

Anticipated acquisition by Sika AG of MBCC Group

Provisional findings report

Notified: 25 October 2022



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The Competition and Markets Authority has excluded from this published version of the provisional findings report information which the inquiry group considers should be excluded having regard to the three considerations set out in section 244 of the Enterprise Act 2002 (specified information: considerations relevant to disclosure). The omissions are indicated by [⌂]. Some numbers have been replaced by a range. These are shown in square brackets. Non-sensitive wording is also indicated in square brackets.

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Summary

Overview

1. The Competition and Markets Authority (**CMA**) has provisionally found that the anticipated acquisition by Sika AG (**Sika**) of LSF11 Skyscraper Holdco S.à.r.l., the ultimate parent company of MBCC Group (**MBCC**) (the **Merger**) may be expected to result in a substantial lessening of competition (**SLC**) in the supply of chemical admixtures for cement, concrete and wet mortar in the United Kingdom (**UK**).
2. Sika and MBCC (together referred to as the **Parties**, or for statements referring to the future, the **Merged Entity**) requested to concede this SLC, which was identified in the CMA's phase 1 decision (**Phase 1 Decision**), accepting that the Merger may be expected to result in an SLC in this market. We accepted the Parties' request.
3. In our inquiry we used evidence and information gathered in phase 1 and undertook targeted additional information gathering, including publishing an Issues Statement and making a limited number of requests for information.
4. This is not our final decision and we invite any interested parties to make submissions on these provisional findings by no later than **17:00 on Tuesday 15 November 2022** by email to sika.mbcc@cma.gov.uk. We will take all submissions received by this date into account in reaching our final decision.

Background

The Parties and the Merger

5. Sika is the Swiss-based parent-company of a global group that manufactures and supplies a broad range of products sold under the Sika brand and other group brands.
6. MBCC is a global group of companies headquartered in Germany that manufactures and supplies a broad range of products under brands including Master Builders Solutions.
7. Both Parties overlap in the supply of products used in the construction industry, including chemical admixtures.
8. On 10 November 2021, Sika agreed to acquire 100% of the shares in MBCC for approximately CHF 5.5 billion (approximately £4.5 billion).

The relevant merger situation

9. Our provisional view is that the Merger constitutes a relevant merger situation as it would result in Sika and MBCC ceasing to be distinct enterprises and because the share of supply test is met.

Provisional findings

Market outcome if the Merger did not take place

10. To determine the impact that the Merger may have on competition, we have considered what would have happened had the Merger not taken place. This is known as the counterfactual.
11. For an anticipated merger such as this, we generally adopt the prevailing conditions of competition as the counterfactual against which to assess the impact of the Merger.
12. We have provisionally concluded that the counterfactual is the prevailing conditions of competition. This takes into account the recently completed acquisition by Compagnie de Saint-Gobain S.A. of GCP Applied Technologies Inc (the **Saint-Gobain/GCP Merger**), both of which also supply of chemical admixtures in the UK. We have considered the impact of this, and other developments in the market in our competitive assessment.

The market

13. We have assessed the relevant market in which to examine the competitive effects of the Merger and have provisionally concluded that the relevant market is the supply of chemical admixtures for cement, concrete and wet mortar in the UK.

Nature of competition in the supply of chemical admixtures

14. Chemical admixtures are specially formulated chemicals added to cementitious products (concrete, cement and mortar) to modify their properties in various ways, for example to slow their setting rate so they can be transported over longer distances. Chemical admixtures also enable concrete producers to reduce the amount of cement required to produce concrete, which not only cuts the overall cost of concrete production, but also reduces its environmental impact.

15. The specific chemical admixtures required by a customer depend on the desired properties of the ultimate cementitious product, the other raw materials used by the customer and their production technique. Suppliers typically offer a broad range of chemical admixtures and often customise existing formulations to meet a customer's specific requirements.
16. Suppliers of chemical admixtures compete over a range of parameters, including product performance, security of supply, price, technical expertise, product development and innovation. There is significant differentiation between chemical admixtures themselves, and between suppliers and their ability to compete across these parameters.

Competitive assessment

17. We have looked at whether the Merger would lead to a significant reduction in competition between the Parties by removing an important competitor and, in doing so, whether the Merged Entity would be likely to worsen its offering compared to the situation if the Merger did not take place. This is a horizontal, unilateral effects theory of harm.
18. Sika and MBCC are the two largest suppliers of chemical admixtures in the UK, together accounting for over half of the UK's supply.
19. We have provisionally found that the Parties compete closely across a range of parameters considered important by customers. The majority of market participants viewed the Parties as the strongest suppliers active in the UK. Customers identified the Parties' range of products, their size and scale, and their ability to support product development and innovation as important competitive strengths for both Parties. Some customers also identified the Parties as two of a small number of suppliers that have the scale and infrastructure to meet their requirements given the volumes of admixtures they require and the need for product to be delivered to their large network of production sites.
20. The CMA considered the current competitive constraint exerted by other suppliers and has provisionally found that other than the newly merged Saint-Gobain/GCP, all existing suppliers would exert only a limited constraint on the merged Parties.

Barriers to entry and expansion

21. We have provisionally concluded that entry or expansion will not be timely, likely and sufficient to prevent any SLC arising from the Merger in relation to the supply of chemical admixtures in the UK.

Provisional conclusion

22. We have provisionally found that the anticipated acquisition by Sika of MBCC may be expected to result in a SLC as a result of horizontal unilateral effects in the supply of chemical admixtures for cement, concrete and wet mortar in the UK.
23. We invite any parties to make representations to us on these provisional findings by no later than **17:00 on Tuesday 15 November 2022**. Parties should refer to the notice of provisional findings for details of how to do this. Please make any response to these findings by email to sika.mbcc@cma.gov.uk.

Provisional findings

1. The reference

- 1.1 On 10 August 2022, the Competition and Markets Authority (**CMA**), in exercise of its duty under section 33(1)¹ of the Enterprise Act 2002 (the **Act**), referred the anticipated acquisition (the **Merger**) by Sika AG (**Sika**) of LSF11 Skyscraper Holdco S.à.r.l., the ultimate parent company of MBCC Group (**MBCC**) (together, the **Parties**, or for statements referring to the future, the **Merged Entity**) for further investigation and report by a group of CMA panel members (the **Inquiry Group**). We are required to prepare and publish a final report by 24 January 2023.
- 1.2 In exercise of its duty under section 36(1)² of the Act, the Inquiry Group is to investigate and report on the following questions:
- (a) whether arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation (**RMS**); and
 - (b) if so, whether the creation of the RMS may be expected to result in a substantial lessening of competition (**SLC**) within any market or markets in the United Kingdom (**UK**) for goods or services.
- 1.3 In answering these questions, the Inquiry Group will apply the ‘balance of probabilities’ threshold to their analysis. That is, the Inquiry Group will decide whether it is more likely than not that the Merger will result in an SLC.
- 1.4 This document, along with its appendices, constitutes the Inquiry Group’s provisional findings, published and notified to the Parties in line with the CMA’s rules of procedure.³ Further information, including the Phase 1 Decision,⁴ can be found on the Inquiry case page.⁵

¹ [Section 33\(1\)](#) of the Act.

² [Section 36\(1\)](#) of the Act.

³ [Rules of procedure for merger, market and special reference groups: CMA17](#), paragraphs 11.1-11.7.

⁴ [Phase 1 Decision](#).

⁵ [Sika AG / MBCC Group case page](#).

2. The Parties, transaction, and rationale

The Parties

Sika

- 2.1 Sika is the Swiss-based parent-company of a global group that manufactures and supplies a broad range of products under the Sika brand and other group brands, including products used in the construction industry. Sika has subsidiaries in over 100 countries and has more than 300 manufacturing facilities worldwide.⁶ Within the range of products supplied for use in the construction industry, Sika supplies, among others, chemical admixtures, concrete works, waterproofing products, premix mortars, industrial flooring, sealants, adhesives, fibres, and grouts.
- 2.2 Sika's turnover in 2021 was approximately CHF 9.2 billion worldwide and approximately CHF [X] million (approximately £[X] million) in the UK.⁷

MBCC

- 2.3 LSF11 Skyscraper Holdco S.à.r.l. is the ultimate parent company of the Masterbuilders Construction Chemicals Group (**MBCC**). MBCC is a global group of companies headquartered in Germany that manufacture and supply a broad range of products under brands including Master Builders Solutions, including products used in the construction industry. MBCC operates over 120 plants in more than 70 countries.⁸ Within the range of products supplied for use in the construction industry MBCC supplies, among others, chemical admixtures, concrete works, waterproofing products, premix mortars, industrial flooring, sealants, adhesives, fibres, and grouts.
- 2.4 MBCC's turnover in 2021 was approximately €2.7 billion worldwide and approximately €[X] million (approximately £[X] million) in the UK.⁹
- 2.5 MBCC has two core divisions: 'EBA' which is responsible for the manufacture and supply of chemical admixtures and other cementitious materials; and 'EBC' which is responsible for the remaining product lines.¹⁰

⁶ Final Merger Notice (**FMN**) dated 28 May 2022, paragraph 2.

⁷ FMN, paragraph 2.

⁸ FMN, Annex 5.

⁹ FMN, paragraph 3.

¹⁰ FMN, paragraph 4.

The transaction

- 2.6 Sika, indirectly via its wholly-owned subsidiary Sika International AG, has agreed to acquire 100% of the shares in MBCC pursuant to a sale and purchase agreement (the **SPA**) entered into between Sika International AG and LSF11 Skyscraper Midco 2 S.à.r.l. on 10 November 2021 (the **Merger**).¹¹ The Merger was publicly announced on 11 November 2021.¹²

The rationale

- 2.7 Sika submitted that its rationale for the Merger is to:
- (a) diversify its global product portfolio and geographic footprint; and
 - (b) enable and accelerate the construction industry's transformation towards sustainable practices, by helping cement and concrete manufacturers to meet their CO₂ emission reduction commitments.¹³
- 2.8 Sika's internal documents also include the following reasons for the Merger:
- (a) [REDACTED];
 - (b) [REDACTED]; and
 - (c) [REDACTED].¹⁴
- 2.9 Similarly, MBCC submitted that its rationale for the Merger is to:
- (a) strengthen its offering of products and services across the entire construction lifecycle; and
 - (b) become an enabler of sustainable solutions in the construction industry.
- 2.10 The Parties submitted that they offer complementary product portfolios – the combining of which will benefit their stakeholders including, customers, employees, shareholders, and future generations.¹⁵

¹¹ FMN, paragraph 5.

¹² See [Sika to Acquire MBCC Group to Accelerate Its Growth Strategy and Reinforce Its Position as Sustainability Champion in the Global Construction Industry](#).

¹³ FMN, paragraph 6.

¹⁴ FMN, Annex 5.

¹⁵ FMN, paragraph 7.

3. Concession of SLC identified at phase 1

- 3.1 On 2 September 2022, the Parties requested to concede the SLC identified in the CMA's Phase 1 decision (the **Phase 1 Decision**),¹⁶ accepting that the Merger may be expected to result in an SLC as a result of horizontal unilateral effects in the supply of chemical admixtures in the UK.
- 3.2 The Parties agreed to waive their right to challenge this position during the inquiry and confirmed that they intend to submit remedies to address the SLC.
- 3.3 The process that applies where merging parties request to concede an SLC is set out in paragraphs 7.18 to 7.21 of [CMA2 revised](#).¹⁷
- 3.4 We communicated our decision to accept the Parties' request to concede the SLCs on 6 September 2022.
- 3.5 In the phase 2 inquiry we have used evidence and information gathered in phase 1. As set out in [CMA2 revised](#), in some cases it may not be necessary to significantly expand this evidence base in order for the CMA to reach a properly informed decision on the phase 2 statutory competition questions.¹⁸
- 3.6 Given the comprehensive information gathered at phase 1 we have undertaken targeted additional information gathering during the phase 2 inquiry, including by publishing an issues statement and making a limited number of requests for information.¹⁹ As the Parties conceded the SLC identified in the CMA's Phase 1 decision and waived their right to challenge this position in the inquiry, we did not hold main party hearings. We attended a site visit at MBCC's premises in Swinton on 7 October 2022.

4. Jurisdiction

Introduction

- 4.1 This chapter addresses the first of the two statutory questions which we are required to answer under section 36 of the Act: whether arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation.

¹⁶ [Phase 1 Decision](#), 27 July 2022.

¹⁷ [CMA2 revised](#), paragraphs 7.18-7.21.

¹⁸ [CMA2 revised](#), paragraph 11.2.

¹⁹ [Issues statement](#), 21 September 2022. We have also used evidence and information gathered in the CMA's parallel phase 1 investigation of the acquisition of GCP Applied Technologies Inc. by Compagnie de Saint-Gobain S.A.

- 4.2 The concept of a relevant merger situation has two principal elements: two or more enterprises have ceased, or will cease, to be distinct enterprises as a result of the merger;²⁰ and the turnover test and/or the share of supply test is satisfied.²¹

Enterprises ceasing to be distinct

Enterprises

- 4.3 The Act defines an ‘enterprise’ as ‘the activities or part of the activities of a business’.²² A ‘business’ is defined as including ‘a professional practice and includes any other undertaking which is carried on for gain or reward or which is an undertaking in the course of which goods or services are supplied otherwise than free of charge’.²³
- 4.4 Sika and MBCC are both active in the supply of chemical admixtures (amongst other products) for cement and concrete in the UK and generate turnover in the UK and worldwide from these activities (see Chapter 2 above).
- 4.5 Sika and MBCC are both active in the supply of chemical admixtures (amongst other products) for cement and concrete in the UK and generate turnover in the UK and worldwide from these activities (see Chapter 2 above).
- 4.6 We are therefore satisfied that each of Sika and MBCC is a ‘business’ within the meaning of the Act and that, accordingly, each of Sika and MBCC are ‘enterprises’ for the purposes of the Act.

Ceasing to be distinct

- 4.7 The Act provides that two enterprises cease to be distinct once they are brought under common ownership or common control.²⁴
- 4.8 The Merger concerns the proposed acquisition by Sika of the entire share capital of MBCC. On completion, MBCC would be 100% owned by Sika. Accordingly, as a result of the Merger, Sika would acquire a controlling interest in MBCC, and Sika and MBCC would therefore cease to be distinct enterprises within the meaning of section 26(1) and 26(2) of the Act.²⁵

²⁰ Sections 23 and 24 of the Act.

²¹ Section 23 of the Act.

²² Section 129(1) of the Act.

²³ Sections 129(1) and (3) of the Act

²⁴ Section 26 of the Act.

²⁵ [CMA2 revised](#), paragraph 4.35.

- 4.9 We therefore provisionally find that the first limb of the jurisdictional test is met.

The turnover test and share of supply test

The turnover test

- 4.10 The turnover test is satisfied where the value of the turnover in the UK²⁶ of the enterprise being taken over exceeds £70 million.²⁷ MBCC's turnover in the financial year 2021 was approximately €2.7 billion of which approximately €[X] million (approximately £[X] million) was in the UK.²⁸ The turnover test is therefore not met.

Share of supply test

- 4.11 The share of supply test is satisfied where the merger would result in the creation or enhancement of at least a 25% share of supply or acquisition of goods or services of any description either in the UK or in a substantial part of the UK.²⁹
- 4.12 The Parties have overlapping activities in the UK, notably in the supply of chemical admixtures for concrete. On the basis of our estimated shares of supply, as a result of the Merger the Parties would have a combined share of supply of more than 50% and the Merger would result in an increment in the share of supply.³⁰
- 4.13 Accordingly, it is our provisional view that the share of supply test in section 23 of the Act is met, and therefore the second limb of the jurisdictional test is also met.

²⁶ Section 28 of the Act confirms that turnover for the purposes of section 23(1) is determined by taking the total value of the UK turnover of the enterprises which cease to be distinct.

²⁷ Section 23(1)(b) of the Act.

²⁸ FMN, paragraph 3.

²⁹ Section 23 of the Act and paragraph 4.60 of [CMA2 revised](#). The concept of goods or services of 'any description' is very broad. The CMA is required by the Act to measure shares of supply by reference to such criterion or such combination of criteria as the CMA considers appropriate (section 23(5) of the Act).

³⁰ See Table 2, paragraph 8.9, which gives a share of supply of [20-30%] for Sika and [20-30%] for MBCC. Whilst shares of supply for the purposes of Section 23 of the Act need not correspond to a relevant economic market ([CMA2 revised](#), paragraph 4.59), these shares of supply have been calculated on the basis of our market definition, which is the market for the supply of chemical admixtures for cement, concrete and wet mortar in the UK. See Chapter 7.

Provisional conclusion on jurisdiction

- 4.14 In view of the above, our provisional view is that the Merger would result in the creation of an RMS.

5. Counterfactual

Introduction

- 5.1 The counterfactual is an analytical tool used to help answer the question of whether a merger gives rise to an SLC.³¹ It does this by providing the basis for a comparison of the competitive situation in the market with the merger against the likely future competitive situation in the market absent the merger.³² The latter is called the counterfactual.³³
- 5.2 The counterfactual is not, however, intended to be a detailed description of those conditions of competition that would have prevailed absent the merger.³⁴ The CMA seeks to avoid predicting the precise details or circumstances that would have arisen absent the merger.³⁵ The CMA will generally conclude on the counterfactual conditions of competition broadly – that is, prevailing or pre-merger conditions of competition, or conditions of stronger or weaker competition.³⁶

Counterfactual analysis

- 5.3 At phase 1, the CMA adopted the prevailing conditions of competition as the counterfactual.³⁷
- 5.4 At the time of its phase 1 decision, the CMA was also investigating a parallel transaction involving the acquisition of GCP Applied Technologies Inc. (**GCP**) by Compagnie de Saint-Gobain S.A. (**Saint-Gobain**) (the **Saint-Gobain/GCP Merger**). Saint-Gobain and GCP both supply chemical admixtures in the UK. At phase 1, the CMA did not undertake a detailed assessment of this acquisition in its counterfactual,³⁸ but took into account any significant changes affecting competition that would arise if the Saint-Gobain/GCP

³¹ [MAGs](#), paragraph 1.

³² [MAGs](#), paragraph 3.1.

³³ [MAGs](#), paragraph 3.1.

³⁴ [MAGs](#), paragraph 3.7.

³⁵ [MAGs](#), paragraph 3.11.

³⁶ [MAGs](#), paragraph 3.2.

³⁷ [Phase 1 Decision](#), paragraph 34.

³⁸ [MAGs](#), paragraph 3.9 and 3.10.

Merger were to go ahead, as well as considering competitive conditions if those two businesses continued to operate under independent ownership.³⁹

- 5.5 On 22 September 2022, the CMA announced its decision not to refer the Saint-Gobain/GCP Merger for a phase 2 investigation.⁴⁰ The Saint-Gobain/GCP Merger closed on 27 September 2022.
- 5.6 We have therefore provisionally found that the relevant counterfactual is the prevailing conditions of competition (which includes the recently completed acquisition by Saint-Gobain of GCP). We recognise that a number of developments are taking place in the relevant market which may have a significant effect on competition in the future. These include the Saint-Gobain/GCP Merger and expansion by Mapei, one of the Parties' rivals, which has told us that it is in the advanced stages of building an admixtures facility in the UK. We have considered the impact of these developments on competition in our competitive assessment.⁴¹

6. Nature of competition in the supply of chemical admixtures

- 6.1 In this chapter, we first explain what chemical admixtures are. We then describe how competition among suppliers of chemical admixtures works. We first summarise information on the production, development and distribution of chemical admixtures and then set out our assessment of the demand for chemical admixtures, including an assessment of the factors affecting a customer's choice of supplier. The chapter concludes with an overview of the way chemical admixtures are procured, including the role of trials, supply agreements and the ease of switching between suppliers for customers.

Background on chemical admixtures

- 6.2 Chemical admixtures are specially formulated chemicals added in small quantities to alter the properties of cementitious products (cement, concrete and mortar).⁴²
- 6.3 Different types of chemical admixtures alter the properties of cementitious products in different ways. For example, water reducing admixtures increase the strength of concrete by reducing the volume of water used in the

³⁹ [Phase 1 Decision](#), paragraph 35.

⁴⁰ See the [Saint Gobain/GCP case page](#).

⁴¹ [MAGs](#), paragraph 3.10. Changes affecting competition from third parties which would occur with or without the merger (and therefore form a part of the counterfactual) are unlikely to be assessed in any depth as part of the CMA's counterfactual assessment. This includes entry or expansion by a third party.

⁴² FMN, paragraph 147.

production of concrete;⁴³ air entraining admixtures protect concrete from frost damage; water resisting and water retaining admixtures are used in the production of waterproof or water resistant concrete; and grinding aids reduce the amount of energy required to produce cement.

- 6.4 Suppliers of chemical admixtures typically offer a number of different formulations for each different type of chemical admixture. For instance, Sika supplies a number of different water reducing admixtures, each with different characteristics.⁴⁴ Generally, at least two types of chemical admixture are used in the production of cementitious products.⁴⁵
- 6.5 The chemical admixtures required by a customer depend on the desired properties of the ultimate cementitious product, the other raw materials used by the customer and their production technique. In particular:
- (a) The desired properties of cementitious materials will depend on their ultimate application by downstream customers. For example, concrete used in the production of tunnels (eg the use of shotcrete for tunnel lining) has different properties to other types of concrete. Different applications require different types and dosages of chemical admixtures.⁴⁶
 - (b) Different formulations of chemical admixtures perform better depending on the composition of a customer's aggregates (gravel, sand, etc) and the other raw materials used to produce the concrete, which vary across locations and over time (as sources of these aggregates and other raw materials are exhausted).⁴⁷
 - (c) Concrete can be supplied to downstream customers as either ready-mix concrete (transported by mixer trucks in a ready-to-use liquid form) or pre-cast concrete (prepared, moulded and cured in a factory). These can sometimes require different types or dosages of chemical admixtures.⁴⁸

⁴³ Water reducing admixtures can also reduce the amount of cement required to produce concrete of a given strength or slump (ie the consistency or flowability of concrete). The strength of concrete increases when the water to cement ratio decreases, however water is required to ensure the concrete meets a specified slump (ie the consistency or flowability of concrete). In this respect there is a trade-off between the slump and the strength of concrete. The use of water-reducing admixtures reduces the amount of water needed to produce concrete of a specified slump, thereby increasing its strength, or reducing the amount of cement needed.

⁴⁴ See: [Water Reducing Admixtures \(sika.com\)](https://www.sika.com) [public]. According to its website 'from conventional to high-strength, self-consolidating concrete our ViscoCrete [water-reducing] products are specially formulated to provide full range water reduction with a variety of cementitious materials allowing for ultimate versatility'.

⁴⁵ FMN, page 63 and 64.

⁴⁶ FMN, paragraph 191.

⁴⁷ FMN, paragraph 136.

⁴⁸ For example, ready-mix concrete producers commonly use chemical admixtures that slow the rate at which concrete sets, while pre-cast concrete producers may require admixtures that accelerate it (in order to speed up the production of concrete). FMN, paragraph 197.

- 6.6 Demand for chemical admixtures is related to demand for cement, concrete and mortar in the construction industry. Demand is also affected by changing production methods that require the use of chemical admixtures (such as concrete recycling, where rubble from demolished concrete structures is used in the production of new concrete) and attempts to reduce the environmental impact of cementitious products.⁴⁹
- 6.7 The Parties estimate that the chemical admixtures industry in the UK declined by approximately 15% year-on-year in 2020 as a result of the Coronavirus (COVID-19) pandemic and the UK's departure from the EU.⁵⁰ Industry reports submitted by the Parties forecast that the UK concrete admixtures industry will grow by around 5-6% year-on-year in the period 2022–2030.⁵¹

Suppliers of chemical admixtures

- 6.8 We have gathered information from 15 suppliers of chemical admixtures active in the UK, including the Parties. These suppliers accounted for the vast majority (around 95% by value) of sales of chemical admixtures for cement, concrete and wet mortar in the UK in 2021.⁵² This information was primarily gathered through questionnaires, and calls held with some competitors of the Parties.⁵³

Production of chemical admixtures

- 6.9 Chemical admixtures are manufactured by blending polymers and other chemicals together.⁵⁴ Generally, chemical admixture suppliers purchase polymers from chemical companies, although some suppliers, including the

⁴⁹ In particular, water-reducing admixtures reduce the amount of cement required to produce concrete of a specified strength and slump, thereby reducing its cost and associated CO2 emissions (as cement production is carbon-intensive). Other ways in which chemical admixtures reduce the environmental impact of cementitious products include admixtures (eg corrosion-inhibiting admixtures) that increase the service life of concrete or admixtures that facilitate the use of waste materials (such as fly ash which is a by-product of coal-burning power stations) as a substitute for cement.

⁵⁰ FMN, paragraph 116.

⁵¹ These reports were produced in 2021 and 2022 respectively. Both reports were produced after the Coronavirus (COVID-19) pandemic. These forecasts relate to the wider concrete admixtures industry and, on this basis, are only indicative of possible growth in the market for chemical admixtures as defined in Chapter 7 (Sika, Annex 504, Annex 506, FMN). Other industry reports forecast that the European concrete admixtures industry will grow by up to 11% year-on-year in the period 2022–2027 (see, for example: Sika, Annex 503, FMN).

⁵² See Table 2.

⁵³ In particular, we issued a questionnaire to third party suppliers of chemical admixtures active in the UK. We received 11 responses to this questionnaire (**competitor questionnaire**). The two other suppliers (other than the Parties), GCP and Saint-Gobain, provided revenue data to enable us to calculate shares of supply. We also relied on information that Saint-Gobain and GCP submitted to the CMA as part of the CMA's parallel phase 1 investigation into the Saint-Gobain/GCP Merger in our investigation.

⁵⁴ FMN, paragraph 171, footnote 107.

Parties, have their own polymer production facilities and self-supply some of their polymer requirements.⁵⁵

- 6.10 Suppliers of chemical admixtures in the UK typically purchase raw materials (including polymers) from Europe or Asia.⁵⁶ Market participants told us that there is a global shortage of the raw materials needed to produce chemical admixtures.⁵⁷ In particular, one smaller supplier of chemical admixtures told us that sourcing raw materials at a good price and in adequate quantities is becoming more challenging.⁵⁸
- 6.11 Most suppliers, including the Parties, produce a number of different types of chemical admixtures for concrete, including those outlined at paragraph 6.3.⁵⁹ Some suppliers of chemical admixtures for concrete, including Sika but not MBCC, also supply chemical admixtures for cement.⁶⁰ Other small suppliers specialise in only water resisting/retaining admixtures.⁶¹
- 6.12 We understand that many suppliers, including the Parties, produce chemical admixtures for most types and applications of concrete.⁶² However, some suppliers specialise in the production of chemical admixtures for pre-cast concrete, or concrete for particular applications such as tunnelling and watertight concrete.⁶³
- 6.13 To sell products in the UK, suppliers must meet minimum performance requirements set by the British Standards Institute for each type of chemical admixture.⁶⁴ Notwithstanding these regulatory standards, market participants indicated that there are differences in the performance and quality of

⁵⁵ In addition to the Parties, Saint-Gobain, Mapei, and MC Bauchemie have their own polymer production facilities (Sika, Annex 399, FMN).

⁵⁶ Note of call with a Third Party, phase 1 [REDACTED]; Note of call with a Third Party, phase 1 [REDACTED]; Note of call with a Third Party, phase 1 [REDACTED]; Third Party response to the phase 1 competitor questionnaire [REDACTED].

⁵⁷ Note of call with a Third Party, phase 1 [REDACTED]; Note of call with a Third Party, phase 1 [REDACTED].

⁵⁸ Note of call with a Third Party, phase 1 [REDACTED]. Another small supplier also told us that sourcing raw materials is becoming more challenging (Third Party response to the phase 1 competitor questionnaire [REDACTED]).

⁵⁹ In respect of third party suppliers we note that Saint-Gobain, GCP, Oscrete and Mapei each produce a number of different types of admixtures for concrete, including those listed at paragraph 6.3 (Sika, Annex 356, FMN).

⁶⁰ In respect of third party suppliers we note that Saint-Gobain, GCP, and Mapei produce chemical admixtures for cement, while Oscrete does not (Sika, Annex 356, FMN). MBCC produces cement admixtures in Europe, but does not supply cement admixtures in the UK (Sika, Annex 398, FMN).

⁶¹ In particular, David Ball Group, Schomburg, FIS, and Kryton specialise in water resisting/retaining chemical admixtures. The Parties and most third party suppliers also produce water resisting/retaining chemical admixtures (Sika, Annex 356, FMN).

⁶² Third party responses ([REDACTED]) to the phase 1 competitor questionnaire.

⁶³ In particular Oscrete specialises in pre-cast concrete (Third Party response to the phase 1 competitor questionnaire [REDACTED]) and Normet specialises in concrete used in the production of tunnels (Third Party response to the phase 1 competitor questionnaire [REDACTED]). In addition, [REDACTED] and [REDACTED] specialise in the production of watertight concrete (Third Party responses ([REDACTED]) to the phase 1 competitor questionnaire.

⁶⁴ FMN, paragraphs 140-141.

individual admixtures, particularly when used with a customer's particular mix design (including their specific aggregates) or for particular applications.⁶⁵

Product development and innovation

- 6.14 Evidence from the Parties and third parties indicates that product development and innovation is an important aspect of competition in the supply of chemical admixtures. Product development and innovation can take many forms, ranging from customising existing admixtures to meet the particular needs of customers,⁶⁶ to the development of new admixtures that improve the qualities of cementitious products or reduce production costs.
- 6.15 Suppliers of chemical admixtures have dedicated technical resources, including laboratories and specialist staff, in all major territories in which they are active.⁶⁷ These technical teams are located near customers in part because the requirements of customers and the composition of their aggregates (and therefore the precise formulation of chemical admixture required) vary at the local level and over time (as customers switch to new aggregates and other raw materials as their current sources are exhausted).⁶⁸
- 6.16 Technical teams undertake technical trials for new customers (see paragraph 6.45) and also provide after-sales services to support customers with their mix design on an ongoing basis. They also adjust admixtures to better meet the needs of new or existing customers or the requirements of a particular project.⁶⁹ This can be an iterative process between a customer and supplier throughout the commercial relationship and can sometimes result in the launch of a new admixture (ie a supplier adding the new formulation to their range).⁷⁰
- 6.17 In addition to the services provided by their local technical teams, chemical admixture suppliers may also have a centralised R&D function that undertakes projects to develop new or improved chemical admixtures and may assist its local technical teams in adjusting admixtures to meet the needs of a particular customer.⁷¹

⁶⁵ Note of call with a Third Party, phase 1 [§§]; Note of call with a Third Party, phase 1 [§§]; Note of call with a Third Party, phase 1 [§§].

⁶⁶ For example, by tweaking formulations to work with a customer's aggregate mix or adjusting a formulation to meet the specific requirements of a project such as concrete strength for an infrastructure project. Parties, Phase 2 Remedies Proposal 1.9 and 1.10.

⁶⁷ FMN, paragraph 342.

⁶⁸ FMN, paragraphs 149, 201, 342, and 358-360.

⁶⁹ Sika, Annex 065, FMN.

⁷⁰ Sika, Annex 065, FMN; FMN, paragraphs 372-375.

⁷¹ Sika, Annex 065, FMN; Sika, Annex 397, FMN; FMN, paragraph 373.

- 6.18 Such projects often relate to the development and adaptation of existing admixtures (ie to improve their performance for certain applications) but can also relate to the development of new materials, inputs, or processes that may result in one or more new admixtures (eg through developments in polymer technologies).⁷²
- 6.19 Some projects relate to the development of chemical admixtures that improve the sustainability of concrete, for example [REDACTED].⁷³ Market participants told us that innovation in chemical admixtures aimed at improving the sustainability of concrete is of increasing importance in the UK and in the industry more generally.^{74,75}
- 6.20 In some cases new product or process developments may be patentable and suppliers of chemical admixtures routinely monitor the chemical admixture R&D activities and patents secured by competing suppliers.⁷⁶
- 6.21 Consistent with this evidence, several chemical admixture suppliers told us that suppliers differentiate themselves from their competitors through innovation and by developing new products.⁷⁷ One of these suppliers considered that there will be considerable competition among suppliers of chemical admixtures to innovate and develop new products to support customer demand for sustainable solutions.⁷⁸

Distribution of chemical admixtures

- 6.22 Chemical admixtures are typically supplied in ready-to-use liquid form and added to cementitious products at a plant or construction site.⁷⁹
- 6.23 Suppliers deliver chemical admixtures directly to a customer's premises into dedicated storage tanks, either in trucks that carry many plastic containers with steel cages (IBCs) or in bulk tankers.⁸⁰ Some suppliers own and manage

⁷² R&D also involves the routine maintenance of product lines. FMN, paragraph 377.

⁷³ FMN, paragraphs 548 and 550; Sika, Annex 399, FMN.

⁷⁴ Note of call with a Third Party, phase 1 [REDACTED]; Note of call with a Third Party, phase 1 [REDACTED]; Note of call with a Third Party, phase 1 [REDACTED].

⁷⁵ Consistent with this, the Parties submitted that there will be an increased focus on sustainable chemical admixtures going forward as the importance of sustainability for concrete producers has grown (FMN, paragraphs 552 and 546). In line with this, the Parties are engaged in a number of sustainability focussed R&D projects (Sika, Annex 397, FMN); and are developing 'sustainable' chemical admixtures (FMN, paragraph 548; Sika, Annex 399, FMN).

⁷⁶ Sika, Annex 397, FMN. We understand that patents typically relate to the inputs that improve the performance or use-cases of a chemical admixture product rather than the finished product itself. By way of example Sika has a patent that relates to specific polymers in a solid state (powder, flakes) and the use of such polymers dispersants and plasticizing agents in cementitious systems (FMN, paragraph 497).

⁷⁷ Note of call with a Third Party, phase 1 [REDACTED]; Note of call with a Third Party, phase 1 [REDACTED]; Note of call with a Third Party, phase 1 [REDACTED].

⁷⁸ Note of call with a Third Party, phase 1 [REDACTED].

⁷⁹ FMN, paragraph 131.

⁸⁰ Note of call with a Third Party, phase 1 [REDACTED].

their distribution network including the vehicles used to deliver chemical admixtures, while others use third party logistics suppliers to distribute all or part of their chemical admixtures.⁸¹ We understand that only a very small proportion of chemical admixture sales are made through third-party distributors or retailers.⁸²

- 6.24 As set out in paragraph 7.18, the large majority of chemical admixtures consumed in the UK are produced in the UK. In line with this, suppliers of chemical admixtures generally satisfy most of their UK customers' demand with chemical admixtures produced in the UK and import only relatively small quantities of chemical admixtures (eg importing only specialist admixtures or admixtures for cement).⁸³ For instance, one supplier told us that it imports waterproofing admixtures from Europe but stated that it is not economical to import admixtures into the UK more generally.⁸⁴
- 6.25 Some suppliers without UK production facilities, and which therefore import all of their chemical admixtures to supply UK customers, indicated that not having a UK production facility affects their ability to compete. In particular:
- (a) One supplier told us that having UK based production is necessary to compete effectively in the UK and noted that its transportation costs account for 10-15% of its prices.⁸⁵
 - (b) Another supplier told us that its shipping costs have increased by 70% since the UK's departure from the EU and that it is considering setting up a UK production facility but is facing difficulties finding suitable premises.⁸⁶

Customers of chemical admixtures

- 6.26 We have gathered information from 21 customers of chemical admixtures, representing more than 50% of the Parties' sales (by value) of chemical admixtures in the UK in 2021.⁸⁷ They include a mix of large and small

⁸¹ FMN, paragraphs 423 and 424; Note of call with a Third Party, phase 1 [REDACTED].

⁸² FMN, paragraphs 423 and 424.

⁸³ Third party responses ([REDACTED]) to the phase 1 customer questionnaire. MBCC [REDACTED] while Sika [REDACTED] (Parties, response dated 17 March 2022 to the phase 1 RFI 2).

⁸⁴ Note of call with a Third Party, phase 1 [REDACTED].

⁸⁵ This supplier is in the process of setting up a UK production facility (Note of call with a Third Party, phase 1 [REDACTED]).

⁸⁶ As an alternative to setting up a UK production facility, this supplier told us that they are seeking an agreement with a third-party chemical producer that would blend its chemical admixtures in the UK (Note of call with a Third Party, phase 1 [REDACTED]).

⁸⁷ Our analysis of data submitted by the Parties shows that the respondents to our customer questionnaire represented at least [REDACTED]% and [REDACTED]% of Sika and MBCC's sales to UK customers in 2021, respectively. See: Sika, Annex 063, FMN; MBCC, Annex 064, FMN.

customers.⁸⁸ This information was primarily gathered through questionnaires and calls with some larger customers of the Parties.⁸⁹

- 6.27 Customers of chemical admixtures include large ready-mix and pre-cast concrete producers that operate plants across the UK, major construction companies working on national infrastructure projects (eg HS2), as well as other local, typically independent, concrete producers.⁹⁰
- 6.28 We estimate that at least [40-50%] of the chemical admixtures sold in the UK (by value) in 2021 were purchased by just five customers: [X] (**Large Customers**).⁹¹ These Large Customers accounted for [X]% and [X]% of Sika and MBCC's UK chemical admixtures sales (by value) in 2021 respectively.⁹² These Large Customers supply ready-mix and/or pre-cast concrete, as well as smaller volumes of other cementitious products, to the construction industry.
- 6.29 Other customers include suppliers of ready-mix and/or pre-cast concrete and suppliers that produce concrete for specific applications eg the manufacture of concrete railway sleepers. These customers purchase significantly smaller volumes of admixtures.⁹³

Importance of chemical admixtures

- 6.30 Many customers told us that chemical admixtures are an essential input in the production of cementitious products.⁹⁴ This is because construction methods have become increasingly complex and rely on the use of chemical admixtures.⁹⁵

- 6.31 In particular, customers told us that chemical admixtures:

⁸⁸ Some customers purchased more than £2.5 million of admixtures in 2021, while others purchased less than £500,000.

⁸⁹ In particular, we issued a questionnaire to a sample of customers of chemical admixtures in the UK. We received 21 responses to the questionnaire (**customer questionnaire**), of which 20 respondents purchased chemical admixtures from the Parties.

⁹⁰ FMN, paragraph 335.

⁹¹ Sika, Annex 063, FMN; MBCC, Annex 064, FMN; Third Party responses ([X]) to phase 2 RFI 2. These [X] are identified as key accounts by the Parties in their internal documents (see paragraph 8.36(a)) and are the only respondents to our questionnaire that made more than £2.5 million of chemical admixture purchases in 2021 (excluding internal purchases) (see Third party responses ([X]) to the phase 1 customer questionnaire).

⁹² In line with this, we found that each of the Parties' top 10 customers accounted for [a significant part] of their UK chemical admixture revenues in 2021, while each of the Parties had [X] that accounted for more than [X]% of their revenues (Sika, Annex 063, FMN; MBCC, Annex 064, FMN).

⁹³ Third party responses ([X]) to the phase 1 customer questionnaire.

⁹⁴ Note of call with a Third Party, phase 1 [X]; Note of call with a Third Party, phase 1 [X]; Note of call with a Third Party, phase 1 [X]; Third Party responses ([X]) to phase 2 RFI 1.

⁹⁵ For example, admixtures have enabled the development of construction methods that require concrete pumping, underwater concreting and shotcreting.

- (a) reduce the overall cost of concrete production (by reducing the amount of cement required to produce concrete);⁹⁶
- (b) improve the performance and workability of cementitious products, particularly the strength and durability of concrete;⁹⁷
- (c) reduce the environmental impact of cementitious products that have traditionally been carbon intensive;⁹⁸
- (d) facilitate the substitution of cement with waste products, which, for example, allows for the production of low-carbon concrete;⁹⁹ and
- (e) reduce the time needed to produce cement.¹⁰⁰

6.32 Evidence from customers indicates that chemical admixtures typically represent a small proportion of the final price of their cementitious products, (1-7%) depending on the type and volume of admixture required.¹⁰¹ However, several smaller customers told us that for higher performance or specialist admixtures this can rise to more than 25%.¹⁰²

Factors affecting customers' choice of a chemical admixture supplier

- 6.33 In order to better understand customer choices and the parameters over which suppliers compete, we asked customers which factors are important to them when choosing a supplier to purchase chemical admixtures from.
- 6.34 Figure 1 shows the proportion of customers that categorised each factor as very important or important.

⁹⁶ Note of call with a Third Party, phase 1 [REDACTED]; Note of call with a Third Party, phase 1 [REDACTED]; Note of call with a Third Party, phase 1 [REDACTED].

⁹⁷ Third Party responses ([REDACTED]) to the phase 2 RFI 1.

⁹⁸ This is consistent with the growing importance of sustainability innovation and product development by suppliers of chemical admixtures (see paragraph 6.12). Note of call with a Third Party, phase 1 [REDACTED]; Note of a call with Third Party, phase 1 [REDACTED]; Note of call with a Third Party, phase 1 [REDACTED]; Third Party response to the phase 2 RFI 1 [REDACTED].

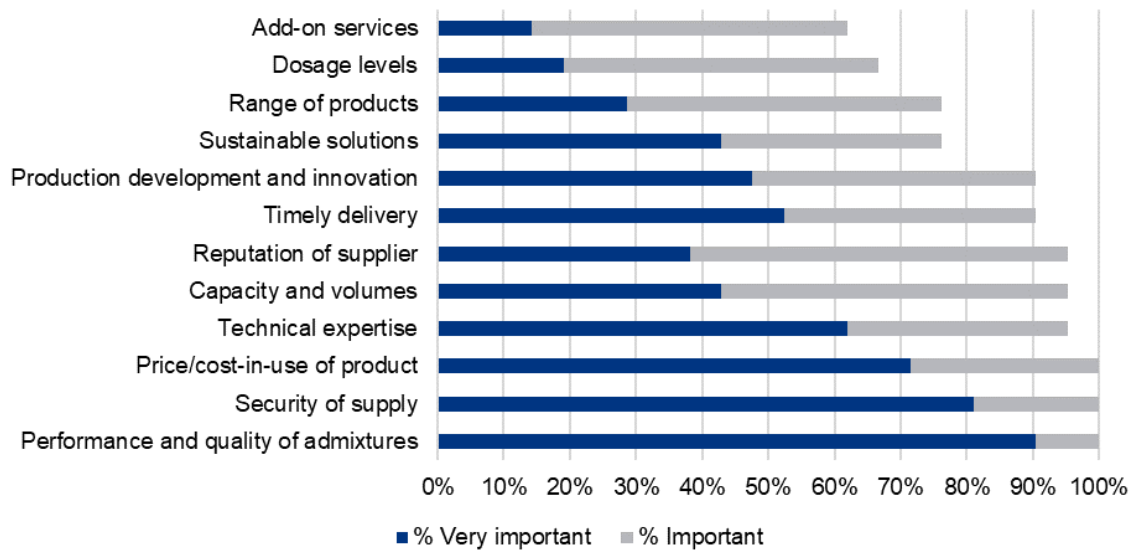
⁹⁹ Third Party response to the phase 2 RFI 1 [REDACTED]. For example, chemical admixtures facilitate the use of waste materials such as fly ash (which is a by-product of coal-burning power stations) as a substitute for cement in the production of concrete.

¹⁰⁰ Third Party response to the phase 2 RFI 1 [REDACTED].

¹⁰¹ Third Party responses ([REDACTED]) to the phase 2 RFI 1.

¹⁰² Third Party responses ([REDACTED]) to the phase 2 RFI 1.

Figure 1: Factors affecting a customer's choice of chemical admixture supplier



Source: 21 responses to the phase 1 customer questionnaire. (Phase 1 customer questionnaire, question 16: 'What are your company's main considerations when choosing which supplier to purchase chemical admixtures for cement and concrete from? Please rate the importance of the factors in the list below'.)
 Notes: Respondents were asked to categorise factors as either 'very important', 'important', 'not very important', 'not at all important' or as 'I don't know'. This includes the Large Customers outlined at paragraph 6.28.

6.35 As can be seen from Figure 1:

- (a) All factors scored highly with respondents to our customer questionnaire, with no factor scored as important or very important by fewer than half of respondents. This is consistent with customers considering a broad range of factors when choosing a chemical admixture supplier.
- (b) All respondents to our customer questionnaire considered performance and quality of the chemical admixtures, security of supply and price to be important or very important factors when choosing a supplier.
- (c) The vast majority of respondents considered technical expertise, capacity and volumes, reputation of supplier, timely delivery, and product development and innovation to be important or very important factors when choosing a supplier.
- (d) The majority of respondents considered sustainable solutions, the range of admixtures, dosage levels and add-on services to be important or very important factors when choosing a supplier.

6.36 Many customers also told us that it is essential for their chemical admixture supplier(s) to have advanced product development and innovation capabilities to ensure that they have access to the latest products and can maintain their

competitiveness.¹⁰³ This is consistent with evidence from suppliers as discussed in paragraphs 6.14 to 6.19 above.

6.37 While the factors considered to be important by Large Customers when selecting a supplier were broadly similar to those for all customers, they also indicated that they have additional requirements to other customers and that only a limited number of suppliers can meet those requirements. In particular:

- (a) Four Large Customers said that their volume requirements, and the need for the chemical admixtures to be delivered to their network of production sites (eg more than 100 for [REDACTED] and [REDACTED]),¹⁰⁴ mean that only some suppliers have sufficient scale and the operational network to meet their needs.¹⁰⁵
- (b) Two Large Customers told us that they need access to a broad range of chemical admixtures and that only a limited number of suppliers can meet this need.¹⁰⁶

6.38 We note that the views of customers outlined above, in particular Large Customers, are consistent with proposals and tender documents prepared by the Parties and customers that we have reviewed, which show that customers consider a broad range of factors when choosing a supplier of chemical admixtures, including technical services, R&D, innovation, and delivery service level requirements.¹⁰⁷

Sourcing models for chemical admixtures used by customers

6.39 The majority of respondents to our customer questionnaire told us that they source most, or a large proportion, of their chemical admixture requirements from one supplier, with smaller quantities being sourced from a number of other suppliers.¹⁰⁸

6.40 In addition to the chemical admixtures sourced from their main supplier, customers typically source smaller volumes from a number of suppliers that supply particular high-performing or specialist admixtures, or as a result of a

¹⁰³ Note of call with a Third Party, phase 1 [REDACTED]; Note of call with a Third Party, phase 1 [REDACTED]; Third Party responses ([REDACTED]) to phase 2 RFI 1; Third Party response to the phase 1 customer questionnaire [REDACTED].

¹⁰⁴ [REDACTED], [REDACTED] and [REDACTED] each operate over 80 concrete plants across the UK ([REDACTED]).

¹⁰⁵ Third Party responses ([REDACTED]) to the phase 1 customer questionnaire; Note of call with a Third Party, phase 1 [REDACTED]; Note of call with a Third Party, phase 1 [REDACTED].

¹⁰⁶ Third Party responses to the phase 1 customer questionnaire ([REDACTED]); Note of call with a Third Party, phase 1 [REDACTED].

¹⁰⁷ See for example: Sika, Annex 91, FMN; Sika, Annex 321, FMN; MBCC, Annex 332, FMN; Note of call with a Third Party, phase 1 [REDACTED].

¹⁰⁸ Third party responses ([REDACTED]) to the phase 1 customer questionnaire. Respondents were asked to identify what proportion of their admixture requirements they sourced from suppliers active in the UK using the following categories: 0%; 0-20%; 20-40%; 40-60%; 60-80%; and 80-100%.

downstream customer specifying a particular supplier's admixture in their project specification.¹⁰⁹ It is uncommon for customers to source the same type of chemical admixture from multiple suppliers for other reasons.¹¹⁰

6.41 Table 1 provides a breakdown of Large Customers' chemical admixture suppliers in the UK.

Table 1: Sources of chemical admixtures for Large Customers (2021)

	<i>Sika</i>	<i>MBCC</i>	<i>Saint-Gobain</i>	<i>Number of other suppliers</i>
[REDACTED]	80-100%	<20%	<20%	7
[REDACTED]	<20%	40-60%	<20%	5
[REDACTED]	<20%	<20%	40-60%	[REDACTED]
[REDACTED]	[REDACTED]	60-80%	<20%	2
[REDACTED]	[REDACTED]	[REDACTED]	<[REDACTED]	[REDACTED]

Source: Phase 1 customer questionnaire; Third Party response to the phase 2 RFI 2 [REDACTED]. Respondents were asked to identify what proportion of their admixture requirements they sourced from suppliers active in the UK using the following categories: 0%; 0-20%; 20-40%; 40-60%; 60-80%; and 80-100%.

Note: Each of the Large Customers listed in Table 1 do not source more than 20% of their admixture requirements from any other single supplier.

6.42 Table 1 shows that Large Customers source chemical admixtures from at least five different suppliers but rely on one main supplier for a large proportion of their requirements.¹¹¹ In relation to this:

- (a) One Large customer told us that it has one main supplier and that it uses other suppliers for cement admixtures when working on large infrastructure projects, and for one of its smaller regions in the UK.¹¹²
- (b) Two other Large Customers told us that they use one main supplier for their national supply of concrete admixtures to standardise their mix design across different production locations.¹¹³ One of these customers also told us that having a main supplier provides economies of scale.¹¹⁴

¹⁰⁹ We understand that in most cases sourcing decisions are taken by customers (ie those producing cementitious products) but that in a minority of cases sourcing decisions may be influenced or made by the end customer on a particular construction project (Third Party response to the phase 1 competitor questionnaire [REDACTED]). Note of call with a Third Party, phase 1 [REDACTED]; Note of call with a Third Party, phase 1 [REDACTED]; Note of call with a Third Party, phase 1 [REDACTED]; Note of call with a Third Party, phase 1 [REDACTED].

¹¹⁰ Another reason given by customers for sourcing the same type of chemical admixture from multiple suppliers is where suppliers have regional supply agreements. Notwithstanding, we found that those suppliers with regionalised contracts source a significant proportion of their admixtures from one supplier (Third Party response to the phase 1 customer questionnaire [REDACTED]; Note of call with a Third Party, phase 1 [REDACTED]).

¹¹¹ In addition we note that two other respondents to the phase 1 customer questionnaire that purchased between £1 million and £2.5 million of chemical admixtures in 2021 sourced the majority of their chemical admixtures from one supplier (Third Party responses to the phase 1 customer questionnaire ([REDACTED])).

¹¹² This customer said that having multiple suppliers helps it get better terms with suppliers, for example by enabling it to compare and challenge aspects of a supplier's offering including its product quality and innovation Note of call with a Third Party, phase 1 [REDACTED]; Third Party response to the phase 1 customer questionnaire [REDACTED].

¹¹³ Note of call with a Third Party, phase 1 [REDACTED]; Third Party response to the phase 2 RFI 2 [REDACTED].

¹¹⁴ Third Party response to the phase 2 RFI 2 [REDACTED].

Negotiations, tenders, and supply agreements for chemical admixtures

- 6.43 Customers procure chemical admixtures through spot purchases, bilaterally negotiated contracts, and/or tenders.¹¹⁵
- 6.44 As described below, bilateral negotiations and tenders typically involve at least two stages, a technical trial stage and a competitive offer phase. Once this process has been completed, customers decide whether to switch all or some of their demand to a new supplier or remain with their current supplier.

Technical trials and product development

- 6.45 Customers need to undertake technical trials when purchasing chemical admixtures to establish the optimum dosage of the chemical admixture and test the resulting cementitious product against their requirements.¹¹⁶ For this purpose, suppliers of chemical admixtures have dedicated technical resources, including laboratories and specialist staff, that undertake trials and offer after-sales services such as training for a customer's employees and assisting customers with the mix-design of concrete.¹¹⁷
- 6.46 Customers use the trial stage of tenders and bilateral negotiations to test suppliers' chemical admixtures with their aggregates to assess, among other things, how the admixtures affect the quality of the final cementitious product. In some cases, the product trial process will involve suppliers working with customers to develop new or reformulated chemical admixtures, with suppliers competing to have the best performing products relative to the customers' requirements.^{118,119}
- 6.47 Generally, customers have their own in-house technical teams which are responsible for the mix design, testing, and production of their cementitious products, including the management of the technical trials undertaken when purchasing a chemical admixture.¹²⁰
- 6.48 However, many customers indicated that their in-house technical capabilities are not an effective alternative to the technical resources and R&D function of

¹¹⁵ The Parties estimate that sales to customers after a tender process and after bilateral negotiations (and spot purchases) each account for around half of the chemical admixtures market (FMN, paragraph 422).

¹¹⁶ For example, ensuring concrete has sufficient compressive strength (Third Party responses ([§]) to phase 1 customer questionnaire).

¹¹⁷ FMN, paragraph 342.

¹¹⁸ By way of example, see: Sika, Annex 360, FMN; Sika, Annex 362, FMN.

¹¹⁹ We understand that this process is sometimes supported by a supplier's dedicated R&D function. Sika, Annex 397, FMN; FMN, paragraph 373. Both large and small customers (or those procuring for small contracts) undertake technical trials that involve multiple suppliers of chemical admixtures (Sika, Annex 78, FMN).

¹²⁰ Third Party responses ([§]) to phase 2 RFI 1.

the Parties and other suppliers of chemical admixtures. In particular customers indicated that, while they may have some capability to test admixtures against their requirements and establish optimum mix-designs, their in-house technical capabilities cannot develop or reformulate chemical admixtures:

- (a) Many customers told us that they can undertake some trials to determine whether an admixture meets their requirements in-house.¹²¹ However, the large majority of these customers told us that their in-house technical teams lack either the scale or expertise to be self-sufficient.¹²²
- (b) Two customers told us that they rely on their chemical admixtures supplier for mix design support.¹²³
- (c) One customer told us it relies on the expertise of its chemical admixture supplier(s), in particular to reduce the carbon footprint of its concrete and to formulate chemical admixtures bespoke to its requirements.¹²⁴
- (d) Another customer told us that its technical capabilities cannot develop or reformulate chemical admixtures or the polymer systems that are used in the development of admixtures.¹²⁵

Tenders and supply agreements

- 6.49 Once suppliers are found to meet the customer's technical requirements during the trial stage of the bilateral negotiation or tender process, suppliers are invited to submit a proposal for the supply contract.
- 6.50 A number of market participants told us that supply agreements for chemical admixtures are typically for a one to three year period.¹²⁶ As set out in paragraph 6.33, the proposals and tender documents prepared by the Parties and customers that we have reviewed show that customers consider a broad range of factors when choosing a supplier of chemical admixtures. We understand that supply agreements can include certain performance requirements, including requirements relating to service levels and R&D.¹²⁷ Two market participants told us that agreements generally do not include

¹²¹ Third Party responses ([REDACTED]) to the phase 2 RFI 1.

¹²² Third Party responses ([REDACTED]) to the phase 2 RFI 1.

¹²³ Third Party responses ([REDACTED]) to the phase 2 RFI 1.

¹²⁴ Third Party response to the phase 2 RFI 1 [REDACTED].

¹²⁵ Third Party response to the phase 2 RFI 1 [REDACTED].

¹²⁶ Notwithstanding, we found that in some cases customers do not have formal supply contracts with their suppliers (Third Party response to the phase 2 PFs putback table [REDACTED]; Note of call with a Third Party, phase 1 [REDACTED]; Note of call with a Third Party, phase 1 [REDACTED]; Note of call with a Third Party, phase 1 [REDACTED]; Note of call with a Third Party, phase 1 [REDACTED]; Third Party response to the phase 1 customer questionnaire [REDACTED]).

¹²⁷ Note of call with a Third Party, phase 1 [REDACTED]; Note of call with a Third Party, phase 1 [REDACTED].

minimum volume/purchase requirements, nor do they restrict a customer purchasing from competing suppliers.¹²⁸

- 6.51 We understand that most Large Customers source chemical admixtures using national supply agreements to cover most, if not all, of their production locations in the UK, although some award supply contracts on a regional basis or, in some cases, for a particular construction or infrastructure project.¹²⁹

Switching process for customers

- 6.52 The large majority of respondents to our customer questionnaire did not consider that they could easily switch between chemical admixtures produced by different suppliers.¹³⁰ Many customers told us that switching supplier is a long and costly process, as it requires working with a new supplier to test (and in some cases develop) the right product to use with their cement and aggregates in addition to training sales and technical teams on the new products.¹³¹
- 6.53 To better understand the potential barriers to switching faced by customers we asked customers which factors were important when deciding whether to switch supplier. The proportion of customers that categorised a factor as very important or important is shown in Figure 2.

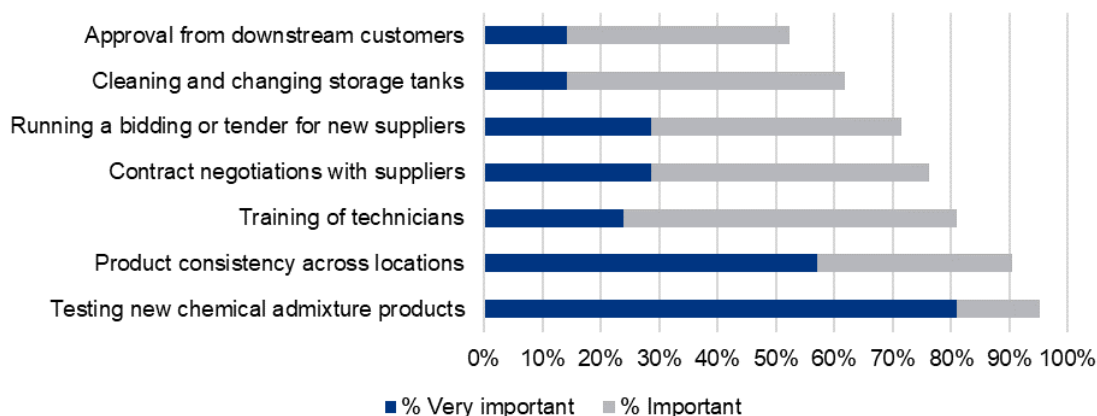
¹²⁸ Note of call with a Third Party, phase 1 [REDACTED]; Note of call with a Third Party, phase 1 [REDACTED].

¹²⁹ Note of call with a Third Party, phase 1 [REDACTED]; Note of call with a Third Party, phase 1 [REDACTED]; Note of a call with a Third Party, phase 1 [REDACTED]; Third Party response to the phase 1 customer questionnaire [REDACTED].

¹³⁰ Third party responses ([REDACTED]) to the phase 1 customer questionnaire.

¹³¹ Third party responses ([REDACTED]) to the phase 1 customer questionnaire; Third Party responses ([REDACTED]) to the phase 2 RFI 1.

Figure 2: Factors affecting a customers' decision to switch supplier



Source: 21 customer responses to the Phase 1 customer questionnaire. (Phase 1 customer questionnaire: 'How important are the following factors for your company when considering whether to switch supplier of chemical admixtures for cement and concrete in the UK?'.)

Notes: Respondents were asked to categorise factors as either 'very important', 'important', 'not very important', 'not at all important' or as 'I don't know'.

6.54 As can be seen from Figure 2, the vast majority of respondents considered testing the new chemical admixtures and ensuring consistency of end product across locations to be important or very important factors when deciding whether to switch supplier. Training technicians and other employees to use the new admixtures, contract negotiations with suppliers and running a bidding or tender process for new suppliers were considered to be important or very important factors by a large majority of respondents. Other factors, such as cleaning and changing storage tanks and seeking approval from customers were seen as less important by respondents to our questionnaire (although they were still considered important by most respondents).

6.55 Switching admixture suppliers when supplying large construction and infrastructure projects was seen as particularly difficult by some customers, with one customer indicating that such switching would be 'extremely difficult'.¹³² These customers told us that, as each input is tested in combination with the others being used in the project, any change in their mix design would typically require approval from the downstream customer before they could use a new supplier and switch to a new admixture.¹³³

6.56 Evidence from Large Customers indicates that they find switching supplier more difficult than other customers, particularly when switching their main supplier:

¹³² Note of call with a Third Party, phase 1 [REDACTED]; Note of call with a Third Party, phase 1 [REDACTED].

¹³³ Note of call with a Third Party, phase 1 [REDACTED]; Note of call with a Third Party, phase 1 [REDACTED].

- (a) Large Customers have a large network of production sites across the UK and require separate technical trials across different locations (and for each different type of chemical admixture) when switching supplier.¹³⁴
- (b) Some Large Customers indicated that technical trials are a lengthy process, with one Large Customer noting that technical trials in the context of a tender process can take between 8-12 months.¹³⁵
- (c) One of these Large Customers told us that its products had been developed alongside the admixtures of its supplier, which made it more difficult to switch supplier.¹³⁶

6.57 Consistent with this, Large Customers switch supplier infrequently and, when they do switch, they tend to switch only a portion of their demand, or switch to a new supplier slowly over time.¹³⁷

- (a) One Large Customer switched a regional contract from [REDACTED] to [REDACTED], the incumbent supplier of its other regional contract, in 2021 to be solely supplied by [REDACTED] for its concrete admixture requirements.¹³⁸ These regional contracts were initially awarded after a tender in [REDACTED].¹³⁹
- (b) Another [REDACTED].¹⁴⁰
- (c) Another Large Customer told us it decided to remain with MBCC for all its contracted, non-project requirements after running a tender in 2020.¹⁴¹
- (d) Another Large Customer told us it has been supplied by Saint-Gobain since 2015 and decided to extend its contract with this supplier after it abandoned a planned tender process in 2020.¹⁴²
- (e) Another Large Customer switched from GCP for its main supply to MBCC in 2015 after a tender process and told us that it was a gradual process to move the majority of products across from the incumbent supplier.¹⁴³

¹³⁴ Third Party response to the phase 2 RFI 1 [REDACTED]; Third Party response to the phase 1 customer questionnaire [REDACTED]; Note of call with a Third Party, phase 1 [REDACTED].

¹³⁵ Consistent with this, a recent tender process by a Large Customer lasted one year and required three to four months for the customer to switch only a small number of its production sites to another supplier (Note of call with a Third Party, phase 1 [REDACTED]). Third Party response to the phase 2 RFI 1 [REDACTED]; Third party responses ([REDACTED]) to the phase 1 customer questionnaire.

¹³⁶ Note of call with a Third Party, phase 1 [REDACTED].

¹³⁷ In relation to smaller customers, the CMA has identified some instances of switching. Sika, Annex 313, FMN.

¹³⁸ Third Party response to the phase 2 RFI 2 [REDACTED].

¹³⁹ Sika, Annex 313, FMN.

¹⁴⁰ Note of call with a Third Party, phase 1 [REDACTED].

¹⁴¹ Third Party response to the CMA's questions dated 26 August 2022 [REDACTED].

¹⁴² Note of call with a Third Party, phase 1 [REDACTED].

¹⁴³ Third Party response to the phase 2 RFI 2 [REDACTED].

Summary

- 6.58 This chapter described the nature of competition in the supply of chemical admixtures.
- 6.59 Our assessment of the evidence on the production, development, and distribution of chemical admixtures by suppliers has provisionally found that:
- (a) Most suppliers, including the Parties, produce a number of different types of chemical admixtures for concrete, and suppliers typically offer a number of different formulations for each different type of chemical admixture.
 - (b) Product development and innovation is an important aspect of competition between suppliers of chemical admixtures.
 - (c) Suppliers of chemical admixtures generally satisfy most of their UK customers' demand with chemical admixtures produced in the UK and import only relatively small quantities of chemical admixtures (eg importing only specialist admixtures or admixtures for cement). Suppliers that do not have UK production facilities consider that this affects their ability to compete for UK customers.
- 6.60 Our assessment of the evidence on the demand for chemical admixtures by customers, has provisionally found that:
- (a) Chemical admixtures are an essential input in the production of cementitious products.
 - (b) There is a broad range of factors which customers consider when deciding which supplier to source chemical admixtures from. Large Customers have additional needs, in particular, they require their supplier to be able to produce large volumes of admixtures and to be able to deliver admixtures to their large number of production sites.
 - (c) Customers typically source most, or a large proportion, of their chemical admixture requirements from one supplier, with smaller quantities and/or specialist products being sourced from a number of other suppliers.
- 6.61 The evidence on the way chemical admixtures are procured by customers through bilateral negotiations and/or tender processes shows that:
- (a) Customers need to undertake extensive technical trials when purchasing chemical admixtures to test suppliers' chemical admixtures with their aggregates and assess the overall performance of the chemical admixtures in relation to the quality of the final cementitious product.

(b) Switching is not easy, takes time, and is costly.

7. Market definition

7.1 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. We will take these factors into account in our competitive assessment.¹⁴⁴

Product market

7.2 The Parties submitted that the relevant product market includes chemical admixtures for concrete, cement, and certain types of mortar, without further segmentation.¹⁴⁵ The Parties stated that while they are not all demand-side substitutes, there is a high degree of supply-side substitutability between the three types of chemical admixtures.

7.3 Identifying the product market definition starts with the overlapping activities of the merger firms.¹⁴⁶ In this case, the Parties overlap in the supply of chemical admixtures for concrete only.

7.4 We considered whether it would be appropriate to widen the product market beyond the Parties' overlapping activities to include the supply of chemical admixtures for cement and chemical admixtures for mortar. These are discussed in turn below.

Chemical admixtures for cement

7.5 On the demand-side, the views of market participants were consistent with the Parties' submissions that cement admixtures are not alternatives to concrete admixtures (and *vice versa*).¹⁴⁷ We understand that this is because each type of admixture is designed to modify cementitious products in different ways.

¹⁴⁴ MAGs, paragraph 9.4.

¹⁴⁵ FMN, paragraph 182.

¹⁴⁶ MAGs, paragraph 9.6.

¹⁴⁷ Note of call with a Third Party, phase 1 [§]; Note of call with a Third Party, phase 1 [§]; Note of call with a Third Party, phase 1 [§].

- 7.6 On the supply-side, we found that all suppliers of cement admixtures active in the UK also supply concrete admixtures.¹⁴⁸ Evidence from these suppliers suggests that there are no or very low additional costs when switching production from one type of admixture to the other and that they can use the same production equipment and inputs to produce both types of admixtures.¹⁴⁹
- 7.7 Based on the evidence gathered, we provisionally find the relevant product market should be widened to include chemical admixtures for cement given that there appears to be some degree of supply-side substitutability between both types of admixtures. In particular, given that all suppliers of cement admixtures active in the UK also supply concrete admixtures, these suppliers could shift their existing production to supply concrete admixtures in response to demand from customers without incurring additional sunk costs.
- 7.8 However, we estimate that total demand for cement admixtures in the UK was less than 5% of total demand for concrete admixtures in 2021.¹⁵⁰ We therefore do not consider that our competitive assessment would differ in this case if cement admixtures were not included in our market definition.

Chemical admixtures for mortar

- 7.9 The Parties submitted that certain concrete admixtures are chemically identical to those used in the production of wet mortars and have similar purposes, for example to reduce the water content in wet mortars.¹⁵¹ The Parties submitted that there is both demand-side and supply-side substitutability between these types of chemical admixtures, as evidenced by the common customer base and competitor set for both types of admixtures.
- 7.10 However, the Parties submitted that other types of chemical admixtures used in the production of mortars (specifically for dry mortars) do not have the same characteristics as concrete admixtures.¹⁵² As the customers and suppliers are not the same, the Parties submitted that these admixtures are

¹⁴⁸ Third party responses ([REDACTED]) to the phase 1 competitor questionnaire; Third party responses ([REDACTED]) to the CMA's revenues questionnaire. As noted in Chapter 6, not all suppliers of concrete admixtures active in the UK supply cement admixtures. As explained in paragraph 7.8, UK demand for cement admixtures is significantly smaller than UK demand for concrete admixtures, which may limit the incentives of suppliers of concrete admixtures to also supply cement admixtures. Consistent with this, [REDACTED] indicated that it deprioritised the supply of cement admixtures in part because of the small size of the market ([REDACTED]).

¹⁴⁹ Third party responses ([REDACTED]) to the CMA's questionnaire; Note of call with a Third Party, phase 1 [REDACTED]; Third Party responses ([REDACTED]) to the phase 1 customer questionnaire; [REDACTED].

¹⁵⁰ CMA analysis of Annex 510 to the FMN (Parties, Annex 510, FMN); Third party responses ([REDACTED]) to the phase 1 revenues questionnaire.

¹⁵¹ FMN, paragraph 186.

¹⁵² FMN, paragraphs 187-188.

not demand-side or supply-side substitutes and should not be included in the relevant product market.

- 7.11 The information received from market participants is consistent with the Parties' submissions. On the demand-side, a customer that self-supplies the majority of its admixture requirements and supplies some volumes to the market told us that some admixtures for concrete and mortar (specifically wet mortar) have the same chemical formulation and tend to be interchangeable for customers.¹⁵³ This customer also confirmed that other types of chemical admixtures used in the production of mortars (specifically for dry mortars) do not have the same characteristics as concrete admixtures.¹⁵⁴
- 7.12 On the supply-side, two suppliers said that, while they would not face any significant additional cost to switch their production facilities from the production of cement and concrete admixtures to admixtures for wet mortars, switching production to admixtures for dry mortar would involve additional costs of £[REDACTED] million for drying equipment.¹⁵⁵
- 7.13 In addition, we understand that there are a number of suppliers that are active in the supply of admixtures for dry mortar (such as Synthomer, Bostik and Henkel) that are not active in the supply of concrete admixtures.¹⁵⁶
- 7.14 We therefore provisionally find that the product market should not be widened to include chemical admixtures for mortar, other than those admixtures that are identical to those used in the production of concrete (namely admixtures for wet mortars). In any event, we do not consider that our competitive assessment would differ in this case if dry mortar admixtures were included in our market definition as we understand that total demand for both types of mortar admixtures (ie wet and dry mortars) was less than 5% of total demand for concrete admixtures in 2021.¹⁵⁷

Provisional conclusion on product market

- 7.15 Based on the evidence above, we provisionally conclude that the relevant product market definition is the supply of chemical admixtures for cement, concrete, and wet mortar.

¹⁵³ Note of call with a Third Party, phase 1 [REDACTED].

¹⁵⁴ Third Party response to the phase 2 RFI 1 [REDACTED].

¹⁵⁵ Third Party response to the phase 1 RFI [REDACTED]; Third Party response to the phase 1 RFI [REDACTED].

¹⁵⁶ FMN, paragraph 190.

¹⁵⁷ FMN, Table 9 and Table 13.

Geographic market

- 7.16 The Parties submitted that, in line with the European Commission's decision in *Lone Star / BASF Construction Chemicals (EB) Business*, the relevant geographic market is the UK.¹⁵⁸
- 7.17 The evidence we have gathered from customers is consistent with the Parties' submissions:
- (a) A number of customers told us that they would not rely on imports for a significant proportion of their supply needs because of concerns about security of supply.¹⁵⁹
 - (b) Two customers noted that they only import speciality products and only in small quantities.¹⁶⁰
 - (c) One customer said that it had ruled out several chemical admixture suppliers during its most recent tender process because they did not have UK production facilities.¹⁶¹
 - (d) Another customer noted that any delay caused by difficulties importing would be an 'expensive problem' as frequent deliveries are required to keep the large number of sites it has operating.¹⁶²
- 7.18 Data on trade flows obtained from the Parties is consistent with the evidence gathered from customers and suggests that the relevant market is no wider than national in scope. The latest available data from Eurostat shows that customers largely rely on chemical admixtures produced in the UK to meet demand within the UK, with only around 20% of consumption in the UK being met by imports in 2019.¹⁶³ As set out in paragraph 6.22, this includes imports by suppliers with UK production facilities (which import small volumes of chemical admixtures, particularly specialist products) as well as imports by suppliers without UK production facilities. Based on our understanding of the production locations of suppliers currently active in the UK and our share of supply estimates (as shown in Table 2 below), it is likely that no more than around 20% of consumption in the UK is currently met by imports and that this

¹⁵⁸ FMN, paragraphs 204-205.

¹⁵⁹ Note of call with a Third Party, phase 1 [REDACTED]; Note of call with Third Party, phase 1, [REDACTED]; Note of call with a Third Party, phase 1 [REDACTED].

¹⁶⁰ Note of call with a Third Party, phase 1 [REDACTED]; Note of call with a Third Party, phase 1 [REDACTED].

¹⁶¹ Note of call with a Third Party, phase 1 [REDACTED].

¹⁶² Note of call with a Third Party, phase 1 [REDACTED].

¹⁶³ The Parties told us that this data is only available for 2018 and 2019 (Parties, response dated 25 February 2022 to the phase 1 RFI 1, Table 10 and paragraph 79b).

is an upper bound estimate of the true volume of chemical admixture imports into the UK.¹⁶⁴

7.19 In addition, the large majority of respondents to our competitor questionnaire indicated that local production, sales, and distribution are important requirements for supplying customers of chemical admixtures in the UK.¹⁶⁵

(a) A number of suppliers told us that the costs of transporting chemical admixtures makes it more difficult to rely on imports and be competitive on price.¹⁶⁶

(b) While a small number of suppliers said that they rely on imports of chemical admixtures to supply their customers in the UK, these suppliers told us that they either only import small volumes from production facilities outside the UK or are looking to start producing chemical admixtures in the UK in the next two years.¹⁶⁷

7.20 Consistent with the views of these suppliers, the importance of proximity to customers is recognised in an internal document prepared for BASF's sale of MBCC in 2018, which in the context of BASF's global operations notes that 'local manufacturing and proximity to customers are key success factors'.¹⁶⁸

Provisional conclusion on geographic market

7.21 We therefore provisionally find that the relevant geographic market definition is the UK. We have nevertheless taken into account evidence on geographic aspects of competition, particularly constraints from imports into the UK, in our competitive assessment.

Provisional conclusion on market definition

7.22 For the reasons discussed above, we provisionally conclude that the relevant market definition is the supply of chemical admixtures for cement, concrete, and wet mortar in the UK.

¹⁶⁴ Parties, response dated 25 February 2022 to the phase 1 RFI 1, Table 11; FMN, Figure 15.

¹⁶⁵ Third party responses ([REDACTED]) to the phase 1 competitor questionnaire.

¹⁶⁶ Note of call with a Third Party, phase 1 [REDACTED]; Note of call with a Third Party, phase 1 [REDACTED]; Note of call with a Third Party, phase 1 [REDACTED]; Third Party response to the phase 1 competitor questionnaire [REDACTED].

¹⁶⁷ Third party responses ([REDACTED]) to the phase 1 competitor questionnaire. In particular, as discussed in Chapter 8, [REDACTED] is looking to start producing chemical admixtures in the UK.

¹⁶⁸ MBCC, Annex 44, FMN.

8. Competitive assessment

- 8.1 In this chapter, we have assessed whether the Merger may be expected to result in a SLC in the market for the supply of chemical admixtures for cement, concrete and wet mortar in the UK through horizontal unilateral effects.
- 8.2 Horizontal unilateral effects can arise in a merger when one firm merges with a competitor that previously provided a competitive constraint, allowing the merged entity profitably to raise prices or degrade non-price aspects of its competitive offering (such as quality, range, service and innovation) on its own and without needing to coordinate with its rivals.¹⁶⁹
- 8.3 In order to assess the likelihood of the Merger resulting in horizontal unilateral effects in the relevant market, we considered (and discuss in turn below) the following:
- (a) The shares of supply of the Parties and other suppliers.
 - (b) Evidence on the closeness of competition between the Parties.
 - (c) Evidence on the competitive constraint that other suppliers would exert on the Merged Entity.
 - (d) Evidence on any countervailing constraints on the Merged Entity from entry and expansion of other suppliers or countervailing buyer power.

Shares of supply

- 8.4 In this section we consider the shares of supply of the Parties and other suppliers in the market for the supply of chemical admixtures for cement, concrete and wet mortar in the UK.
- 8.5 The Parties estimated that Sika and MBCC's shares of supply in 2021 were [10-20%] and [20-30%] respectively.¹⁷⁰ The Parties submitted that the Merged Entity's share of [30-40%] is below the level at which significant competition concerns can arise in a fragmented industry such as chemical admixtures.¹⁷¹
- 8.6 We were unable to verify the Parties' share of supply estimates, as their methodology relied at least partly on factors that could not be objectively

¹⁶⁹ MAGs, paragraph 4.1.

¹⁷⁰ FMN, paragraph 260. The Parties estimated the size of the chemical admixtures market to have been £[§<] million in 2021 when including chemical admixtures for cement and concrete and excluding self-supply by admixture customers (FMN, Table 7).

¹⁷¹ FMN, paragraph 261; Parties' response to the Issues Letter – Chemical admixtures, paragraphs 2.1-2.13.

verified (such as input from the Parties' business experts or their external advisors).¹⁷² We therefore produced our own shares of supply by obtaining sales revenue data directly from the Parties and other suppliers of chemical admixtures active in the UK.¹⁷³

- 8.7 We received revenue data from all but three small suppliers identified by the Parties and third parties as active in the supply of admixtures in the UK. According to the Parties' own estimates, these suppliers made combined sales of less than £1.6 million in 2021.¹⁷⁴ On a conservative basis, we have adopted the Parties' revenue estimates for all 'other' suppliers (which included these three suppliers as well as a number of others) when calculating our share of supply estimates.¹⁷⁵
- 8.8 We estimate that Sika and MBCC's shares of supply were [20-30%] and [20-30%], respectively, in 2021.¹⁷⁶ This is shown in Table 2 below.

¹⁷² Parties, Annex 053, FMN.

¹⁷³ We used the following definitions when obtaining revenue data from chemical admixture suppliers: **Chemical admixtures for cement** are added to cement in order to reduce the amount of energy required to grind the cement (ie grinding aids) as well as to improve the performance of the cement (ie performance enhancers or quality improvers); **Chemical admixtures for concrete** are added to improve the properties of concrete or wet mortar, including super-plasticizers, plasticizers, air entrainers, retarders and accelerators; and **Other chemical admixtures** include admixtures for dry mortar and certain admixtures for wet mortar that are not also used for concrete, for example as they increase the adhesion properties of mortar but do not reduce the amount of water required. In line with our market definition, we have included sales revenue data from the Parties and other suppliers of chemical admixtures for chemical admixtures for cement and concrete (including certain mortar admixtures which are identical to concrete admixtures).

¹⁷⁴ FMN, Table 7.

¹⁷⁵ The Parties included [X], [X], [X], [X] and [X] in their share of supply estimates for 'other' suppliers (FMN, Tables 9 and 11).

¹⁷⁶ Our estimates for Sika and MBCC's shares of supply in 2021 are based on the Parties' revenues from the sale of chemical admixtures for cement and concrete, as set out in the FMN (FMN, Tables 9 and 11), and the size of the chemical admixtures market being £[X] million when excluding self-supply by admixture customers in the UK. We estimated the size of the chemical admixtures market by summing the sales revenue data obtained directly from the Parties and other suppliers of chemical admixtures active in the UK for chemical admixtures for cement, concrete and wet mortar.

Table 2: Shares of supply in cement, concrete and wet mortar admixtures in the UK (2021)

<i>Supplier</i>	<i>Share of supply</i>
Sika	[20-30%]
MBCC	[20-30%]
<i>Merged Entity</i>	<i>[50-60%]</i>
The merged Saint-Gobain/GCP	[20-30%]
Oscrete	[5-10%]
Cementaid	[5-10%]
Cemex	[0-5%]
David Ball Group	[0-5%]
Foscroc	[0-5%]
Larsen	[0-5%]
Mapei	[0-5%]
MC-Construction Chemicals	[0-5%]
Normet	[0-5%]
ProcterJohnson	[0-5%]
Schomburg	[0-5%]
Other*	[0-5%]
Total	100%

Source: CMA analysis of the FMN (FMN, Tables 9 and 11), and third party responses to the CMA's revenues questionnaire.

* We were unable to obtain sales revenue data from three suppliers identified by the Parties and third parties ([§]). One competitor told us that they do not supply UK customers ([§]).

Note: Following the completion of Saint-Gobain's acquisition of GCP 27 September 2022, we have combined the shares of supply for Saint-Gobain and GCP in 2021 in the table. Saint-Gobain and GCP had shares of supply of [10-20%] and [5-10%] in 2021, respectively.

8.9 Table 2 shows the Merged Entity would have a share of supply of [50-60%] and would be more than twice the size of the next largest supplier of chemical admixtures in the UK, Saint-Gobain/GCP (following the completion of Saint-Gobain's acquisition of GCP 27 September 2022).¹⁷⁷ The market post-Merger would be highly concentrated, with the Merged Entity and its two largest rivals representing nearly 80% of supply in the UK and a tail of remaining suppliers each having a share of supply of less than 5%.

8.10 Our share of supply estimates for the Parties are broadly consistent with those included in several of Sika's internal documents produced in the normal course of business.¹⁷⁸ Although we recognise that these shares have not been calculated on the same basis, they nevertheless show that in the ordinary course of business Sika considers the Parties to have a market position that is broadly consistent with that based on our own estimates.¹⁷⁹

8.11 As a sensitivity check on our analysis, we calculated share of supply estimates using sales revenue data from the Parties and other suppliers active in the UK for all types of chemical admixtures (ie for cement, concrete and all types of mortar) and not just those included in our product market

¹⁷⁷ Our analysis of Annex 510 to the FMN (Parties, Annex 510, FMN) and third party responses to the CMA's revenues questionnaire also suggests that the shares of supply of the Parties, the merged Saint-Gobain/GCP, and all other suppliers combined has been stable (varying by less than three percentage points) in the period 2018-2021.

¹⁷⁸ For example: Sika, Annex 007, FMN; Sika, Annex 077, FMN; Sika, Annex 095, FMN; Sika, Annex 301, FMN. We have attached more weight to these documents than to documents that were prepared in contemplation of the Merger, which the Parties noted included lower share of supply estimates for the Parties. For example: Sika, Annex 033, FMN; Sika, Annex 200, FMN. [MAGs](#), paragraph 2.29.

¹⁷⁹ For example, some share of supply estimates may include products outside our market definition and may not capture all competitors. See Parties' response to the Issues Letter – Chemical admixtures, paragraphs 2.4-2.12.

definition.¹⁸⁰ Our share of supply estimates for the Parties calculated on this wider basis are broadly similar to those shown in Table 2: the Merged Entity would have a share of supply of [40-50%] and would be more than twice the size of the next largest supplier.¹⁸¹

- 8.12 While the Parties' combined shares of supply are high enough to raise *prima facie* competition concerns given the structure of the market, measures of concentration are only one piece of evidence that we have assessed in our competitive assessment.

Closeness of competition between the Parties

- 8.13 In this section we assess how closely Sika and MBCC compete with one another, relative to how closely they compete with other suppliers, in the market for the supply of chemical admixtures for cement, concrete and wet mortar in the UK.
- 8.14 The Parties submitted that there is no closeness of competition concern in this case because chemical admixtures are homogenised products and suppliers are not differentiated.¹⁸²
- 8.15 We consider (and discuss in turn below) the following sources of evidence as part of our assessment of the closeness of competition between the Parties:
- (a) The shares of supply of the Parties in the market for the supply of chemical admixtures for cement, concrete and wet mortar in the UK.
 - (b) Evidence from the Parties' competitors in the UK.
 - (c) Evidence from the Parties' customers in the UK.
 - (d) Evidence on the Parties' product development, R&D, and innovation activities.
 - (e) Internal documents obtained from the Parties.

¹⁸⁰ That is, using revenue data from the Parties and other suppliers for: chemical admixtures for cement, chemical admixtures of concrete (including certain mortar admixtures which are identical to concrete admixtures); and other chemical admixtures.

¹⁸¹ CMA analysis of the FMN (FMN, Tables 9, 11 and 13); and Third Party responses ([§<]) to the phase 1 revenues questionnaire.

¹⁸² FMN, paragraph 291; Parties' response to the Issues Letter – Chemical admixtures, paragraphs 4-5.

Shares of supply of the Parties

- 8.16 While measures of concentration are only one piece of evidence we have considered in our competitive assessment, firms with higher shares of supply are more likely to be closer competitors to their rivals (with mergers that remove such constraints therefore being more likely to raise competition concerns).¹⁸³
- 8.17 As set out above, our estimates show that the Parties are the two largest suppliers active in the market, with a significant difference in the size of each of the Parties and the merged Saint-Gobain/GCP, and their other rivals. There is therefore a *prima facie* expectation that the Parties compete closely with one another.

Evidence from the Parties' competitors

- 8.18 Consistent with the Parties' shares of supply, competitors told us that the Parties are the strongest suppliers in the UK.
- (a) All respondents to our competitor questionnaire considered Sika to be the strongest chemical admixture supplier in the UK.¹⁸⁴
 - (b) All respondents to our competitor questionnaire told us that Sika is a very strong supplier.¹⁸⁵ Some competitors told us that this is because Sika is the largest supplier in the UK with the broadest range of admixtures and is driving innovation in the supply of chemical admixtures.¹⁸⁶
 - (c) The vast majority of respondents to our competitor questionnaire said that MBCC is also a very strong supplier (only Sika was rated very strong by more respondents).¹⁸⁷ One competitor considered MBCC to have a similarly broad range of admixtures to Sika.¹⁸⁸
- 8.19 Competitors told us that the market position of the Parties means that they are particularly well placed to supply larger customers of chemical admixtures and are able to exploit their size and scale to their competitive advantage:
- (a) A competitor said that larger customers of chemical admixtures, particularly those that produce ready-mix concrete in locations across the country, will have less choice as a result of the Merger given the Parties

¹⁸³ MAGs, paragraph 4.14.

¹⁸⁴ Third Party responses ([REDACTED]) to the phase 1 competitor questionnaire.

¹⁸⁵ Third Party responses ([REDACTED]) to the phase 1 competitor questionnaire.

¹⁸⁶ Third Party responses ([REDACTED]) to the phase 1 competitor questionnaire.

¹⁸⁷ Third Party responses ([REDACTED]) to the phase 1 competitor questionnaire.

¹⁸⁸ Third Party response to the phase 1 competitor questionnaire [REDACTED].

are two of a limited number of suppliers that have the size and scale to supply larger customers.¹⁸⁹

- (b) One competitor told us that larger suppliers, including the Parties, benefit from economies of scale in production, distribution and in the purchase of the raw materials needed to produce chemical admixtures which is particularly beneficial given the increasing costs of these raw materials.¹⁹⁰ This competitor said that these advantages mean that only larger suppliers can serve larger customers and can offer lower prices than suppliers without the same size and scale.¹⁹¹
- (c) Another competitor told us that larger suppliers, such as the Parties, have strong relationships with larger customers in part because of their size and scale, comprehensive offering, and the extensive market experience and knowledge of their R&D and technical support teams.¹⁹²

8.20 We note that this evidence from competitors is consistent with the evidence we have obtained from the Parties' customers, which is set out in more detail below (paragraphs 8.22 to 8.26).

8.21 This evidence from competitors shows that the Parties are close competitors given their similarly strong market positions, range of products, R&D and technical support capabilities, size and scale, and ability to supply larger customers of admixtures.

Evidence from the Parties' customers

8.22 As explained in paragraphs 6.31 to 6.36, customers told us that a number of different factors affect their choice of supplier. These include performance and quality of the chemical admixtures, security of supply, price, technical expertise, product development and innovation and, for Large Customers, capacity and volumes, the range of admixtures offered, and scale to deliver admixtures to their network of production sites.

8.23 Based on this broad range of factors, the Parties are viewed by customers as the strongest chemical admixture suppliers in the UK:

- (a) The vast majority of respondents to our customer questionnaire indicated that Sika is a strong or very strong supplier¹⁹³ and a large majority said

¹⁸⁹ Note of call with a Third Party, phase 1 [REDACTED]; Third Party response to the phase 1 competitor questionnaire [REDACTED].

¹⁹⁰ Note of call with a Third Party, phase 1 [REDACTED].

¹⁹¹ Note of call with a Third Party, phase 1 [REDACTED].

¹⁹² Third Party response to the phase 1 competitor questionnaire [REDACTED].

¹⁹³ Third Party responses ([REDACTED]) to the phase 1 customer questionnaire.

that Sika is the strongest chemical admixture supplier in the UK.¹⁹⁴ Some customers told us that Sika's strength comes from its size and scale, wide range of products, ability to support customers with technical expertise, and investment in innovation and R&D.¹⁹⁵ One customer told us that Sika is strong because it has the capacity to supply all of its locations in Great Britain.¹⁹⁶

- (b) A large majority of respondents to our customer questionnaire told us that MBCC is a strong or very strong supplier (only Sika was rated as strong or very strong by more customers).¹⁹⁷ Some customers said that MBCC's strengths are its broad range of products, strong supply chain (including access to raw materials, such as polymers), and ability to supply large ready-mix customers.¹⁹⁸ In addition, MBCC was considered to be the strongest supplier in the UK by one customer because of its local presence and technical support for its range of concrete products.¹⁹⁹

8.24 Most respondents to our customer questionnaire (including all Large Customers) said that only some suppliers are able to successfully meet their needs for chemical admixtures.²⁰⁰ Many of these respondents told us that Sika could successfully meet their requirements in the UK, and a smaller number mentioned Saint-Gobain, GCP and/or MBCC.²⁰¹ Very few respondents said that any other suppliers could successfully meet their requirements.²⁰² Customers gave a broad range of reasons for not being able to use a wider pool of suppliers including the performance and quality of the admixtures, the customer's volume requirements, the customer's location, the level of technical support and innovation provided by suppliers, the need for admixtures to be delivered to a network of sites, and the range of admixtures offered by suppliers. Some customers suggested that other suppliers could meet some, but not all, of their admixture requirements.²⁰³

¹⁹⁴ Third Party responses ([REDACTED]) to the phase 1 customer questionnaire.

¹⁹⁵ Third Party responses ([REDACTED]) to the phase 1 customer questionnaire.

¹⁹⁶ Third Party response to the phase 1 customer questionnaire [REDACTED].

¹⁹⁷ Third Party responses ([REDACTED]) to the phase 1 customer questionnaire; Third Party responses ([REDACTED]) to the phase 1 customer questionnaire.

¹⁹⁸ Third Party responses ([REDACTED]) to the phase 1 customer questionnaire.

¹⁹⁹ Third Party response to the phase 1 customer questionnaire [REDACTED].

²⁰⁰ Third party responses ([REDACTED]) to the phase 1 customer questionnaire.

²⁰¹ Namely: [REDACTED] said that Saint-Gobain could meet their requirements; and [REDACTED] said that MBCC could meet their requirements. We note that the phase 1 customer questionnaire asked for views on GCP and Saint-Gobain as independent competitors and not as a merged entity (Third Party responses ([REDACTED]) to the phase 1 customer questionnaire).

²⁰² Fosroc and Mapei were mentioned by one customer ([REDACTED]) and Ocrete was mentioned by another customer ([REDACTED]). No others were mentioned. Third Party responses ([REDACTED]) to the phase 1 customer questionnaire. See also Note of call with a Third Party, phase 1 call [REDACTED]; Note of call with a Third Party, phase 1 call [REDACTED]; Note of call with a Third Party, phase 1 [REDACTED]; Note of call with a Third Party, phase 1 [REDACTED].

²⁰³ Third Party responses ([REDACTED]) to the phase 1 customer questionnaire.

8.25 We have found that the views of customers, particularly Large Customers, are consistent with their observed behaviour. In particular:

- (a) As shown in Table 1, four out of five Large Customers of chemical admixtures in the UK sourced the majority or a large proportion of their admixture requirements from Sika or MBCC in 2021. Other than the Parties, only Saint-Gobain supplied more than 20% of any single Large Customer's admixture requirements.²⁰⁴
- (b) The Parties are two of a small number of suppliers that have been invited to bid for recent large tenders by Large Customers.²⁰⁵ In particular, one Large Customer only invited the Parties, Saint-Gobain, GCP and Oscrete to participate in the technical trial and competitive offer stages of its recent tender for its main supply contract.²⁰⁶ Another Large Customer only invited [REDACTED].²⁰⁷
- (c) Sika's limited information on recent tenders and business opportunities shows that it believes that only a small number of competitors are invited to participate in bilateral negotiations and/or tender processes, particularly for contracts to supply Large Customers.²⁰⁸

8.26 The evidence from the Parties' customers shows that they compete closely, particularly for Large Customers.²⁰⁹

The Parties' product development, R&D, and innovation activities

- 8.27 As explained in paragraphs 6.14 to 6.19, product development, R&D and innovation can take many forms, ranging from tailoring existing admixtures to better meet the needs of customers to the development of new products.
- 8.28 Product development and innovation is an important aspect of competition in the supply of chemical admixtures. In particular, some suppliers told us that innovation and the development of new products is one way in which suppliers can differentiate themselves from their competitors.²¹⁰

²⁰⁴ Third Party responses ([REDACTED]) to the phase 1 customer questionnaire; Third Party response to the phase 2 RFI 2 [REDACTED].

²⁰⁵ As explained at paragraph 6.55, not all Large Customers have recently tendered their main admixture supply contracts.

²⁰⁶ [REDACTED] was invited but did not bid. MBCC, the incumbent supplier to this Large Customer, retained their supply relationship (Third Party response to the CMA's questions dated 26 August 2022 [REDACTED]).

²⁰⁷ Sika, the incumbent supplier to this Large Customer, remained its main supplier after [REDACTED] awarded [REDACTED] previously served by Sika to GCP (Note of call with a Third Party, phase 1 call [REDACTED]).

²⁰⁸ Sika, Annex 313, FMN. [REDACTED] (Parties, response dated 13 April 2022 to phase 1 RFI 2; FMN, paragraph 433).

²⁰⁹ MAGs, paragraph 4.10.

²¹⁰ See paragraph 6.19.

- 8.29 In addition, the vast majority of respondents to our customer questionnaire said that product development and innovation is an important or very important factor when choosing a chemical admixture supplier.²¹¹ Some customers indicated that it is essential for their chemical admixture supplier(s) to have advanced innovation and product development capabilities to ensure that they have access to the latest products and can maintain their competitiveness.²¹²
- 8.30 Evidence obtained from the Parties shows that they have dedicated product development and R&D capabilities in chemical admixtures.²¹³ In particular:
- (a) The Parties' product development focuses on tailoring existing admixtures to better meet the needs of customers or the specifications of a particular project.²¹⁴ The Parties routinely tweak and adapt the ingredients and formulation of chemical admixtures for particular projects, local conditions (including aggregate mix) and customer specifications.²¹⁵ For large scale infrastructure projects (eg nuclear power stations), the Parties develop tailored solutions that go beyond the minimum requirements of the British Standards Institute.²¹⁶
 - (b) The Parties have R&D projects aimed at improving the sustainability of concrete, including the development of 'sustainable' chemical admixtures that use [REDACTED].²¹⁷
 - (c) The Parties also have R&D projects relating to [REDACTED]. We understand, for example, that MBCC's R&D efforts in relation to [REDACTED] have led to the launch of several new products, including its 'Master X-Seed STE' and 'MasterEase' admixtures.²¹⁸
- 8.31 Sika's internal documents show that the Parties have developed admixtures that, at least for a time, were unique in the market. They also show that innovation efforts by Sika are strongly driven by competition with MBCC, with

²¹¹ See Figure 1.

²¹² See paragraphs 6.33 and 6.34.

²¹³ In relation to chemical admixtures, Sika has a dedicated central R&D facility in Switzerland and a number of other regional laboratories with R&D capabilities (including in the UK). Similarly, MBCC has a dedicated, central R&D facility in Germany and several regional laboratories with R&D capabilities. We understand that MBCC does not have R&D capabilities in the UK (although it does operate laboratory facilities for testing purposes). FMN, paragraphs 362-389; Sika, Annex 399, FMN.

²¹⁴ Other examples of the Parties tailoring products to meet a customer's needs include, but are not limited to: (i) adjusting admixtures to the specific aggregates of a customer to ensure product efficiency; and (ii) changing a raw input in cooperation with a customer to support the application of concrete in winter conditions. Sika, Annex 397, FMN; Parties, Annex 65, FMN.

²¹⁵ Parties, Phase 2 Remedies Submission, paragraphs 1.10 and 1.11.

²¹⁶ Parties, Phase 2 Remedies Submission, paragraph 1.9.

²¹⁷ FMN, paragraph 548; Sika, Annex 399, FMN.

²¹⁸ In particular we note that Sika and MBCC have a number of active R&D projects relating to the [REDACTED] (such as [REDACTED]) as well as the development of [REDACTED] (eg [REDACTED]) (Sika, Annex 397, FMN).

some new admixtures developed by Sika in response to innovation by MBCC. For example:

- (a) Sika identifies in an internal document the threat that competitors may copy its [REDACTED], thereby creating the danger that they become commodities that are widely available in the market.²¹⁹
- (b) Sika recognises that MBCC has [REDACTED].²²⁰ We understand that this is a reference to MBCC's Master X-Seed product, which is described by MBCC as a '*unique and innovative*' technology that '*can outperform all alternative solutions*'.²²¹
- (c) Sika developed [REDACTED] to [REDACTED],²²² and compares it in terms of cost and performance to [REDACTED] as an accelerating admixture.²²³
- (d) Sika's analysis of its strengths in internal documents consistently recognises its R&D and development of new products.²²⁴

8.32 Market participants indicated that the Parties compete closely in relation to product development, R&D and innovation.

- (a) Some suppliers suggested that the Parties are better equipped to address this aspect of competition than others currently active in the UK.²²⁵ For example, one supplier suggested that the Parties dedicate significantly more resources to technical and innovation functions than other suppliers.²²⁶ This supplier also suggested that the Parties differentiate themselves by embedding technical staff in customer operations.²²⁷
- (b) The vast majority of respondents to our customer questionnaire that considered the Parties to be the strongest suppliers in the UK told us that product development and innovation were important or very important factors in their choice of chemical admixture supplier.²²⁸
- (c) Some Large Customers emphasised the importance of maintaining competitive tension between suppliers to drive innovation and expressed

²¹⁹ Sika, Annex 095, FMN.

²²⁰ Sika, Annex 427, FMN.

²²¹ '[Master X-Seed 100 hardening admixture for concrete](#)', [public].

²²² Sika, Annex 492, FMN.

²²³ Sika, Annex 410, FMN.

²²⁴ Sika, Annex 123, FMN. See also: Sika, Annex 077, FMN; and Sika, Annex 095, FMN.

²²⁵ Note of call with a Third Party, phase 1 [REDACTED].

²²⁶ [REDACTED].

²²⁷ [REDACTED].

²²⁸ Third Party responses ([REDACTED]) to the phase 1 customer questionnaire.

concerns about the impact of the Merger on reducing the impetus to continue innovating for the benefit of customers.²²⁹

- (d) Some Large Customers told us that the Parties are better placed than other suppliers to help them reduce the environmental impact of their concrete.²³⁰ One of these customers told us that the Parties are the main drivers of sustainable innovation in ready-mix concrete and are the only suppliers that are capable of the levels of innovation required for it to meet its own sustainability targets.²³¹
- (e) Another Large Customer said the leading position of the Parties was to a significant extent due to their 'strong R&D capabilities [and] advanced technical and customer-relation services'.²³²
- (f) Some smaller customers also emphasised the importance of R&D. One customer said that it did not ask suppliers to design specific admixtures for it and worked from their standard ranges. However, the R&D efforts of the Parties were nevertheless important as new technology could lead to better performance, lower costs or both.²³³ Another smaller customer said it had worked closely with GCP, Sika and MBCC over the last few years in developing self-compacting and lower carbon concretes which had helped to reduce the environmental impact of concrete.²³⁴

8.33 In addition, a few customers indicated that suppliers who self-supply their own polymers, including the Parties, have a competitive advantage in relation to their product development capabilities as they can more easily develop and produce new or bespoke polymers, which improve the performance of chemical admixtures.²³⁵

8.34 This evidence demonstrates that the Parties compete closely in relation to product development, R&D, and innovation in the market for the supply of chemical admixtures for cement, concrete and wet mortar in the UK.

²²⁹ Third Party responses ([REDACTED]) to the phase 1 customer questionnaire; Note of call with a Third Party, phase 1 [REDACTED]; Note of call with a Third Party, phase 1 [REDACTED].

²³⁰ Note of call with a Third Party, phase 1 [REDACTED]; Third Party responses ([REDACTED]) to the phase 2 RFI 1.

²³¹ Note of call with a Third Party, phase 1 [REDACTED]; Third Party response to the phase 2 RFI 1 [REDACTED].

²³² Third Party submission dated 23 June 2022 [REDACTED].

²³³ Third Party response to the phase 2 RFI 1 [REDACTED].

²³⁴ Third Party response to the phase 2 RFI 1 [REDACTED]

²³⁵ As discussed at paragraphs 8.27 and 8.28, we found Parties have launched new products that are unique to the market as a result of development in polymers. Third Party response to the phase 2 RFI 1 [REDACTED]; Third Party response to the phase 2 RFI 1 [REDACTED]. One customer ([REDACTED]) clarified that suppliers who self-supply their own polymers do not always have a competitive advantage in relation to their product development capabilities as sometimes third party suppliers offer better raw materials than self-supplying suppliers of chemical admixtures could produce themselves (Third Party response to the phase 2 PFs putback [REDACTED]).

The Parties' internal documents

- 8.35 We found that the Parties' internal documents are consistent with the evidence from the Parties' competitors and customers set out above.
- 8.36 The Parties' internal documents show that they are strong suppliers of chemical admixtures, compete closely, both in the UK and more generally, and that innovation is an important aspect of the competitive dynamic between the Parties.²³⁶ In particular:
- (a) The internal documents of both Parties show a regular interest in targeting Large Customers (ie [REDACTED]).²³⁷
 - (b) Sika's limited information on its recent tenders and business opportunities suggests that it believes that the Parties compete head-to-head to win customers, particularly in tenders for Large Customers, against a small number of other chemical admixture suppliers including [REDACTED].²³⁸
 - (c) Sika sees itself as a market leader in chemical admixtures both globally and in the UK, with Sika's five-year plan for 2022-2026 suggesting that [REDACTED].²³⁹
 - (d) Sika's competitive monitoring documents also [REDACTED].²⁴⁰
 - (e) As noted above, Sika's internal documents show that the Parties appear to develop market-leading products that, at least for a time, were unique in the market and that Sika aims to develop new products in response to product developments by MBCC.
 - (f) As set out in paragraph 6.33, the proposal and tender documents prepared by the Parties as part of bilateral negotiations and/or tender processes highlight their strengths in relation to technical services, R&D, innovation, and delivery service level requirements.²⁴¹

²³⁶ By way of example, see: Parties, Annex 044, FMN; Sika, Annex 077, FMN; MBCC, Annex 052, FMN; Sika, Annex 095, FMN; Sika, Annex 123, FMN; MBCC, Annex 165, FMN; MBCC, Annex 171, FMN; Sika, Annex 228, FMN; Sika, Annex 410, FMN; Sika, Annex 427, FMN; Sika, Annex 492, FMN. The internal documents submitted by MBCC to the CMA did not contain any analysis of competitors for chemical admixtures.

²³⁷ MBCC, Annex 171, FMN; Sika, Annex 077, FMN.

²³⁸ Sika, Annex 313, FMN. All tenders and business opportunities included in this annex were undertaken over the period 2017-2021, with the vast majority occurring over the period 2019-2021. We understand that this evidence is not a complete record of tenders and business opportunities as they are not always recorded internally by Sika on its customer relationship management system (Parties, response dated 13 April 2022 to phase 1 RFI 2, question 8; FMN, paragraph 433).

²³⁹ Sika, Annex 123, FMN. See also: Sika, Annex 077, FMN.

²⁴⁰ Sika, Annex 427, FMN. See also: Sika, Annex 199, FMN; Sika, Annex 228, FMN; Sika, Annex 303, FMN.

²⁴¹ See for example: Sika, Annex 91, FMN; Sika, Annex 321, FMN; MBCC, Annex 332, FMN.

Provisional conclusion on closeness of competition between the Parties

8.37 Based on this evidence, we provisionally find that the Parties are close competitors in the market for the supply of chemical admixtures for cement, concrete and wet mortar and are important competitive forces in the UK, in particular for Large Customers.

Competitive constraints from other suppliers of chemical admixtures

8.38 In this section we assess the strength of the competitive constraint the Merged Entity would face from other suppliers of chemical admixtures currently active in the UK that will remain after the Merger.

8.39 The Parties submitted that there are numerous strong suppliers of chemical admixtures that currently compete with the Parties and will continue to do so post-Merger.²⁴²

8.40 We have assessed evidence on the competitive constraints from alternative suppliers of chemical admixtures on the Merged Entity, including the merged Saint-Gobain/GCP, Oscrete, Mapei and Cemex as well as all other suppliers currently active in the UK.

The merged Saint-Gobain/GCP

8.41 Saint-Gobain completed its acquisition of GCP on 27 September 2022. We do not, however, have direct evidence of the competitive strength of the merged Saint-Gobain/GCP relative to the Merged Entity. Therefore, we have considered historic evidence regarding the competitive strength of Saint-Gobain and GCP as independent competitors before considering the competitive constraint that the merged Saint-Gobain/GCP would exert on the Merged Entity going forward.²⁴³

8.42 We estimate that Saint-Gobain and GCP had a combined share of supply in chemical admixtures in the UK of [20-30%] in 2021, making the newly merged Saint-Gobain/GCP the third largest supplier of admixtures after the Parties.²⁴⁴

²⁴² FMN, paragraph 291(c); Parties' response to the Issues Letter – Chemical admixtures, paragraph 3.

²⁴³ We note that the phase 1 customer and competitor questionnaires asked for views on GCP and Saint-Gobain as independent competitors and not as a merged entity

²⁴⁴ See Table 2.

- 8.43 Market participants generally viewed Saint-Gobain and GCP as strong suppliers, although not as strong as the Parties:²⁴⁵
- (a) The large majority of respondents to our competitor questionnaire indicated that Saint-Gobain and GCP are strong or very strong suppliers in the UK, with a small number stating that they are weak suppliers of chemical admixtures.²⁴⁶
 - (b) At least half of respondents to our customer questionnaire indicated that Saint-Gobain and GCP are strong or very strong suppliers in the UK,²⁴⁷ with a small number stating that they are weak suppliers of chemical admixtures.²⁴⁸
 - (c) As set out at paragraph 8.24, some customers told us that Saint-Gobain and GCP are two of only a small number of suppliers (including the Parties) that are able to successfully meet their chemical admixture requirements in the UK.²⁴⁹ Consistent with this, many respondents to the customer questionnaire source a significant proportion of their admixture requirements from these suppliers (in particular GCP).
 - (d) While one Large Customer told us that it receives significant R&D support from Saint-Gobain,²⁵⁰ two other Large Customers told us that Saint-Gobain has weaker innovation and R&D capabilities than the Parties.²⁵¹
- 8.44 Both Saint-Gobain and GCP have a track record as major suppliers to Large Customers, although GCP's position as a main supplier to large, national customers has eroded in recent years:
- (a) As shown in Table 1, Saint-Gobain was the main supplier to one Large Customer in 2021. In contrast, GCP is not currently the main supplier to any Large Customer and did not supply more than 20% of any Large Customer's admixture requirements in 2021.
 - (b) Tender information submitted by two Large Customers shows that Saint-Gobain and GCP were two of a small number of chemical admixture

²⁴⁵ Fewer customers and competitors that responded to our questionnaire indicated that Saint-Gobain or GCP were strong or very strong than MBCC or Sika.

²⁴⁶ For Saint-Gobain, all competitors except for [REDACTED] and [REDACTED] said that Saint-Gobain is a strong or very strong supplier. For GCP, all competitors except for [REDACTED], [REDACTED] and [REDACTED] said that GCP is a strong or very strong supplier (Third Party responses ([REDACTED]) to the phase 1 customer questionnaire).

²⁴⁷ [REDACTED] said that Saint-Gobain is a strong or very strong supplier in the UK. [REDACTED] said that GCP is a strong or very strong supplier in the UK (Third Party responses ([REDACTED]) to the phase 1 customer questionnaire).

²⁴⁸ Third Party responses ([REDACTED]) to the phase 1 customer questionnaire.

²⁴⁹ [REDACTED] said that Saint-Gobain could meet their requirements (Third Party responses ([REDACTED]) to the phase 1 customer questionnaire).

²⁵⁰ Note of call with a Third Party, phase 1 [REDACTED].

²⁵¹ Note of call with a Third Party, phase 1 [REDACTED]; Note of call with a Third Party, phase 1 [REDACTED].

suppliers invited to participate in their recent tender processes.²⁵² Saint-Gobain did not win either of these opportunities. One of these customers switched its [REDACTED].²⁵³ The other ruled out GCP for a number of reasons including that GCP was unable to supply nationally.²⁵⁴

- (c) [REDACTED] lost a regional contract with another Large Customer to [REDACTED] in 2021. [REDACTED] was the incumbent supplier of this Large Customer's other regional contract and now supplies this customer nationally.²⁵⁵

- 8.45 In relation to innovation and R&D, Saint-Gobain has a number of innovation and R&D projects currently in the pipeline.²⁵⁶ Saint-Gobain also has a recent track record of bringing innovative chemical admixture products to the market, such as its Optima 1180 superplasticiser, [REDACTED].²⁵⁷
- 8.46 However, there is evidence that GCP's position as an innovator in chemical admixtures has declined since it was spun-off from W.R. Grace & Co Group in 2016. In the last four years [REDACTED].²⁵⁸ In addition, GCP does not have [REDACTED],²⁵⁹ and its recent product launches [REDACTED].²⁶⁰ This decline in GCP's innovation capability is reflected in GCP's internal documents. For example, GCP's own SWOT analysis identified [REDACTED].²⁶¹
- 8.47 Sika's internal documents assess Saint-Gobain and GCP as having some competitive strengths, particularly in cement admixtures, but also a number of limitations and weaknesses.²⁶²
- 8.48 Sika's limited information on its recent tenders and business opportunities shows that it believes it competes less frequently against [REDACTED] than MBCC although it competes frequently against [REDACTED].²⁶³
- 8.49 Taking this evidence in the round, we consider that the combined Saint-Gobain/GCP would have a similar competitive position to each of the Parties pre-Merger, particularly having regard to its size and scale, and its product development, R&D and innovation capabilities. Saint-Gobain told us that it has increased its investment in R&D in recent years.²⁶⁴ Saint-Gobain also

²⁵² Note of call with a Third Party, phase 1 [REDACTED]; Third Party response to the CMA's questions [REDACTED].

²⁵³ Note of call with a Third Party, phase 1 [REDACTED].

²⁵⁴ Third Party response to the CMA's questions [REDACTED].

²⁵⁵ Third Party response to the phase 2 RFI 2 [REDACTED].

²⁵⁶ [REDACTED].

²⁵⁷ Sika, Annex 021, FMN.

²⁵⁸ [REDACTED].

²⁵⁹ [REDACTED].

²⁶⁰ [REDACTED].

²⁶¹ [REDACTED].

²⁶² Sika, Annex 095, FMN; Sika, Annex 198, FMN; Sika, Annex 199, FMN; Sika, Annex 228, FMN (replicated at Sika, Annex 303, FMN); Sika, Annex 265, FMN.

²⁶³ Sika, Annex 313, FMN.

²⁶⁴ [REDACTED].

self-supplies polymers, which will allow the merged Saint-Gobain/GCP to customise admixtures at the polymer level.²⁶⁵ As noted above, the merged Saint-Gobain/GCP would be the main supplier to one Large Customer and the secondary supplier to another Large Customer. We consider that the merged Saint-Gobain/GCP would exert a stronger constraint on the Merged Entity than either supplier would independently.

- 8.50 We therefore provisionally find that the merged Saint-Gobain/GCP would exert a strong constraint on the Merged Entity.

Oscrete

- 8.51 Oscrete is based in Bradford and is only active in the UK.²⁶⁶ Unlike other larger suppliers, including the Parties, that primarily supply to ready-mix concrete producers, Oscrete focuses on the sale of admixtures to pre-cast concrete producers, which accounted for [60-80%] of Oscrete's chemical admixture sales in 2021.²⁶⁷

- 8.52 We estimate that Oscrete had a share of supply in chemical admixtures for cement, concrete and wet mortar in the UK of [5-10] in 2021.²⁶⁸

- 8.53 Views were mixed, but overall market participants viewed Oscrete as a weaker supplier of chemical admixtures in the UK than the Parties.²⁶⁹

(a) Although some respondents to our competitor questionnaire indicated that Oscrete is a strong or very strong supplier in the UK, the same number indicated that Oscrete is a weak or very weak supplier of chemical admixtures.²⁷⁰

(b) Although some respondents to our customer questionnaire indicated that Oscrete is a strong or very strong supplier in the UK, more indicated that Oscrete is a weak or very weak supplier of chemical admixtures.²⁷¹

²⁶⁵ [X].

²⁶⁶ Oscrete imports small volumes of admixtures from GOVI in Europe. Note of call with a Third Party, phase 1 [X].

²⁶⁷ Third Party response to the phase 1 customer questionnaire [X].

²⁶⁸ See Table 2.

²⁶⁹ Significantly fewer customers and competitors that responded to our questionnaire indicated that Oscrete was strong or very strong than MBCC or Sika.

²⁷⁰ [X] said that Oscrete is a strong or very strong supplier; and [X] said that Oscrete is a weak or very weak supplier (Third Party responses ([X]) to the CMA questionnaire).

²⁷¹ In particular, [X] said that Oscrete is a strong or very strong supplier; and [X] said that Oscrete is a weak or very weak supplier (Third Party responses ([X]) to the phase 1 customer questionnaire).

- (c) Oscrete was only mentioned by one Large Customer, which principally supplies pre-cast concrete products to the construction industry, as being capable of successfully meeting its admixture requirements in the UK.²⁷²
 - (d) Another Large Customer told us that Oscrete is a smaller, local supplier of chemical admixtures and is not comparable to Sika and MBCC.²⁷³
- 8.54 Evidence from customers on their sources of chemical admixtures as well as their bilateral negotiations and/or tender processes is consistent with the view that Oscrete is weaker than Sika and MBCC and not an effective alternative. In particular:
- (a) No respondent to our customer questionnaire sourced more than 20% of its chemical admixture requirements in 2021 from Oscrete.²⁷⁴
 - (b) Oscrete is not currently the main supplier to any Large Customer.²⁷⁵
 - (c) A Large Customer did not invite Oscrete to take part in its recent tender process for its main supply contract.²⁷⁶ Another Large Customer did invite Oscrete to participate in its recent tender process, alongside the Parties, Saint-Gobain and GCP. However, it did not receive a response from Oscrete to its request for a proposal.²⁷⁷
- 8.55 Sika's internal documents do not show evidence of regular or extensive competitive monitoring of Oscrete and assess Oscrete as a supplier with a '[REDACTED]' that targets '[REDACTED]'.²⁷⁸ Sika's limited information on its recent tenders and business opportunities shows that it believes it '[REDACTED]'.²⁷⁹
- 8.56 Consistent with the evidence above, Oscrete told us that when it supplies ready-mix customers, it tends to deal with regional and local producers.²⁸⁰ Oscrete told us that it cannot supply Large Customers who award national contracts, although it is capable of serving regional contracts.²⁸¹ Oscrete also explained that it tends to focus on, and is stronger in, the pre-cast sector because there is more regularity in that sector in comparison to ready-mix

²⁷² Of those customers (which included most respondents) that said that only some customers are capable of successfully meeting their admixture requirements. Third Party response to the phase 1 customer questionnaire [REDACTED].

²⁷³ Note of call with a Third Party, phase 1 [REDACTED].

²⁷⁴ Third Party responses ([REDACTED]) to the phase 1 customer questionnaire.

²⁷⁵ Third Party response to the phase 1 customer questionnaire [REDACTED]; Third Party response to the phase 2 RFI 2 [REDACTED].

²⁷⁶ Note of call with a Third Party, phase 1 [REDACTED].

²⁷⁷ Third Party response to the CMA questions [REDACTED].

²⁷⁸ Sika, Annex 095, FMN.

²⁷⁹ Sika, Annex 313, FMN.

²⁸⁰ Note of call with a Third Party, phase 1 [REDACTED].

²⁸¹ Note of call with a Third Party, phase 1 [REDACTED].

business where orders tend to be very dynamic and volumes depend on projects.

- 8.57 Oscrete told us that it wants to grow its business by supplying more admixtures to both ready-mix and pre-cast concrete producers but is currently facing significant challenges with scalability.²⁸² Although it has received interest from a Large Customer, Oscrete said it does not have the capacity to serve that customer. [REDACTED]. The evidence from Oscrete is consistent with our view, as set out below, that there are material barriers to entry and expansion.
- 8.58 Taking this evidence in the round, we provisionally find that Oscrete would be a limited constraint on the Merged Entity.

Mapei

- 8.59 Mapei currently imports finished chemical admixture products from Italy. Mapei told us that it is planning to expand in the UK and is currently in the advanced stages of setting up a UK production facility.²⁸³
- 8.60 We estimate that Mapei had a share of supply in chemical admixtures for cement, concrete and wet mortar in the UK of [0-5%] in 2021.²⁸⁴
- 8.61 Views on Mapei were mixed, but overall market participants currently viewed Mapei as a weaker supplier of chemical admixtures in the UK than the Parties.²⁸⁵
- (a) Around half of respondents to our competitor questionnaire indicated that Mapei is a strong supplier in the UK, with the others stating that Mapei is a weak or very weak supplier of chemical admixtures.²⁸⁶
- (b) Some respondents to our customer questionnaire, including some Large Customers, indicated that Mapei is a strong supplier in the UK,²⁸⁷ with a smaller number stating that Mapei is a weak or very weak supplier of chemical admixtures.²⁸⁸

²⁸² Note of call with a Third Party, phase 1 [REDACTED].

²⁸³ In particular Mapei told us that it is in the final stages of signing an agreement to lease a UK production facility and expects to start producing chemical admixtures from October 2022, with the facility reaching full functionality in Q1 2023 (Third Party response to the phase 2 RFI 1 [REDACTED]).

²⁸⁴ See Table 2.

²⁸⁵ Significantly fewer customers and competitors that responded to our questionnaire indicated that Mapei was strong or very strong than MBCC or Sika.

²⁸⁶ In particular: [REDACTED] said Mapei is a strong or very strong supplier; [REDACTED] said that Mapei is a weak or very weak supplier (Third Party responses ([REDACTED]) to the phase 1 competitor questionnaire).

²⁸⁷ Third Party responses ([REDACTED]) to the phase 1 customer questionnaire.

²⁸⁸ Third Party responses ([REDACTED]) to the phase 1 customer questionnaire.

- (c) One Large Customer told us that Mapei does not currently have the ability to meet its requirements at the volumes needed.²⁸⁹
 - (d) Another Large Customer said that Mapei is a smaller, local supplier of chemical admixtures that has only just entered the UK and has a limited footprint.²⁹⁰
- 8.62 Evidence from customers on their sources of chemical admixtures as well as their bilateral negotiations and/or tender processes is consistent with the view that Mapei is weaker than the Parties. In particular:
- (a) No respondent to our customer questionnaire sourced more than 20% of its chemical admixture requirements in 2021 from Mapei.²⁹¹
 - (b) Mapei is not currently the main supplier to any Large Customer.²⁹²
 - (c) A Large Customer, which invited Mapei to take part in its recent tender process, alongside the Parties, Saint-Gobain and GCP, ruled Mapei out because it did not have a UK production facility at the time.²⁹³
 - (d) Another Large Customer invited Mapei, the Parties, Saint-Gobain, GCP, and Oscore to participate in its recent tender process although Mapei did not submit any offer.²⁹⁴
- 8.63 Sika's internal documents show it regularly monitors Mapei in relation to a wide range of business areas, with documents which focus on Sika's concrete admixtures noting that Mapei has a '[REDACTED]'²⁹⁵ but that Mapei has a '[REDACTED]'.²⁹⁶ Sika's limited information on its recent tenders and business opportunities shows that it believes it [REDACTED].²⁹⁷
- 8.64 Mapei told us that it needs to establish a manufacturing site in the UK to compete more effectively with other local suppliers. Mapei's expansion plan in the UK is to grow incrementally each year over a five-year period.²⁹⁸
- 8.65 We recognise that Mapei is likely to become a stronger competitor to the Merged Entity once its production facility in the UK comes online and it starts

²⁸⁹ Note of call with a Third Party, phase 1 [REDACTED].

²⁹⁰ Note of call with a Third Party, phase 1 [REDACTED].

²⁹¹ Third Party responses to the phase 1 customer questionnaire; Third Party response to the phase 2 RFI 2 [REDACTED].

²⁹² Third Party responses ([REDACTED]) to the phase 1 customer questionnaire; Third Party response to the phase 2 RFI 2, [REDACTED].

²⁹³ Note of call with a Third Party, phase 1 [REDACTED].

²⁹⁴ Third Party response to the CMA questions [REDACTED].

²⁹⁵ Sika, Annex 095, FMN.

²⁹⁶ Sika, Annex 193, FMN.

²⁹⁷ Sika, Annex 313, FMN.

²⁹⁸ Note of call with a Third Party, phase 1 [REDACTED].

to supply UK customers from that facility. However, consistent with Mapei's own expansion plans, evidence from customers indicates that Mapei's ability to win large volumes of new customers quickly is likely to be limited.

- (a) As discussed in paragraphs 6.50 to 6.55, many customers did not consider that they could easily switch between chemical admixtures produced by different suppliers, while some customers told us that switching supplier is a long and costly process.
- (b) One Large Customer told us that it would consider giving a share of its demand to Mapei only once it has demonstrated that it meets its requirements and can scale up its production.²⁹⁹
- (c) Another Large Customer said it would consider working with Mapei once it has settled and matured within the UK but that it could take two to three years for Mapei to go through its development process and establish it can supply its requirements.³⁰⁰

8.66 Mapei is therefore only likely to be able to build its market position slowly from its current very small base (as set out in Table 2, we estimate that its share of supply is less than 5%).

8.67 Taking this evidence in the round, we provisionally find that Mapei would currently exert only a limited constraint on the Merged Entity although this constraint would be likely to strengthen over time as Mapei establishes itself in the UK.

Cemex

8.68 Cemex is a large supplier of concrete and cement that self-supplies most of its chemical admixture requirements.³⁰¹ It also supplies a small proportion of its chemical admixtures output to third parties.³⁰²

8.69 Other than the Parties and the suppliers discussed above, only Cemex was viewed as strong or very strong by more than one third of respondents to our competitor questionnaire.³⁰³

²⁹⁹ Note of call with a Third Party, phase 1 [REDACTED].

³⁰⁰ Note of call with a Third Party, phase 1 [REDACTED].

³⁰¹ Note of call with a Third Party, phase 1 [REDACTED].

³⁰² See Table 2.

³⁰³ Third Party responses ([REDACTED]) to the phase 1 competitor questionnaire.

- 8.70 We considered whether Cemex might exert a material constraint on the Parties notwithstanding its small market position (with a share of supply of less than 5% in 2021).
- 8.71 However, evidence from the Parties' customers did not suggest that Cemex is a strong supplier of chemical admixtures:
- (a) Only two respondents to our customer questionnaire indicated that Cemex was strong in the UK, with another two indicating that it was a weak supplier (with most stating that they did not know).³⁰⁴
 - (b) Cemex did not supply any respondent to our customer questionnaire, including Large Customers, in 2021.³⁰⁵
 - (c) Two Large Customers did not invite Cemex to participate in their recent tender processes for their main supply contract.³⁰⁶
- 8.72 Customers, particularly Large Customers, do not consider Cemex an effective alternative to independent chemical admixture suppliers given that they also compete against Cemex in the supply of cementitious products. Many customers indicated that they would be unlikely to purchase large volumes of chemical admixtures from a vertically integrated competitor, or would only be willing to source a limited range of chemical admixtures:
- (a) A few smaller customers told us that vertically integrated competitors would not be an effective alternative to the Parties as they would be unlikely to offer specialist technical support for chemical admixtures, would gain access to commercially sensitive information on their technical requirements, and could poach their customers.³⁰⁷
 - (b) One Large Customer told us that they would consider purchasing standard, non-specialist admixtures from a vertically integrated competitor but expressed concern that this might reveal potentially commercially sensitive information to the competitor.³⁰⁸

³⁰⁴ In particular, [X] and [X] said that Cemex is a strong supplier. [X] and [X] told us that Cemex is a weak supplier. All other respondents told us that they did not know the strength of Cemex (Third Party responses ([X]) to the phase 1 customer questionnaire).

³⁰⁵ Third party response to the phase 1 customer questionnaire [X].

³⁰⁶ Note of call with a Third Party, phase 1 [X]; Third Party response to the CMA questions [X].

³⁰⁷ Third Party response to the phase 2 RFI 1 [X]; and Third Party response to the phase 2 RFI 1 [X]. As noted in Chapter 6, customers need to undertake technical trials when purchasing chemical admixtures to establish the optimum dosage of the chemical admixture and test the resulting cementitious product against their requirements. This process necessarily requires the exchange of information between customers and suppliers on the customer's aggregates to assess, among other things, how the admixtures affect the quality of the final cementitious product, whether the dosage levels meet their preferences, and to develop new or reformulated chemical admixtures.

³⁰⁸ Third Party response to the phase 2 RFI 1 [X].

- (c) One other Large Customer told us that they would not purchase from Cemex given that they compete against them in the supply of cementitious products.³⁰⁹
- (d) Another Large Customer noted that they would be unlikely to purchase from a vertically integrated competitor, unless it was for a one-off specific contract, as it could give the competitor commercially sensitive information.³¹⁰
- (e) Another Large Customer said that there may be some commercial considerations in relation to product development, innovation, and differentiation when sourcing from vertically integrated competitors, particularly given that input materials play a large role in product development for new admixtures.³¹¹

8.73 Taking this evidence in the round, we provisionally find that Cemex would be a weak constraint on the Merged Entity.

Other suppliers

- 8.74 We estimate that all remaining suppliers of chemical admixtures had a combined share of supply of around 20% in 2021, with each having a share of no more than 5%.³¹²
- 8.75 Some of these other smaller suppliers indicated that they manufacture a narrower range of chemical admixtures than the Parties and their largest rivals.³¹³ David Ball Group, Schomburg, FIS, and Kryton specialise in water resisting/retaining chemical admixtures, while PROQUICESA only supplies chemical admixtures for cement.
- 8.76 Two other smaller suppliers have limited, or no, production facilities in the UK and currently rely on imports to supply their UK customers.³¹⁴ Another supplier only produces and sells chemical admixtures in Ireland and Northern Ireland.³¹⁵ As set out in paragraph 7.17, customers consider suppliers that can only meet their needs through imports are weaker alternatives to suppliers with UK production facilities and would not rely on imports for a

³⁰⁹ Third Party response to the phase 1 customer questionnaire [REDACTED].

³¹⁰ Third Party response to the phase 2 RFI 1 [REDACTED].

³¹¹ Third Party response to the phase 2 RFI 1 [REDACTED].

³¹² See Table 2. The Parties and third parties identified, in addition to the Parties, Saint-Gobain, GCP, Oscrete and Mapei, more than ten other suppliers of chemical admixtures that were active in the UK.

³¹³ Third Party responses ([REDACTED]) to the phase 1 competitor questionnaire; Sika, Annex 356, FMN.

³¹⁴ Third Party responses ([REDACTED]) to the phase 1 competitor questionnaire.

³¹⁵ Third Party response to the phase 1 competitor questionnaire [REDACTED].

significant proportion of their supply needs because of concerns about security of supply and delays in delivery of their admixtures.

- 8.77 One of these smaller suppliers also told us that smaller suppliers cannot compete with bigger suppliers as they have economies of scale to keep prices low.³¹⁶
- 8.78 A Large Customer said that it did not invite other smaller suppliers to participate in its most recent tender as they would not have sufficient scale to meet its requirements.³¹⁷ Another Large Customer said that other smaller suppliers can be important suppliers but of specialty admixtures that meet specific requirements.³¹⁸ This customer also observed that some smaller suppliers do not manufacture their own products and just re-supply or distribute products from larger suppliers.³¹⁹
- 8.79 Consistent with the views of the Parties' competitors and customers, Sika's limited information on its recent tenders and business opportunities shows that it believes it only competed against one supplier other than MBCC, Saint-Gobain, GCP, Ocrete and Mapei on [REDACTED] occasions for smaller value contracts.³²⁰ Subject to one exception, respondents to our customer questionnaire also indicated that they did not source more than 20% of their UK admixture volumes in 2021 from any supplier other than Sika, MBCC, Saint-Gobain, GCP, and Mapei.³²¹
- 8.80 Taking this evidence in the round, we provisionally find that other suppliers would not exert a material competitive constraint on the Merged Entity, either individually or in aggregate.

Provisional conclusion on competitive constraints from alternative suppliers of chemical admixtures

- 8.81 Based on the evidence set out above, we provisionally find that the Merged Entity would not be sufficiently constrained by alternative suppliers, either individually or in aggregate, to prevent competition concerns from arising.
- 8.82 In particular, we have provisionally found that other than the merged Saint-Gobain/GCP, all existing suppliers would exert only a limited constraint on the

³¹⁶ Note of call with a Third Party, phase 1 [REDACTED].

³¹⁷ Note of call with a Third Party, phase 1 [REDACTED].

³¹⁸ Note of call with a Third Party, phase 1 [REDACTED].

³¹⁹ Note of call with a Third Party, phase 1 [REDACTED].

³²⁰ Sika, Annex 313, FMN.

³²¹ We note that one small customer ([REDACTED]) sourced 20-40% of its requirements from PROQUICESA, which we understand only supplies chemical admixtures for cement (Sika, Annex 356, FMN). Third Party responses ([REDACTED]) to the phase 1 customer questionnaire, question 11.

Merged Entity. Although the constraint from Mapei is likely to grow in the future, we do not consider that this is sufficient to offset the loss of competition from the Merger given Mapei's small market position relative to the Merged Entity and the likely pace of its growth.

- 8.83 We consequently provisionally conclude that the Merger will give rise to an SLC in the market for the supply of chemical admixtures for cement, concrete and wet mortar in the UK.

Countervailing constraints

- 8.84 In some instances, there may be countervailing factors that prevent or mitigate any SLC arising from a merger.³²²
- 8.85 We have therefore examined whether (i) entry and/or expansion by suppliers of chemical admixtures would be timely, likely, and sufficient to mitigate or prevent an SLC from arising and (ii) countervailing buyer power could prevent an SLC that would otherwise arise from the elimination of competition between the Parties.

Barriers to entry and expansion

- 8.86 Entry or expansion of existing firms can mitigate the effect of an acquisition on competition, and in some cases may mean that there is no SLC. In assessing whether entry or expansion might prevent a SLC, we consider whether such entry or expansion would be timely, likely, and sufficient. In terms of timeliness, our guidelines indicate that this is case specific but that we will generally look for entry to occur within two years.³²³
- 8.87 The Parties submitted that, as there are no barriers to entry and expansion at the production level, the Merged Entity will be constrained by the ability of new suppliers to enter the UK and by existing suppliers expanding production volumes.³²⁴
- 8.88 Market participants told us that there are a number of barriers to entry and expansion in the supply of chemical admixtures in the UK and, consequently, many suppliers view the UK as a difficult market in which to enter and expand successfully.³²⁵ The barriers to entry and expansion viewed as most significant by third parties include:

³²² MAGs, paragraph 8.1.

³²³ MAGs, paragraph 8.33.

³²⁴ FMN, paragraph 291(e); Parties' response to the Issues Letter – Chemical admixtures, paragraph 5.

³²⁵ Third Party responses ([X]) to the phase 1 competitor questionnaire.

- (a) Economies of scale in development, production, sales, and distribution, which were considered to be important or very important by all respondents to our competitor questionnaire.³²⁶ A competitor told us that larger suppliers of chemical admixtures benefit from economies of scale in production and distribution and can access the raw materials needed to produce chemical admixtures more reliably and for a lower price.³²⁷ One Large Customer said that admixture suppliers need economies of scale in order to be cost competitive, to have sufficient funds to finance innovation and employ technicians, and to benefit from increased buyer power when sourcing raw materials.³²⁸
- (b) Local production of chemical admixtures, which was considered to be important or very important by a large majority of respondents to our competitor questionnaire.³²⁹ Suppliers that rely on imports to supply their UK customers told us that they only import small volumes of admixtures, some speciality products that they only produce in their non-UK production facilities, and/or are looking to start producing chemical admixtures within the UK in the next two years and consider this necessary to be competitive in the UK.³³⁰ This is also consistent with the views of customers who said they would not rely on imports for a significant proportion of their supply needs.³³¹
- (c) Investment in product research and development, which was considered to be an important or very important barrier to entry and expansion by the vast majority of respondents to our competitor questionnaire.³³² This is consistent with the views of the vast majority of respondents to our customer questionnaire, who indicated that technical expertise, product development and innovation are important or very important factors in their choice of chemical admixtures supplier.³³³ Third parties said that suppliers' technical resources need to be located in the UK as the materials that interact with chemical admixtures have different compositions in the UK and elsewhere in Europe.³³⁴

³²⁶ Third Party responses ([REDACTED]) to the phase 1 competitor questionnaire.

³²⁷ Note of call with a Third Party, phase 1 [REDACTED]

³²⁸ Note of call with a Third Party, phase 1 [REDACTED].

³²⁹ Third party responses ([REDACTED]) to the phase 1 competitor questionnaire.

³³⁰ Third party responses ([REDACTED]) to the phase 1 competitor questionnaire; Note of call with a third Party, phase 1 [REDACTED]; Third Party response to the phase 1 competitor questionnaire [REDACTED].

³³¹ See Chapter 7.

³³² Third party responses ([REDACTED]) to the phase 1 competitor questionnaire.

³³³ Subject to two exceptions ([REDACTED] and [REDACTED]), all respondents said that production development and innovation is important or very important. Subject to one exception ([REDACTED]), all respondents said that technical expertise is important or very important (Third party responses ([REDACTED]) to the phase 1 customer questionnaire).

³³⁴ Note of call with a Third Party, phase 1 [REDACTED]; Note of call with a Third Party, phase 1 [REDACTED]; Note of call with a Third Party, phase 1 [REDACTED]; Note of call with a Third Party, phase 1 [REDACTED].

(d) Access to raw materials, which was considered to be an important or very important barrier to entry and expansion by the large majority of respondents to our competitor questionnaire.³³⁵

(e) Existing relationships between suppliers and customers and the lack of track record or reputation for potential entrants, which were considered to be a barrier to entry and expansion by some respondents to our competitor questionnaire.³³⁶ This is consistent with the vast majority of respondents to our customer questionnaire, who indicated that reputation is an important or very important factor in their choice of chemical admixtures supplier.³³⁷

8.89 In addition, some suppliers currently active in the UK identified access to a sufficiently large production area or storage facilities as an additional barrier that would limit their ability to expand chemical admixture volumes. While the large majority of respondents to our competitor questionnaire indicated that they had plans to increase their production of chemical admixtures by utilising their spare capacity,³³⁸ some of these suppliers said that this would require them to invest in expanding their facilities to hold the necessary additional raw materials to produce greater volumes and to store these finished products before they are distributed to customers.³³⁹

8.90 We have not received any evidence of planned entry by any suppliers not currently active in the UK (triggered by the Merger or otherwise). In relation to expansion, as set out above in the competitive assessment, Mapei and Oscrete currently have small market positions and we provisionally find that any expansion by them is unlikely to mitigate the loss of competition between the Parties arising from the Merger.

8.91 Any expansion by the long tail of suppliers currently active in the UK, each with a share of supply of 5% in 2021, would also be unlikely to mitigate the loss of competition between the Parties arising from the Merger. Small-scale entry or expansion would not be comparable to the constraint eliminated by the Merger and is therefore unlikely to prevent an SLC.³⁴⁰

(a) To prevent an SLC, the effect of entry on competition and the market must be timely.³⁴¹ The pace at which any long-tail suppliers (or entrants)

³³⁵ Third Party responses ([REDACTED]) to the phase 1 competitor questionnaire.

³³⁶ Third Party responses ([REDACTED]) to the phase 1 competitor questionnaire.

³³⁷ Third Party responses ([REDACTED]) to the phase 1 customer questionnaire.

³³⁸ Third Party responses ([REDACTED]) to the phase 1 competitor questionnaire.

³³⁹ Third Party responses ([REDACTED]) to the phase 1 competitor questionnaire; Note of call with a Third Party, phase 1 [REDACTED]; Note of call with a Third Party, phase 1 [REDACTED]; Note of call with a Third Party, phase 1 [REDACTED].

³⁴⁰ MAGs, paragraph 8.39.

³⁴¹ As explained above, the CMA will look for entry to occur within two years, although each case is fact specific.

would be able to scale up supply, and the pace at which customers might switch supply, means that any growth would be gradual. Given the market position of the Merged Entity any entry or expansion would not offset the loss of competition in a timely manner.

- (b) Moreover, customers generally viewed suppliers with a smaller range of chemical admixture products as weak or very weak in the UK.³⁴² It therefore follows that a supplier which enters or expands with a more limited range of products is unlikely to compete strongly with the larger incumbent suppliers in the market and would pose a weak competitive constraint on the Merged Entity. As explained above, many of the long-tail suppliers only supply a narrow range of admixtures.
- (c) In addition, small-scale entry or expansion would not meet the needs of Large Customers of chemical admixtures in the UK. As explained in paragraph 6.35, many Large Customers told us that they have additional requirements to other customers in relation to volumes and the need for chemical admixtures to be delivered to their network of production sites. Given that these customers told us that only some suppliers currently have sufficient scale and the operational network to meet their needs, small-scale entry or expansion would not be an effective alternative to the Parties for these customers even over the longer term.

8.92 Based on this evidence, we provisionally find that there will be limited countervailing constraint on the Merged Entity as a result of the entry and expansion of suppliers in the UK.

Countervailing buyer power

8.93 Where a customer has the ability and incentive to trigger new entry, it may be able to restore competitive conditions to the levels that would have prevailed absent the merger.³⁴³ The two main ways customers may be able to trigger new entry – sponsored entry and self-supply – are assessed under the same framework that we apply to the countervailing constraints on the Merged Entity from the ability of suppliers to enter and expand.

8.94 Most other forms of buyer power that do not result in new entry – for example, buyer power based on a customer's size, sophistication, or ability to switch easily – are unlikely to prevent an SLC that would otherwise arise from the elimination of competition between the merger firms.³⁴⁴ This is because a

³⁴² Third Party responses ([§]) to the phase 1 competitor questionnaire; Third Party responses ([§]) to the phase 1 customer questionnaire.

³⁴³ MAGs, paragraph 4.19.

³⁴⁴ MAGs, paragraph 4.20.

customer's buyer power depends on the availability of good alternatives they can switch to, which in the context of an SLC will have been reduced.

- 8.95 The Parties submitted that chemical admixture customers exert significant countervailing buyer power, determining the price and share of suppliers in high volume tenders, and can play off suppliers against one another based on parameters such as price and quality of services provided, due to the largely commoditised product.³⁴⁵
- 8.96 Consistent with the views of market participants on the barriers to entry and expansion in the supply of chemical admixtures in the UK set out above, the vast majority of respondents to our customer questionnaire said that they would not consider self-supplying chemical admixtures.³⁴⁶
- 8.97 In particular, one Large Customer said that it would not start self-supplying concrete admixtures in the UK even though it does so in other geographies.³⁴⁷ This customer emphasised that a concrete producer might choose to self-supply if it had the required technical knowledge and capabilities in the UK to successfully produce concrete admixtures, but this would be a significant hurdle for its business as admixtures are not simple products and the technology involved is more sophisticated than it was in the past as sustainability is now a greater focus.
- 8.98 Of the small number that did consider self-supply to be an option, we have found that they (or their parent company) already produce chemical admixtures in the UK or in other geographies.³⁴⁸ In particular, one Large Customer whose parent company produces chemical admixtures in Europe said that it is unlikely it would choose to self-supply chemical admixtures but cannot rule this out as an option given the ongoing consolidation in the market.³⁴⁹
- 8.99 We have found that only one customer, Cemex, self-supplies the majority of its chemical admixture requirements in the UK. However, it told us that it sells only a small proportion of the volumes it produces to other customers.³⁵⁰ Consistent with this, Cemex did not supply any respondents to our customer questionnaire, including Large Customers, in 2021.³⁵¹ In addition, as set out above, customers (particularly Large Customers) do not consider Cemex to

³⁴⁵ FMN, paragraph 291(d) and section 23; Parties' response to the Issues Letter – Chemical admixtures, paragraph 1.2.

³⁴⁶ Third Party responses ([REDACTED]) to the phase 1 customer questionnaire.

³⁴⁷ Note of call with a Third Party, phase 1 [REDACTED].

³⁴⁸ Third Party responses ([REDACTED]) to the phase 1 customer questionnaire.

³⁴⁹ Third Party response to the phase 1 customer questionnaire [REDACTED]

³⁵⁰ Note of call with a Third Party, phase 1 [REDACTED]; Third Party response to the phase 1 customer questionnaire [REDACTED].

³⁵¹ Third Party response to the phase 1 customer questionnaire [REDACTED].

be an effective alternative to the Parties or other independent chemical admixture suppliers given that they also compete against Cemex in the supply of cementitious products. This suggests that an individual customer choosing to self-supply would be unlikely to address the SLC and its adverse effects on other customers as significant additional volumes may not be made available to the rest of the market (and even if they were customers would be reluctant to purchase them).

8.100 We also found that customers sponsoring the entry or expansion of suppliers is unlikely to prevent the Merged Entity from raising prices and/or worsening quality to these customers or others in the market in the next two years. While sponsoring the entry or expansion of chemical admixture suppliers was considered an option by a majority of respondents to our customer questionnaire, these respondents explained that this was a weaker alternative than switching to another established supplier.³⁵² This is because smaller suppliers would first need to meet their technical requirements and be ready to invest in scaling up their production volumes before giving them a larger share of their demand, a process which could take several years and would be riskier than sourcing products from established players.³⁵³

8.101 In addition, as set out in paragraphs 6.50 to 6.55, customers did not consider that they could easily switch between chemical admixtures produced by different suppliers. This is because switching supplier is a costly and long process for customers, particularly for Large Customers with a large network of production sites across the UK, which requires customers to work with a new supplier to test (and in some cases develop) the right product to use with their cement and aggregates in addition to training sales and technical teams on the new products.³⁵⁴ Customers sponsoring the entry or expansion of suppliers would therefore face significant costs when working with new suppliers, which is likely to limit the opportunities available to smaller suppliers looking for opportunities to expand in the UK by increasing the share of Large Customers' demand they supply.

8.102 Based on this evidence, we provisionally find that countervailing buyer power would not prevent an SLC from arising following the elimination of competition between the Parties post-Merger.

³⁵² Third Party responses ([REDACTED]) to the phase 1 customer questionnaire.

³⁵³ Third Party responses ([REDACTED]) to the phase 1 customer questionnaire.

³⁵⁴ Consistent with this, we have found that Large Customers switch their supply infrequently and, when they do switch, tend to switch only a portion of their demand or switch to a new supplier slowly over time (see paragraph 6.55).

Provisional conclusion on countervailing constraints

8.103 Based on this evidence, we provisionally conclude that countervailing constraints on the Merged Entity will not be sufficient to prevent competition concerns from arising the Merger.

Provisional conclusion

8.104 For the above reasons, we provisionally conclude that the Merger may be expected to result in a SLC in the market for the supply of chemical admixtures for cement, concrete and wet mortar in the UK. In particular:

- (a) The Merged Entity would be by far the largest supplier, with a share of supply of [50-60%], in a highly concentrated market post-Merger.
- (b) The Parties compete closely across a broad range of parameters that customers consider to be important or very important, such as security of supply, quality and performance, product range, technical expertise, product development and innovation. The Parties are also two of only a small number of suppliers that customers, particularly Large Customers, consider have the capacity and capability to meet their chemical admixture requirements.
- (c) The Merged Entity would likely face at least a strong constraint from one other supplier, the merged Saint-Gobain/GCP, but all remaining competitors will be significantly smaller than the Merged Entity and will exert only a limited constraint. Although the constraint from Mapei is likely to grow overtime, once its UK production facility comes online, this would not be sufficient to offset the loss of competition from the Merger.
- (d) There are significant barriers to entry and expansion and, although a number of suppliers have expansion plans, these will not have a significant enough effect on the structure of the market to prevent an SLC even if these plans materialise.