

ANTICIPATED JOINT VENTURE BETWEEN ARÇELİK A.Ş. AND WHIRLPOOL CORPORATION

Final report

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The Competition and Markets Authority has excluded from this published version of the 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 [X]. Some numbers have been replaced by a range. These are shown in square brackets. Non-sensitive wording is also indicated in square brackets.

CONTENTS

SUMMARY	6
FINDINGS	11
1. THE REFERENCE	11
2. THE PARTIES AND TRANSACTION.....	12
Arçelik	12
Whirlpool	13
The Transaction	13
Transaction rationale	14
3. RELEVANT MERGER SITUATION.....	17
Introduction.....	17
Enterprises	17
Ceasing to be distinct	17
Turnover test	23
Conclusion on relevant merger situation	24
4. COUNTERFACTUAL	25
Introduction.....	25
The Parties' submissions on the appropriate counterfactual	26
Third party evidence	29
Our assessment of the appropriate counterfactual.....	29
Conclusion on the counterfactual	31
5. MARKET DEFINITION	33
Introduction.....	33
Product market(s).....	33
Geographic market.....	37
Conclusion.....	38
6. APPROACH TO THE COMPETITIVE ASSESSMENT	40
7. CROSS-CUTTING THEMES AND EVIDENCE	42
Introduction.....	42
Customer and consumer preferences	42
The competitive landscape.....	46
The Parties' key competitors	49
Entry and/or expansion	53
8. COMPETITIVE ASSESSMENT FOR EACH MDA CATEGORY	58
Washing machines	58
Tumble dryers	63
Dishwashers.....	66
Cookers.....	70
Ovens and hobs	71
9. CONCLUSIONS	73

- A. Appendix A – Terms of Reference
- B. Appendix B – Conduct of the Inquiry
- C. Appendix C – Descriptive statistics
- D. Appendix D – Consumer demand for dishwashers

GLOSSARY

SUMMARY

OVERVIEW

1. The Competition and Markets Authority (**CMA**) has found that the anticipated joint venture between Arçelik A.Ş. (**Arçelik**) and Whirlpool Corporation (**Whirlpool**) (the **Transaction**) may not be expected to result in a substantial lessening of competition (**SLC**) in the supply of major domestic appliance (**MDA**) products in the United Kingdom (**UK**).
2. Arçelik and Whirlpool are each a **Party** to the Transaction; together they are referred to as the **Parties** and, for statements referring to the situation post-completion of the Transaction, as the **Merged Entity**.

ABOUT THE PARTIES AND THEIR PRODUCTS

3. Arçelik and Whirlpool both supply a range of domestic appliances and related products, including MDAs and small domestic appliances (**SDAs**). In assessing the impact of this Transaction on competition, we have focussed on the overlap between the Parties in the supply of MDA products in the UK, in particular washing machines, tumble dryers, dishwashers, cookers, ovens and hobs (each referred to as an '**MDA category**').
4. In the UK, Arçelik supplies MDAs primarily under the Beko, Blomberg and Grundig brands; and Whirlpool supplies MDAs primarily under the Indesit, Hotpoint and Whirlpool brands.
5. The Transaction under investigation comprises, among other matters, the contribution by Arçelik of its European MDA and SDA businesses, and by Whirlpool of its Europe, Middle East and Africa (**EMEA**) MDA business, to Beko Europe B.V. (**Beko Europe**), a newly incorporated company established by Arçelik.

OUR ASSESSMENT

Why did we examine this Transaction?

6. The CMA's primary duty is to seek to promote competition for the benefit of UK consumers, including the investigation of mergers that could raise significant competition concerns in the UK where it has jurisdiction to do so.

7. In this case, the CMA has jurisdiction over the Transaction because the UK turnover of (a) Whirlpool's EMEA MDA business and/or (b) Arçelik's European MDA and SDA businesses in their most recent financial year is, in each case, in excess of the statutory threshold of £70 million.

How did we examine this Transaction?

8. In deciding whether a merger may be expected to result in an SLC, the question we are required to answer is whether there is an expectation – ie a more than 50% chance – that the merger may be expected to result in an SLC within any market or markets in the UK.
9. To determine whether this is the case, we have considered and augmented the information collected during the phase 1 investigation, including by gathering further evidence from a wide variety of sources, using our statutory powers where necessary, to assess the potential impact of the Transaction on competition in the UK.
10. We received several submissions and responses to information requests from the Parties and from third parties and held a site visit and hearings with each of the Parties. The evidence we have received includes internal documents, views on the competitive landscape and the impact of the Transaction, and a range of quantitative evidence, including prices, volumes and financial performance. We have also collected evidence from the Parties' competitors regarding their future entry and/or expansion plans.
11. Based on this evidence, we have focussed on whether the Transaction may be expected to result in horizontal unilateral effects in one or several MDA categories. Horizontal unilateral effects can arise when one firm merges with a competitor, 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.
12. When assessing whether a merger may be expected to result in an SLC as a result of horizontal unilateral effects, the CMA's main consideration is whether there are sufficient remaining good alternatives to constrain the merged entity. Amongst other factors, our assessment has therefore focussed on the extent to which the Parties compete closely in each MDA category; the Parties' plans and likely competitive position absent the Transaction; and the remaining constraint from alternative suppliers post-Transaction.

What would have happened absent the Transaction?

13. To determine the impact that the Transaction may have on competition, we have considered what would likely have happened absent the Transaction. This is known as the counterfactual.
14. Based on submissions received from the Parties, we have focussed in particular on Whirlpool's likely competitive trajectory absent the Transaction. In doing so, we have reviewed a significant volume of Whirlpool's internal documents, analysed several years of detailed financial data, and gathered evidence from potential alternative purchasers of Whirlpool's EMEA MDA business. These alternative purchasers provided an important external and independent source of evidence to corroborate Whirlpool's submissions and the information in its internal documents and data.
15. Based on this evidence, we have found that, absent the Transaction, Whirlpool's EMEA MDA business would likely have been smaller than it is presently, and it is likely that there would have been a review [REDACTED]. We consider that this is the appropriate counterfactual against which to assess the Transaction overall, and we have considered Whirlpool's likely future competitiveness in specific MDA categories as part of our competitive assessment. In doing so, we have found that Whirlpool would likely [REDACTED] the supply of washing machines ([REDACTED]); would likely [REDACTED] the supply of tumble dryers; and would likely [REDACTED] the supply of cookers.

What did the evidence tell us?

... about closeness of competition between the Parties

16. The evidence shows that the extent to which the Parties compete closely varies across MDA categories. In ovens and (particularly) hobs, the evidence shows that the Parties are not close competitors; they each have a relatively weak market position and face strong competition from several competitors.
17. In washing machines, tumble dryers, dishwashers and cookers, the Parties are two of the largest suppliers, and the Parties' products are similar in terms of price and functionality, with their sales concentrated in the 'low-mid' price range. Internal documents and third-party evidence also show that the Parties currently compete closely in each of these MDA categories. However, as noted above our view is that, absent the Transaction, Whirlpool would likely [REDACTED] in the supply of washing machines, [REDACTED] the supply of tumble dryers and would likely [REDACTED] the supply of cookers.

... about the strength of other competitors

18. The evidence shows that there are several credible competitors to the Parties, although the competitor set varies across MDA categories and price points.
19. In each MDA category, a range of private label and retailer-exclusive brands sell a significant volume of products at 'low' or 'entry' price points. This includes Logik and Essentials at Currys, Bush at Argos and Lamona at Howdens. Although these products are primarily sold at lower price points than those of the Parties, some of these brands have expanded their range in recent years, and evidence from internal documents and third parties shows that they provide a competitive constraint on the Parties.
20. In each MDA category, other suppliers including the Haier Group (primarily through its Hoover and Candy brands) and Hisense, offer products at similar price points as the Parties. Haier Group is active across all MDA categories, and is a particularly close competitor to the Parties in washing machines and tumble dryers. The evidence shows that Hisense is currently only a moderate competitive constraint on the Parties, although based on evidence we have received from a range of sources – including third party views and documents – we consider that Hisense is well-placed to expand further, and the threat of such expansion would likely act as a material constraint on the Merged Entity.
21. Finally, the evidence shows that there are several established and credible suppliers offering products at 'mid-premium' price points, including BSH (primarily through its Bosch and Neff brands), Samsung and LG. These suppliers are comparatively strong in different MDA categories, eg BSH has a particularly strong market position in dishwashers, whilst Samsung is stronger in washing machines and tumble dryers than other categories. These suppliers' products are mostly sold at higher price points than those of the Parties, although they overlap with the mid to upper end of the Parties' ranges, and price is just one factor influencing consumer choice. Both third party views and internal documents show that these suppliers exercise a competitive constraint on the Parties, although the strength of this constraint varies across MDA categories.

... about the overall impact on competition in each MDA category

22. As summarised above, competitive conditions vary across MDA categories, as does the likely competitive position of Whirlpool absent the Transaction. In ovens and hobs, the evidence shows that the Parties have a comparatively weak market position, and are constrained by several strong competitors, including private label brands, BSH, Electrolux (through its Zanussi and AEG brands) and Haier Group. On this basis, our view is that the Transaction may not be expected to raise significant competition concerns in the supply of ovens or hobs in the UK.

23. In cookers and tumble dryers, the evidence shows that Whirlpool would likely [redacted] absent the Transaction. We consider that Whirlpool would likely [redacted] cookers, and it would likely be a [redacted] in tumble dryers than it is currently. In light of the evidence on Whirlpool's future market position, our view is that the Transaction may not be expected to raise significant competition concerns in the supply of cookers or tumble dryers in the UK.
24. In washing machines and dishwashers, the evidence shows that the Parties are close competitors, but are constrained by several alternative suppliers, including private label brands, the Haier Group, Hisense, BSH and Samsung. In washing machines, the evidence also shows that Whirlpool's future market position is likely to be different than it is currently – ie it [redacted] absent the Transaction. On this basis, our view is that the Transaction may not be expected to raise significant competition concerns in the supply of washing machines or dishwashers in the UK.

CONCLUSION

25. Our conclusion is therefore that the Transaction, if implemented, will result in the creation of a relevant merger situation, but that situation may not be expected to result in an SLC within any market or markets in the UK, including for the supply of each of washing machines, tumble dryers, dishwashers, cookers, ovens and hobs.

FINDINGS

1. THE REFERENCE

- 1.1 On 11 October 2023, the Competition and Markets Authority (**CMA**), in exercise of its duty under [section 33\(1\)](#) of the Enterprise Act 2002 (the **Act**), referred the anticipated joint venture between Arçelik A.Ş. (**Arçelik**) and Whirlpool Corporation (**Whirlpool**) (the **Transaction**) for further investigation and report by a group of CMA panel members (the **inquiry group**). Arçelik and Whirlpool are referred to collectively as **the Parties** or, for statements referring to their future activities through the joint venture after completion of the Transaction, as the **Merged Entity**.
- 1.2 In exercise of its duty under [section 36\(1\)](#) of the Act, the CMA must decide:
- (a) whether arrangements are in process or 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 that 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 assessing the competitive effects of the Transaction, we must decide whether there is an expectation (ie a more than 50% chance) that the Transaction will result in an SLC.
- 1.4 We are required to prepare and publish our final report by 26 March 2024.
- 1.5 Our terms of reference, along with information on the conduct of the inquiry, are set out in Appendix A and Appendix B respectively.
- 1.6 This document, together with its appendices, constitutes the CMA's Final Report published and notified to the Parties in line with the CMA's rules of procedure.¹ Further information relevant to this inquiry can be found on the CMA case page.²

¹ CMA rules of procedure for merger, market and special reference groups (**CMA 17**), Rule 11.

² Arçelik/Whirlpool EMEA case page.

2. THE PARTIES AND TRANSACTION

Arçelik

- 2.1 Arçelik, a publicly listed joint-stock company incorporated in Turkey in 1955, is a supplier of a broad range of home appliances and consumer electronics. It has operations that include subsidiaries in 53 countries, production facilities in nine countries and 12 brands.
- 2.2 Arçelik is controlled by Koç Holdings A.S. (the group of companies which is referred to as the **Koç Group**), which is active in the automotive, durable goods, food, retailing, energy, financial services, tourism, construction and IT industries.^{3,4} Table 2.1 sets out the turnover generated by the Koç Group and Arçelik for the financial year 2022.

Table 2.1: 2022 Turnover (£'m) of Koç Group and Arçelik

	<i>Koç Group</i>	<i>Arçelik</i>
UK	[X]	[X]
EEA	[X]	2,687
Worldwide	[X]	6,615

Source: Koç Group: FMN, Table 1; Arçelik response to the CMA's request for information (RFI) and Arçelik 2022 Annual Report: [arçelik-2022eng.pdf \(arçelikglobal.com\)](#). European Economic Area (EEA) turnover was taken from page 308 (note 25 to the financial statements) as turnover generated in Europe; worldwide revenue was taken from page 28 net sales. Both converted from Turkish Lira to GBP at 2022 average from HMRC.

- 2.3 In the UK, Arçelik's revenues are primarily from the sale of MDA products. It is active both as a branded supplier (primarily through the brands Beko, Blomberg and Grundig), and as an original equipment manufacturer (**OEM**) supplier to private label (**Private Label**) brands.⁵ We use Private Label to refer to products that are manufactured by a third party OEM supplier, but sold under a retailer/outlet's own brand name, such as Logik and Essentials (Currys), Bush (Argos), Lamona (Howdens) and John Lewis.⁶

³ Parties Final Merger Notice (FMN).

⁴ [Arçelik 2022 annual report](#), accessed by the CMA on 29 November 2023, page 19.

⁵ In 2020 [70-80]% of its MDA UK sales were under the Beko brand, which increased to [70-80]% in 2022. Over the same period between [10-20]% and [10-20]% of sales were as a private label OEM. Source: CMA analysis of: Arçelik internal document.

⁶ The Parties submitted that there are also several 'lesser-known' brands (such as Electra and White Knight) that may be available exclusively at certain retailers, that are positioned similarly to Private Label brands in terms of price. The Parties refer to such brands as 'quasi-private-label brands'. See Parties observations on common features across the MDA4 markets. We note that exclusive brands are included in our share of supply figures in Chapter 7 and Appendix C under 'Private Label' (see Appendix C for a discussion of the dataset).

Whirlpool

- 2.4 Whirlpool is a US company founded in 1911 and listed on the New York Stock Exchange.⁷ It manufactures and markets a full line of domestic appliances and related products, in particular MDA and SDA.
- 2.5 Whirlpool generated £15,571 million in worldwide net sales in 2022, of which £3,220 million was generated in EMEA.⁸ Table 2.2 sets out the turnover generated by the Whirlpool EMEA MDA business for the financial year 2022.

Table 2.2: 2022 Turnover (£'m) of Whirlpool EMEA MDA business

Whirlpool EMEA MDA Business	
UK	[REDACTED]
EEA	[REDACTED]
Worldwide	[REDACTED]

Source: FMN, 2 August 2023, Table 1. [REDACTED] and Whirlpool response to the CMA's s109 notice [REDACTED].

- 2.6 In the UK, Whirlpool primarily supplies under the Hotpoint, Indesit and Whirlpool brands and it has some sales from OEM supply to Private Label brands.^{9,10}

The Transaction

- 2.7 On 16 January 2023,¹¹ Arçelik and Whirlpool entered into a Contribution Agreement, under which: (a) Arçelik set up a new standalone business, Beko Europe B.V.¹² (**Beko Europe**); (b) Arçelik (through its wholly-owned subsidiary Ardutch B.V.) will contribute its European MDA and SDA businesses (collectively, the **Arçelik Target Business**)¹³ to Beko Europe, in exchange for a shareholding of approximately 75% in Beko Europe; and (c) Whirlpool (through its wholly-owned subsidiary Whirlpool EMEA Holdings LLC) will contribute its EMEA MDA business

⁷ Whirlpool is the ultimate parent of companies in its group.

⁸ Whirlpool Corporation, [SEC Filing Details 10K 2022](#), page 57, accessed by the CMA on 29 November 2023. Converted from USD to GBP at 2022 average from HMRC.

⁹ [REDACTED] of Whirlpool's UK MDA sales between 2020 and 2022 were under the Hotpoint and Indesit brands and [REDACTED] were under the Whirlpool brand. Sales under the Hotpoint and Indesit brands between 2020 and 2022 accounted for between [50-60] to [50-60]% and [30-40] to [30-40]% of Whirlpool's MDA UK sales respectively. Sales under the Whirlpool brand accounted for around [5-10]% of MDA UK sales over the same period. Whirlpool's sales from OEM supply to private label over the same period were [0-5]%.

¹⁰ CMA analysis of: Whirlpool internal document.

¹¹ FMN. The Contribution Agreement executed on 16 January 2023 between Whirlpool, Beko Europe, Arçelik, Ardutch B.V. and Whirlpool EMEA Holdings LLC (**Contribution Agreement**) provides that Arçelik and Whirlpool will hold shares in Beko Europe via their wholly owned subsidiaries namely, Ardutch B.V. and Whirlpool EMEA Holdings LLC respectively (Contribution Agreement, Recital Clause. ; FMN.

¹² Arçelik incorporated Beko Europe as a new standalone business, Beko Europe B.V. Source: FMN. Beko Europe is a private limited liability company incorporated in the Netherlands with registered number 88850528 Source: FMN, Contribution Agreement.

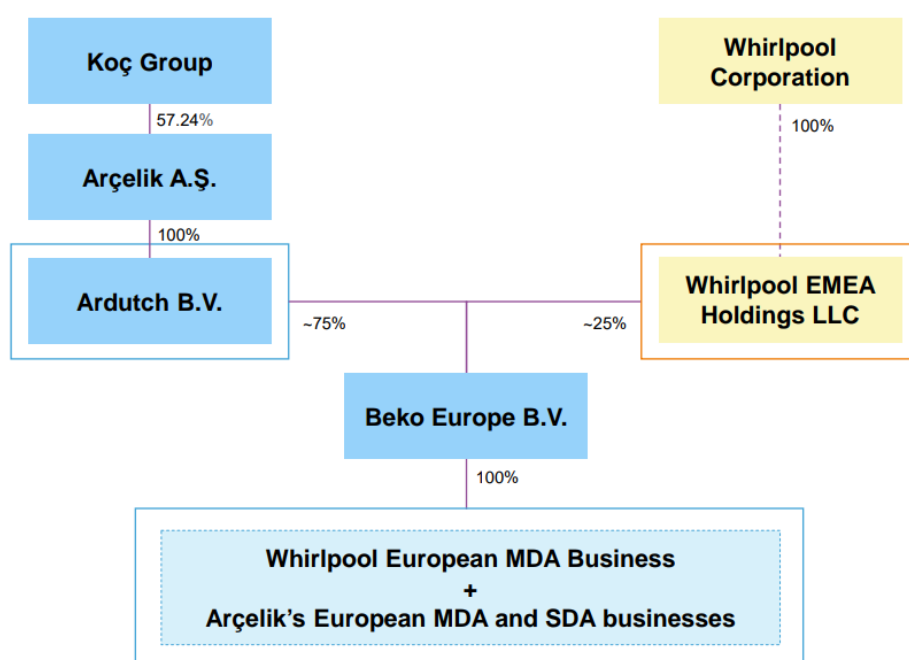
¹³ Arçelik will contribute to Beko Europe its relevant third party contracts, IT systems, employees, intellectual property rights and data along with the Arçelik Target Business. FMN, Contribution Agreement.

(the **Whirlpool Target Business**)¹⁴ to Beko Europe in exchange for a shareholding of approximately 25% in Beko Europe (the **Transaction**).

2.8 The Whirlpool Target Business includes 38 European subsidiaries and nine production sites,¹⁵ as well as the Indesit, Hotpoint, Ignis, Privileg and Bauknecht brands. As a part of the Transaction, Beko Europe will receive an exclusive licence to the Whirlpool brand for MDA in parts of the EMEA territory, including the EEA and the UK, for up to 40 years.¹⁶ The Whirlpool Target Business does not include Whirlpool's SDA business, commercial appliances business, InSinkErator waste disposer/instant hot water businesses, or the KitchenAid and Maytag brands, all of which will be retained by Whirlpool.^{17,18}

2.9 The post-Transaction ownership structure is illustrated in Figure 2.1.¹⁹

Figure 2.1: Post-closing structure chart



Source: Parties [X].

Transaction rationale

2.10 The Parties submitted that the Transaction is a response to structural changes in the European MDA sector, which have permanently altered the competitive

¹⁴ Whirlpool will contribute to Beko Europe its relevant third party contracts, employees, intellectual property rights and data along with the Whirlpool Target Business. FMN, Contribution Agreement.

¹⁵ Located in Italy (Cassinetta, Communaza, Melano and Siena), Poland (Lodz, Radomsko and Wroclaw), Slovakia (Poprad) and the UK (Yate). Source: FMN.

¹⁶ FMN.

¹⁷ FMN.

¹⁸ Simultaneously with the Transaction, Arçelik, through Ardutch B.V., also intends to acquire Whirlpool's Middle East and North Africa (MENA) business, through the acquisition of 100% of the shares in Whirlpool's two entities incorporated in Morocco and the UAE. Source: FMN.

¹⁹ FMN.

landscape and made it increasingly difficult [REDACTED] to compete effectively.²⁰ The Parties told us that these challenges had created [REDACTED] for both Parties to create a more efficient business that was better able to meet the new challenges and remain competitive in the face of growing competition by low-cost Asian producers.

Arçelik's stated rationale

2.11 Arçelik submitted that its strategic rationale for the Transaction was:²¹

- (a) to improve its ability to compete with the broad range of MDA players in the UK and EEA by reducing costs, while continuing to drive innovation and sustainability efforts;
- (b) to offer a wider range of products to respond faster to new market trends;
- (c) to gain a complementary geographic presence to offer more comprehensive aftersales support;
- (d) to enhance its competitiveness in the UK and EEA by combining the Parties' manufacturing expertise, brands, supply chains, distribution and sales networks, and product pipelines; and
- (e) the possibility for growth in Beko Europe's market, by combining the Parties' innovation, research and development facilities, procurement and production systems.

2.12 Arçelik also told us that it aims to create cost-related synergies²² post-Transaction through [REDACTED], procurement, logistics and general and administrative expenses.²³ Arçelik told us that it had estimated that [REDACTED] (after incurring a one-off cost of approximately €[REDACTED] million)²⁴ and [REDACTED].

2.13 These synergies represent approximately [REDACTED]% of Beko Europe's total revenue of €[REDACTED] billion in 2024, [REDACTED] to [REDACTED]% of its total revenue of €[REDACTED] billion in 2028.

Whirlpool's stated rationale

2.14 Whirlpool submitted that its strategic rationale for the Transaction was the opportunity to accelerate its portfolio transformation [REDACTED].²⁵

²⁰ Parties' initial submission, 24 October 2023, paragraph 2.1.

²¹ FMN. Parties' presentation at the Issues Meeting. Parties response to the phase 1 Issues Letter.

²² The Parties have also described these cost-related synergies as EBITDA synergies. As these synergies relate to reducing costs which may arise from the Transaction, we have described them as cost-related synergies.

²³ FMN.

²⁴ Arçelik internal document and Arçelik site visit slides, 8 November 2023.

²⁵ FMN.

- 2.15 Whirlpool told us that the Whirlpool Target Business had been '[REDACTED]' and that its [REDACTED] share had declined from [REDACTED] to [REDACTED]. It further told us that:^{26,27}
- (a) the [REDACTED]; and
 - (b) its share of UK sales had [REDACTED] in tumble dryers and washing machines which [REDACTED] by [REDACTED] and [REDACTED] percentage points respectively. It further told us that the share across **MDA6** products (comprising washing machines, tumble dryers, dishwashers, refrigerators, freezers and cooking appliances) in [REDACTED].
- 2.16 Whirlpool submitted that this decline was due to a number of factors, including:²⁸
- (a) Industry-wide challenges brought about by geopolitical tensions and their economic consequences;
 - (b) 'Fierce' competition from numerous suppliers of (mostly imported) products from lower cost countries;
 - (c) 'Phenomenal' growth of Asian competitors across the EEA and UK; and
 - (d) Increasingly strong competition from private-label suppliers.
- 2.17 Whirlpool submitted that divesting its European MDA business [REDACTED].²⁹

²⁶ FMN.

²⁷ [Parties' initial submission](#), 24 October 2023, paragraph 2.1.2.

²⁸ FMN.

²⁹ FMN.

3. RELEVANT MERGER SITUATION

Introduction

3.1 This chapter addresses the question whether arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation.³⁰ The concept of a relevant merger situation has two principal elements: (a) two or more enterprises cease to be distinct enterprises within the statutory period for reference;³¹ and (b) the turnover test and/or the share of supply test is met.³²

Enterprises

3.2 The Act defines an ‘enterprise’ as ‘the activities or part of the activities of a business’.³³ 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’.³⁴ The enterprise in question need not be a separate legal entity.³⁵

3.3 Each of Arçelik and Whirlpool supplies domestic appliances and other goods, generating turnover in the UK and worldwide (see chapter 2). Each of the Arçelik Target Business and the Whirlpool Target Business is also active in the supply of domestic appliances and generated turnover in the UK in 2022 (see paragraph 3.18 below).

3.4 Our view is therefore that each of Arçelik, the Arçelik Target Business, Whirlpool and the Whirlpool Target Business is a ‘business’ within the meaning of the Act and that, accordingly, the activities of each of these constitutes an ‘enterprise’ for the purposes of the Act.

Ceasing to be distinct

3.5 The Act provides that any two enterprises cease to be distinct if they are brought under common ownership or common control.³⁶ It distinguishes between three

³⁰ This is the first of the two statutory questions which we are required to answer under section 36 of the Enterprise Act, 2002 (**Act**)- and pursuant to our Terms of Reference (see Appendix A).

³¹ Sections 23 and 24 of the Act.

³² Section 23 of the Act.

³³ Section 129(1) of the Act.

³⁴ Section 129(1) of the Act. See also sections 129(3) and 130 of the Act.

³⁵ [Mergers: Guidance on the CMA's jurisdiction and procedure \(CMA2revised\)](#), as amended on 4 January 2022, paragraph 4.6. Nor is there a requirement that the transferred activities have generated, or are expected to generate, a profit or dividend for shareholders: indeed the transferred activities may be loss-making or conducted on a not-for-profit basis.

³⁶ Section 26 of the Act.

levels of control (and in ascending order of the level of control these are): material influence, *de facto* control and a controlling interest (also referred to as *de jure* or legal control).³⁷

- 3.6 In certain cases, the CMA may treat entry into a joint venture as giving rise to more than one relevant merger situation.³⁸ This may be the case, for example, on the basis that the business (or each of the businesses) – comprising an enterprise (or enterprises) – to be contributed by each parent company to the joint venture will cease to be distinct from each other,³⁹ as well as from the enterprise of one or both of the other parent companies of the joint venture.⁴⁰
- 3.7 In phase 1, the Parties submitted that a relevant merger situation would be created on the basis that, on completion of the Transaction, Arçelik would acquire legal (*de jure*) control over the Whirlpool Target Business and therefore they would cease to be distinct within the meaning of the Act.⁴¹ The Parties further submitted that, since the Transaction fell within the CMA’s jurisdiction on that basis, the CMA did not need to determine whether Whirlpool would have the ability to exercise material influence over the Arçelik Target Business.⁴² Additionally, the Parties submitted that there would be no material overlaps between Beko Europe’s business and the businesses retained by Whirlpool.⁴³
- 3.8 Our view is that we should address the first statutory question (in respect of the creation of a relevant merger situation) from the perspective of each of the parent companies (Arçelik and Whirlpool). That is because the question of the acquisition of control by each of Arçelik and Whirlpool is engaged (a) in relation to the overlap between the MDA businesses to be contributed by each of them to the joint venture and (b) the overlap between the SDA business to be contributed by Arçelik to the joint venture and the SDA business that will be retained by Whirlpool.⁴⁴

³⁷ Section 26(3) of the Act. The levels of control applicable in respect of the Transaction are addressed in further detail in our assessment below in Chapter 3.

³⁸ [CMA2revised](#), footnote 79; see for example, Thomas Cook/Co-operative Group/Midlands Co-operative merger inquiry, Competition Commission (16 August 2011) and Completed acquisition by Circle Health Holdings Limited of GHG Healthcare Holdings Limited, CMA (8 April 2020).

³⁹ This will be the situation where the (previously distinct) businesses (or enterprises) of each parent company are brought under the common ownership or common control of one or both of the parent companies.

⁴⁰ In this situation, each parent company with control will cease to be distinct from the business (or each of the businesses) – comprising an enterprise (or enterprises) – to be contributed to the joint venture by the other parent company ([CMA2revised](#), paragraph 4.54(b); Anticipated joint venture between Anglian Water Group Ltd and Northumbrian Water Group Ltd, CMA (1 August 2017).

⁴¹ FMN. The Parties also stated that the turnover test for a relevant merger situation was met on the basis that the annual UK turnover of the Whirlpool Target Business exceeded £70 million. FMN. We address the turnover test at paragraphs 3.20 and 3.21 below.

⁴² FMN.

⁴³ FMN.

⁴⁴ See for example Thomas Cook/Co-operative Group /Midlands Co-operative merger inquiry, Competition Commission (16 August 2011), paragraph 4.14 where the Competition Commission stated that its finding that each parent company acquired control over the joint venture and that in each case a relevant merger situation arose meant that in assessing the competitive effects of the transaction it needed to consider not only issues arising from the overlap of the parties’

3.9 We assess below whether each of Arçelik and Whirlpool will acquire control under the Act over, respectively, the Whirlpool Target Business and the Arçelik Target Business, through each of the Parties' shareholdings and rights in Beko Europe. In the case of the present joint venture (Beko Europe), although only one shareholder can have a controlling interest, Beko Europe may nevertheless be subject to the control, in the wider sense encompassed by the Act, of the other shareholder.⁴⁵

The acquisition of control (controlling interest⁴⁶) by Arçelik

3.10 As a result of the Transaction, Arçelik will hold approximately 75% of the shareholding in Beko Europe. As Arçelik's shareholding will confer more than 50% of the voting rights in Beko Europe, it will have a controlling interest in Beko Europe. Accordingly, on completion of the Transaction, the enterprises of Arçelik, the Arçelik Target Business and the Whirlpool Target Business will be brought under the common ownership and common control of Arçelik.

3.11 Our conclusion is therefore that arrangements are in progress or in contemplation which, if carried into effect, will result in the enterprises of each of Arçelik and the Arçelik Target Business, on the one hand, and the Whirlpool Target Business on the other hand, ceasing to be distinct.

The acquisition of control (material influence⁴⁷) by Whirlpool

3.12 The ability to exercise material influence is the lowest level of control that may give rise to a relevant merger situation. When making its assessment, the CMA focuses on the acquirer's ability materially to influence policy relevant to the behaviour of the target entity in the marketplace. The policy of the target in this context means the management of its business, and thus includes the strategic direction of a company and its ability to define and achieve its commercial objectives.⁴⁸ The assessment of material influence requires a case-by-case analysis, including of the potential sources of influence,⁴⁹ and having regard to all the circumstances of the case.⁵⁰

activities within the joint venture, but also any interests of those parties via retained businesses in the same or related activities to the joint venture.

⁴⁵ [CMA2revised](#), paragraph 4.35.

⁴⁶ Section 26(3) of the Act refers to a 'controlling interest' in a body corporate or enterprise. A 'controlling interest' generally means a shareholding conferring more than 50% of the voting rights in a company ([CMA2revised](#), paragraph 4.35).

⁴⁷ Section 26(3) of the Act refers to the ability, directly or indirectly, materially to influence the policy of a body corporate, or the policy of any person in carrying on an enterprise.

⁴⁸ [CMA2revised](#), paragraph 4.17.

⁴⁹ Potential sources of influence include shareholdings, board representation and other sources ([CMA2revised](#), paragraphs 4.19 and 4.20).

⁵⁰ [CMA2revised](#), paragraphs 4.18 and 4.20.

- 3.13 As a result of the Transaction, Whirlpool will hold approximately 25% of the shareholding in Beko Europe.⁵¹ The Parties submitted that Whirlpool would not be granted any veto rights over important strategic decisions regarding the commercial behaviour of Beko Europe.⁵²
- 3.14 However, our view is that with a shareholding of approximately 25%,⁵³ Whirlpool will acquire additional rights over Beko Europe that are set out below:
- (a) Shareholders' Rights: The Parties submitted that among other matters, the quorum rules of the Beko Europe board would not grant Whirlpool the ability to block the board from voting on a resolution.⁵⁴ However, we note that in considering whether material influence may be present in a particular case, the CMA will consider, in addition to an acquirer's shareholding, whether the acquirer will have special voting or veto rights over relevant policy or strategic matters.⁵⁵ In the present case, for shareholders' meetings on Reserved Matters, the presence of at least [X] Whirlpool shareholder[s] is required. [X] an affirmative voting right[s] ie Whirlpool's prior approval is required before [X] a Reserved Matter can be passed.⁵⁶ Therefore, on all such Reserved Matters, Arçelik will require Whirlpool's affirmative vote and cannot unilaterally make a decision. The Parties submitted that Reserved Matters were intended only to protect Whirlpool's financial interests as a minority shareholder and none of those Reserved Matters related to strategic or commercial decisions.⁵⁷ However, we note that the Reserved Matters include some rights that are not typically afforded to minority investors, for example: (i) entering into transactions with group companies [X], where the value of a transaction exceeds EUR [X] million; (ii) engaging in or settling material disputes which could affect [X] or exceed EUR [X] million in value; and (iii) entering [X] arrangements.⁵⁸ We note that the EUR [X] million value that would trigger the requirement for Whirlpool's affirmative vote/prior approval in relation to (i) and (ii) above is fairly low. We note also that in its capacity as a shareholder, Whirlpool will have the right to receive copies of: (i) minutes of board meetings and meetings of the executive management; (ii) quarterly and monthly management accounts of Beko Europe; (iii) consolidated financial information in respect of each quarter year period; and (iv) the budget and business plan, among other matters.⁵⁹ Thus, in our view,

⁵¹ FMN.

⁵² FMN.

⁵³ The rights covered in this paragraph will be vested with Whirlpool for so long as the Whirlpool Corporate Group will hold at least [20-30]% of the shareholding in Beko Europe. FMN, Shareholders' Agreement relating to Beko Europe between Arçelik, Whirlpool, Beko Europe, Whirlpool EMEA Holdings LLC and Ardutch B.V. (**SHA**).

⁵⁴ FMN.

⁵⁵ [CMA2revised](#), paragraph 4.25.

⁵⁶ FMN. Throughout this chapter, the terms 'affirmative vote' and 'prior approval' are used interchangeably since SHA Clause 5.1 refers to '[X]' and Clause 5.3 refers to '[X]'. FMN.

⁵⁷ FMN.

⁵⁸ FMN.

⁵⁹ FMN.

Whirlpool will have the right to receive information as a shareholder in relation to matters relating to the management of Beko Europe's business that would not otherwise be ordinarily granted to a minority investor. In view of all of these matters, taken in the round, our view is that these matters (and in particular the requirement for Whirlpool's affirmative vote/prior approval⁶⁰ for such Reserved Matters) will confer the ability to influence aspects of the management of Beko Europe's business, including aspects of its strategic direction and ability to define and achieve its commercial objectives and, as such, contribute to Whirlpool's ability materially to influence the policy of Beko Europe.

- (b) Board representation: The Parties submitted that, among other matters, Arçelik would have the right to appoint [a majority] out of the [total] board members, whereas Whirlpool would have the right to appoint at most [a minority of] members; and board resolutions would be passed by simple majority of the members present, with each member having one vote.⁶¹ We note that, whether on a free-standing basis or as a supporting factor in the context of a shareholding, the CMA will review a range of factors (including experience and expertise) in relation to board representation.⁶² Moreover, the test for material influence does not require the appointee of the minority shareholder to be able to override the views of other directors appointed by the majority shareholder; rather it is sufficient for the CMA to demonstrate that the minority shareholder's appointee's views are likely to be influential in relation to relevant strategic or commercial matters.⁶³ In the present case, the presence of at least [X] Whirlpool director[s] is required to constitute a quorum for board meetings.⁶⁴ Given Whirlpool's experience and expertise in the industry, it is likely that the Whirlpool-appointed directors' recommendations would be given material weight at board meetings. Furthermore, Whirlpool directors [X] call for [X] on Reserved Matters.⁶⁵ The board will be responsible for the overall strategic guidance of the Beko Europe group.⁶⁶ In view of all of these matters, taken in the round, our view is that Whirlpool (through its appointed directors) will have the ability to influence (and will likely be influential in relation to) the overall strategic direction and commercial objectives of Beko Europe and as such, this will contribute to Whirlpool's ability materially to influence the policy of Beko Europe.

⁶⁰ FMN.

⁶¹ FMN.

⁶² [CMA2revised](#), paragraph 4.29.

⁶³ Anticipated acquisition by Amazon of a minority shareholding and certain rights in Deliveroo, CMA (4 August 2020) paragraph 4.60.

⁶⁴ FMN.

⁶⁵ FMN.

⁶⁶ FMN.

- (c) Executive management: The Parties submitted that among other matters, Arçelik would designate the initial and any subsequent Chief Executive Officer (**CEO**), who would ultimately be appointed by the board and that Whirlpool would have no veto over the appointment or removal of the CEO.⁶⁷ We note that the initial Chief Financial Officer (**CFO**) for Beko Europe will be appointed by Whirlpool, with the agreement of Arçelik.⁶⁸ For a period of [X] years after the completion of the Transaction, and subject to the [X] shareholder's approval, Whirlpool may nominate a CFO [X]. The CFO's appointment will be subject to an approval from the board (which will have Whirlpool presence).⁶⁹ In view of all of these matters, taken in the round, our view is that Whirlpool will have the ability to exercise some influence in relation to the financial policy of Beko Europe and, as such, this will contribute to Whirlpool's ability materially to influence the policy of Beko Europe.
- (d) Budget and business plan: The Parties submitted that among other matters, Arçelik and Whirlpool would agree on the initial one-year budget and initial five-year business plan of Beko Europe, prior to the completion of the Transaction.⁷⁰ We note that any amendments to the initial budget must be proposed by [X] (which will have Whirlpool presence) and be submitted for [X] approval (which will have Whirlpool presence).⁷¹ Any negative adjustments to the initial business plan must be discussed by [X] consisting of at least [X] Whirlpool director[s] and due consideration must be given to [X] Whirlpool director[s].⁷² Future drafts of the budget and business plan must also be drafted by [X] (which will have Whirlpool presence) and submitted for [X] approval (which will have Whirlpool presence).⁷³ In view of all of these matters, taken in the round, our view is that through the budget and business plan of Beko Europe, Whirlpool will have the ability to exercise influence over the commercial policies of Beko Europe and, as such, this will contribute to Whirlpool's ability materially to influence the policy of Beko Europe.

3.15 Taking the above factors in the round, our view is that Whirlpool will exercise material influence over the policy of Beko Europe.⁷⁴ Accordingly, on completion of the Transaction, the enterprises of Whirlpool, the Arçelik Target Business and the

⁶⁷ FMN.

⁶⁸ FMN, Contribution Agreement.

⁶⁹ FMN.

⁷⁰ FMN, Contribution Agreement.

⁷¹ FMN.

⁷² FMN.

⁷³ FMN.

⁷⁴ It is not necessary to conclude as to whether any individual factor would confer material influence over the policy of Beko Europe given that the combination of factors in the round will result in material influence.

Whirlpool Target Business will be brought under the common ownership and common control of Whirlpool.

- 3.16 Our conclusion is therefore that arrangements are in progress or in contemplation which, if carried into effect, will result in the enterprises of each of Whirlpool and the Whirlpool Target Business, on the one hand, and the Arçelik Target Business, on the other hand, ceasing to be distinct.⁷⁵

Turnover test

- 3.17 The turnover test is met where the value of the turnover in the UK of the enterprise being taken over exceeds £70 million.⁷⁶

- 3.18 In the present case:

- (a) In relation to the acquisition of a controlling interest by Arçelik, we have taken the turnover in the UK of the Whirlpool Target Business,⁷⁷ which was approximately £[X] million in 2022.⁷⁸ Given that this figure exceeds £70 million, our view is therefore that the turnover test is met.⁷⁹
- (b) In relation to the acquisition of material influence by Whirlpool, we have taken the aggregate turnover of the businesses to be contributed by Arçelik to Beko Europe, namely the Arçelik Target Business⁸⁰ comprising (i) Arçelik's MDA business, in respect of which Arçelik stated that its net sales in the UK in 2022 were approximately £[X] million;⁸¹ and (ii) Arçelik's SDA business, in respect of which Arçelik stated that its total revenue in the UK in 2022 was

⁷⁵ The Transaction has not yet completed, so our view is therefore that the four-month time limit for a relevant merger situation under the Act (which applies in the case of a completed merger) is not engaged in the present circumstances (section 24 of the Act).

⁷⁶ Section 23(1)(b) of the Act.

⁷⁷ For the purposes of identifying the value of the turnover of the enterprises being taken over pursuant to section 23 of the Act in relation to this relevant merger situation, we consider that the correct approach is, pursuant to section 28(1)(a) of the Act, to deduct the turnover of the enterprises that will continue to be carried on under the 'same ownership and control' for those purposes, namely Arçelik as the parent company and the Arçelik Target Business that Arçelik will contribute to the joint venture.

⁷⁸ FMN.

⁷⁹ As we have concluded that the turnover test is met, there is no need to consider the share of supply test.

⁸⁰ For the purposes of identifying the value of the turnover of the enterprises being taken over pursuant to section 23 of the Act, in relation to this relevant merger situation, we consider that the correct approach is, pursuant to section 28(1)(a) of the Act, to deduct the turnover of the enterprises that will continue to be carried on under the 'same ownership and control' for those purposes, namely Whirlpool as the parent company and the Whirlpool Target Business that Whirlpool will contribute to the joint venture.

⁸¹ Arçelik's response to the CMA's s109 Notice. We note that Arçelik provided only the UK revenue from the overlapping MDA product categories in relation to the Transaction and not all of the MDA products that will be contributed to Beko Europe. Therefore, we consider that the revenue figure stated above under-represents the turnover of Arçelik's MDA business.

approximately £[~~70~~] million.⁸² Given that the aggregate figure exceeds £70 million, our view is therefore that the turnover test is met.⁸³

Conclusion on relevant merger situation

- 3.19 In view of the above, we have found that arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation in respect of each of: (a) the acquisition of a controlling interest by Arçelik and (b) the acquisition of material influence by Whirlpool.

⁸² Arçelik's response to the CMA's s109 Notice. We note that Arçelik provided only the UK revenue from the overlapping SDA product categories in relation to the Transaction and not all the SDA products that will be contributed to Beko Europe. Therefore, we consider that the revenue figure stated above under-represents the turnover of Arçelik's SDA business.

⁸³ As we have concluded that the turnover test is met, there is no need to consider whether the share of supply test is met.

4. COUNTERFACTUAL

Introduction

- 4.1 Determining whether there is an SLC in the assessment of a merger involves a comparison of the prospects for competition with the merger against the competitive situation without the merger, which is referred to as the counterfactual.⁸⁴
- 4.2 This chapter sets out our view on the appropriate counterfactual to apply in our assessment of the Transaction. The chapter covers:
- (a) The CMA's framework for the assessment of the counterfactual;
 - (b) The Parties' submissions on the relevant counterfactual;
 - (c) Third party evidence; and
 - (d) Our conclusion of the appropriate counterfactual.

The CMA's framework for assessment of the counterfactual

- 4.3 The counterfactual is an analytical tool used in answering the question of whether a merger gives rise to an SLC. It provides the basis for a comparison of the competitive situation with the merger against the competitive situation absent the merger.⁸⁵
- 4.4 The counterfactual is not however, intended to be a detailed description of the conditions of competition that would prevail absent the merger. The detailed consideration of those conditions is relevant to our overall conclusions, but they are better considered in the sections that deal with our competitive assessment.⁸⁶ The CMA also seeks to avoid predicting the precise details or circumstances that would have arisen absent the merger.⁸⁷
- 4.5 In a phase 2 merger investigation, the CMA will select the most likely conditions of competition as its counterfactual against which to assess the merger. In its assessment of the counterfactual, in some instances, the CMA may need to consider multiple scenarios, before identifying the relevant counterfactual. As part of this assessment, the CMA will consider whether any of the possible scenarios make a significant difference to the conditions of competition; if any of them do,

⁸⁴ [Merger Assessment Guidelines \(CMA129\)](#), March 2021, paragraph 3.1.

⁸⁵ [CMA129](#), paragraph 3.1.

⁸⁶ [CMA129](#), paragraph 3.7.

⁸⁷ [CMA129](#), paragraph 3.11.

the CMA will find the most likely conditions of competition absent the merger as the counterfactual.⁸⁸

- 4.6 The CMA recognises that evidence relating to future developments absent the merger may be difficult to obtain. Uncertainty about the future will not in itself lead the CMA to assume the pre-merger situation to be the appropriate counterfactual. As part of its assessment of the counterfactual, the CMA may consider the ability and incentive (including but not limited to evidence of intention) of the merger firms to pursue alternatives to the merger, which may include reviewing evidence of specific plans where available.⁸⁹
- 4.7 The CMA may examine several possible scenarios to determine the appropriate counterfactual, one of which may be the prevailing, or pre-merger, conditions of competition, or conditions of competition that involve stronger or weaker competition between the merger firms than under the prevailing conditions of competition.⁹⁰

The Parties' submissions on the appropriate counterfactual

- 4.8 The Parties told us the counterfactual would see reduced competition, and that absent the Transaction, the Whirlpool Target Business would be '[X]'.⁹¹ Whirlpool also told us that faced with the 'competitive decline' of the Whirlpool Target Business, [X], Whirlpool [X] initiate a strategic review of the business in April 2022.⁹²
- 4.9 The Parties submitted that in announcing that review, Whirlpool's leadership stated that, in the absence of a divestment, the Whirlpool Target Business would need to be [X] restructured.⁹³
- 4.10 In the sections below, we cover the Parties' submissions on Whirlpool's strategic review and evidence from third parties, followed by our assessment and conclusion.

Whirlpool's strategic review

- 4.11 Whirlpool submitted that the Whirlpool Target Business had been on a '[X]' decline [X].⁹⁴ It told us that:⁹⁵

⁸⁸ [CMA129](#), paragraph 3.13.

⁸⁹ [CMA129](#), paragraph 3.14.

⁹⁰ [CMA129](#), paragraph 3.2.

⁹¹ [Parties' initial submission](#), 24 October 2023, paragraph 3.1.

⁹² Whirlpool [X].

⁹³ [Parties' initial submission](#), 24 October 2023, paragraph 3.1.

⁹⁴ Whirlpool [X] and Whirlpool's [X].

⁹⁵ Whirlpool's [X] and Whirlpool [X].

- (a) From 2013 to 2022, its revenues in the EEA fell by [REDACTED], from €[REDACTED] billion to €[REDACTED] billion;
- (b) Its exit from Russia had a further negative impact on its financial performance, as Whirlpool's Russian business [REDACTED];
- (c) The [REDACTED];
- (d) The EMEA business had been [REDACTED]. It also told us that there was a deteriorating environment in Europe, specifying the effect of the war in Ukraine; cost-of-living pressures and high interest rates; and
- (e) The Whirlpool Target Business had [REDACTED]. It submitted that it had to [REDACTED] and that, [REDACTED].

4.12 Whirlpool told us that its commercial challenges were not due to a lack of effort, and that it had devoted significant resources to growing the business, including spending nearly \$1 billion to acquire Indesit in 2014 to make its European operations more efficient and competitive.⁹⁶

4.13 Whirlpool told us that in April 2022, it announced a strategic review of its remaining EMEA business given the declining business, and it developed two options:⁹⁷

- (a) Selling the Whirlpool Target Business (the **Sale Scenario**); or
- (b) [REDACTED] changing its business (the **Continuation Scenario**).

The Sale Scenario

4.14 Whirlpool submitted that it initiated a formal and structured process to identify potential buyers for the business in parallel with the strategic review. Whirlpool submitted that Whirlpool and its Transaction advisor [REDACTED]. The [REDACTED].⁹⁸

4.15 Whirlpool submitted that, of the [REDACTED] potential bidders that [REDACTED], Arçelik [REDACTED] ultimately submitted a final proposal to acquire the Whirlpool Target Business.⁹⁹

4.16 Regarding the potential bidders who [REDACTED], Whirlpool told us that [REDACTED], and [REDACTED]. In particular, Whirlpool submitted that:¹⁰⁰

- (a) [REDACTED].
- (b) [REDACTED]. Whirlpool told us that [REDACTED].

⁹⁶ Whirlpool's [REDACTED] and Whirlpool [REDACTED].

⁹⁷ [Parties' initial submission](#), 24 October 2023, paragraph 3.2.

⁹⁸ [Parties' initial submission](#), 24 October 2023, paragraph 3.2.2 and Whirlpool [REDACTED].

⁹⁹ [Parties' initial submission](#), 24 October 2023, paragraph 3.2.2 and Whirlpool [REDACTED].

¹⁰⁰ Whirlpool's [REDACTED] and Whirlpool [REDACTED].

(c) [REDACTED]. Whirlpool also told us that [REDACTED] and that, [REDACTED]. Whirlpool further submitted that [REDACTED] was contemplating a structure [REDACTED], and that [REDACTED] under the Continuation Scenario.¹⁰¹ Whirlpool also submitted that [REDACTED] would have [REDACTED].

4.17 Whirlpool told us that Arçelik was '[REDACTED] willing to acquire the business' and that '[REDACTED]'.¹⁰²

The Continuation Scenario

4.18 Whirlpool told us that the Continuation Scenario – ie the approach that would have been pursued absent a sale – would involve a '[REDACTED] restructuring'.¹⁰³ Whirlpool stated that the Continuation Scenario comprised a 'three-pronged approach' that would [REDACTED] the Whirlpool Target Business:¹⁰⁴

(a) [REDACTED]: [REDACTED].

(b) [REDACTED]: [REDACTED].

(c) [REDACTED]: [REDACTED].

4.19 Figure 4.1 shows Whirlpool's proposed [REDACTED].

Figure 4.1: [REDACTED]

[REDACTED]

Source: Parties response to the CMA Issues Letter [REDACTED].

4.20 Whirlpool submitted that its analysis showed that [REDACTED] and that, [REDACTED].¹⁰⁵

4.21 Whirlpool submitted that the Continuation Scenario [REDACTED].¹⁰⁶ It told us that [REDACTED]. It also submitted that [REDACTED].

4.22 Whirlpool told us that, when taking the decision to proceed with a sale of the business in December 2022, the Whirlpool board compared a sale with the Continuation Scenario as presented in [REDACTED]. It told us that had its negotiations with Arçelik to sell the business failed, the Continuation Scenario [REDACTED] of its EMEA business, the Continuation Scenario would have been implemented.¹⁰⁷

¹⁰¹ Whirlpool's [REDACTED] and Whirlpool's [REDACTED].

¹⁰² Whirlpool [REDACTED] and Whirlpool [REDACTED].

¹⁰³ [Parties' initial submission](#), 24 October 2023, paragraph 3.2.1.

¹⁰⁴ Whirlpool [REDACTED] and Whirlpool [REDACTED].

¹⁰⁵ Whirlpool's [REDACTED].

¹⁰⁶ Whirlpool [REDACTED] Whirlpool, [REDACTED] and Whirlpool [REDACTED].

¹⁰⁷ Parties [REDACTED].

4.23 Whirlpool submitted that the Continuation Scenario was therefore the most likely outcome had the Transaction not taken place,¹⁰⁸ which would have involved Whirlpool [REDACTED].¹⁰⁹

Third party evidence

4.24 We spoke to each of [REDACTED] to discuss the sales process and their assessment of the Whirlpool Target Business. We consider that these third parties provided important external evidence regarding Whirlpool's financial situation and its likely trajectory absent the Transaction.

4.25 One third party [REDACTED] told us that it decided [REDACTED] the Whirlpool Target Business as it did not believe there would be an opportunity to sufficiently improve Whirlpool's [REDACTED]. It stated that it did not consider 'business as usual' to be an option for Whirlpool, as [REDACTED]. It also told us that for Whirlpool to improve its profitability, it considered that a [REDACTED], and it considered that it would be difficult for Whirlpool to [REDACTED] [REDACTED] in such a competitive market. It also considered that it would be [REDACTED] for Whirlpool to [REDACTED] [REDACTED].¹¹⁰

4.26 Another third party [REDACTED] told us that it considered the Whirlpool Target Business had been [REDACTED] and that [REDACTED] would be [REDACTED]. [REDACTED]. Further, it observed a [REDACTED] [REDACTED] and [REDACTED].¹¹¹

4.27 Another third party [REDACTED] told us that it saw [REDACTED] from the opportunity to acquire a large established MDA business which had '[REDACTED]' brand awareness in Europe, as well as [REDACTED]. It also told us that it had [REDACTED] [REDACTED] and combined with the [REDACTED] of the Whirlpool Target Business, it concluded that an [REDACTED] [REDACTED]. Therefore, it [REDACTED]. It also told us that [REDACTED].¹¹²

Our assessment of the appropriate counterfactual

4.28 In considering the appropriate counterfactual in this case, we first consider the Whirlpool EMEA business's financial situation, then (informed by this evidence) assess whether there would likely have been an alternative purchaser, before considering the Continuation Scenario and whether there would likely have been significant changes to the Whirlpool Target Business in the future (whether or not it was sold to an alternative purchaser).

¹⁰⁸ Parties [REDACTED].

¹⁰⁹ Whirlpool [REDACTED].

¹¹⁰ [REDACTED] call note.

¹¹¹ [REDACTED] call note.

¹¹² [REDACTED] response to CMA questions.

Whirlpool EMEA financial performance

4.29 We set out in Table 4.1 Whirlpool EMEA's overall financial performance, based on its annual accounts from 2015 to 2022. These high-level figures show that Whirlpool EMEA's EBITDA was positive from 2015 to 2022, but that its EBIT was negative in four of these years.

Table 4.1: Whirlpool EMEA financials

	\$'million							
	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Units sold (thousands)	25,145	24,671	22,998	20,051	20,019			
Net Sales	5,601	5,148	4,881	4,536	4,296	4,389	5,088	4,023
EBITDA	340	354	178	98	157	179	268	76
EBIT	141	150	(19)	(106)	(30)	2	100	(58)

Source: [Whirlpool's 10-K annual reports](#)

Note: (a) The figures above are the overall Whirlpool EMEA business, including the MDA and SDA businesses. (b) Figures from Whirlpool's Russian regional business are included from 2015 to 2021 and excluded from financial year 2022 when it was sold in 2022.

4.30 We note that Whirlpool EMEA's profitability (particularly at an EBIT level) was lower than each of the other Whirlpool regional businesses (ie North America, Latin America, and Asia) over the period.¹¹³ Further, although its overall EBIT was positive in 2021, it had a significantly negative EBIT of \$187 million excluding Russia and the centralised consumer services division.

4.31 We recognise that Whirlpool's management accounts, third party analyst reports¹¹⁴ and potential purchasers discussed the [REDACTED] of Whirlpool EMEA business and Whirlpool Target Business, and that Whirlpool launched a strategic review of the business in April 2022. As reflected in Whirlpool's internal documents, it was submitted to its board at the time that the EMEA business had [REDACTED].¹¹⁵

Potential alternative purchasers

4.32 The evidence we have received from third parties and internal documents shows that [REDACTED] alternative purchasers that [REDACTED] were interested in purchasing the Whirlpool Target Business [REDACTED], with [REDACTED] of those bidders ([REDACTED]) emphasising Whirlpool EMEA's [REDACTED].

4.33 However, one third party [REDACTED] told us that, [REDACTED].¹¹⁶ Therefore, we infer from the evidence provided to us and in particular, [REDACTED], that absent an agreement with Arçelik, [REDACTED] was a potential purchaser of [REDACTED] the Whirlpool Target Business.

4.34 In our view, a sale of part of Whirlpool Target Business to [REDACTED] would not likely have raised *prima facie* competition concerns, and so [REDACTED] is not excluded as an

¹¹³ Whirlpool fourth quarter 2022 earnings call transcript, page 7 (accessed by the CMA on 17 January 2024).

¹¹⁴ Whirlpool response to the CMA's s109 notice.

¹¹⁵ FMN.

¹¹⁶ [REDACTED] response to CMA questions.

alternative purchaser for part of the business in the counterfactual for the purposes of the present assessment.

- 4.35 We also considered whether the Whirlpool Target Business would likely have operated in a significantly different way under the ownership of [REDACTED]. We have received limited evidence on how the business would have been operated in the event that [REDACTED] had acquired [REDACTED] in the counterfactual; however, we note Whirlpool's submission (and its accompanying internal document) that [REDACTED] would [REDACTED] under the Continuation Scenario.¹¹⁷ This is also consistent with our analysis of the financial position of the Whirlpool Target Business.
- 4.36 We therefore do not consider it likely that the Whirlpool Target Business would have been operated in a significantly different way to Whirlpool, which we discuss below, regardless of its ownership.

The Continuation Scenario

- 4.37 Various internal documents and Whirlpool's quarterly earnings calls in 2022 show that at the same time as it was running the sale process, Whirlpool was also considering how it might change the Whirlpool Target Business to [REDACTED] and increase the profitability of the business. Whirlpool was refining the Continuation Scenario [REDACTED] when it was [REDACTED].¹¹⁸ The [REDACTED].¹¹⁹ These documents (particularly [REDACTED]) are consistent with Whirlpool's submissions on the Continuation Scenario, [REDACTED].
- 4.38 Consistent with Whirlpool's internal documents, third parties (see paragraphs 4.24 to 4.27) also told us that the Whirlpool Target Business was [REDACTED] and that a [REDACTED] restructuring of the business would be required. We note that these alternative purchasers had [REDACTED] on the Whirlpool Target Business, and we consider that they provide an important source of information which corroborates the evidence received from Whirlpool.
- 4.39 Therefore, we consider that the Whirlpool Target Business would likely have undergone some form of restructuring, either absent a sale or in the event of a sale to an alternative purchaser. We consider the implications of this in the competitive assessment.

Conclusion on the counterfactual

- 4.40 In view of the above, our conclusion is that the most likely conditions of competition to be taken as the appropriate counterfactual are that:

¹¹⁷ Whirlpool [REDACTED].

¹¹⁸ FMN.

¹¹⁹ Whirlpool [REDACTED].

- (a) The Whirlpool Target Business would have remained active in some form, whether owned by Whirlpool or an alternative purchaser.
- (b) We acknowledge that the business [REDACTED] and regardless of its ownership there was likely to be a review and [REDACTED], although (as we note in the competitive assessment) the timing and extent of these are uncertain.
- (c) We therefore conclude that absent the Transaction, the Whirlpool Target Business would likely have been smaller than it is presently, and would likely have [REDACTED]. We consider the extent to which the business would likely have competed with Arçelik as a part of our competitive assessment, including its likely competitiveness in specific product categories.

5. MARKET DEFINITION

Introduction

- 5.1 This section sets out our assessment of the relevant markets for the purposes of our analysis of the competitive effects of the Transaction. Where the CMA makes an SLC finding, this must be ‘within any market or markets in the United Kingdom for goods or services’.¹²⁰ Thus, the relevant markets are those within which the Transaction may lead to an SLC and comprise the most significant competitive alternatives available to customers of the Parties. An SLC can affect the whole or part of a market or markets.¹²¹
- 5.2 Market definition can be a useful tool for identifying in a systematic manner the immediate competitive constraints facing the merged entity. However, it is not an end in itself. The outcome of any market definition exercise does not determine the outcome of the competitive assessment in any mechanistic way, and the CMA may take into account constraints on the merged entity from outside the relevant market, segmentation within the relevant market, or other ways in which some constraints are more important than others.¹²²

Product market(s)

- 5.3 In assessing product market definition, we start by identifying the relevant focal product(s) which, in the first instance, consists of identifying those products for which both Parties overlap, considering the nature of the product(s) and its (or their) functionalities. Our assessment then goes on to identify competitive alternatives to the focal products.
- 5.4 In the UK, the Parties overlap in the supply of washing machines, tumble dryers, dishwashers, refrigerators, freezers, and cooking appliances (comprising built-in ovens, built-in hobs, and freestanding cookers). In our investigation, we have focused on the following areas of overlap: washing machines, tumble dryers, dishwashers, and cooking appliances.¹²³ We consider below whether it is appropriate to define narrower markets than these overlapping products.
- 5.5 In our assessment of market definition, we have, consistent with the Merger Assessment Guidelines, considered competitive alternatives to the focal products

¹²⁰ Section 36 of the Act in relation to anticipated mergers.

¹²¹ [Merger Assessment Guidelines \(CMA129\)](#), March 2021, paragraph 9.1.

¹²² CMA129, paragraph 9.4.

¹²³ CMA, [Issues Statement](#), 7 November 2023, paragraphs 20 to 21. We have not received further evidence (following the CMA’s phase 1 investigation) in relation to the supply of fridges and freezers in the UK that would justify investigating, in phase 2, theories of harm in relation to those products (see paragraph 6.2).

and in doing so we have assessed the degree of demand-side and – to a lesser extent – supply-side substitution.

- 5.6 The Parties submitted that any segmentation of MDA categories into distinct markets would not be appropriate due to the high degree of supply-side and demand-side substitutability.¹²⁴ However, we note that both the Parties' internal documents and third parties have made several references to segmentations or groupings of products based on:
- (a) built-in versus freestanding MDA models. Washing machines, dishwashers and cooking appliances can be purchased as either 'built-in' (also known as 'integrated') or 'freestanding' models.¹²⁵ In the case of cooking appliances, cookers (which combine an oven and hob in a single unit) are freestanding products, whereas ovens and hobs are built-in products; and
 - (b) price ranges or segments.
- 5.7 We have therefore considered below whether these segmentations constitute distinct product markets.

Built-in versus freestanding products

Parties' views

- 5.8 The Parties submitted that there is a high degree of demand-side and supply-side substitutability between built-in and freestanding appliances.¹²⁶ Specifically in relation to cooking appliances, the Parties submitted that:
- (a) Demand-side substitution is high, as both a cooker and a combined oven and hob serve the same purpose, and there is a high degree of price overlap between cookers and (a combination of) ovens and hobs for any given brand. Additionally, demand is transitioning from freestanding cookers to built-in ovens and hobs, suggesting that consumers see the products as substitutes.¹²⁷
 - (b) There is a significant degree of supply-side substitutability between different types of cooking appliances, as cookers have similar components and technology to ovens and hobs with minor exceptions, and manufacturers often sell more than one type of cooking appliance.¹²⁸

¹²⁴ FMN.

¹²⁵ We have not included tumble dryers here, as almost all tumble dryers are freestanding.

¹²⁶ FMN.

¹²⁷ Parties' [REDACTED].

¹²⁸ Parties' [REDACTED].

Our assessment

- 5.9 The evidence we have received shows that there is only a limited degree of demand-side substitution between built-in and freestanding appliances, particularly for cooking appliances. In particular:
- (a) Many of the Parties' internal documents (including consumer research reports and their strategy documents) distinguish between built-in and freestanding products, [REDACTED].¹²⁹
 - (b) One retailer submitted that it segments MDA products between freestanding and built-in models and that most often the products would not be substitutable.¹³⁰
 - (c) An online survey commissioned by the Parties shows a [REDACTED] proportion of purchases [REDACTED].¹³¹ We consider that substitution between built-in and freestanding is likely to be low for a consumer purchasing a replacement product.
- 5.10 In assessing the supply-side substitutability of built-in and freestanding appliances, we have considered evidence regarding how quickly and easily manufacturers can switch production between these types of appliances. The majority of competitors (6 out of 10 – [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED] and [REDACTED]) submitted that flexible production lines make switching supply between some built-in and freestanding appliances either easy or only moderately difficult.¹³² However, we received evidence that this was not the case for cooking appliances. For example, one competitor submitted that reallocating supply between built-in and freestanding cooking appliances remains difficult as – unlike for washing machines and dishwashers – it would entail the 'repurposing' of a production line.¹³³
- 5.11 The differences in ease of supply-side substitution between cooking appliances and other MDAs are also reflected in shares of supply for each MDA category. Most manufacturers that supply built-in washing machines and dishwashers also supply freestanding models (and vice-versa), with their shares being generally similar across the two segments. In contrast, there is substantial variation in manufacturers' shares for built-in and freestanding cooking appliances. For example, [REDACTED] and [REDACTED] have high shares in built-in hobs and ovens but smaller shares of (or do not supply) freestanding cookers.¹³⁴ Conditions of competition therefore differ significantly between built-in and freestanding cooking appliances.

¹²⁹ For example: FMN; Whirlpool's internal documents; Arçelik internal document; and FMN.

¹³⁰ [REDACTED] call note.

¹³¹ Arçelik internal document.

¹³² [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED] and [REDACTED] responses to the CMA's phase 2 questionnaire.

¹³³ [REDACTED] response to the CMA's phase 2 questionnaire.

¹³⁴ See for example Table 7.1 for shares of supply.

- 5.12 On the basis of the above, our view is that there is only a limited degree of demand-side substitution between built-in and freestanding MDA products. However, there is evidence of substantial supply-side substitution between built-in and freestanding dishwashers and washing machines, but not between cooking appliances. Therefore, whilst we have not distinguished separate markets for freestanding and built-in products for washing machines and dishwashers, we have done so for cooking appliances – ie distinguishing between freestanding cookers, built-in ovens, and built-in hobs.

Price segmentation

Parties' views

- 5.13 The Parties submitted that any price segmentation within the relevant MDA categories would be arbitrary, as there is no clear-cut separation between different price segments.¹³⁵ The Parties also submitted that:
- (a) Products across different price points are substitutable, as they serve the same core purpose and have similar functions.¹³⁶ Furthermore, consumers are increasingly sensitive to non-price factors, such as energy ratings and the lifetime costs of MDA appliances.¹³⁷
 - (b) There is a high degree of supply-side substitution across price segments, as suppliers can easily reposition or extend their product portfolio.¹³⁸

Our assessment

- 5.14 The consumer research submitted by the Parties shows that price is an important consideration for some consumers¹³⁹ and the Parties' internal documents often use price as a basis for analysing competitive conditions. For example:
- (a) A 2022 presentation by Arçelik uses price [REDACTED].¹⁴⁰
 - (b) A 2022 Arçelik report notes that certain competitors pose '[REDACTED] threat' to Arçelik due to their 'premium image position' and 'higher price range'.¹⁴¹
 - (c) Several Whirlpool and Arçelik documents show that they [REDACTED] benchmark their products against competitors at a similar price level.¹⁴²

¹³⁵ FMN.

¹³⁶ Parties' response to the CMA's RFI.

¹³⁷ Parties' [REDACTED].

¹³⁸ Parties' response to CMA's RFI.

¹³⁹ Eg FMN and Arçelik internal document.

¹⁴⁰ Arçelik internal document.

¹⁴¹ Arçelik internal document.

¹⁴² FMN.

- 5.15 Third parties also noted a degree of differentiation between suppliers offering products at different prices. For example, one supplier predominantly active in the premium segment submitted that it very occasionally competes with the Parties, as the latter are stronger in lower price segments.¹⁴³
- 5.16 Our view is that the evidence shows that products at similar price points impose a greater competitive constraint on each other than those at more distant price points. However, the Parties' internal documents and third-party evidence (discussed in detail in our competitive assessment) also consistently identified suppliers offering products at different price points as competitors, and many suppliers offer products across a wide range of prices. This illustrates a degree of demand-side and supply-side substitution between products at different price points, with there being no clear boundaries at which different groups of suppliers compete.
- 5.17 Therefore, we conclude that there are not separate markets for products at different price points and that any differences in competition between suppliers due to differences in price are best considered within our competitive assessment.

Conclusion on product markets

- 5.18 In light of the above, we conclude that the following are separate product markets:
- (a) washing machines;
 - (b) tumble dryers;
 - (c) dishwashers;
 - (d) cookers;
 - (e) ovens; and
 - (f) hobs.

Geographic market

Parties' views

- 5.19 The Parties submitted that the relevant geographic market covers at least the EEA and the UK. This is on the basis that most MDA products sold in the UK are imported, which is facilitated by low transport costs and the absence of tariffs or other regulatory barriers. Additionally, many strong MDA manufacturers are active

¹⁴³ [redacted] response to the CMA's phase 1 questionnaire.

across all of Europe and increasingly use the same brands in all European countries, including the UK.¹⁴⁴

Our assessment

5.20 Although we recognise that most MDA products sold in the UK are imported, the evidence we have received supports the view that the UK constitutes a separate geographic market:

- (a) The Parties' internal documents include specific assessments of competition to supply each MDA product in the UK. The documents indicate that markets have national characteristics, resulting in substantive differences in brands' performance and positioning across countries.¹⁴⁵
- (b) As shown in the Parties' submissions, manufacturers' shares of supply vary significantly across countries.¹⁴⁶
- (c) Although retailers occasionally enter into 'international agreements' with manufacturers,¹⁴⁷ generally negotiations between MDA suppliers and customers take place at a national level.¹⁴⁸

5.21 We have not received sufficient evidence of any demand-side or supply-side substitution that would support a finding of a wider geographic market.

Conclusion on geographic market

5.22 In light of the above, we conclude that the relevant geographic market is the UK.

Conclusion

5.23 For the reasons set out above, we conclude that the relevant markets are the supply of each of the following products in the UK:

- (a) washing machines;
- (b) tumble dryers;
- (c) dishwashers;
- (d) cookers;

¹⁴⁴ FMN.

¹⁴⁵ Eg FMN. See also Arçelik internal document.

¹⁴⁶ FMN.

¹⁴⁷ Arçelik internal document.

¹⁴⁸ [redacted] call note.

(e) ovens; and

(f) hobs.

6. APPROACH TO THE COMPETITIVE ASSESSMENT

- 6.1 We have assessed the competitive effects of the Transaction with reference to ‘theories of harm’. Theories of harm describe the possible ways in which an SLC may be expected to result from a merger and provide the framework for analysis of the competitive effects of a merger.
- 6.2 We have focused our competitive assessment on the horizontal unilateral effects of the Transaction in the supply of the following MDA products in the UK: washing machines; tumble dryers; dishwashers; cookers; ovens and hobs. In our Issues Statement, we noted that in its phase 1 investigation, the CMA found that the Transaction did not give rise to a realistic prospect of an SLC in relation to the supply of fridges and freezers in the UK; and we stated that we were not minded to pursue theories of harm in respect of fridges and freezers in our investigation absent a reasoned submission from any party.¹⁴⁹ No evidence has been submitted to justify investigating further these theories of harm.
- 6.3 We have also considered whether an SLC may be expected to result from the Transaction in relation to the overlap between the SDA business to be contributed by Arçelik to Beko Europe, and the SDA business that will be retained by Whirlpool. The evidence shows that there is limited overlap between the Parties in the supply of SDA products: in 2021 and 2022, the Parties both sold kettles, toasters and hot beverage products in the UK, but their combined share of sales of each product was [0-5]%.¹⁵⁰ Consistent with this, we note that no third parties have raised any concerns to us regarding the impact of the Transaction on the sale of SDA products. Accordingly, we conclude that the Transaction may not be expected to result in an SLC in relation to the supply of SDA products in the UK.
- 6.4 As regards our competitive assessment of the horizontal unilateral effects of the Transaction in the supply of the MDA products referred to in paragraph 6.2 above, we note that unilateral effects can arise in a horizontal merger when one firm merges with a competitor that would otherwise have 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.¹⁵¹ In this case, prices are negotiated bilaterally between suppliers and customers. Therefore, the Transaction will reduce the number of independent alternatives available to customers when they negotiate with suppliers, potentially worsening the negotiating position of customers. We have assessed whether the reduction in the options available to customers is sufficient to give rise to an SLC.

¹⁴⁹ [Issues Statement](#), paragraph 23.

¹⁵⁰ Arçelik’s response to the CMA’s s109 notice. See also FMN.

¹⁵¹ [MAGs](#), paragraph 4.1.

- 6.5 Our assessment of mergers is generally forward-looking, and we will seek to account for the future evolution of competitive conditions when assessing this theory of harm.¹⁵² This includes developments in the Parties' competitive offerings and the competitive offerings of third parties, taking into account a range of evidence.
- 6.6 We gathered evidence from a wide range of different sources as part of our inquiry. In considering the weight to be placed on each piece of evidence, we have taken into account factors such as the robustness of the data and methodology adopted, the interests of the party that provided the information or view, the age of the information or document, the context, author and recipient of a document, and the purpose for which it was produced.
- 6.7 We have not relied on any one specific piece of evidence in isolation to inform our assessment of the Transaction; rather, we have assessed all of the evidence in the round in order to reach our decisions in relation to the theories of harm.¹⁵³ As part of this, we have given due regard to the extent to which our view on the interpretation of a piece of evidence is corroborated (or not) by other evidence available to us. There is no set hierarchy between different types of evidence, and the CMA may attach greater weight to one type of evidence or another as appropriate in the circumstances, depending on its relative quality.¹⁵⁴
- 6.8 Where internal documents support claims being made by the merger parties, the CMA may be likely to attach more evidentiary weight to such documents if they were generated prior to the period in which those firms were contemplating or aware of the merger, or if they are consistent with other evidence.¹⁵⁵
- 6.9 The remainder of the competitive assessment is structured as follows:
- (a) chapter 7 considers evidence that is relevant to all MDA categories, such as the Parties' main competitors, their shares of supply, and potential entry and expansion.
 - (b) chapter 8 considers evidence that is specific to each MDA category, taking into account the 'cross-cutting' evidence covered in chapter 7.
 - (c) chapter 9 summarises our conclusions.

¹⁵² MAGs, paragraph 4.16.

¹⁵³ See, for example, MAGs, paragraphs 2.23 ('The CMA does not normally consider specific pieces of evidence in isolation when considering the question of an SLC, although it is common for the CMA to weight pieces of evidence differently') and 2.28 regarding the 'in the round' assessment.

¹⁵⁴ MAGs, paragraph 2.25. See also, *Aberdeen Journals v OFT* [2003] CAT 11, at [126]-[127].

¹⁵⁵ MAGs, paragraph 2.29(a).

7. CROSS-CUTTING THEMES AND EVIDENCE

Introduction

- 7.1 This chapter considers the evidence and themes of our assessment that are relevant across MDA categories. It covers:
- (a) the key factors that drive customer and consumer choices, and the implications for competition in the relevant markets;
 - (b) the competitive landscape and how it has changed over time;
 - (c) the Parties' key competitors; and
 - (d) competitors' potential entry and/or expansion.
- 7.2 These cross-cutting themes should be read alongside our competitive assessment of each MDA category in chapter 8.

Customer and consumer preferences

- 7.3 In this section, we consider the factors that drive the demand for MDA products and how they in turn shape the parameters of competition in the supply of MDA products. Our assessment draws primarily on evidence from the Parties' internal documents (eg research on consumers' choices, marketing reports, research and reports on brand health) and evidence from the Parties' main customers (eg their views and research).
- 7.4 In this context, we first consider the preferences of the direct customers of the MDA suppliers, and then consider the preferences of consumers (that is, the end-users of the products). This is because direct customers such as retailers are incentivised to compete to stock products which fulfil the preferences of their own customers (ie 'consumers'), hence consumer choice will also define the parameters of competition in the supply of MDA products.

Customer preferences

- 7.5 In the UK, MDA products are primarily sold to large retailers (such as AO, Currys and Argos), distributors and buying groups (such as Euronics and Sirius Buying Group), kitchen companies (such as Wickes, Howdens and Magnet) and homebuilding and construction companies.¹⁵⁶ As shown in Figure 7.1, the Parties' largest customers are primarily retailers and buying groups, and there is

¹⁵⁶ Parties' initial submission, 24 October 2023, paragraphs 8.1-8.2.

considerable overlap in the Parties' customer bases, with [REDACTED] being the largest customers of both Parties.

Figure 7.1: Share of sales to top 10 customers of Arçelik and Whirlpool (all MDA, 2022) – UK

[REDACTED]

Source: [Parties initial submission](#), 24 October 2023, paragraph 8.2.

- 7.6 Customers and suppliers of MDA products negotiate the terms of supply. The Parties submitted that negotiations with large retailers take place across price points and across MDA categories which increases retailers' buyer power. They also submitted that retailers' buyer power is evidenced by customers (which include retailers) delisting suppliers' products.¹⁵⁷
- 7.7 The evidence shows that it is common for customers and suppliers to engage in an annual product range review, where the entire ranges of products are reviewed.¹⁵⁸ This can create opportunities for customers and suppliers to negotiate across a wide range of products. However, more targeted and granular negotiations are also common. For example, in some cases the range for each MDA category is reviewed separately, eg through different account managers.¹⁵⁹ It is also common for customers and suppliers to monitor sales performance at a more granular product level on an ongoing basis. In addition, any delisting decisions by a customer will often target a specific product rather than an entire product range.¹⁶⁰
- 7.8 For the above negotiations, customers will ultimately consider their expected profitability from selling a product, and the extent to which their product range (eg, stocking a wide range of appliances with different features, quality or specifications) can cater to a range of consumer preferences. In addition, some customers stated that they also consider the reliability of supply (eg, how quickly and reliably a supplier can deliver its products, stock availability, installation or removal services) and they will negotiate this aspect with suppliers.¹⁶¹ Finally, several customers also consider the infrastructure that suppliers have in place to provide aftersales support.¹⁶²

¹⁵⁷ Parties [REDACTED] and [Parties' initial submission](#), 24 October 2023, paragraph 8.6.

¹⁵⁸ For example, [REDACTED] call note.

¹⁵⁹ [REDACTED] call note.

¹⁶⁰ For example [REDACTED] will generally only delist certain specific products due to quality, profitability issues or very low product volumes as its strategy is to provide the widest range of products to consumers [REDACTED] call note.

¹⁶¹ Responses to the CMA's phase 2 questionnaire. Call notes from: [REDACTED]; [REDACTED]; [REDACTED]; [REDACTED]; and [REDACTED].

¹⁶² Responses to the CMA's phase 2 questionnaire. Call notes from: [REDACTED]; and [REDACTED].

Customers' ability to influence consumer choice

- 7.9 The Parties have submitted that retailers have significant influence over consumer purchasing decisions.¹⁶³
- 7.10 A number of large retailers confirmed that they are able to influence consumer choice to a degree.¹⁶⁴ Further, one customer submitted that this is borne out by its research, which has shown that the majority of consumers are willing to buy an unknown brand if they buy from a trusted retailer.¹⁶⁵ However, many customers also indicated that their promotional activities generally seek to align with what consumers want.¹⁶⁶ In addition, some research from the larger retailers/outlets indicates that consumers typically research and shop around across multiple sources before making a decision.¹⁶⁷ This implies that while customers have some scope to influence consumers' choices, this has limitations, particularly for those consumers who narrow down their choice to one or two options before visiting a retailer.¹⁶⁸
- 7.11 Given the evidence that customers seek to cater to a range of consumer preferences (eg through their choice of product range), we have also considered evidence regarding consumer preferences.

Consumer preferences

- 7.12 The Parties submitted that consumers shop across price bands, taking into account a wide array of attributes, including capacity, energy efficiency, water usage, product features, performance (eg, spin-speed) and noise. The Parties also submitted that the upfront price of an appliance as well as the lifetime cost contribute to the final purchasing decision of a consumer.¹⁶⁹
- 7.13 Overall, the evidence shows that these are differentiated markets where consumers have diverse preferences and their choices are affected by a variety of factors; specifically, that:

¹⁶³ Parties' observations on common features across the MDA4 markets.

¹⁶⁴ Responses to the CMA's phase 2 questionnaire: [redacted]; [redacted]; and [redacted].

¹⁶⁵ [redacted] call note.

¹⁶⁶ For example: Responses to the CMA's phase 2 questionnaire, question 3, from: [redacted]; [redacted]; and [redacted]. See also [redacted] call note.

¹⁶⁷ Responses to the CMA's phase 2 data request from: [redacted]; [redacted]; and [redacted].

¹⁶⁸ For example, [redacted] research indicates that consumers look for a selection of products within a certain price bracket – sometimes narrowing [redacted] before visiting a retailer. Many customers search online for a product within a price range (as opposed to looking for a specific brand). Many will find a product they like, within budget and then compare prices across retailers, often those they have used before. There is [redacted] to specific retailers ([redacted] response to the CMA's phase 2 data request).

¹⁶⁹ [Parties' initial submission](#), 24 October 2023, paragraphs 7.9-7.10.

- (a) the upfront price of a product is a [redacted] factor for many consumers¹⁷⁰ and is likely to have become more important in the context of recent inflation;¹⁷¹ albeit price sensitivity varies across demographics and level of wealth;¹⁷²
- (b) the upfront price is typically more important than the lifetime cost of an appliance; while some consumers value energy efficiency,¹⁷³ which in turn influences lifetime cost, other consumers either [redacted] value energy efficiency or running costs, or [redacted] on efficiency compared to upfront price;¹⁷⁴ and
- (c) consumer choice is also influenced by a variety of non-price factors such as reliability, brand or certain premium features including aesthetics and technology.¹⁷⁵ There is some evidence that reliability is particularly important amongst these factors.¹⁷⁶

7.14 The Parties have also argued that brand is less important to consumers' purchasing decisions than other factors, particularly because consumers do not have high brand loyalty when making MDA purchases. The Parties also submitted that the importance of brand awareness is overstated by their competitors because brand awareness does not correlate with brand loyalty.¹⁷⁷ However, a range of evidence from the Parties,¹⁷⁸ customers¹⁷⁹ and suppliers (also discussed below at paragraph 7.51)¹⁸⁰, as well as the decisions of suppliers to maintain multiple brands, demonstrates that brand is important in relation to consumer choice and that different brands target different audiences.

Summary of the evidence on customer and consumer preferences

7.15 Our view is that various factors are important to customers' and consumers' choices. While customers have a degree of influence over consumer choice, they will typically seek to cater to consumer preferences. While consumer preferences vary, overall, the most important factors shaping consumer choice appear to be upfront price, reliability and brand.

¹⁷⁰ For example, the vast majority of customers (19 out of 20) when asked about consumer preferences stated that price was an important factor to consumers when making decisions. Responses to the CMA's phase 1 questionnaire. See also Arçelik's internal document.

¹⁷¹ For example, Arçelik's internal document. For example, [redacted] stated that volumes of sales at the lower/mid-level of the MDA range were 'suggesting the current tight economic backdrop has heightened price sensitivity' ([redacted] call note).

¹⁷² [redacted] response to the CMA's phase 1 questionnaire.

¹⁷³ For example, Whirlpool's Internal document.

¹⁷⁴ For example, Arçelik's internal document.

¹⁷⁵ For example, Arçelik's internal document.

¹⁷⁶ Arçelik internal document and FMN.

¹⁷⁷ Parties [redacted].

¹⁷⁸ For example, Arçelik internal document.

¹⁷⁹ For example, the majority (14 out of 20) of customers stated brand is an important factor to their consumers. Source: responses to the CMA's phase 1 questionnaire.

¹⁸⁰ For example, [redacted] stated that one of the key constraints preventing [redacted] from expanding to supply retailers such as [redacted], [redacted] and [redacted] in the UK is that the [redacted] larger retailers are generally reluctant to pick up new suppliers with low brand awareness in the UK ([redacted] call note).

The competitive landscape

Current shares of supply

- 7.16 Current shares of supply (by volume in 2022) for each MDA category are presented in Table 7.1.¹⁸¹ As shown in the Table, the Parties have a material share of supply in each MDA category, albeit somewhat lower shares in ovens and (particularly) hobs than other categories. The Parties generally have similar shares to each other, with Arçelik being slightly larger in some categories (eg dishwashers) and Whirlpool in others (eg washing machines).
- 7.17 The shares of third-party suppliers differ substantially across MDA categories. For example, Haier Group's¹⁸² share is much larger in washing machines [10-20]% and tumble dryers [20-30]% than in other MDA categories, BSH's share is particularly high in dishwashers [30-40]% and ovens [20-30]%, and Electrolux's share is much higher in ovens [10-20]% and hobs [20-30]% than other categories.
- 7.18 In addition to manufacturer-branded products (such as the Parties' Beko, Indesit and Hotpoint brands), each MDA category also includes several Private Label brands. Although each of these brands is distinct, it is common in the industry to refer to them collectively, in part due to data availability. We follow this practice, although we refer to individual brands where relevant. As shown in Table 7.1, the share of Private Label brands varies materially across categories – ranging from [10-20]% in washing machines to [30-40]% in cookers. As a result, the competitor set that the Parties face differs across MDA categories.

Table 7.1: Share of supply across MDA categories, by sales volumes

	%					
	<i>2022 estimated market share, by volume</i>					
	<i>Washing machines</i>	<i>Tumble dryers</i>	<i>Dishwashers</i>	<i>Cookers</i>	<i>Ovens</i>	<i>Hobs</i>
Arçelik	[10-20]	[20-30]	[20-30]	[20-30]	[10-20]	[10-20]
Whirlpool	[20-30]	[10-20]	[10-20]	[20-30]	[10-20]	[5-10]
Combined	[30-40]	[40-50]	[30-40]	[40-50]	[20-30]	[10-20]
BSH	[10-20]	[5-10]	[30-40]	[0-5]	[20-30]	[20-30]
Haier Group	[10-20]	[20-30]	[0-5]	[0-5]	[0-5]	[0-5]
Hisense	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]
Samsung	[10-20]	[5-10]	[0-5]	[0-5]	[0-5]	[0-5]
Electrolux	[0-5]	[0-5]	[5-10]	[0-5]	[10-20]	[20-30]
Private Label	[10-20]	[10-20]	[10-20]	[30-40]	[10-20]	[10-20]
Other	[5-10]	[0-5]	[0-5]	[10-20]	[5-10]	[10-20]

Source: GfK Data.

¹⁸¹ We have presented figures for 2022 as it the latest full year of available data. We have commented on any material changes that occurred during 2023 (Jan-Nov) elsewhere in the report, where relevant.

¹⁸² We understand that Hoover Limited distributes the MDA products of the Haier, Hoover, Candy brands in the UK, as Hoover Limited acquired the trade, assets and liabilities of Haier Appliances UK Co., Ltd. on 2 October 2023 (see Hoover Ltd, [Annual Report for the year ending 31 December 2022](#), page 53). Hoover Limited is ultimately owned by the Haier Group (see Hoover Ltd, [Annual Report for the year ending 31 December 2022](#), page 2, [Haier website](#) and [Haier Europe website](#)). Accordingly, we use the term '**Haier Group**' when referring to the legal entity(ies) that sell the relevant MDA products of Haier, Hoover and Candy brands in the UK.

Changes in shares of supply over time

- 7.19 The Parties submitted that UK and European MDA markets have changed considerably over the past decade, driven by an influx of Chinese and South Korean providers (such as the Haier Group, Hisense, Midea and Samsung).¹⁸³ The Parties noted that the collective (value) share of Chinese and South Korean providers (across MDA categories) has grown by approximately [10-20] percentage points in the UK since 2010, and that over the same period, Whirlpool's market share has declined [X] – also by approximately [10-20] percentage points.¹⁸⁴
- 7.20 We recognise that the competitive landscape has changed considerably over the past decade, and that Whirlpool's market position in particular has declined. Between 2018 and 2022 however, changes in the overall competitive landscape, particularly for branded MDA products, have been more modest. Whirlpool's position in most MDA categories has been relatively stable for example, with only very moderate changes in its share of supply. In washing machines for example, Whirlpool's share of supply changed by just [0-5] percentage points between 2018-2022, and [X] slightly in 2023.¹⁸⁵ The exception to this is tumble dryers, in which Whirlpool's share has continued to [X] decline – falling from [30-40]% in 2018 to [10-20]% in 2022.
- 7.21 We note that the collective share of supply of Private Label brands has grown considerably over the last five years, increasing by at least [5-10] percentage points in each MDA category (except washing machines), with growth of over [10-20] percentage points in tumble dryers and cookers. As shown in Table 7.1 above, Private Label brands now account for a material share of supply in each MDA category, and certain brands account for a much higher share of sales at their respective retailers.¹⁸⁶

Price range analysis

- 7.22 MDA products are sold at very different price points, with washing machines (for example) ranging from around £200 to over £1,000.¹⁸⁷ As set out above, consumer choices are determined by a range of factors, although the Parties' internal documents and third-party evidence show that price is an important indicator of closeness of competition. In addition, different MDA suppliers' sales are concentrated at different points within these ranges. Therefore, and given the evidence regarding the importance of price to consumers (see paragraph 7.13),

¹⁸³ [Parties' initial submission](#), 24 October 2023, paragraph 5.1

¹⁸⁴ [Parties' initial submission](#), 24 October 2023, paragraphs 1.8.6 and FMN.

¹⁸⁵ Over the eleven months January – November 2023 Whirlpool's share in washing machines averaged [20-30]%.

¹⁸⁶ See for example paragraphs 8.16 and 8.50.

¹⁸⁷ Unless otherwise stated, we use the term 'price' to refer to the price paid by consumers.

we have considered shares of supply in different price segments as one factor informing our assessment of closeness of competition between suppliers.

- 7.23 We have presented the details of our price range analysis in Appendix C, and Table 7.2 below presents an example price distribution for washing machines. The price range analysis shows that the Parties make the majority of their MDA sales at the ‘low’ to ‘mid’ price points, with a strong market position in the £200-400 price range.
- 7.24 Other suppliers such as Haier Group and Hisense are present at similar prices as the Parties. BSH and Samsung make most of their sales at prices above those at which most of the Parties’ sales are made, while Private Label sales are generally concentrated at prices lower than those of the Parties. For example, GfK data (for 2022) shows that in washing machines, the Parties made most ([60-70]%) of their sales at prices between £250 and £350, with approximately [10-20]% of their sales at prices below £250 and [10-20]% at prices above £350. By comparison, [50-60]% of Private Label sales were made at prices below £250, while almost all ([90-100]%) of BSH and Samsung sales were made at prices above £350.
- 7.25 The price range analysis should not be interpreted as identifying precise boundaries within which products and suppliers compete with each other, as products with different prices are substitutes to each other to varying degrees and price is just one factor influencing consumer choice. Therefore, we would expect BSH and Samsung’s products to exert a constraint on the Parties’ products priced below £350 even though BSH and Samsung make few sales below this price; similarly, we would expect Private Label brands to exert a constraint above £250.
- 7.26 While the price range analysis is just one factor in our competitive assessment, it provides a good indication of the price points at which different suppliers are currently competing and informs our assessment of the closeness of competition between suppliers for each MDA category in chapter 8.

Table 7.2: Distribution of washing machine sales across price ranges, 2022

	2022 estimated volume share (%), by £100 price range					
	£100-200	£200-300	£300-400	£400-500	£500-600	£600+
Whirlpool	[0-5]	[20-30]	[30-40]	[5-10]	[0-5]	[0-5]
Arçelik	[50-60]	[20-30]	[10-20]	[5-10]	[0-5]	[0-5]
BSH	[0-5]	[0-5]	[10-20]	[10-20]	[10-20]	[30-40]
Private Label	[20-30]	[30-40]	[0-5]	[0-5]	[0-5]	[0-5]
Electrolux	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]	[10-20]
Haier Group	[0-5]	[10-20]	[20-30]	[10-20]	[10-20]	[0-5]
Hisense	[5-10]	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]
Samsung	[0-5]	[0-5]	[0-5]	[40-50]	[40-50]	[10-20]
Other	[10-20]	[0-5]	[0-5]	[5-10]	[10-20]	[30-40]
Total	100	100	100	100	100	100
Share of all sales in price range	[0-5]	[30-40]	[20-30]	[20-30]	[5-10]	[5-10]

Source: GfK Data.

The Parties' key competitors

7.27 In this section we summarise the general evidence we have received regarding closeness of competition between the Parties and third-party suppliers. Many suppliers are active across multiple MDA categories and, as such, much of the evidence we have received (including internal documents from the Parties and third-party evidence) is based on competitive conditions across MDA categories. We therefore summarise this general evidence here, which informs (and should be read alongside) the category-specific evidence set out in chapter 8.

Evidence on closeness of competition between the Parties

7.28 The evidence that we have received consistently shows that the Parties compete closely with each other across multiple MDA categories. This is reflected in the shares of supply and price range analysis (Appendix C) which show that the Parties have a strong market position in most MDA categories, and offer products at similar price points. This is also reflected in the Parties' internal documents, in which they regularly monitor each other's price and sales movements. Namely, Arçelik explicitly refers to Whirlpool as its '[redacted]' or '[redacted]' competitor in several documents;¹⁸⁸ similarly, a Whirlpool document warns that [redacted], simultaneously noting that '[redacted]'.¹⁸⁹

7.29 Third party evidence also shows that the Parties are close competitors. In each MDA category under consideration, for example, the large majority of customers listed the Parties amongst each other's top three competitors.¹⁹⁰ Further, a number of third parties told us that the Parties' main brands – Beko, Hotpoint and Indesit – largely compete in the same price segments, described for example as 'below mid-market', and 'entry to mid-price'.¹⁹¹

Evidence on alternative competitive constraints

7.30 As shown in Table 7.3, customers listed a range of third-party suppliers as competitors to the Parties in different MDA categories.¹⁹² We summarise the evidence on closeness of competition between the Parties and these suppliers below.

7.31 We focus here on those suppliers that are present across all (or almost all) MDA categories: Haier Group, BSH, Private Label brands, Electrolux and Hisense. There are several other suppliers active in the UK, which are comparatively strong

¹⁸⁸ Arçelik's internal document; Arçelik internal document.

¹⁸⁹ Whirlpool internal document.

¹⁹⁰ Responses to the CMA's phase 1 questionnaire.

¹⁹¹ [redacted] call note. [redacted] call note. [redacted] call note. [redacted] call note. [redacted] call note. [redacted] call note. [redacted] call note. [redacted] response to the CMA's phase 2 questionnaire.

¹⁹² Responses to the CMA's phase 1 questionnaire.

in specific MDA categories – such as Samsung and LG in washing machines and tumble dryers. These suppliers are discussed further in chapter 8, where we assess competitive conditions in each MDA category.

Table 7.3: Number of customers listing each third-party supplier as one of either Arçelik or Whirlpool’s top three competitors

	<i>Washing machines</i>	<i>Tumble dryers</i>	<i>Dishwashers</i>	<i>Cooking appliances</i>
Total responses	19	19	19	19
Haier Group	15	16	9	5
BSH	9	9	15	12
Private Label	4	5	5	6
Electrolux	5	4	5	9
Samsung	2	3	0	0
Hisense	1	0	2	2
Other	0	0	0	2

Source: Responses to the CMA’s phase 1 questionnaire.

Note: For [REDACTED], we have included the top-three competitors to the Beko and Hotpoint brands.

Haier Group (Hoover, Candy and Haier brands)

7.32 The evidence shows that the Haier Group (primarily through its Hoover and Candy brands) is a close competitor to both Arçelik and Whirlpool, particularly in washing machines and tumble dryers. As shown in Table 7.3 above, a large majority of customers listed the Haier Group as one of the Parties’ closest competitors in washing machines and tumble dryers, and almost half of customers did so in dishwashers. This is consistent with the shares of supply and price range analysis, which shows that the Haier Group has a comparatively strong market position in washing machines and tumble dryers and sells products at similar price points to the Parties across all MDA categories.

7.33 The Parties’ internal documents [REDACTED] the Haier Group, including its Candy and Hoover brands in [REDACTED].¹⁹³ Some Arçelik internal documents also refer to [REDACTED], alongside Whirlpool, as its ‘[REDACTED] competition’.¹⁹⁴

BSH (Bosch, Neff and Siemens brands)

7.34 BSH is active across all MDA categories and is considered by many customers (Table 7.3) to be amongst the Parties’ closest competitors in each MDA category. This is particularly notable in dishwashers, which is consistent with BSH’s large share of supply in this category ([30-40]% by volume in 2022).

7.35 As shown in our price range analysis (Appendix C), however, BSH’s products are generally priced above those of the Parties, and this was noted by several customers.¹⁹⁵ Some third parties also told us that BSH’s products compete most

¹⁹³ For example: Arçelik’s internal document or Whirlpool Internal Document.

¹⁹⁴ Arçelik’s internal document.

¹⁹⁵ Notes of calls with: [REDACTED]; [REDACTED]; and [REDACTED].

strongly with the Parties' higher priced products and brands (such as Blomberg and Grundig),¹⁹⁶ and/or for consumers that consider factors such as quality, longevity and running costs.¹⁹⁷ This price differentiation is also reflected in the Parties' internal documents: whilst the Parties regularly monitor developments in BSH's [REDACTED],¹⁹⁸ BSH is more frequently referred to as a competitor to Arçelik's more [REDACTED] brands ([REDACTED]),¹⁹⁹ and less frequently in the context of the Parties' [REDACTED] brands ([REDACTED]).²⁰⁰

7.36 Overall, the evidence shows that BSH exerts a competitive constraint on the Parties, albeit to varying degrees across different MDA categories (see chapter 8), and it exerts a stronger constraint on the Parties' higher priced products and brands.

Private Label brands

7.37 The Parties' customers can choose to (and many do) supply their own Private Label products rather than relying on products from branded manufacturers. As such, increased use of Private Label brands is one of the options available to a customer as they negotiate with a supplier. We have, therefore, considered evidence regarding the competitive constraint on the Parties from Private Label brands.

7.38 Only a small number of customers listed Private Label brands amongst the Parties' closest competitors (Table 7.3), although when specifically asked, around two thirds of customers told us that Private Label brands compete with the Parties.²⁰¹ Some customers also told us that they have previously either expanded or considered expanding their range of Private Label products to replace products from the Parties.²⁰²

7.39 Several customers stated that Private Label products are typically priced at the entry level,²⁰³ and this is clearly reflected in our price range analysis. Some customers also told us that Private Label brands may be disadvantaged in terms of brand equity compared to other low or entry level brands such as Indesit.²⁰⁴

7.40 The Parties monitor and comment on the performance of Private Label brands in their internal documents.²⁰⁵ Some documents discuss Private Label brands as [REDACTED]

¹⁹⁶ Notes of calls with: [REDACTED] and [REDACTED].

¹⁹⁷ Notes of calls with: [REDACTED] and [REDACTED].

¹⁹⁸ For example, FMN.

¹⁹⁹ For example, Arçelik's internal document.

²⁰⁰ Whirlpool Internal Document.

²⁰¹ The CMA asked customers to what extent they considered that Private Label MDA products competed against the MDA products offered by Arçelik and Whirlpool (CMA questionnaire).

²⁰² Responses to the CMA's phase 2 questionnaire from: [REDACTED]; [REDACTED]; and [REDACTED].

²⁰³ Call notes: [REDACTED]; [REDACTED]; and [REDACTED]. [REDACTED] response to the CMA's phase 1 questionnaire. Responses to the CMA's phase 2 questionnaire from: [REDACTED]; and [REDACTED].

²⁰⁴ [REDACTED] response to the CMA's phase 1 questionnaire; [REDACTED] call note [REDACTED].

²⁰⁵ For example, Arçelik internal document and FMN.

competitors to the Parties' entry level products;²⁰⁶ for example, a 2022 review of the performance of Whirlpool's washing machines conducts a 'head-to-head comparison' between Indesit, [REDACTED] and Private Label brands. The same document notes that [REDACTED].²⁰⁷

- 7.41 Overall, the evidence above shows that Private Label brands exert a competitive constraint on the Parties, albeit to varying degrees across different MDA categories (see chapter 8) and exert a stronger constraint on the Parties' 'entry' and 'low' priced products.

Electrolux (Zanussi and AEG brands)

- 7.42 Electrolux was listed by several customers as one of the Parties' closest competitors across all MDA categories, especially in cooking appliances (Table 7.3). Indeed, the evidence shows that Electrolux is a [REDACTED] competitor to the Parties in ovens and hobs, for example being [REDACTED]²⁰⁸ (with [REDACTED] mentioned as a [REDACTED] competitor in both ovens and hobs, and [REDACTED] primarily mentioned in relation to ovens).²⁰⁹
- 7.43 Electrolux is [REDACTED] monitored in the Parties' internal documents in other MDA categories (washing machines, tumble dryers and dishwashers),²¹⁰ and although it was listed by several customers as a competitor in these categories (Table 7.3), these responses were from smaller customers.²¹¹ We note however that one large customer submitted that it had previously removed Hotpoint from its range, favouring Zanussi instead. The customer told us that Hotpoint and Zanussi were 'in the same price range and doing a similar job'.²¹²
- 7.44 Our view is therefore that Electrolux competes closely with the Parties in the supply of ovens and hobs and is considered to be a viable alternative to the Parties by some customers across all MDA categories.

Hisense

- 7.45 Hisense currently has relatively low shares in all MDA categories under consideration, and only a small number of customers listed Hisense as one of the Parties' closest competitors (Table 7.3). Some customers also told us that Hisense currently lacks the mature infrastructure and/or brand strength to be a strong competitor to the Parties, although some other customers told us they would

²⁰⁶ For example, a 2022 presentation by Arçelik divides the market by price segments placing trade brands in the bottom segment with a PI < [REDACTED]%. Arçelik's internal document.

²⁰⁷ FMN.

²⁰⁸ For example: FMN and Arçelik internal document.

²⁰⁹ For example: FMN.

²¹⁰ For example, Whirlpool internal document and Whirlpool Internal Document.

²¹¹ [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED] and [REDACTED].

²¹² [REDACTED] call note.

consider Hisense as an alternative to the Parties' products if the Parties increased their prices.²¹³

- 7.46 Hisense has steadily increased its share of supply across several MDA categories since 2018, including at the low-mid price points where the Parties are most active.²¹⁴ Hisense is also monitored in several competitor analyses and benchmarking exercises in the Parties' internal documents. Further, Arçelik's internal documents repeatedly [redacted] about Hisense's recent market share gains, [redacted],²¹⁵ and considering it to be an [redacted] competitive threat, particularly for Beko's [redacted] range.²¹⁶ As discussed below (paragraph 7.55), a third party supplier has also referred to the threat from Hisense in its internal documents.
- 7.47 Finally, two large customers told us that Hisense has the potential to expand further, and is likely to become [redacted] in the future. This is consistent with the evidence we discuss below in paragraphs 7.53 to 7.57.
- 7.48 Overall, our view is that Hisense has already gained a material presence in the relevant markets – it has steadily expanded over the last five years and is listed by almost all major retailers – and the threat of further growth from Hisense is likely to exert a material competitive constraint on established suppliers, including the Parties.

Entry and/or expansion

- 7.49 Entry and/or expansion which would have occurred irrespective of the Transaction is relevant for assessing closeness of competition on a forward-looking basis, eg where there is evidence that certain competitors have the ability and incentive to expand into certain segments and increase their competitive pressure on the Parties.
- 7.50 To understand the implications of potential entry and/or expansion by competitors (irrespective of the Transaction) we have sought and considered evidence regarding the nature and scale of barriers to entry and/or expansion, and we have assessed the ability and incentive of third parties to enter and/or expand in light of the evidence on such barriers.

Evidence on barriers to entry and/or expansion

- 7.51 We have identified four broad categories of barriers to entry and/or expansion in the supply of branded MDA products related to:

²¹³ Call notes from: [redacted]; [redacted]; [redacted]; and [redacted] response to the CMA's phase 2 questionnaire.

²¹⁴ GfK data shows that Hisense has continued to gain share in 2023 (over January to November), meaning that the figures in Table 7.1 underestimate its latest market shares.

²¹⁵ For example, Arçelik's internal document and Arçelik's internal document.

²¹⁶ For example, Arçelik's internal document.

- (a) *Brand*. Third party evidence consistently shows that brand is one of the major barriers to entry and/or expansion. For example, building brand awareness and investing in brand marketing was mentioned as a barrier by the large majority of suppliers (10 out of 11) that provided evidence.²¹⁷
- (b) *Production capabilities*. The majority of third party suppliers submitted that various aspects of production act as barrier to entry and/or expansion, because significant investment is required into product innovation and technology/features,²¹⁸ and because repurposing existing factories to expand into a new MDA category would be complicated or difficult to achieve.²¹⁹ Some suppliers also submitted that it is necessary to achieve scale and/or a competitive cost base, particularly to compete successfully in lower price segments.²²⁰
- (c) *Distribution*. The majority of third party suppliers identified various aspects of distribution as a barrier to entry and/or expansion, particularly with regards to establishing or expanding relationships with retailers,²²¹ and setting up and maintaining reliable supply chains and storage.²²²
- (d) *Aftersales*. Several suppliers²²³ identified the need to develop an aftersales service (eg an engineering network for servicing or repairing appliances) as a potential barrier to entry and/or expansion. However, some third parties also noted that a supplier may choose to rely on the retailers' ability to offer services such as delivery, aftersales or warranty, and [REDACTED] stated that providing aftersales through a third party is not a major competitive weakness.²²⁴ The Parties noted that several suppliers (including [REDACTED]) do not have their own aftersales network and outsource their repair services to third party providers.²²⁵

7.52 Below we provide an assessment of the ability and incentive of third parties to enter and/or expand, in light of the barriers discussed above. This assessment is based on evidence from a range of sources, including submissions, responses and internal documents collected from third parties. In presenting this evidence, we have focussed on those suppliers which we consider have the greatest ability and incentive to enter or expand, and whose entry/expansion is likely to have the

²¹⁷ Call notes: [REDACTED]; [REDACTED]; [REDACTED]; and [REDACTED]. Responses to the CMA's phase 2 questionnaire: [REDACTED]; [REDACTED]; [REDACTED]; [REDACTED]; [REDACTED]; and [REDACTED].

²¹⁸ Call notes: [REDACTED] and [REDACTED]. Responses to the CMA's phase 2 questionnaire from: [REDACTED]; [REDACTED]; [REDACTED]; and [REDACTED].

²¹⁹ Responses to the CMA's phase 2 questionnaire: [REDACTED] and [REDACTED]. Call notes: [REDACTED] and [REDACTED].

²²⁰ Responses to the CMA's phase 2 questionnaire from: [REDACTED]; [REDACTED] and [REDACTED]. [REDACTED] note that 'to be relevant in this market requires 5-10% market share' ([REDACTED] call note).

²²¹ Responses to the CMA's phase 2 questionnaire: [REDACTED]; [REDACTED] and [REDACTED]. Call notes: [REDACTED]; [REDACTED]; [REDACTED] and [REDACTED].

²²² Responses to the CMA's phase 2 questionnaire: [REDACTED]; [REDACTED] and [REDACTED]. Call notes: [REDACTED] and [REDACTED].

²²³ Responses to the CMA's phase 2 questionnaire: [REDACTED]; [REDACTED]; and [REDACTED].

²²⁴ Response to the CMA's phase 2 questionnaire: [REDACTED]. Call notes: [REDACTED]; and [REDACTED].

²²⁵ Parties observations on common features across the MDA4 markets.

greatest impact on competitive conditions in the MDA markets under consideration.

Our assessment of potential entry and/or expansion

Hisense

- 7.53 *Expansion plans.* Hisense told us that it has [REDACTED], and it provided [REDACTED].²²⁶ It told us that it plans to be positioned [REDACTED].
- 7.54 *Past expansion in related markets.* Over the last five years, Hisense has gradually gained market share across different MDA categories, including in the low-mid price ranges.²²⁷ Hisense also has an established market position in fridges and freezers, having acquired the Fridgemaster brand in 2012.
- 7.55 *Competitor and customer views.* Hisense's growth has been monitored in the Parties' internal documents ([REDACTED]), and several third parties told us that they expect Hisense to be a stronger competitor in the future.²²⁸ We also received an internal document from a third party competitor from 2023 which states that Hisense is well positioned to grow further and is viewed as a competitive threat.²²⁹
- 7.56 We have also considered Hisense's ability to overcome the barriers to entry and/or expansion we identified at paragraph 7.51:
- (a) *Brand.* Hisense has invested significantly in brand promotion, including sponsorship of major sporting events, increased prominence in retail stores, and purchasing space at trade fairs.²³⁰ In addition, the evidence shows that Hisense's brand awareness has grown considerably since 2018, likely due in part to its presence in other markets such as consumer electronics, albeit [REDACTED].²³¹
 - (b) *Production capabilities.* Hisense told us that its acquisition of Gorenje (an MDA supplier based in Slovenia) in 2018 provided it with [REDACTED]. Hisense has [REDACTED], providing a European manufacturing base.²³²
 - (c) *Distribution and aftersales.* Hisense's MDA products are listed at almost all major retailers, and we have not received evidence that it has weak distribution or supply chains (we also note that many of its products are now

²²⁶ [REDACTED] call note and [REDACTED] response to the CMA's s109 notice.

²²⁷ Across all MDA categories, Hisense's share grew by [0-5] percentage points between 2018 and 2022. Hisense continued to grow its share in 2023, for example, over the three months September to November 2023, Hisense share in dishwashers rose to [5-10]% (up from [0-5]% in 2022) and in washing machines to [0-5]% (up from [0-5]% in 2022).

²²⁸ Call notes: [REDACTED]; [REDACTED]; and [REDACTED].

²²⁹ [REDACTED] response to the CMA's s109 notice.

²³⁰ Parties' submission on Asian suppliers entry and expansion in the UK MDA sector.

²³¹ Parties' supplementary submission on brand awareness. We note that other evidence suggests Hisense has lower brand awareness than in the evidence submitted by the Parties ([REDACTED] response to the CMA's s109 notice).

²³² [REDACTED] call note.

produced in Europe). Some third parties told us that Hisense has relatively weak [REDACTED]²³³ because it [REDACTED] is relatively common across the industry, and Hisense told us that [REDACTED] (see paragraph 7.51).

7.57 In summary, Hisense has steadily expanded its UK presence in recent years, and based on evidence from a range of sources, we consider that it has the ability and incentive to further expand. Our view is that the threat of further growth from Hisense is likely to exert a material competitive constraint on established suppliers, including the Parties. We discuss the implications for each of the MDA categories under consideration in chapter 8.

Haier Group

7.58 *Expansion plans.* Haier Group submitted its internal projections showing that [REDACTED]. In addition, [REDACTED].²³⁴

7.59 *Past expansion in related markets.* As set out above, [REDACTED] the Haier Group grew its shares of supply by a few percentage points since 2018, particularly in washing machines and tumble dryers, although its shares were stable or slightly declining more recently, in 2023.²³⁵ However, the Haier Group is already a well-established supplier in several MDA categories.

7.60 *Competitor and customer views.* As set out above, evidence from third parties and the Parties' internal documents show that the Haier Group is a close competitor to the Parties, particularly in washing machines and tumble dryers. A third party supplier also told us that that [REDACTED].²³⁶

7.61 In terms of the Haier Group's ability to overcome the barriers to entry and/or expansion identified in paragraph 7.51, we note that:

(a) *Brand.* The Haier Group acquired the Candy and Hoover brands in 2018 which were already established brands in washing machines and tumble dryers. The Haier Group told us that [REDACTED].²³⁷

(b) *Production capabilities.* The Haier Group stated that [REDACTED]. Haier Group has also [REDACTED].²³⁸

²³³ [REDACTED] call note.

²³⁴ [REDACTED] response to the CMA's s109 notice.

²³⁵ Based on GFK data over January to November 2023.

²³⁶ [REDACTED] call note.

²³⁷ [REDACTED] call note.

²³⁸ [REDACTED] call note and [REDACTED] response to the CMA's s109 notice.

(c) *Distribution and aftersales*. The Haier Group told us that it is already present across all major retail channels [REDACTED].²³⁹ [REDACTED].²⁴⁰

7.62 In summary, the evidence shows that the Haier Group is already a close competitor to the Parties (particularly in washing machines and tumble dryers), and is well placed to expand further. We consider the implications of this with regard to specific MDA categories in chapter 8.

Other suppliers

7.63 The evidence we have received in relation to other MDA suppliers shows that any potential expansion is unlikely to materially increase the competitive constraint that these suppliers exert generally on the Parties.²⁴¹ However, where there is evidence on potential expansion that is relevant to a specific MDA category, we have taken this into account in chapter 8.

²³⁹ [REDACTED] call note.

²⁴⁰ [REDACTED] response to the CMA's s109 notice.

²⁴¹ We received evidence on the entry and/or expansion plans of a wide range of competitors, both manufacturer-branded and Private Label ([REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], and [REDACTED] ([REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]). This evidence was based on calls and/or information requests with the relevant third parties. In response to our Provisional Findings, the Parties submitted that they believe certain other competitors 'are highly likely to expand in the UK and that such expansion will further intensify competition' ([Parties' response to the provisional findings](#), 20 February 2024, paragraph 4). We have considered this submission, but since the Parties did not provide any additional evidence to support this statement, our conclusion remains unchanged.

8. COMPETITIVE ASSESSMENT FOR EACH MDA CATEGORY

- 8.1 In this chapter, we present our competitive assessment for each MDA category – ie washing machines, tumble dryers, dishwashers, cookers, ovens and hobs. This takes account of Whirlpool’s ‘Continuation Scenario’ in each MDA category; evidence regarding closeness of competition between the Parties and with third party suppliers; and (where relevant) evidence on the entry and/or expansion plans of third party suppliers.
- 8.2 This chapter should be read alongside chapter 7, which covers issues and evidence that are applicable across MDA categories.

Washing machines

The Continuation Scenario

Whirlpool’s submissions

- 8.3 Whirlpool told us that under the Continuation Scenario it would have [REDACTED].²⁴² Whirlpool submitted that [REDACTED],²⁴³ [REDACTED].²⁴⁴
- 8.4 Whirlpool told us that this strategy was presented to its board in August 2022, and reflected in its internal documents. For example, an October 2022 document stated that Whirlpool’s approach would be to [REDACTED].²⁴⁵ Whirlpool submitted that [REDACTED].²⁴⁶

Our assessment

- 8.5 As shown in Table 8.1, Whirlpool’s washing machines product line (at the EMEA level) [REDACTED]. [REDACTED].

Table 8.1: [REDACTED]

[REDACTED]

Source: CMA analysis.

Note: The figures in this table [REDACTED].

- 8.6 The figures in Table 8.1 show that Whirlpool’s washing machine product line has [REDACTED], with [REDACTED]. This [REDACTED], and we note that such plans were presented to the board

²⁴² Whirlpool [REDACTED] and Parties [REDACTED].

²⁴³ [REDACTED].

²⁴⁴ Whirlpool [REDACTED].

²⁴⁵ Whirlpool internal document.

²⁴⁶ Whirlpool [REDACTED].

in 2022.²⁴⁷ The need to [REDACTED] is supported by the evidence we received from alternative purchasers, as discussed in chapter 4.

8.7 We recognise that Whirlpool had [REDACTED], which is supported by [REDACTED]. There is also some evidence to support Whirlpool's submissions that [REDACTED]. This is reflected in some internal documents (paragraph 8.4 above), and Whirlpool provided some [REDACTED].²⁴⁸

8.8 We note however that there is uncertainty over [REDACTED]. One alternative purchaser for example told us that [REDACTED]. We understand that [REDACTED].²⁴⁹

8.9 Our view is therefore that, absent the Transaction, Whirlpool would likely be a [REDACTED] in the supply of washing machines than it is currently. Whilst we have not received evidence to show that [REDACTED], the evidence shows that it is likely that it would seek to [REDACTED], and its market position would therefore likely [REDACTED] at the low-mid price points. We have taken this into account in our competitive assessment below.

Competitive assessment

8.10 The below sections assess the evidence we have received on closeness of competition and alternative competitive constraints in the supply of washing machines. This evidence shows that whilst the Parties are two of the largest suppliers of washing machines and are close competitors, they face competitive constraints from a range of suppliers. This includes Private Label brands (whose sales are focussed primarily on the lower price points), the Haier Group and Hisense (whose products are similarly priced to the Parties') and suppliers such as BSH, Samsung and LG (whose products are typically higher priced than the Parties). As discussed below, some of these competitors are also well-positioned to expand further and thus are likely to exert a stronger competitive constraint on the Parties than they do currently.

Closeness of competition between the Parties

8.11 A range of evidence shows that the Parties are close competitors in the supply of washing machines. Shares of supply (Table 7.1) show that the Parties are currently two of the three largest suppliers, and our price range analysis (Appendix C) shows that their sales are concentrated at similar price points. Further, almost all customers listed Arçelik and Whirlpool amongst each other's closest competitors.²⁵⁰

²⁴⁷ FMN.

²⁴⁸ Parties [REDACTED].

²⁴⁹ [REDACTED] call note.

²⁵⁰ Responses to the CMA's phase 1 questionnaire.

- 8.12 The Parties' internal documents also identify each other as close competitors in washing machines. For example, an Arçelik document from 2022 identifies Indesit as one of Beko's '[REDACTED] competitors' at [REDACTED] price points, and states that Indesit's share has [REDACTED].²⁵¹ Similarly, a Whirlpool document from 2022 benchmarks Indesit against Beko and Private Label brands, noting several times that Indesit is '[REDACTED]' to these brands due to [REDACTED].²⁵²

Alternative competitive constraints

Haier Group

- 8.13 The evidence shows that Haier Group is a close competitor to the Parties in the supply of washing machines, with comparable shares of supply (Table 7.1) and operating at similar price points (Appendix C). Several third parties told us that Haier Group is a credible alternative to the Parties,²⁵³ and large majority of customers listed it as one of the Parties' closest competitors (Table 7.3).
- 8.14 As noted in chapter 7, several internal documents refer to the Haier Group as a [REDACTED] competitor, and this is often in the context of washing machines specifically. For example, the Parties [REDACTED] Haier Group's market activity in washing machines,²⁵⁴ and internal documents refer to it as a [REDACTED] competitor in this category.²⁵⁵
- 8.15 [REDACTED].²⁵⁶ We therefore expect the Haier Group to remain a close (and potentially even stronger) competitor to the Parties post-Transaction.

Private Label brands

- 8.16 Private Label brands currently account for a somewhat lower share of supply in washing machines than they do in other MDA categories (Table 7.1). However, the Parties have provided evidence which shows that several Private Label brands (such as [REDACTED] and [REDACTED]) have expanded their ranges in recent years,²⁵⁷ and we note that some brands (such as [REDACTED] and [REDACTED]) account for a high proportion of sales at their respective retailers/outlets.²⁵⁸ We consider that Private Label brands therefore exert a strong competitive constraint on the Parties at these retailers, which are amongst their largest customers. Further, because consumers compare prices across different retailers/outlets (see chapter 7), Private Label brands exert

²⁵¹ Arçelik's internal document.

²⁵² FMN.

²⁵³ For example: [REDACTED] call note; and responses to the CMA's phase 2 questionnaire: [REDACTED]; [REDACTED]; [REDACTED]; and [REDACTED].

²⁵⁴ For example: Arçelik's internal document; Arçelik's internal document; Whirlpool internal document.

²⁵⁵ Arçelik's internal document and Whirlpool internal document.

²⁵⁶ [REDACTED] response to the CMA's s109 notice.

²⁵⁷ [Parties' initial submission](#), 24 October 2023, paragraph 1.11.2; Parties [REDACTED]; and Parties [REDACTED].

²⁵⁸ For example, in 2022, Private label accounted for [REDACTED]% of washing machine sales (volumes) at [REDACTED] and [REDACTED]% at [REDACTED].

a competitive constraint on the Parties (and other suppliers) beyond the specific retailer/outlet at which they are sold.

- 8.17 Several of the Parties' internal documents monitor Private Label brands, particularly in relation to [REDACTED]. For example, a 2022 Whirlpool document benchmarks the prices of Indesit [REDACTED] washing machines against [REDACTED] (and other competitors) and notes that Indesit [REDACTED].²⁵⁹ Similarly, an Arçelik document from 2022 includes [REDACTED] amongst Beko's main competitors for [REDACTED] washing machines.²⁶⁰

Hisense

- 8.18 Hisense currently has a modest share of supply in washing machines and third parties did not identify Hisense as currently one of the closest competitors to the Parties in washing machines (see Table 7.3). However, Hisense has grown steadily over the last five years (including strong performance in 2023), it is listed by almost all major retailers, its washing machines are sold at similar prices to those of the Parties (see Appendix C) and some customers told us that they consider Hisense to be an alternative to the Parties (see chapter 7).
- 8.19 Furthermore, we have received evidence that Hisense is likely to be a stronger competitor to the Parties in the future. In line with its past expansion, investment in brand and production capabilities and established presence across all major retailers (discussed in chapter 7), Hisense has plans to [REDACTED]: internal targets show that it [REDACTED]. [REDACTED], some customers told us that they expect Hisense to be a more important supplier in the future.²⁶¹
- 8.20 Therefore, whilst we have mixed evidence regarding the competitive constraint currently exerted by Hisense in washing machines, our view is that it has the ability and incentive to expand further, increasing this competitive constraint.

BSH

- 8.21 The evidence shows that BSH exerts a material competitive constraint on the Parties, and is a particularly strong competitor to the Parties' higher priced washing machines. Although BSH's products tend to be sold at higher prices than those of the Parties, there is a material overlap in the range of prices at which both the Parties and BSH sell substantial volumes.²⁶² We also consider that BSH (and other 'premium' providers such as Samsung and LG) exert a competitive constraint on the Parties beyond the specific price points at which they operate;

²⁵⁹ FMN.

²⁶⁰ FMN.

²⁶¹ [REDACTED] call note; [REDACTED] call note.

²⁶² 2022 GfK data shows BSH's washing machine range starts at around £350. Around [REDACTED] ([20-30]%) of the Parties sales are made above this price.

partly because many consumers consider factors other than price (including quality, features and energy efficiency), and partly because their presence at higher price points limits the potential for price increases on lower-priced models.

8.22 Additionally, a number of customers identified BSH as a top three competitor to the Parties in washing machines (as shown in Table 7.3), and the Parties [REDACTED] BSH in their internal documents,²⁶³ especially in relation to the Parties' [REDACTED] products.²⁶⁴ We also note that BSH submitted evidence showing that it [REDACTED].²⁶⁵

Other competitors

8.23 We note that there are a number of other suppliers in washing machines, including Samsung, LG and Electrolux. Our view is that these suppliers compete less closely with the Parties than those discussed above, but they are considered to be viable alternatives to the Parties by at least some customers. Specifically:

- (a) Samsung was listed as a close competitor to the Parties by only a small number of customers (Table 7.3), although one large retailer told us that it considers Samsung to be an alternative to the Parties in laundry, and another large retailer listed it as one of the Parties' closest competitors.²⁶⁶ The Parties refer to [REDACTED] in their internal documents,²⁶⁷ although generally as a competitive constraint on their more [REDACTED] products and brands.²⁶⁸
- (b) LG is [REDACTED] referred to in the Parties' internal documents, and was only listed by one customer as a close competitor to Arçelik's [REDACTED] brand.²⁶⁹ However, we note that it has gained market share over the last five years, and a large retailer told us that it considers LG to be an alternative to the Parties in laundry.²⁷⁰
- (c) Electrolux's share of supply in washing machines is small and has declined over the last five years. However, Electrolux told us that [REDACTED] in washing machines, and that [REDACTED].²⁷¹ In addition to that, some customers identified Electrolux as a competitor to the Parties in washing machines (Table 7.3), and the Parties sometimes [REDACTED] Electrolux in their internal documents.

²⁶³ See for example Arçelik internal document and Whirlpool internal document.

²⁶⁴ For example: Arçelik internal document and Whirlpool internal document.

²⁶⁵ [REDACTED] response to s109.

²⁶⁶ [REDACTED] call note and [REDACTED] response to the CMA's phase 1 questionnaire.

²⁶⁷ For example, a 2022 presentation on [REDACTED] prepared for Beko's managing director for the UK notes that '[REDACTED] positioning is competitive against [REDACTED]': Arçelik's internal document; in a 2022 range review, [REDACTED] (Whirlpool internal document).

²⁶⁸ Arçelik's documents often benchmark [REDACTED] against Arçelik's [REDACTED] brand, which is considered to be a more [REDACTED] brand than [REDACTED]; for example, Arçelik's internal document; Arçelik's internal document; and Arçelik's internal document. Whirlpool's documents monitor [REDACTED]; when benchmarked against [REDACTED], the documents note that [REDACTED]. For example: Whirlpool internal document; and FMN.

²⁶⁹ [REDACTED] response to the CMA's phase 1 questionnaire.

²⁷⁰ For example, Arçelik's internal document listed [REDACTED] (Arçelik's internal document). [REDACTED] call note.

²⁷¹ [REDACTED] call note.

Conclusion

- 8.24 The evidence shows that the Parties are currently two of the largest suppliers, and are close competitors to each other, in washing machines. However, our view is that Whirlpool would likely be [REDACTED] absent the Transaction, and the evidence shows that the Merged Entity will continue to face competitive constraints from a range of suppliers. In turn, customers (and consumers) will continue to have a wide range of choices available to them.
- 8.25 The Haier Group is a particularly close competitor to the Parties, and it also faces competition from Private Label brands, Hisense, BSH and Samsung (among others). We note that several competitors, including the Haier Group and Hisense, are well-positioned to expand further and thus are likely to exert an even stronger competitive constraint on the Parties than they do currently.
- 8.26 Based on the evidence above, including in relation to Whirlpool's likely future market position, we conclude that the Transaction may not be expected to raise significant competition concerns in the supply of washing machines in the UK.

Tumble dryers

The Continuation Scenario

Whirlpool's submissions

- 8.27 Whirlpool told us that under the Continuation Scenario, it would [REDACTED].²⁷² It would therefore [REDACTED].²⁷³
- 8.28 Whirlpool told us that expected regulatory changes would mean that only heat pump tumble dryers could be sold in the EU from 2025, and that similar regulation was expected to be introduced in the UK.²⁷⁴ Further, Whirlpool told us that due to lower demand for air-vented and condenser tumble dryers, [REDACTED].²⁷⁵
- 8.29 Whirlpool told us that recent benchmarking showed Whirlpool's heat pump tumble dryers [REDACTED] due to the [REDACTED]. This, in turn, had resulted in [REDACTED]. Whirlpool stated that it had [REDACTED] in its heat pump platform, [REDACTED]. It further stated that [REDACTED], but this [REDACTED] had '[REDACTED]'.²⁷⁶

²⁷² Whirlpool [REDACTED].

²⁷³ Whirlpool [REDACTED].

²⁷⁴ FMN. This is on the basis of proposed updates to European Regulation No. 932/2012 on ecodesign requirements for household tumble dryers, under which only heat pump dryers will meet the updated energy efficiency requirements.

²⁷⁵ Whirlpool [REDACTED].

²⁷⁶ Parties [REDACTED].

8.30 Whirlpool told us that [REDACTED].²⁷⁷ To support its submission, Whirlpool provided evidence that it had [REDACTED].²⁷⁸

Our assessment

8.31 We have presented financial data below for [REDACTED]. [REDACTED].

Table 8.2: [REDACTED]

[REDACTED]

Source: CMA analysis.

Table 8.3: [REDACTED]

[REDACTED]

Source: CMA analysis.

8.32 The financial information in the tables above supports Whirlpool's submissions that [REDACTED]. Further, we note that internal documents [REDACTED].²⁷⁹

8.33 Whirlpool's internal documents show that it had been [REDACTED], and had [REDACTED].²⁸⁰ We consider that Whirlpool would therefore [REDACTED]. This is consistent with evidence from a third party, which told us that it believes that [REDACTED] suppliers in the UK and EU will quickly shift to heat pump technology.²⁸¹

8.34 Regarding heat pump tumble dryers, we recognise that [REDACTED]. We also note Whirlpool's submissions [REDACTED] decline in Whirlpool's market position in tumble dryers over recent years. Between 2018 and 2022, Whirlpool's UK share of tumble dryers fell from [30-40]% to [10-20]% and in 2022 its share of heat pump tumble dryers was just [5-10]% (although it increased from approximately [0-5]% in 2021). We therefore consider that Whirlpool would most likely [REDACTED] absent the Transaction.

8.35 We note that Whirlpool [REDACTED]. Whirlpool provided evidence from internal documents [REDACTED], and that this option was therefore not pursued further.²⁸² Whirlpool also provided a separate internal document which estimated that [REDACTED] per unit.²⁸³ Whirlpool submitted that these [REDACTED].²⁸⁴ Whirlpool also submitted that [REDACTED].²⁸⁵

²⁷⁷ Whirlpool [REDACTED].

²⁷⁸ Parties [REDACTED].

²⁷⁹ FMN.

²⁸⁰ Whirlpool internal document.

²⁸¹ [REDACTED] call note.

²⁸² Parties [REDACTED].

²⁸³ Whirlpool internal document.

²⁸⁴ Parties [REDACTED].

²⁸⁵ Whirlpool [REDACTED].

- 8.36 Based on the evidence above, our view is that it is unlikely that Whirlpool [REDACTED]. The evidence shows that Whirlpool has already [REDACTED]. To the extent that it was to [REDACTED].
- 8.37 Overall, our view is therefore that Whirlpool would most likely have [REDACTED] tumble dryers absent the Transaction. Given the broader shift towards heat pump products (driven by expected European regulations), Whirlpool [REDACTED]. [REDACTED]. We therefore consider that it is likely that Whirlpool would [REDACTED] absent the Transaction, or [REDACTED].

Competitive assessment

- 8.38 As shown in Table 7.1, the Parties are currently two of the three largest suppliers in tumble dryers. A range of cross-cutting evidence (discussed in chapter 7), as well as evidence specific to tumble dryers from third parties and internal documents, shows that the Parties are currently close competitors. For example, the majority of customers listed the Parties as one of each other's closest competitors in tumble dryers,²⁸⁶ and Arçelik's internal documents indicate that Beko competes head-to-head with both Hotpoint and Indesit in the '[REDACTED]' segment of the market.²⁸⁷
- 8.39 However, as discussed above, our view is that Whirlpool would be [REDACTED] in tumble dryers in the near future, and [REDACTED]. Further, Whirlpool's market position in tumble dryers has declined significantly over the last five years, and it has a relatively weak position in heat pump tumble dryers specifically. Arçelik is also a weaker competitor in the heat pump segment than it is in tumble dryers more generally. While Arçelik had a [20-30]% share across all tumble dryers, within heat pump dryers its share was only [10-20]% in 2022.²⁸⁸
- 8.40 A range of evidence shows that the Parties face increasing competition, both generally and in the heat pump segment, from a number of competitors including Haier Group, BSH, Samsung and Private Label brands. Specifically:
- (a) The Haier Group is one of the largest suppliers in tumble dryers, alongside the Parties, and its tumble dryers are sold at similar price points to those of the Parties. Haier Group is viewed by third parties as a close competitor to the Parties (eg Table 7.3) and this is consistent with evidence from [REDACTED].²⁸⁹ In addition, Haier Group submitted that [REDACTED].²⁹⁰
 - (b) BSH has a smaller share than the Parties in tumble dryers as a whole and its products tend to be higher priced than those of the Parties. However, in the

²⁸⁶ Responses to the CMA's phase 1 questionnaire.

²⁸⁷ For example, Arçelik's internal document; Arçelik's internal document; and Arçelik's internal document.

²⁸⁸ Parties [REDACTED].

²⁸⁹ See for example, Arçelik's internal document; FMN; and Arçelik's internal document.

²⁹⁰ [REDACTED] internal document.

heat pump segment, BSH has a larger share of supply than the Parties. In addition, a number of customers listed BSH as one of the Parties' closest competitors in tumble dryers (Table), and [REDACTED].²⁹¹

- (c) Samsung primarily operates in the [REDACTED] price segments (above £500), although we note that it has a strong market position in the supply of heat pump tumble dryers. This is reflected in its share of supply in this segment of the market and in [REDACTED].²⁹²
- (d) Private Label brands account for a sizeable share of tumble dryers, both in aggregate and in the heat pump segment, and have grown considerably over the last five years (from [5-10]% volume share in 2018 to [10-20]% in 2022). Several Arçelik internal documents mention competition from Private Label brands at the entry level of the [REDACTED] segment, particularly from [REDACTED] and [REDACTED].²⁹³

Conclusion

- 8.41 The evidence shows that the Parties are currently two of the largest suppliers of tumble dryers and are close competitors to each other. However, Whirlpool's market position has been steadily declining, and it has [REDACTED]. Our view is that it is likely that Whirlpool would be a [REDACTED] absent the Transaction, [REDACTED].
- 8.42 The Parties face competition from a range of suppliers including Private Label brands (at lower price points), Haier Group (at low-mid price points and above) and BSH and Samsung (at higher price points). Several of these competitors are stronger than the Parties in the heat pump segment in particular. As such, and given the evidence on Whirlpool's likely future market position, we conclude that the Transaction may not be expected to raise significant competition concerns in the supply of tumble dryers in the UK.

Dishwashers

- 8.43 Whirlpool told us that the Continuation Scenario did not apply to its [REDACTED].²⁹⁴ Therefore, for this MDA category, our competitive assessment below is based on the evidence regarding current closeness of competition, alternative constraints, and entry and expansion.

²⁹¹ See for example, Arçelik's internal document; and FMN.

²⁹² Arçelik's Internal Document.

²⁹³ FMN and Arçelik's internal document.

²⁹⁴ Whirlpool [REDACTED].

Closeness of competition

8.44 The below sections assess the evidence we have received on closeness of competition and alternative constraints in the supply of dishwashers. The evidence shows that the Parties currently have a strong market position in the supply of dishwashers and are close competitors. However, the evidence also shows that the Parties face competition from a range of suppliers including BSH and Samsung (particularly at the mid-high price points), Private Label brands (particularly at lower price points and at certain retailers), Haier Group and Hisense, and that it is likely that some of these suppliers ([REDACTED]) will attempt to expand further and exert a stronger competitive constraint on the Parties in the future. Below we assess the evidence in relation to the strength of the competitive constraint exerted by these competitors.

Closeness of competition between the Parties

8.45 As set out in chapter 7, a range of evidence from internal documents, third parties and quantitative evidence, shows that the Parties are close competitors in dishwashers. For example, the Parties are two of the largest suppliers of dishwashers, make the majority of their sales at similar price points, and almost all customers listed the Parties amongst each other's closest competitors. Internal documents also show that the Parties monitor each other's prices and sales,²⁹⁵ and Arçelik's 2023 UK business review warns that Hotpoint and Indesit (and other competitors) are playing more competitively in dishwashers, resulting in [REDACTED].²⁹⁶

8.46 We have also carried out an econometric analysis to estimate diversion ratios between different brands in dishwashers, using data from one retailer (see Appendix D).²⁹⁷ These results show that the Parties are close competitors in dishwashers, with estimated diversion ratios higher than those between the Parties and other brands. For example, the estimated diversion ratios were around [20-30]-[20-30]% between the Parties compared to around [10-20]-[10-20]% for the largest competitor, Bosch (BSH).

Alternative competitive constraints

BSH

8.47 BSH is currently the largest supplier of dishwashers, and the majority of customers listed BSH as one of the Parties' closest competitors (Table 7.3). Indeed, the

²⁹⁵ For example, FMN; and Whirlpool Internal Document.

²⁹⁶ Arçelik internal document.

²⁹⁷ Diversion ratios measure the proportion of customers switching away from a firm following a price increase switching to another firm. As set out in Appendix D, we have focused on dishwashers because Whirlpool told us that [REDACTED], and as a result, the estimation of a consumer demand model, which uses historic data, would likely be more informative for our assessment of dishwashers than for other MDA categories.

Parties were less frequently listed as the closest competitor to each other, compared to BSH. Internal documents also show that the Parties consistently [REDACTED] BSH's performance in dishwashers and consider their [REDACTED] against it. For example, Arçelik's 2021 strategy document implies that Arçelik's investment should focus on [REDACTED] to break [REDACTED] '[REDACTED]', remarking that Arçelik needs to [REDACTED] from Whirlpool in the [REDACTED] segment as well.²⁹⁸

- 8.48 However, other evidence shows that BSH does not compete as closely with the Parties as they do with each other. For example, in our econometric analysis (Appendix D), Bosch (the main brand of BSH) was the competitor with the second highest estimated diversion ratio from each of the Parties (around [10-20]%) but its diversion ratios were smaller than those between the Parties (around [20-30]%). Further, BSH makes most of its sales at higher price points than the Parties (Appendix C), and in the Parties' internal documents, BSH's [REDACTED] are often monitored in relation to the Parties' [REDACTED] products and brands.²⁹⁹
- 8.49 Overall, our view is that BSH exerts a competitive constraint on the Parties, particularly for the Parties' higher priced products and brands.

Private Label brands

- 8.50 Private Label brands in combination have a strong market position in the supply of dishwashers, with a share of supply of [15-20]% in 2022, growing by around 6 percentage points over the last five years. Further, several of these brands have a particularly strong position with specific customers, including [REDACTED], [REDACTED] and [REDACTED].³⁰⁰ We consider that Private Label brands exert a particularly strong competitive constraint on the Parties in relation to these retailers/outlets, which are amongst the Parties' largest customers. Further, as noted in paragraph 8.18, consumers compare prices across different retailers, meaning that there is a means by which Private Label brands exert a competitive constraint on the Parties (and other suppliers) beyond the specific retailer at which they are sold.
- 8.51 Third party evidence also shows that Private Label brands exert a competitive constraint on the Parties, particularly at lower price points (Appendix C). In our econometric analysis (Appendix D), the estimated diversion ratios from Arçelik and Whirlpool to Private Label brands are lower than to each other, or to Bosch (BSH). However, we note that Private Label sales [REDACTED] in the retailer's data used to estimate the econometric model than they are at some other retailers. Therefore, if the estimated demand model were applied across all customers, the estimated diversion ratios to Private Label brands are likely to be higher than our estimates.

²⁹⁸ FMN.

²⁹⁹ Arçelik Internal Document. Whirlpool's 2022 benchmarking presentation benchmarks Hotpoint's [REDACTED] products and the Whirlpool brand's products against those of Bosch (Whirlpool Internal Document).

³⁰⁰ Private Label shares in dishwashers (2022 by volume) were [REDACTED]% at [REDACTED], [REDACTED]% at [REDACTED] and [REDACTED]% at [REDACTED].

Other competitors

- 8.52 The largest of the remaining competitors in dishwashers are Haier Group, Hisense and Electrolux (Table 7.1), although other suppliers such as Samsung are also active in this category. Haier Group is currently much smaller than it is in washing machines and tumble dryers, although almost half of customers listed it amongst the Parties' closest competitors in dishwashers (Table 7.3), and its products compete across the same price points as those supplied by the Parties (Appendix C). Similarly, several customers listed Electrolux, which has a similar share as Haier Group in dishwashers, as a close competitor to the Parties, and it is also active at similar price points to the Parties.
- 8.53 Hisense currently has a relatively small share of supply in dishwashers, although its share has grown over the last five years (including strong growth in 2023), and it is listed by almost all major retailers. As noted in chapter 7, one of these large retailers told us that it considers both, the Haier Group and Hisense to be credible alternatives to the Parties across MDA categories, and would substitute to these providers in the event of a proposed price rise.³⁰¹
- 8.54 The evidence also shows that both, the Haier Group and Hisense [REDACTED]. Specifically, [REDACTED] is targeting [REDACTED], whilst [REDACTED].³⁰² As set out in chapter 7, our view is that both of these suppliers are well placed to expand further, and we note that Hisense's expansion to date has primarily been in the price ranges where the Parties' sales are concentrated. Overall, our view is that these suppliers will likely exert a stronger competitive constraint on the Parties in the future.

Conclusion

- 8.55 The evidence shows that the Parties currently have a strong market position in the supply of dishwashers and are close competitors. We also recognise that the evidence is mixed regarding the strength of the competitive constraint exerted by competitors. For example, some internal documents, the price range analysis and the econometric analysis are consistent with the Parties being closer competitors with each other than they are to BSH and other suppliers.
- 8.56 On the other hand, a range of evidence shows that the Parties face competition from several suppliers. In particular, the majority of customers told us that BSH competes closely with the Parties, and some of the Parties' largest customers told us that BSH (and other suppliers such as Haier Group) are credible alternatives. We also note that Private Label brands in combination have a strong market position, account for a particularly large share of sales at some of the Parties' largest customers, and have expanded over recent years. Furthermore, several

³⁰¹ [REDACTED] call note.

³⁰² [REDACTED] response to the CMA's s109 notice and [REDACTED] response to the CMA's s109 notice.

other suppliers are established in the UK and we have received evidence that some of these suppliers ([REDACTED] and [REDACTED]) have the ability and incentive to continue their recent expansion, and are likely to exert a stronger competitive constraint on the Parties in the future.

8.57 Therefore, we consider that the Parties are subject to sufficient competitive constraints, and we conclude that the Transaction may not be expected to raise significant competition concerns in the supply of dishwashers in the UK.

Cookers

The Continuation Scenario

Whirlpool's submissions

8.58 Whirlpool told us that under the Continuation Scenario, it would have [REDACTED], and it would therefore [REDACTED].³⁰³ It provided evidence which showed that these plans were presented to the Whirlpool board in August 2022.³⁰⁴

8.59 Whirlpool told us that the [REDACTED] has been [REDACTED].³⁰⁵ Whirlpool also submitted internal documents which showed that [REDACTED].³⁰⁶

8.60 Whirlpool submitted that [REDACTED], in part due to broader market trends in which demand has shifted away from cookers towards built-in cooking appliances (ie ovens and hobs).³⁰⁷ Whirlpool also provided evidence which showed that across the EEA as a whole, cookers account for a small share of total cooking appliance sales.³⁰⁸

Our assessment

8.61 We have presented financial information for Whirlpool's [REDACTED] in Table 8.4. As shown in the table, [REDACTED]. [REDACTED].

Table 8.4: [REDACTED]

[REDACTED]

Source: CMA analysis.

8.62 Given [REDACTED], our view is that it is likely that Whirlpool would have sought to [REDACTED]. This is consistent with the proposals presented to the Whirlpool board in August

³⁰³ Whirlpool [REDACTED].

³⁰⁴ FMN.

³⁰⁵ Parties [REDACTED].

³⁰⁶ Parties [REDACTED].

³⁰⁷ Parties [REDACTED].

³⁰⁸ Whirlpool submitted that the relative share of cookers to ovens in the EEA was [REDACTED]% to [REDACTED]% (by value) in 2022 (Parties).

2022, and with the broader evidence we have received from third parties ([REDACTED] and [REDACTED]) that Whirlpool EMEA had been [REDACTED] (see chapter 4 for details). We further note that Whirlpool's EMEA cooker sales are a [REDACTED] fraction of its total MDA sales, and therefore the upside of any potential turnaround in cookers would likely be limited.

8.63 Further, we recognise that Whirlpool [REDACTED], but an internal document (from [REDACTED]) shows that [REDACTED].³⁰⁹ A separate internal document (from [REDACTED]) looked at various options for [REDACTED], all of which [REDACTED].³¹⁰

8.64 Based on the above, it is our view that it is most likely that Whirlpool [REDACTED] supply of cookers absent the Transaction.

Conclusion

8.65 We have found that Whirlpool would most likely [REDACTED] supply of cookers absent the Transaction. Given the evidence regarding Whirlpool's likely future market position, our view is that the Transaction may not be expected to raise competition concerns in the supply of cookers in the UK.

Ovens and hobs

8.66 We have considered ovens and hobs jointly in our analysis, as cooking appliances are frequently segmented by built-in (ie ovens and hobs) versus freestanding (ie cookers) by third parties and in the Parties' internal documents.³¹¹ Much of the evidence we have received therefore relates to both ovens and hobs. Further, as noted below, the evidence shows that the Parties have a relatively weak market position (particularly in hobs) and face competitive constraints across all price points at which they operate.³¹²

Closeness of competition and alternative competitive constraints

8.67 As shown in Table 7.1, the Parties' shares of supply in ovens and (particularly) hobs are lower than in other MDA categories. Further, although the Parties offer products at similar prices to each other and are strongest in the low-mid price ranges (see Appendix C), the Parties' internal documents (discussed below) show that they monitor a range of competitors in ovens and hobs as well as each other.³¹³

³⁰⁹ Whirlpool [REDACTED].

³¹⁰ Whirlpool [REDACTED].

³¹¹ Arcelik internal documents.

³¹² We note that Whirlpool's Continuation Scenario [REDACTED].

³¹³ Customers' views on closeness of competition set out in Table 7.3 cover cooking appliances overall and do not distinguish between cookers, ovens and hobs.

8.68 As shown in Table 7.1, several competitors have shares higher than or comparable to those of the Parties. In addition, the Parties face several strong competitors across all price points. As shown in Appendix C, there are several competitors with material shares in the low-mid price ranges, including Electrolux, Haier Group, Hisense, and Private Label brands. The Parties face additional constraints from suppliers such as BSH and Samsung at the higher end of their product ranges. Further, these competitors are closely monitored in the Parties' internal documents. For example, Arçelik's internal documents show that it has been tracking the market position of competitors including Whirlpool, [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED] and Private Label brands.³¹⁴ [REDACTED] is described as being 'very aggressive' at prices [REDACTED],³¹⁵ and [REDACTED] is frequently described as Arçelik's 'key competitor' in ovens.³¹⁶ Similarly, Whirlpool also benchmarks its brands against Arçelik, [REDACTED] and [REDACTED] for ovens, as well as Arçelik, [REDACTED], [REDACTED], [REDACTED] and [REDACTED] for hobs.³¹⁷

Conclusion

- 8.69 The evidence shows that the Parties have a comparatively weak market position in both ovens and hobs, and face material competitive constraints across all price points at which they operate. This includes Private Label brands, Electrolux, Haier Group and Hisense at low-mid price points, and BSH at higher price points.
- 8.70 We therefore conclude that the Transaction may not be expected to raise significant competition concerns in the supply of either ovens or hobs in the UK.

³¹⁴ For example: Arçelik Internal Document.

³¹⁵ Arçelik Internal Documents.

³¹⁶ Arçelik internal documents.

³¹⁷ See for example FMN.

9. CONCLUSIONS

9.1 As a result of our assessment set out in the preceding chapters, we have concluded that:

- (a) the anticipated joint venture between Arçelik and Whirlpool constitutes arrangements in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation in respect of each of (i) the acquisition of control (controlling interest) by Arçelik over the Whirlpool Target Business and (ii) the acquisition of control (material influence) by Whirlpool over the Arçelik Target Business, through each of the Parties' shareholdings and rights in Beko Europe; and
- (b) the creation of each relevant merger situation may not be expected to result in an SLC within any market or markets in the UK, including for the supply of each of (i) washing machines, (ii) tumble dryers, (iii) dishwashers, (iv) cookers, (v) ovens and (vi) hobs.