data in accordance with data protection law. We will be processing your personal data for the purposes of the review of this merger under part 3 of the Enterprise Act 2002. For more information about how the CMA processes personal data, your rights in relation to that personal data (including how to complain), how to contact us, details of the CMA's Data Protection Officer, and how long we retain personal data, see our Privacy Notice.*

**Personal data is information which relates to a living individual who is identifiable from it.*

Your name and contact details are your personal data. In collecting, receiving, storing, accessing and using your personal data, the CMA, as controller, is processing your personal data.

Definitions

We use the following defined terms in this questionnaire:

IAM – the secondary market of the automotive industry, concerned with the supply of commercial vehicle and trailer spare parts to the motor factor customer base outside of the OEMs' own distribution and repair network.

OEM and OES parts – Original Equipment Manufacturer and Original Equipment Supplier commercial vehicle and trailer parts, respectively.

Private Label parts – Private Label (PL) commercial vehicle and trailer parts made by manufacturers who were not involved in the manufacture of the original commercial vehicle or trailer, generally on behalf of wholesalers. They are also called 'aftermarket parts'.

Product category – product categories such as axle, body, braking, consumables, electrical, engine, general chassis, lightning, steering and suspension, transmission, etc.

SKU – stock keeping unit.

Questionnaire

Please provide your contact details below

Business name	
Contact person	
Role in the company	
Contact email	
Contact phone number	

Your company's activities in the UK

1. Provide a brief description of your business. Include details of your turnover in 2019, the total value of your purchases of commercial vehicle and trailer parts in 2019 and the number of branches you operate. (If you are responding on behalf of a branch, provide figures for turnover and total purchases at your branch and please also provide turnover and total purchases at a company level if you know them).

Turnover of company: Turnover of branch (if relevant): Total value of purchases of commercial vehicle and trailer parts by company: Total value of purchases of commercial vehicle and trailer parts by your branch (if relevant): Number of branches: Description:

2. Explain briefly how decisions on commercial vehicle and trailer parts purchasing are taken within your organisation.

3. Use the table below to name your 10 most important suppliers of commercial vehicle and trailer parts. For each supplier estimate the percentage of your total purchases of commercial vehicle and trailer parts that you have bought from that supplier in the last six months. Indicate how frequently you used each supplier on average in this period.

Supplier name	**% of total purchases**	**Frequency used**
		☐ Less than once a week ☐ 1-3 times a week ☐ 4 or more times a week
		☐ Less than once a week ☐ 1-3 times a week ☐ 4 or more times a week
		☐ Less than once a week ☐ 1-3 times a week ☐ 4 or more times a week
		☐ Less than once a week ☐ 1-3 times a week ☐ 4 or more times a week
		☐ Less than once a week ☐ 1-3 times a week ☐ 4 or more times a week
		☐ Less than once a week ☐ 1-3 times a week ☐ 4 or more times a week
		☐ Less than once a week ☐ 1-3 times a week ☐ 4 or more times a week
		☐ Less than once a week ☐ 1-3 times a week ☐ 4 or more times a week
		☐ Less than once a week ☐ 1-3 times a week

Supplier name	% of total purchases	Frequency used
		☐ 4 or more times a week
		☐ Less than once a week ☐ 1-3 times a week ☐ 4 or more times a week

4. For your 10 most important suppliers listed in the previous question, complete the following table indicating what product categories and types of brand you bought from each supplier and the main reasons why you used each supplier.

Supplier	What product categories did you purchase from this supplier?	What type of brand did you buy from this supplier?	What are the main reasons why you used this supplier?
		☐ OEM ☐ OES ☐ PL	
		☐ OEM ☐ OES ☐ PL	
		☐ OEM ☐ OES ☐ PL	
		☐ OEM ☐ OES ☐ PL	
		☐ OEM ☐ OES ☐ PL	
		☐ OEM ☐ OES	

Supplier	What product categories did you purchase from this supplier?	What type of brand did you buy from this supplier?	What are the main reasons why you used this supplier?
		☐ PL	
		☐ OEM ☐ OES ☐ PL	
		☐ OEM ☐ OES ☐ PL	
		☐ OEM ☐ OES ☐ PL	
		☐ OEM ☐ OES ☐ PL	

5. If you purchase from Universal Components and/or 3G but they are not in your top 10 suppliers, please provide the same details for them using the table below:

	Universal Components	3G
% of total purchases		
Frequency used	☐ Less than once a week ☐ 1-3 times a week ☐ 4 or more times a week	☐ Less than once a week ☐ 1-3 times a week ☐ 4 or more times a week
Product categories purchased		

	Universal Components	**3G**
Brand type purchased	☐ OEM ☐ OES ☐ PL	☐ OEM ☐ OES ☐ PL
Main reasons why you used this supplier		

6. How important are the following criteria when you choose which supplier to buy commercial vehicle and trailer parts from?

   a. Price

   ☐ Not important ☐ Fairly important ☐ Very important ☐ Do not know

   Are there any product categories where this factor is more relevant?

   b. Breadth of range of products offered (ie the number of product categories)

   ☐ Not important ☐ Fairly important ☐ Very important ☐ Do not know

   Are there any product categories where this factor is more relevant?

   c. Depth of range of products offered (ie the number of products in each product category)

   ☐ Not important ☐ Fairly important ☐ Very important ☐ Do not know

   Are there any product categories where this factor is more relevant?

d. Stock levels (ie the number of each SKU typically held by the wholesaler)

☐ Not important ☐ Fairly important ☐ Very important ☐ Do not know

Are there any product categories where this factor is more relevant?

e. Quality of products offered

☐ Not important ☐ Fairly important ☐ Very important ☐ Do not know

Are there any product categories where this factor is more relevant?

f. Technical expertise

☐ Not important ☐ Fairly important ☐ Very important ☐ Do not know

Are there any product categories where this factor is more relevant?

g. Delivery time

☐ Not important ☐ Fairly important ☐ Very important ☐ Do not know

Are there any product categories where this factor is more relevant?

h. Rebates

☐ Not important ☐ Fairly important ☐ Very important ☐ Do not know

Are there any product categories where this factor is more relevant?

i. Reputation

☐ Not important ☐ Fairly important ☐ Very important ☐ Do not know

Are there any product categories where this factor is more relevant?

j. Are there any other criteria that you consider relevant? If yes, state what these are, indicate how important they are and explain why they are important.

Purchasing from Universal Components

If you do not purchase parts from Universal Components, please go to question 9.

7. When you purchase from Universal Components:

   a. Do you also contact alternative suppliers asking for quotes? If yes, indicate how many suppliers you usually contact and how you decide which ones to contact.

   b. Do you buy at list prices, at prices agreed by a buying group or at prices that your company has negotiated individually?

c. If your company negotiates prices individually, how do you negotiate and what are the most important aspects that you seek to agree on?

8. Thinking about the parts that you bought from Universal Components in the last 6 months, suppose that **Universal Components** had not been operating - which alternative supplier(s) would you have used instead to buy these parts?

   a. Name of the alternative supplier that you would have used (or the one that you would have bought the most from if you would have used more than one alternative supplier)

   b. What product categories would you have bought from them?

   c. Why would you have used them?

If you would have used more than one alternative supplier, what proportion of the purchases you previously made from Universal Components would you have bought from this main supplier?

Please provide details for all the other suppliers you would have used to buy the parts that you previously bought from Universal Components:

Supplier name	Product category	Reason for using	% purchases

Supplier name	Product category	Reason for using	% purchases

Insert more rows as necessary.

Ensure that the percentages in the table together with the percentage for your main supplier add up to 100%.

Purchasing from 3G

If you do not purchase parts from 3G, please go to question Error! Reference source not found..

9. When you purchase from 3G:

   a. Do you also contact alternative suppliers asking for quotes? If yes, indicate how many suppliers you usually contact and how you decide which ones to contact.

   b. Do you buy at list prices, at prices agreed by a buying group or at prices that your company has negotiated individually?

   c. If your company negotiates prices individually, how do you negotiate and what are the most important aspects that you seek to agree on?

10. Thinking about the parts that you bought from 3G in the last 6 months, suppose that **3G** had not been operating - which alternative supplier(s) would you have used instead to buy these parts?

a. Name of the alternative supplier that you would have used (or the one that you would have bought the most from if you would have used more than one alternative supplier)

b. What product categories would you have bought from them?

c. Why would you have used them?

If you would have used more than one alternative supplier, what proportion of the purchases you previously made from 3G would you have bought from this main supplier?

Please provide details for all the other suppliers you would have used to buy the parts that you previously bought from 3G:

Supplier name	Product category	Reason for using	% purchases

Insert more rows as necessary.

Ensure that the percentages in the table together with the percentage for your main supplier add up to 100%.

Pricing

11. How do you set the prices of commercial vehicle and trailer parts to your own customers?

12. Do you monitor the prices of your competitors? If so, how many competitors do you monitor the prices of and how do you decide which ones to monitor?

13. Do you monitor aspects of your competitors other than their prices? If so, what aspects do you monitor? How many competitors do you monitor and how do you decide which ones to monitor?

14. Do you monitor the prices set by 'all makes'[1] suppliers? Why or why not?

15. If Universal Components and/or 3G increased the prices of all their products by 5%, would this have any influence on the prices that you set for your customers? If so, explain how much and why your price would change.

16. Do your customers also purchase from 'all makes' wholesalers? Are you aware of any instances where your customers have switched purchases from you to 'all makes' wholesalers? Or switched from 'all makes' wholesalers to you? If so, why did they switch?

[1] 'All makes' are an aftermarket arm of vehicle manufacturers business.

Types of wholesaler

17. We understand that some market participants make a distinction between wide range, narrow range and niche wholesalers. Do you consider these distinctions to be relevant? If so, provide a definition of these different types of suppliers and explain how you use them?

Buying groups

18. Are you a member of a buying group? If yes, which one?

19. What are the benefits of joining a buying group?

20. What are the costs or the disadvantages of joining a buying group?

Effects of the Merger

21. If you have any other views or comments on the merger and its potential impact on the IAM, provide them below.
