

SUMMARY

Overview of the CMA's decision

1. The Competition and Markets Authority (**CMA**) has found that the acquisition by Arçelik A.Ş. (**Arçelik**) of Whirlpool Corporation's (**Whirlpool**) EMEA Major Domestic Appliances Business (the **Target**) (the **Transaction**), gives rise to a realistic prospect of a substantial lessening of competition (**SLC**) as a result of horizontal unilateral effects in the supply of washing machines, tumble dryers, dishwashers and cooking appliances in the UK.
2. On 16 January 2023, Arçelik and Whirlpool entered into a Contribution Agreement, under which Arçelik will set up a new standalone business, Beko Europe B.V. (**Beko Europe**). The Target comprises Whirlpool's Europe, Middle East and Africa (**EMEA**) major domestic appliances business. Arçelik will hold c.75% of the shares in Beko Europe and Whirlpool will contribute the Target business in exchange for a minority shareholding of c.25%. Arçelik and Whirlpool are together referred to as the **Parties** and, for statements relating to the future, the **Merged Entity**.
3. As the CMA has found that the Transaction gives rise to a realistic prospect of an SLC, the Parties have until 5 October 2023 to offer an undertaking in lieu of a reference to phase 2 (**UIL**) to the CMA. If no such undertaking is offered, then the CMA will refer the Transaction pursuant to sections 33(1) and 34ZA(2) of the Enterprise Act 2002 (the **Act**).

Who are the businesses and what products/services do they provide?

4. Arçelik is a Turkish company that supplies globally a broad range of home appliances and consumer electronics. In the UK, Arçelik supplies major domestic appliances (**MDA**) primarily under the Beko, Blomberg and Grundig brands.
5. Whirlpool is a US company that manufactures and markets globally a full line of domestic appliances and related products, in particular, MDA and small domestic appliances. In the UK, Whirlpool supplies MDA under the Whirlpool, Indesit and Hotpoint brands.
6. The product markets that the CMA investigated were washing machines, tumble dryers, dishwashers, refrigerators, freezers and cooking appliances.

Why did the CMA review this transaction?

7. The CMA's primary duty is to seek to promote competition for the benefit of consumers. It has a duty to investigate mergers that could raise competition concerns in the UK, provided it has jurisdiction to do so. The CMA has concluded that it has jurisdiction to review this Transaction: the CMA believes it is or may be the case that each of Arçelik and the Target is an enterprise and that they will cease to be distinct as a result of the Transaction, and that the turnover test is met given that the Target generated more than £70 million turnover in the UK in the most recent financial year.
8. Arçelik announced in January 2023 by way of a press release that it had agreed to acquire the Target in exchange for shares in Beko Europe. The Transaction is conditional on receiving merger control clearance from the CMA and other competition authorities.

What evidence has the CMA looked at?

9. In assessing this Transaction, the CMA considered a wide range of evidence in the round.
10. The CMA received several submissions and responses to requests for information from the Parties. This included data on the Parties' revenues, prices and shares of supply across different MDA product categories. The CMA also examined the Parties' internal documents, which show how they run their business, how they view their competitors and how they assess the relevant markets.
11. The CMA also spoke to and gathered evidence from other market participants, including customers and competitors of the Parties, to better understand the competitive landscape.

What did the evidence tell the CMA...

...about the effects on competition of the Transaction?

12. The CMA looked at whether the Transaction would lead to an SLC in the supply of each of washing machines, tumble dryers, dishwashers, refrigerators, freezers and cooking appliances in the UK.

13. The CMA found that the Transaction raises significant competition concerns as a result of horizontal unilateral effects in the supply of washing machines, tumble dryers, dishwashers, and cooking appliances because:
 - (a) the Parties have high shares of supply in each of these product categories, and the Merged Entity would be the largest individual supplier in each category;
 - (b) evidence from internal documents, third parties and the CMA's pricing analysis indicates that the Parties compete closely with each other, particularly in the low- to mid- price ranges; and
 - (c) although the Parties will continue to face some competition from alternative suppliers, including established European providers (such as BSH operating under its Bosch, Siemens and Neff brands), Chinese providers (such as Haier with its Candy and Hoover brands) and **Private label** brands (Private label products are manufactured by an MDA6 supplier or other third party manufacturer but sold under the retailer's own brand name(s)), the constraint from these suppliers is unlikely to be sufficient to prevent a significant reduction in competition in these product categories. In particular, most of these suppliers compete less closely with the Parties than the Parties do with each other, for example because they are less present in the price ranges where the Parties are strongest.
14. The CMA found that the Transaction does not raise significant competition concerns in the supply of refrigerators and freezers. Although the Parties do appear to compete closely in these product categories, they have comparatively lower market shares and face considerable competitive constraints from a range of suppliers that also compete closely with the Parties, including BSH, Hisense (including its Fridgemaster brand) and Private label brands. This is consistent with evidence gathered from third-parties, internal documents and the CMA's pricing analysis (which indicates that the Parties are comparatively stronger in the higher price ranges in these product categories, competing more directly with suppliers such as BSH).
15. The Parties submitted to the CMA that their customers are sophisticated and have a high degree of buyer power, meaning that they can easily switch between MDA suppliers, or preference their own Private label products. However, the CMA considers that the Transaction would lead to the removal of a significant competitor

(the Target business), which would reduce the number of alternative suppliers that customers could feasibly switch to. In the product categories where it found that this would lead to a realistic prospect of an SLC, the CMA therefore considers that there would be a corresponding reduction in any buyer power from the Parties' customers.

...about any entry or expansion?

16. The CMA considers that there are barriers to entry and/or expansion in the market, including brand awareness and barriers to entering and competing in different price segments. Additionally, the CMA has not received evidence to indicate that any entry or expansion in response to the Transaction would be timely, likely and sufficient to prevent the SLCs from arising.

What happens next?

17. As a result of these concerns, the CMA believes the Transaction gives rise to a realistic prospect of SLCs in the supply of washing machines, tumble dryers, dishwashers and cooking appliances in the UK. The Parties have until 5 October 2023 to offer an undertaking which might be accepted by the CMA to address the SLCs. If no such undertaking is offered, or the CMA decides that any undertaking offered is insufficient to remedy its concerns to the phase 1 standard, then the CMA will refer the Transaction for an in-depth phase 2 investigation pursuant to sections 33(1) and 34ZA(2) of the Act.