

# Anticipated Acquisition by Global Business Travel Group, Inc. of CWT Holdings, LLC

## Decision on relevant merger situation and substantial lessening of competition

#### ME/7096/24

The Competition and Markets Authority's decision on relevant merger situation and substantial lessening of competition under section 33 (1) of the Enterprise Act 2002 given on 30 July 2024. Full text of the decision published on 30 August 2024.

The Competition and Markets Authority (CMA) has excluded from this published version of the decision information which the CMA 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 [ $\times$ ]. Some numbers have been replaced by a range, which are shown in square brackets.

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#### **SUMMARY**

#### 1. OVERVIEW OF THE CMA'S DECISION

- 1. The Competition and Markets Authority (**CMA**) has found that the acquisition by Global Business Travel Holdings, Inc. (**GBT**) of CWT Holdings, LLC (**CWT**), gives rise to a realistic prospect of a substantial lessening of competition (**SLC**) as a result of horizontal unilateral effects in the market for the supply of business travel agency (**BTA**) services to global multinational (**GMN**) customers globally.
- 2. GBT has agreed to acquire CWT pursuant to an agreement signed on 24 March 2024, under which GBT would acquire 100% of the share capital of CWT, for a purchase price of approximately \$570 million. The CMA refers to this acquisition as the **Merger**. GBT and CWT are together referred to as the **Parties** and, for statements relating to the future, the **Merged Entity**.
- 3. As the CMA has found that the Merger gives rise to a realistic prospect of an SLC, the Parties have until 6 August 2024 to offer undertakings in lieu of a reference (**UILs**) to the CMA that will remedy the competition concerns identified. If no such undertaking is offered, then the CMA will refer the Merger for a phase 2 investigation pursuant to sections 33(1) and 34ZA(2) of the Enterprise Act 2002 (the **Act**).

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

- 4. GBT is a travel management company (**TMC**) which supplies BTA services in the form of online and offline travel management services, including search, booking and expense management, in the UK and globally. In addition to BTA services, GBT also provides travel advisory and consultancy services, and meeting and events organisation services, in the context of business travel. Its two main BTA products are GBT Select (a flexible, modular solution integrating software and services that can be tailored to the customer's needs) and GBT Egencia (a digital solution which offers a more standardised offering than GBT Select).
- 5. CWT is also a TMC which supplies BTA services to business travel customers, in the UK and globally. CWT offers BTA services through local, regional and global travel centres, on-site travel counsellors, third party online booking platforms and CWT's own chat, web and mobile app. In addition to BTA services, CWT also provides travel consultancy and meeting and events organisation services, in the context of business travel.

#### Why did the CMA review this merger?

- 6. The CMA's primary duty is to seek to promote competition for the benefit of consumers. It has a duty to investigate mergers that could raise competition concerns in the UK, provided it has jurisdiction to do so.
- 7. The Parties overlap in the supply of BTA services in the UK and globally and submitted that they had a combined UK share of supply of [30-40]% in 2023, with an increment of [5-10]%. The CMA has jurisdiction to review a merger where the share of supply test is met (requiring that the Parties together supply at least 25% of a particular good or service supplied in the UK, and there is an increment to the share of supply). On the basis of the Parties' share of supply of BTA services in the UK, the CMA considers that the share of supply test is met.
- 8. The Merger is also subject to a merger control investigation in the United States of America.

#### What evidence has the CMA looked at?

- 9. In assessing this Merger, the CMA considered a wide range of evidence in the round.
- 10. The CMA received several submissions and responses to information requests from the Parties and examined the Parties' own internal documents, which show their rationale for the Merger, how the Parties run their businesses and how they view their rivals in the ordinary course of business. These internal documents were also helpful in understanding the performance of the Parties' businesses in recent years and the Parties' plans for the future of their businesses.
- 11. The CMA spoke to and gathered evidence from other companies and organisations to understand better the competitive landscape and to get their views on the impact of the Merger. In particular, the CMA received evidence from the Parties' TMC competitors, customers and suppliers (major airlines and hotel chains).

#### What did the evidence tell the CMA...

#### ...about the effects on competition of the Merger?

- 12. The CMA looked at whether the Merger would lead to a substantial lessening of competition as a result of horizontal unilateral effects in the supply of BTA services to GMN customers globally.
- 13. The CMA found that GMN customers generally have distinct travel requirements, and in choosing their TMC they look for the ability to cater for global geographic coverage, complex needs, and high levels of in-person support. The CMA

concluded that only a handful of TMCs are considered by GMN customers to be capable of meeting their needs. The Merged Entity would be the clear market leader and the CMA found that the loss of competition between the Parties would not be offset by the constraint posed by other suppliers in the market, including other traditional TMCs and more recent technology-driven entrants. In particular, there is only one other TMC for which the evidence consistently demonstrates that it is a good alternative to the Parties, while the evidence on the strength of the few other remaining competitors is mixed.

14. On this basis, the CMA found that the Merger gives rise to a realistic prospect of an SLC as a result of horizontal unilateral effects arising from the loss of competition in the supply of BTA services to GMN customers globally.

#### What about any entry or expansion?

15. The CMA considered whether entry or expansion by rival firms would be timely, likely and sufficient to prevent an SLC arising. The CMA considers that the barriers to entry or expansion into providing business travel services to GMN customers are high. To serve GMN customers, TMCs need significant scale including a network covering many countries. Competitors who responded to the CMA's investigation stated that this is extremely costly and time consuming to achieve. Competitors also identified regulatory requirements as barriers to entry and expansion. Customers responding to the CMA also identified experience and track-record as an important factor in their choice of TMC, which recent entrants lack. While some tech entrants have succeeded in winning some large customers, their relatively low market shares for supply of BTA services to GMN customers, as well as third-party evidence not identifying them as credible GMN suppliers, demonstrates the difficulty in entering this space.

#### What happens next?

As a result of these concerns, the CMA believes the Merger gives rise to a realistic prospect of an SLC in the supply of BTA services to GMN customers globally. The Parties have until 6 August 2024 to offer an undertaking which might be accepted by the CMA to address the SLC. If no such undertaking is offered, or the CMA decides that an undertaking offered is insufficient to remedy its concerns to the phase 1 standard, then the CMA will refer the Merger for a phase 2 investigation pursuant to sections 33(1) and 34ZA(2) of the Act.

#### **ASSESSMENT**

#### PARTIES, MERGER, AND MERGER RATIONALE

- 17. GBT is a NYSE-listed global company that provides BTA services. As a TMC, GBT provides online and offline travel management services, including search, booking and expense management, in the UK and globally. In addition to BTA services, GBT also provides travel advisory and consultancy services, and meeting and events organisation services, in the context of business travel. The turnover of GBT in 2023 was approximately £1.8 billion worldwide and approximately £[%] in the UK.
- 18. GBT offers five business travel management and expense solutions:<sup>2</sup>
  - (a) GBT Select: A modular solution integrating proprietary and third-party software and services into a single travel solution in which the customer can self-service online bookings, reporting and risk management.
  - (b) GBT Egencia: Acquired in 2021, GBT Egencia is targeted at (often smaller) customers who require a digital solution and offers a more standardized offering.
  - (c) GBT Ovation: This solution offers luxury and personalised travel service arrangements.
  - (d) Neo: A spend management solution and GBT's proprietary online booking tool (**OBT**), ie the digital interface the business customers' employees use to book their travel online.
  - (e) Neo1: A cloud-based expense management tool.
- 19. CWT is a privately held TMC that provides BTA services to corporations and government institutions, in the UK and globally. In addition to BTA services, CWT also provides travel consultancy and meeting and events organisation services. The turnover of CWT in 2023 was approximately £[≫] worldwide and approximately £[≫] in the UK.
- 20. CWT offers BTA services through local, regional and global travel centres, on-site travel counsellors, third party online booking platforms and CWT's own chat, web and mobile app (**myCWT**). It operates a hotel booking platform, Roomlt, which

<sup>&</sup>lt;sup>1</sup> Final Merger Notice submitted to the CMA on 3 June 2024 (**FMN**), paragraph 1.2.

 $<sup>^{2}</sup>$  FMN, paragraphs 3.3(a) - 3.4.

- provides hotel inventory and booking solutions for business travellers, and a distribution platform for hotel chains.<sup>3</sup>
- 21. On 24 March 2024, GBT signed an agreement to acquire 100% of the share capital of CWT. The transaction value is approximately \$570 million.<sup>4</sup>
- 22. The Parties informed the CMA that the Merger is also subject to the review by competition authorities in the United States of America.<sup>5</sup>
- 23. The Parties submitted that the main strategic rationale for the Merger is:
  - (a) [**※**]
  - (b) To combine GBT's platform and technology with CWT's customer base to enable the Merged Entity to provide improved and more comprehensive BTA services to customers worldwide.
  - (c) To generate approximately \$155 million in cost-saving synergies in three years, which is intended to enhance efficiency and enable the Merged Entity to provide better and more efficient service to customers at a lower cost.<sup>6</sup>
- The CMA considers that the Parties' internal documents only partially support this rationale. GBT's internal documents identify the [≫]. <sup>8</sup> However, regarding the submission that the Merger is intended to [≫], the CMA considers that the evidence in the Parties' internal documents regarding CWT's financial position [≫].

#### **PROCEDURE**

25. The CMA commenced its phase 1 investigation on 5 June 2024. As part of its phase 1 investigation, the CMA gathered a significant volume of evidence from the Parties. In response to targeted information requests, the CMA received and reviewed internal documents from GBT and CWT to understand the travel management market. The Parties also had opportunities to make submissions and comment on the CMA's emerging views throughout the phase 1 investigation. For example, on 10 July 2024, the CMA invited the Parties to attend an Issues Meeting, following which the Parties submitted their views in writing. The CMA also gathered evidence from other market participants, such as competitors, customers and suppliers. The evidence the CMA has gathered has been tested

<sup>&</sup>lt;sup>3</sup> FMN, paragraphs 1.3, 3.14, 3.15 and 3.19.

<sup>&</sup>lt;sup>4</sup> FMN, paragraphs 2.3 and 2.6.

<sup>&</sup>lt;sup>5</sup> FMN, paragraph 2.15.

<sup>&</sup>lt;sup>6</sup> FMN, paragraphs 2.11 – 2.14.

<sup>&</sup>lt;sup>7</sup> GBT's internal document, Annex Q9.008 to the FMN, '[≫], page 2.

<sup>&</sup>lt;sup>8</sup> GBT's internal document, Annex Q9.009 to the FMN, '>>1, page 2.

- rigorously and the context in which the evidence was produced has been considered when deciding how much weight to put on it.
- 26. Where necessary, this evidence has been referred to within this Decision.
- 27. The Merger was considered at a Case Review Meeting.9

#### **JURISDICTION**

- 28. Each of GBT and CWT is an enterprise. As a result of the Merger, these enterprises will cease to be distinct.
- 29. The Parties overlap in the supply of BTA services in the UK. The Parties submitted that they had a combined UK share of supply of [30-40]% of managed total travel spend (**TTV**) and an increment of [5-10]% in 2023. The CMA therefore believes that the share of supply test in section 23 of the Act is met.
- 30. Consequently, the CMA believes that it is or may be the case that arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation.
- 31. The initial period for consideration of the Merger under section 34ZA(3) of the Act started on 5 June 2024 and the statutory 40 working day deadline for a decision is therefore 30 July 2024.

#### COUNTERFACTUAL

- 32. The CMA assesses a merger's impact relative to the situation that would prevail absent the merger (ie the counterfactual).<sup>11</sup>
- 33. In an anticipated merger, the counterfactual may consist of the prevailing conditions of competition, or conditions of competition that involve stronger or weaker competition between the parties to a merger than under the prevailing conditions of competition. In determining the appropriate counterfactual, the CMA will generally focus only on changes to the prevailing conditions of competition where there are reasons to believe that those changes would make a material difference to its competitive assessment.
- 34. In this case, the CMA has not received any evidence supporting a different counterfactual and the Parties have not put forward arguments in this respect. The

<sup>&</sup>lt;sup>9</sup> CMA2, from page 65.

<sup>&</sup>lt;sup>10</sup> FMN, Tables 9 and 11. The Parties stated that TTV is the metric that the Parties use in the ordinary course of business to measure the size of business opportunities. FMN, footnote 22.

<sup>&</sup>lt;sup>11</sup> Merger Assessment Guidelines (CMA129), March 2021, paragraph 3.1.

<sup>&</sup>lt;sup>12</sup> CMA129, paragraph 3.2.

<sup>&</sup>lt;sup>13</sup> CMA129, paragraph 3.9.

CMA therefore considers the prevailing conditions of competition to be the relevant counterfactual.

#### **COMPETITIVE ASSESSMENT**

#### **Background and nature of competition**

- 35. The Parties are both TMCs and overlap in the supply of BTA services to customers in the UK and globally. The Parties also overlap in the supply of travel consultancy services and meeting and events organisation services.<sup>14</sup>
- 36. TMCs active in the supply of BTA services can be characterised as follows:
  - (a) Established TMCs such as the Parties, BCD, FCM and CTM;
  - (b) Tech-driven TMCs which entered the market more recently, such as Spotnana and Navan; and
  - (c) Regional and national TMCs. Prior to its acquisition by Navan, Reed & Mackay was an example of a UK-focussed TMC.
- 37. Both Parties provide BTA services to companies of different sizes and scales of operation. The CMA notes that it is common for the industry to classify customers into two categories GMNs and small and medium enterprises (**SMEs**) based on their travel spend. In its internal documents, CWT defines large customers as those with annual TTV >\$25 million. GBT uses a >\$30 million metric. Where the Parties have made submissions referring to SMEs, the CMA has interpreted this in line with the definitions used by the Parties.
- 38. The CMA has found that the BTA service requirements of different-sized customers (by travel spend) generally vary. GMN customers typically have complex needs and require BTA services on a global basis (ie encompassing multiple regions / continents). For GMN customers, the most important factors when choosing a TMC include geographic coverage, service levels and personal support, and interoperability with third party OBTs. <sup>16</sup> GMN customers frequently have direct arrangements with key travel suppliers, whereby they negotiate their own corporate rates which can be uploaded to their chosen TMC platform. This means that the rates provided by TMCs are a less important factor for many GMN

<sup>&</sup>lt;sup>14</sup> As the Parties have only a limited presence in these activities, the CMA considers that the Merger does not give rise to competition concerns in relation to either of these products.

<sup>&</sup>lt;sup>15</sup> The CMA notes that the definition of an SME in this context is based on travel spend rather than headcount and turnover, and that many companies that are considered to be SMEs by the Parties based on their travel spend would not ordinarily be classified as SMEs, eg in government statistics.

<sup>&</sup>lt;sup>16</sup> Response to the CMA questionnaire from third parties, June 2024, question 7.

- customers.<sup>17</sup> In contrast, for smaller customers, due to a lack of scale to negotiate with travel suppliers directly, rates provided by TMCs are a more important factor.
- 39. The evidence also indicates that GMN customers generally source all of their business travel services from a single TMC or, when they do not, they indicate a desire to move to a single TMC model (see paragraph 144 below). While GMN customers typically single source, some GMN customers use a TMC for the majority of their requirements but procure some functions (eg travel related expense management or an OBT solution) from a separate provider. The evidence indicates that it is common for GMN customers to use a third-party OBT solution which can be integrated with their chosen TMC. Some, typically smaller, companies may not procure services from a TMC, but use an in-house solution supported by specific travel technology products such as an OBT, rather than a full-service offering. As discussed below, the CMA considers the in-house solution to be a viable option for smaller companies only.
- 40. The evidence indicates that some business travel customers work with more than one TMC, using a main TMC for the majority of their business travel needs across countries and a regional or national TMC for travel in specific countries. This may be due to the customer having to travel to less commonly visited countries with specific travel practices (which the traditional TMC is less equipped to manage) or due to legacy arrangements, ie the customer having a long-standing relationship with a provider in a particular country due to the traditional footprint of their operations (before the customer began to operate internationally) who they are yet to stand down in that specific jurisdiction. <sup>19</sup> Similarly, the CMA understands that there are also cases where a customer has undertaken a recent acquisition, and not yet moved the newly acquired target business onto the acquirer's TMC platform, opting in the short term to use two TMCs in parallel. <sup>20</sup>
- 41. Consistent across small, medium and large business travel customers, the vast majority of new contracts are entered into following a tender process with TMCs responding to requests for proposals (**RFPs**).<sup>21</sup>
- 42. When competing to win new customers or retain existing customers, the CMA understands that TMCs compete mainly on the basis of the scope of services offered (ie travel to a broad range of countries, data monitoring and reporting functions), quality of customer experience and service level, technology solutions (proprietary or the ability to interoperate with other technology solutions) and price.<sup>22</sup>

<sup>&</sup>lt;sup>17</sup> Response to the CMA questionnaire from third parties, June 2024, question 7.

<sup>&</sup>lt;sup>18</sup> FMN, paragraph 19.2.

<sup>&</sup>lt;sup>19</sup> Note of a call with third party, May 2024, paragraph 3.

<sup>&</sup>lt;sup>20</sup> Note of a call with third party, May 2024, paragraphs 9 and 12.

<sup>&</sup>lt;sup>21</sup> Parties' response to the CMA's Request for Information, 10 May 2024 (RFI1), paragraphs 16.1 –16.2.

<sup>&</sup>lt;sup>22</sup> Responses to the CMA questionnaire from third parties, June 2024, question 9.

43. TMCs can directly procure travel products from travel suppliers or via a global distribution system (**GDS**), such as Sabre, Amadeus and Travelport. GDSs act as aggregators of travel products from different travel suppliers. The evidence shows that TMCs procure the vast majority of their airline and hotel chain travel products via a GDS.<sup>23</sup> TMCs and GDSs can also access air travel products via new distribution capability (**NDC**) technology. NDC technology is a relatively new technology which can be used to directly access airlines' travel content and procure a greater range of prices and combination of services than are available via the legacy technology, more commonly used by GDSs.<sup>24</sup>

#### **Market definition**

- 44. Where the CMA makes an SLC finding, this must be 'within any market or markets in the United Kingdom for goods or services'. An SLC can affect the whole or part of a market or markets. Within that context, the assessment of the relevant market(s) is an analytical tool that forms part of the analysis of the competitive effects of the merger and should not be viewed as a separate exercise. <sup>26</sup>
- 45. Market definition involves identifying the most significant competitive alternatives available to customers of the merger parties and includes the sources of competition to the merger parties that are the immediate determinants of the effects of the merger.<sup>27</sup>
- While market definition can be an important part of the overall merger assessment process, the CMA's experience is that in most mergers, the evidence gathered as part of the competitive assessment, which will assess the potentially significant constraints on the merger parties' behaviour, captures the competitive dynamics more fully than formal market definition.<sup>28</sup>

#### **Product market**

- 47. The CMA took the overlaps between the Parties as the starting point for its assessment of the relevant market. The Parties overlap in the supply of BTA services to business travel customers.
- 48. The Parties also overlap in the supply of meeting and events organisation services and travel consultancy services in the UK. However, as the Parties have only a limited presence in these activities, the CMA considers that the Merger does not

<sup>&</sup>lt;sup>23</sup> For example, a third party told the CMA that it obtained 94% of its air travel inventory and 87% of its hotel inventory in 2023 from GDSs. Response to the CMA questionnaire from a third party, June 2024, question 10.

<sup>&</sup>lt;sup>24</sup> FMN, paragraph 3.25(b).

<sup>&</sup>lt;sup>25</sup> Section 33(1)(b) and section 36(1)(b) of the Act.

<sup>&</sup>lt;sup>26</sup> CMA129, paragraph 9.1.

<sup>&</sup>lt;sup>27</sup> CMA129, paragraph 9.2.

<sup>&</sup>lt;sup>28</sup> CMA129, paragraph 9.2.

give rise to competition concerns in relation to either of these products. Therefore, the Parties' activities in these areas are not considered further.

#### Parties' submissions

- 49. The Parties submitted that the most appropriate relevant market was the supply of business travel services.<sup>29</sup> The Parties further submitted that there was no basis to distinguish between managed and unmanaged travel, ie travel bookings and related services provided by a TMC and corporate customers choosing to self-provide bookings and related services, respectively.<sup>30</sup>
- 50. The Parties also submitted that no systematic differences existed between business travel customers based on their size or industry sector. The Parties explained that business travel customers' needs did not necessarily correlate with their size – whether in terms of number of employees, revenue or travel spend.<sup>31</sup> The Parties added that there were no differentiated products targeted at GMN or SME customers and that some GMN customers could have more straightforward requirements, whereas some SME customers could have highly complex requirements.<sup>32</sup> The Parties stated that some GMN customers, such as  $[\times]$ , purchase standardised services and do not have bespoke requirements.<sup>33</sup> Similarly, some smaller customers may have more 'high-touch' or bespoke needs. due to the particular characteristics of the industries in which they operate. Some very large organisations who spend significant revenue on business travel, such as [×], do not require extensive geographic coverage due to their business activities being predominantly limited to one country.<sup>34</sup> The Parties submitted that any category of customer based on size would include many businesses with vastly different needs and exclude others with very similar needs.<sup>35</sup> GBT added that, in its internal documents, it only used a TTV-size related definition for different customer types as guidance, and that the thresholds had varied over time.<sup>36</sup> The Parties recognised that they had to some extent categorised larger customers as GMNs and smaller customers as SMEs but claimed there is 'no objective definition of GMNs'.37

<sup>&</sup>lt;sup>29</sup> FMN, paragraph 12.5. In FMN, paragraph 12.2, the Parties explained that the CMA and European Commission have previously distinguished BTA services from leisure travel agency (**LTA**) services. In FMN, paragraph 15.33, the Parties explained that since Covid-19, there has been a growth of 'bleisure' transactions (combining a business trip with a personal trip) and that [[≫] the employees of business customers are using LTA services to satisfy their business travel needs. The CMA has found limited evidence that leisure travel agencies are monitored by the Parties to any meaningful extent and third-party evidence contained no evidence that third parties would consider leisure travel agencies as an alternative to TMCs providing BTA services. The CMA has therefore not considered the constraint from leisure travel agencies further.

<sup>&</sup>lt;sup>30</sup> FMN, paragraphs 12.1 and 12.4.

<sup>&</sup>lt;sup>31</sup> FMN, paragraph 12.7.

<sup>&</sup>lt;sup>32</sup> Parties' submission to the CMA, 14 June 2024, paragraphs 1.11(b) and 1.11(d).

<sup>&</sup>lt;sup>33</sup> Parties' submission to the CMA, 14 June 2024, paragraph 1.11(b).

<sup>&</sup>lt;sup>34</sup> Parties' response to the Issues Letter, 11 July 2024, paragraph 2.3(a).

<sup>&</sup>lt;sup>35</sup> Parties' submission to the CMA, 14 June 2024, paragraph 1.2.

<sup>&</sup>lt;sup>36</sup> Parties' submission to the CMA, 14 June 2024, paragraph 1.3.

<sup>&</sup>lt;sup>37</sup> Parties' response to the Issues Letter, 11 July 2024, paragraph 2.2.

51. The Parties further submitted that no systematic differences existed on the supply side of the market either. The Parties stated that new 'tech entrants' had realised that SME and GMN customers could be serviced with the same tools, as their needs were similar and converging, and that a TMC's core offering is the same in respect of customers of all sizes.<sup>38</sup>

#### CMA's assessment

#### Unmanaged travel

- The relevant product market is identified primarily by reference to demand-side substitution.<sup>39</sup> On that basis, the CMA has considered whether unmanaged travel (ie bringing travel booking services in house or permitting employees to book their own travel and expense it back through their employer) should be considered to be in the same market as the supply of BTA services.
- 53. Almost all customers who responded to the CMA questionnaire told the CMA that they did not consider allowing employees to book their own travel arrangements and expense it back to the company to be a suitable alternative to using a TMC for their business travel needs. Using a TMC was seen as essential to meet duty of care requirements,<sup>40</sup> manage travel program compliance risks,<sup>41</sup> negotiate and access corporate rates,<sup>42</sup> and manage security considerations.<sup>43</sup> The only customer that told the CMA they would consider using this type of unmanaged travel arrangement had a limited TTV spend (less than £1 million).<sup>44</sup>
- 54. Bringing travel booking services in house was also not considered a viable alternative to using a TMC, with the vast majority of customer respondents telling the CMA that this was not an option. Customers told the CMA that bringing travel in house was labour intensive and not cost effective. There were also significant regulatory barriers resulting from GDS licensing and IATA (the international air transport association) ticketing requirements.<sup>45</sup>
- 55. The CMA also notes that the unmanaged travel segment does not feature as an alternative to TMC services in the Parties' internal documents.
- On the basis of the evidence received during its investigation, the CMA has not considered managed and unmanaged business travel to fall within the same frame of reference. Given the strength of the evidence above, the CMA has not

<sup>&</sup>lt;sup>38</sup> Parties' response to the Issues Letter, 11 July 2024, paragraph 2.4.

<sup>&</sup>lt;sup>39</sup> CMA129, paragraph 9.7.

<sup>&</sup>lt;sup>40</sup> Response to the CMA questionnaire from third parties, June 2024, question 12.

<sup>&</sup>lt;sup>41</sup> Response to the CMA questionnaire from third parties, June 2024, question 12.

<sup>&</sup>lt;sup>42</sup> Response to the CMA questionnaire from third parties, June 2024, question 12.

<sup>&</sup>lt;sup>43</sup> Response to the CMA questionnaire from third parties, June 2024, question 12.

<sup>44</sup> Response to the CMA questionnaire from a third party, June 2024, question 12.

<sup>&</sup>lt;sup>45</sup> Response to the CMA questionnaire from a number of third parties, June 2024, question 11.

considered the constraint posed by unmanaged business travel further in the competitive assessment.

#### GMN and smaller customers

- 57. The evidence that the CMA received in its investigation indicates that the Parties are capable of catering to customers with complex needs and who require global coverage and to those who require a less sophisticated standardised BTA solution (see paragraph 38 above).
- 58. As noted above, it is typical in the BTA services industry to segment customers by size of travel spend, although the specific thresholds used may vary. The Parties and many third-party competitors and suppliers who responded to the CMA's investigation segment customers based on annual TTV.<sup>46</sup> CWT and GBT currently use different thresholds to identify larger customers and have used different thresholds over time. GBT currently uses annual TTV >\$30 million and CWT uses annual TTV >\$25 million.
- 59. Customers spending >\$25 million TTV annually accounted for the majority of Parties revenues and generated [60-70]% of GBT's and [70-80]% of CWT's 2023 revenue.⁴ Alongside this, GBT generally caters to smaller [✗] customers via its Egencia product and CWT through its partnerships with Booking.com for business and Spotnana.
- 60. Based on this evidence, the CMA considers that the differences in customer requirements set out above tend to correlate with the customer's annual TTV spend (see also paragraph 38 above) and therefore it considers appropriate to distinguish between GMN customers and smaller customers based on their travel spend, although it recognises that there will be some exceptions where smaller customers (by travel spend) have complex needs and require global coverage (and vice versa). The Parties, in their arguments that some GMN customers could have more straightforward requirements, whereas some smaller customers could have highly complex requirements, did not make it clear to the CMA how these exceptions would affect the CMA's assessment given that there would remain a group of customers, ie the GMNs, for whom the TMC options are limited, as explained in the competitive assessment below, regardless of whether some smaller customers belong in this group and/or some larger customers should be excluded from it.
- On the supply side, the set of TMCs that can cater to the complex/global needs of GMN customers, appears much more limited and different from the set of TMCs capable of supplying smaller customers, which include several alternative

<sup>&</sup>lt;sup>46</sup> Note of a call with third party, May 2024. Response to the CMA questionnaire from a third party, June 2024, question 6. Response to the CMA questionnaire from a third party, June 2024, question 3.

<sup>&</sup>lt;sup>47</sup> Parties' data provided in response to RFI1, question 24.

suppliers. The CMA notes that the 'top 100 corporate travel companies' according to a Business Travel News (**BTN**) survey primarily contracted with either of the Parties or BCD (85 out of these 100 companies contracted with one of these three TMCs). This suggests that only a few TMCs can cater to the distinct needs of GMN customers. Competitors to the Parties identified numerous entry barriers to servicing GMN customers, such as significant investment in technical integration and customer service, and regulatory requirements demanding suppliers to have a physical presence (or travel partner network) in each destination to which flight tickets are sold. Servicing GMN customers who generally require broad geographic coverage can take significant time and resource to establish this travel partner network.

- 62. Based on the evidence set out above on the distinct customer requirements and the different and more limited set of alternative suppliers for GMN customers, the CMA has therefore considered it appropriate to assess the impact of the Merger on GMN customers. These include larger customers who generally require global coverage (ie encompassing multiple regions / continents) and have complex needs (ie 'high-touch' or bespoke needs, with high levels of in person support). For ease of evidence-gathering and analysis, and consistent with the Parties' own classifications, the CMA has drawn a distinction between GMN customers with an annual TTV >\$25 million and smaller customers with an annual TTV <\$25 million. However, as noted above, the CMA recognises that the specific threshold used is somewhat arbitrary and that there may be some smaller customers, with annual TTV of less than \$25 million, who can be classified as GMN customers given their requirements. These customers fall within the scope of the relevant market.
- 63. On the basis of the evidence gathered in this investigation, the CMA has considered that the appropriate market is the supply of BTA services to GMN customers.

#### Geographic market

The Parties submitted that the most appropriate geographical market is global.

The Parties submitted that this was on account of the TMCs' geographic coverage and explained that TMCs have the ability to serve a business customer's

<sup>&</sup>lt;sup>48</sup> BTN's 'Corporate Travel 100' identified the TMCs that supplied the 100 businesses with the largest business travel spend, based on 2022 US-booked air volume (which the CMA considered likely to be broadly indicative of their global TTV). See paragraph 100 for details.

<sup>&</sup>lt;sup>49</sup> BTN's 2023 Corporate Travel 100 | Business Travel News

Note of a call with third party, June 2024. Note of a call with third party, May 2024.

<sup>&</sup>lt;sup>51</sup> The CMA has considered that the Parties are less close alternatives for smaller customers and that there are a number of strong competitors in this segment. The CMA has considered that the tech entrants are a stronger constraint in the smaller customer space (as demonstrated by the various sources of evidence set out below), and that regional TMCs are able to supply a large proportion of smaller customers. Therefore, the CMA did not consider smaller customers in its competitive assessment.

- employees in different countries, as well as to offer travel services in different destination countries<sup>52</sup>
- The Parties added that they were not aware of any geographic differences in the services offered by their competitors, worldwide.<sup>53</sup>

#### CMA's assessment

- As set out in more detail in the competitive assessment, most of the Parties' managed TTV is driven by GMNs who operate globally, require business travel to a wide range of countries globally, and procure BTA services from TMCs that operate globally. Both Parties have GMN customers who have operations and travel requirements in numerous countries, including the UK. Whilst competitive dynamics may vary by region and country in relation to SME customers, the CMA did not consider these to be relevant in relation to GMN customers.
- 67. The large majority of GMN customers that responded to the CMA stated that they would not consider using country specific or regional TMCs.<sup>54</sup> Most customers stated that they prefer to use a single TMC across their organisation.
- 68. Reasons for preferring the use of a single TMC globally included increased operational efficiency and data accuracy, a more consistent global service, and benefits from using a unique system of booking, approval and reporting.<sup>55</sup>
- 69. The CMA understands that where a GMN customer is seeking to use a single TMC to service all of its travel needs (whether they have fully global operations or operations in multiple regions), the tender process is generally conducted on the basis of servicing the global needs of the customer, with the offering based on uniform conditions across the relevant parameters of competition, such as price, the range of services and technology solutions provided by the TMC to the customer's employees. <sup>56</sup> As a result, the services provided by the TMCs would be consistent, wherever their customers are travelling to or are based around the world.
- 70. Customers that responded to the CMA's investigation were located in various different countries (including the UK). Some of the customers were UK registered entities with activities in other countries, and some were entities registered in other countries, with activities in the UK. These customers' descriptions of the market, the TMCs they would consider as competitors and the parameters of competition

<sup>52</sup> FMN, paragraph 12.12

<sup>&</sup>lt;sup>53</sup> The Parties identified one exception to this, Direct Travel, which is active on a standalone basis in the United States of America and Canada but partners with ATPI for its global offering. FMN, paragraph 15.63(f).

<sup>&</sup>lt;sup>54</sup> Responses to the CMA questionnaire, June 2024, question 8.

<sup>&</sup>lt;sup>55</sup> Response to the CMA questionnaire from a third party, June 2024, question 3.

<sup>&</sup>lt;sup>56</sup> The Parties explained that they primarily compete to supply business travel services to GMNs on a global basis. FMN, paragraphs 15.17 and 15.47.

- were very consistent. The CMA therefore considers that conditions of competition for GMN customers do not vary globally to any meaningful extent.
- 71. On the basis of this evidence, the CMA has assessed the impact of the Merger on the supply of BTA services to GMN customers on a global basis.

#### Theories of harm

- 72. The CMA assesses the potential competitive effects of mergers by reference to theories of harm. Theories of harm provide a framework for assessing the effects of a merger and whether or not it could lead to an SLC relative to the counterfactual.<sup>57</sup>
- 73. In its investigation of the Merger, the CMA has considered the following theory of harm: horizontal unilateral effects in the supply of BTA services to GMN customers.

#### Horizontal unilateral effects in the supply of BTA services to GMN customers

- 74. Horizontal unilateral effects may arise when one firm merges with a competitor that previously provided a competitive constraint, allowing the merged entity profitably to raise prices or degrade non-price aspects of its competitive offering (such as quality, range, service and innovation) on its own and without needing to coordinate with its rivals.<sup>58</sup> Horizontal unilateral effects are more likely when the parties to a merger are close competitors.<sup>59</sup>
- 75. The CMA assessed whether it is or may be the case that the Merger has resulted, or may be expected to result, in an SLC as a result of horizontal unilateral effects in the market for the supply of BTA services to GMN customers. The CMA has considered evidence from the Parties and third-party competitors and customers. In particular, the CMA has assessed:
  - (a) the Parties' submissions;
  - (b) customer bases of the Parties;
  - (c) shares of supply;
  - (d) bidding data;
  - (e) internal documents; and

<sup>&</sup>lt;sup>57</sup> CMA129, paragraph 2.11.

<sup>&</sup>lt;sup>58</sup> CMA129, paragraph 4.1.

<sup>&</sup>lt;sup>59</sup> CMA129, paragraph 4.8.

(f) third-party evidence;

#### Parties' submissions

- 76. The Parties stated that there was no realistic prospect that the Merger would lead to an SLC by means of horizontal unilateral effects in the supply of BTA services.
- 77. The Parties submitted that their shares of supply are [10-20]% with a [0-10]% increment, based on the total business travel spend that they manage as a proportion of overall managed business travel.<sup>60</sup>
- 78. The Parties also presented a set of shares of supply for GMN customers specifically that showed a combined share of [30-40]% (with [20-30]% for GBT and [0-10]% for CWT).<sup>61</sup> The Parties argued that this analysis based on data created by GBT in early 2024 in the ordinary course of business is more informative than the BTN Top 100 analysis referred to by the CMA in the Issues Letter which they stated is inconsistent with the market definition, excludes high TTV customers and is outdated or incorrect in assigning TMCs to customers.<sup>62</sup> The Parties also submitted that their analysis based on the share of air passengers carried showed the Parties' combined global share of air travel was between [0-10]%.<sup>63</sup>
- 79. The Parties stated that many TMCs could compete to supply BTA services to GMN and SME customers alike.<sup>64</sup> The Parties said that their competitors include established TMCs such as BCD, FCM and CTM, newer entrants such as Navan and Spotnana and regional and national TMCs.<sup>65</sup> The Parties also listed TravelPerk and the Blockskye/Kayak for Business/Gant Travel partnership as alternative constraints.<sup>66</sup> For GMN customers, the Parties stated that there are more than six strong and established global TMCs including the Parties, FCM, CTM, Navan, Spotnana and BCD,<sup>67</sup> which all have the necessary capabilities to service customers of any size with complex needs.<sup>68</sup>
- 80. The Parties submitted bidding data gathered in the ordinary course of business in the period covering 2021 to 2023 and said that it showed that GBT and CWT compete with a wide range of TMCs in competitive tenders.<sup>69</sup> In response to the

<sup>60</sup> FMN, paragraph 15.47 and Table 9. The Parties rely on an assumption of how much of the total business travel services market is managed (compared to unmanaged), which they put at [≯]% both in the UK and globally.
61 Submission to the CMA from GBT via email, 12 July 2024. The Parties noted however that this was not a reliable share of supply analysis and that even this larger selection of GMNs was not comprehensive globally.
62 Parties' response to the Issues Letter, paragraph 5.4. The Parties stated that the survey focussed on North America, that it included some incorrect reporting and that it did not account for many customers with higher TTV, nor for the use of multiple TMCs by some customers.

<sup>&</sup>lt;sup>63</sup> Parties' response to the Issues Letter, paragraph 5.7.

<sup>&</sup>lt;sup>64</sup> Parties' submission to the CMA, 14 June 2024, paragraph 1.3.

<sup>65</sup> FMN, paragraphs 15.20 - 15.22.

<sup>&</sup>lt;sup>66</sup> Parties' submission to the CMA, 14 June 2024, paragraphs 2.22 and 2.24.

<sup>&</sup>lt;sup>67</sup> Parties' response to the Issues Letter, 11 July 2024, paragraph 3.2.

<sup>&</sup>lt;sup>68</sup> Parties' response to the Issues Letter, 11 July 2024, paragraph 1.5(a).

<sup>69</sup> FMN, paragraph 15.41.

Issues Letter, the Parties supplemented the dataset with renewal data and submitted that, when looking at [≫] than the initial analysis had shown.<sup>70</sup>

- 81. The Parties also submitted that the ability of businesses to self-manage business travel and an increased trend of combining business and personal travel would additionally constrain the Parties. The Parties stated that customers of all sizes self-manage (a portion of) their business travel and identified several large customers that use in-house teams to manage a portion of their business travel requirements, namely [><1.71
- 82. The Parties submitted that historic data overstated the closeness of GBT and CWT and that [※].<sup>72</sup> Further, following CWT's 'Chapter 11' restructuring in 2021, the Parties submitted that CWT became a less close competitor to GBT than it was previously.<sup>73</sup> The Parties stated that CWT [※].<sup>74</sup> The Parties stated that, [※].<sup>75</sup> For completeness, the CMA notes that this statistic is misleading as it only compares [※] and does not take into account [※]. The Parties stated that CWT's 2023 TTV is only [※]% of its 2019 TTV and that, absent the Merger, CWT's competitive position [※].<sup>76</sup>
- 83. The Parties also stated that business travel customers exercise significant bargaining power and can and do choose to multi-home, ie by appointing more than one TMC across different geographies, which increases competitive tension. The Parties stated that more than [%]% of GBT's GMN customers use at least one other TMC. Further, the Parties stated that businesses were often highly sophisticated with access to in-house travel procurement departments or travel consultants. The Parties submitted that larger customers also have the ability to sponsor new entry to craft a new solution tailored to their needs. They provided the example of PwC US ([%]) who co-developed their solution with Blockskye/Kayak for Business/Gant Travel. The Parties submitted that some customers, rather than engaging in an RFP process, threaten to put contracts out to competitive tender to ensure they are getting value for money from their TMC. Incumbent TMCs may then offer discounted rates or improved terms in order to ensure a customer renews their contract.

<sup>&</sup>lt;sup>70</sup> Parties' response to the Issues Letter, 11 July 2024, paragraph 5.12.

<sup>&</sup>lt;sup>71</sup> Parties' response to the Issues Letter, 11 July 2024, paragraph 2.16.

<sup>&</sup>lt;sup>72</sup> FMN, paragraph 15.6, 15.7 and 15.9.

<sup>&</sup>lt;sup>73</sup> FMN, paragraph 15.8 and Parties' submission to the CMA, 14 June 2024, paragraph 3.2.

<sup>&</sup>lt;sup>74</sup> Parties' response to the Issues Letter, 11 July 2024, paragraph 1.6 and Parties' submission to the CMA, 14 June 2024, paragraph 3.1(a) and paragraph3.1.(b).

<sup>&</sup>lt;sup>75</sup> Parties' response to the Issues Letter, 11 July 2024, paragraph 4.4.

<sup>&</sup>lt;sup>76</sup> Parties' response to the Issues Letter, 11 July 2024, paragraphs 4.2 – 4.3.

<sup>&</sup>lt;sup>77</sup> Parties' Issues Meeting presentation, 10 July 2024, slide 18.

<sup>&</sup>lt;sup>78</sup> Parties' response to the Issues Letter, 11 July 2024, paragraph 2.3(a).

<sup>&</sup>lt;sup>79</sup> FMN, paragraph 15.37.

<sup>&</sup>lt;sup>80</sup> Parties' response to the Issues Letter, 11 July 2024, paragraph 2.8.

<sup>&</sup>lt;sup>81</sup> Parties' response to the Issues Letter, 11 July 2024, paragraph 1.4(c).

- 84. The Parties submitted that major airlines and hotels would further constrain the Merged Entity. The Parties stated that they were having to adapt to new distribution models being pushed by airlines, which were increasingly prioritising NDC technology as it enabled airlines to contact business customers directly, thereby imposing a stronger competitive constraint on TMCs.<sup>82</sup>
- 85. The Parties submitted that the Merger would have a positive impact on NDC technology, as GBT is currently at the forefront of the transition to NDC. GBT explained that it is focused on offering its customers the most comprehensive and competitive content (including NDC-only fares). [×].83 CWT estimated NDC traffic currently accounts for [×]% of CWT's total airline traffic.84
- 86. The Parties also submitted that factors such as third-party technology providers and the ability to operate partnership models meant that the barriers to entry and expansion were low. 85 The Parties submitted that TMCs [%] when they win customer contracts, [%]. 86 The Parties also submitted that traditional TMCs having a broad global coverage are largely a by-product of their evolution and the legacy architecture of being a TMC in previous decades when offline bookings were more important. 87 The Parties argued that comprehensive local presence is not required in order to win contracts [%]. 88
- 87. The Parties submitted that customers (especially GMNs) can switch easily at minimal cost. GBT stated that its working assumption was that it takes [%] for GMNs to deploy a new travel programme (after the scope has been agreed and all necessary data gathered) and that switching costs for customers are typically sufficiently minimal that they do not need to add additional resources to manage the transition. <sup>89</sup> In 2021, CWT commissioned [%] to conduct a market assessment and customer insight review which incorporated a survey of business travel customers. The Parties have made a number of submissions on the basis of a sub-sample of the customers who responded who were identified as spending more than \$25 million annually in TTV, including that around [%]% of these customers anticipate switching in the next [%] and around [%] find it easy or extremely easy to switch TMC. <sup>90</sup>

<sup>82</sup> Parties' submission to the CMA, 7 June 2024, paragraph 2.4.

<sup>&</sup>lt;sup>83</sup> Parties' response to the Issues Letter, 11 July 2024, paragraphs 5.24 – 5.25.

<sup>&</sup>lt;sup>84</sup> Parties' response to the Issues Letter, 11 July 2024, paragraph 5.24.

<sup>85</sup> FMN, paragraph 21.1.

<sup>&</sup>lt;sup>86</sup> Parties' response to the Issues Letter, 11 July 2024, paragraph 6.8.

<sup>&</sup>lt;sup>87</sup> Parties' response to the Issues Letter, 11 July 2024, paragraph 6.5.

<sup>&</sup>lt;sup>88</sup> Parties' response to the Issues Letter, 11 July 2024, paragraph 6.7.

<sup>&</sup>lt;sup>89</sup> Parties' response to the Issues Letter, 11 July 2024, paragraph 2.11.

<sup>&</sup>lt;sup>90</sup> Parties' response to the Issues Letter, 11 July 2024, paragraph 2.14. The Parties also noted that switching was straightforward taking between [※] months and that these large customers switch to and from many different TMCs. Over [※]% of those customers have used multiple TMCs in the past [※] years (see Parties' Issues Meeting presentation, 10 July 2024, slide 43).

#### **Customer bases of the Parties and their competitors**

- 88. As part of CMA's assessment of the closeness of competition between the Parties. and in response to the Parties' submission that they are not close competitors for GMN customers because [×], the CMA has considered the profile of the Parties' customers.
- 89. GBT has significantly more customers than CWT overall, and therefore it has a larger absolute number of both GMN customers (as proxied by those who spend more than \$25 million on travel annually) and smaller customers (who spend less than \$25 million annually). CWT's GMN customers account for [0-5]% of their total number of customers ([ $\times$ ] out of [ $\times$ ] customers), compared to GBT's [0-5]% ([ $\times$ ] out of [X] customers).91
- 90. Despite accounting for a small share of total customer numbers, as noted above, the [ $\times$ ] TTV managed by both GBT and CWT is generated by [ $\times$ ] customers. In 2023, [60-70]% of GBT's TTV was generated by these [≫] GMN customers. Similarly, for CWT, the [≫] GMN customers accounted for [70-80]% of CWT's total TTV. This supports the view that,  $[\times]$ .

#### Shares of supply

- 91. The CMA has considered shares of supply, including the analysis submitted by the Parties, to understand the relative market positions globally of different suppliers of BTA services to GMN customers and as an indicator of the change in market power brought about by the Merger.92
- 92. The CMA considers the Parties' top-down approach of their share of supply estimate set out in paragraphs 77-78 above to be unreliable, in particular given that it relies upon assumptions about managed business travel,93 and because the Parties have not attributed shares to competitors. In any case, the CMA considers that the top-down approach to calculating shares of supply based on annual TTV by all groups of customers – ie both GMN and smaller customers – does not reflect the competitive effects of this merger, given that the relevant market relates to GMN customers only.94
- 93. The CMA has looked at several measures of shares of supply, including the Parties' own analysis referred to in paragraphs 77-78. Given the data available and the difficulties in delineating the GMN customer group precisely, the CMA considers it appropriate to consider several measures together to build a picture of

<sup>&</sup>lt;sup>91</sup> Parties' data provided in response to RFI1, question 24.

<sup>92</sup> CMA129, paragraph 4.4 and 4.12.

<sup>&</sup>lt;sup>93</sup> The Parties assumed that [≪]% of the total business travel services market is managed. The CMA has not been able to verify that this is correct, given that it was is sourced from the 2017 GBT/HRG form CO. See FMN, footnote 277. <sup>94</sup> The CMA also considers that the Parties' share of supply estimates do not align with their market positions as identified in other sources of evidence, including internal documents, that the CMA has gathered.

the Parties' and their competitors' relative strengths. As set out below, the CMA has found that all of the different measures were consistent with each other.

#### CMA market reconstruction

94. As set out in the remaining part of the competitive assessment section, the evidence consistently shows that only a limited pool of six TMCs (GBT, CWT, BCD, FCM, CTM and Navan) of varying strengths are able to compete for GMN customers. The CMA has therefore reconstructed the shares of supply for these six TMCs using a bottom-up approach on the basis of their global annual TTV in 2023 (see Table 1 below).<sup>95</sup>

Table 1: Shares of supply for six TMCs (GBT, CWT, BCD, FCM, CTM and Navan) based on CMA market reconstruction, global annual TTV from customers with over \$25m annual TTV, 2023

	Share of TTV
	from customers
	with over \$25m
	annual TTV (%)
GBT	[30-40]
CWT	[10-20]
Combined	[50-60]
BCD	[20-30]
FCM	[10-20]
СТМ	[0-5]
Navan	[0-5]
Total	100

Source: Parties and third-party submissions.

- 95. Based on this bottom-up approach, GBT and CWT are the largest and third largest TMCs respectively, and the Parties' combined share of TTV for customers with over \$25 million annual TTV is [50-60]%, which would make the Merged Entity the largest TMC by some distance. BCD is the largest rival TMC with shares of [20-30]%. FCM has a smaller share of [10-20]%. Navan and CTM are significantly smaller, with a [0-5]% share each. These results are consistent with the other sources of evidence that the CMA presents below.
- 96. As noted above (paragraph 62), the CMA has used an annual TTV of \$25 million to identify the GMN customer group in its evidence gathering and analyses, while noting that the specific threshold is somewhat arbitrary and that there may be GMN customers with complex requirements and the need for global coverage, but

<sup>&</sup>lt;sup>95</sup> The CMA did not receive complete information from these third parties and therefore made assumptions about the size of some of them. This involved aligning those who did not provide data to other TMCs using two sensitivities, according to other evidence that the CMA received. This resulted in two share of supply estimates for some of the TMCs, but the CMA found that the estimates were not materially different and remained in the same ranges as those presented in Table 1.

who have a lower annual TTV. To provide some insight into whether the relative positions of these suppliers are likely to depend on the specific threshold used, the CMA has considered these suppliers' shares of supply based on the total TTV generated from all their customers. This analysis shows that the relative positions of the six TMCs do not materially change, with GBT still having the largest share at [30-40]%, followed by BCD, CWT, FCM and CTM (all [10-20]%) and Navan [5-10]%. This suggests that these TMCs would have similar relative positions under different TTV thresholds.

#### Air travel shares

97. During its market investigation, the CMA obtained information from IATA about the total number of airline passengers carried globally, and the related value of sales that is attributed to a TMC.<sup>96</sup> IATA was able to do this for the top 30 ranked TMCs in Europe according to the Business Travel News (**BTN**) survey of 2024, and therefore covered a large range of TMC suppliers.<sup>97</sup> The CMA considers that, although this analysis only relates to air travel spend (and does not cover hotels or other means of transport), it is still indicative of the strength of each TMC and their global position across wider BTA services.

Table 2: Shares of supply based on number of airline passengers carried globally and related air travel spend, top 30 TMCs, 2023

	Value of sales (%)	Volume of passengers (%)
GBT	[30-40]	[30-40]
CWT	[10-20]	[10-20]
Combined	[50-60]	[50-60]
BCD	[10-20]	[10-20]
FCM	[10-20]	[10-20]
CTM	[5-10]	[5-10]
Internova	[0-5]	[0-5]
Navan	[0-5]	[0-5]
Viajes El Corte Ingles	[0-5]	[0-5]
ATPI	[0-5]	[0-5]
TravelPerk	[0-5]	[0-5]
Spotnana	[0-5]	[0-5]
Others (includes 16 smaller TMCs)	[0-5]	[0-5]
Total	100	100

Source: IATA.

<sup>96</sup> IATA response to Section 109 Notice.

<sup>&</sup>lt;sup>97</sup> In the Issues Letter the CMA presented an analysis that was based only on the number of airline passengers carried by the five largest TMCs and three tech entrants (Navan, Spotnana and TravelPerk), but IATA was subsequently able to provide a longer list of TMCs. The CMA notes that the shares for the same eight companies in the longer list are slightly lower, but the difference is not substantial because the additional TMCs that are considered in this analysis carry a very small number of air passengers.

Notes: Spotnana includes both Spotnana and Direct Travel, who they recently acquired. The largest of the 16 other TMCs who have been included are Berg-Hansen Reisebureau, Travel Counsellors, Cisalpina Tours and Havas Voyages.

- 98. Based on IATA data on the value of airline sales, GBT has a [30-40]% share of supply in 2023. CWT ([10-20]%), BCD ([10-20]%) and FCM ([10-20]%) all had very similar shares of supply. The shares of other TMCs are much smaller. For example, CTM is shown to have less than half the value of airline sales as FCM, and other TMCs like Internova, Viajes El Corte Ingles and ATPI are even smaller. The more recent entrants Navan, TravelPerk and Spotnana managed very low sales, and there is a long tail of 16 other TMCs whose shares, even combined, make up less than 5% of airline sales for business travel. This suggests that extending the analysis further to include more TMCs beyond the 30 included above would be unlikely to change the Parties' and their main competitors' shares to any significant extent.
- 99. The CMA considers these shares to be more reliable that the Parties' own estimates of air travel shares of supply (paragraph 78 above), which make an assumption about the share of air passengers that are business travellers and do not consistently differentiate between managed and unmanaged customer groups. The Parties' calculations also appear to have inconsistencies, with the denominator in their calculations being air passengers and the numerator being air transactions.<sup>100</sup>

#### Shares based on Business Travel News survey

- 100. BTN is a global source of business travel and meeting information, news, data, analysis 101 and provides a series of regular surveys estimating the size of the largest TMCs. 102 In its 2023 'Corporate Travel 100' survey BTN identified the 100 companies with the most business air travel spend in the United States and found that BCD was the TMC for 35 of the top 100 businesses, GBT for 33 and CWT for 17. FCM was the TMC for only four businesses and Navan for only two. 103 This is largely in line with the CMA's finding that the Parties and BCD are the strongest TMCs in the supply of BTA services to GMNs.
- 101. As noted in paragraph 78 above, the Parties submitted that this analysis has some drawbacks and presented their own analysis, which they conducted in the ordinary

<sup>&</sup>lt;sup>98</sup> The CMA notes that the shares of supply are very similar when considering volume of passengers.

<sup>&</sup>lt;sup>99</sup> The CMA has not considered these three providers to be as able to supply services to GMNs because of other sources of evidence. However, these shares show that they are small relative to the Parties in any case.

<sup>&</sup>lt;sup>100</sup> The CMA was not able to test the assumptions relied upon by the Parties, or to verify that the air passenger and air transaction metrics are equivalent to each other.

<sup>&</sup>lt;sup>101</sup> About Us | Business Travel News

<sup>&</sup>lt;sup>102</sup> These surveys provided an input into the Parties' share of supply calculations and were referenced by several third parties.

<sup>&</sup>lt;sup>103</sup> BTN's 2023 Corporate Travel 100 | Business Travel News. Note that this methodology is likely to be robust as it relied primarily on business travel volumes provided to BTN, or when this was not provided, BTN research from industry sources, published reports and other intelligence. The CMA again notes that this again reflects air travel only, but as with the IATA data, it considers this indicative of market positions across wider BTA services.

course of business, as an alternative, which is described in paragraphs 102 – 105 below. The CMA considers that any incorrect or outdated reporting due to changes in suppliers is unlikely to make a significant difference to the overall picture presented and while the Parties may have lost some customers to competitors they may also have gained some. <sup>104</sup> In relation to the Parties' argument that the survey is focussed on the US because it is ranked by US travel spend, the CMA considers that these top 100 businesses are generally large multinational companies with significant global operations. Finally, the CMA agrees with the Parties that the top 100 firms in the BTN survey do not necessarily reflect all GMN customers that are relevant to the assessment. However, the CMA considers that the findings are still informative of the relative market position of the TMC suppliers for these top 100 customers, even if this is a sub-segment of the broader GMNs customer base.

#### GBT's ordinary course of business analysis

- 102. The GBT analysis selected companies from the Fortune 1000 and Forbes 500 lists and identified [※] GMNs using a threshold of estimated annual TTV of over \$[※].¹05 GBT then attempted to identify which TMC served each of these customers, using their own [※] data and public information, including the 2023 BTN Corporate 100 list.
- 103. [%]
- The CMA considers that the Parties' analysis is broadly consistent with other sources of evidence in showing that GBT is the largest and CWT the third largest TMC, that the Parties' combined share of supply would still be well above the share of the next largest rival (ie BCD), and that other competitors like FCM and Navan are very small. [%]. Given this analysis was carried out recently in the ordinary course of business and used by GBT to inform its sales strategy, the CMA considers these findings to have some informative value of GBT's views on competition for GMN customers.
- 105. Nevertheless, given the CMA received this analysis late in the investigation, it has not been able to discuss the dataset with the Parties and interrogate fully the assumptions and methodology. For example, the CMA notes that there is a large group of customers with unidentified TMCs and it is unclear whether these customers have any particular characteristics which could imply that they are not relevant to the CMA's assessment. If this was the case, they should be excluded from the analysis, which would reduce the total market size and increase the Parties' and the named competitors' shares of supply. Alternatively, if these

<sup>104</sup> The Parties submitted that two further customers are served by FCM, CWT is no longer the TMC for four customers and GBT has gained two customers. Parties' response to the Issues Letter, 11 July 2024, paragraph 5.4(c).
105 Parties' response to the Issues Letter, 11 July 2024, Table 3 and submission to the CMA from GBT via email, 12 July 2024.

customers should be attributed to a TMC (other than GBT) this could imply an increase in CWT's and/or the other named competitors' shares.

CMA conclusions on shares of supply

106. The CMA considers that the various analyses of shares of supply set out above show consistently that the Parties are the first and third largest TMC providers for GMN customers, and that they would have a combined share of supply significantly greater than their rivals post-Merger. The share of supply estimates also show that there are only a small number of sizable alternative suppliers, among which BCD and to a lesser extent FCM are the most prominent. Finally, they show that new tech-led entrants have gained very limited share among GMN customers.

#### **Bidding analysis**

- 107. The CMA has assessed the Parties' bidding data by looking both at who won tenders and who participated in them. The CMA has taken into account only those tender opportunities where the names of the winner and/or competitors were identified (ie not left blank) in the records,<sup>106</sup> resulting in a final GBT dataset of [≫] opportunities with total TTV of \$[≫] and a final CWT dataset of [≫] opportunities with a TTV of \$[≫] million. The CMA notes that the CWT dataset appears [≫].<sup>107</sup> As such, while the bidding analysis has been conducted using both datasets, the CMA has primarily relied on the results based on the GBT data.
- 108. The following sections present the results of the bidding analysis (based on winners and participation in tenders) for tenders with an annual TTV value greater than \$25 million, of which there were [≫] in the GBT dataset, with a total TTV of \$[≫].<sup>108</sup> These are the most relevant tenders for the CMA's competitive assessment, but for broader context, the CMA also sets out below the results of the bidding analysis considering the wider set of all opportunities.
- 109. The Parties' original submission included gains of new businesses, losses of potential new businesses and losses of existing business, but not renewals of existing business. 109 At a later stage of the investigation GBT submitted analysis which included renewals. This analysis is discussed below.

<sup>106 [&</sup>gt;<].

 $<sup>^{107}</sup>$  [ $\times$ ]. The CMA also identified some inconsistencies between the two datasets, with CWT [ $\times$ ] winning \$[ $\times$ ] worth of TTV in its own dataset but winning \$[ $\times$ ] worth in the more complete GBT data.

<sup>&</sup>lt;sup>108</sup> For completeness, there were [※] opportunities with TTV over \$[※] in the CWT dataset.

<sup>&</sup>lt;sup>109</sup> Parties' methodology note, Annex RFI1 Q23.003 to RFI1, submitted 10 May 2024.

110. Due to the large variation in the value of tender opportunities, the CMA has considered it more appropriate to base its analysis on TTV rather than on number of opportunities. [≫].

#### Results – winners of tender opportunities

111. GBT's tender data, presented in Table 3 below, identifies CWT, BCD and FCM as the [※] successful competitors for GMN opportunities (proxied as those with a TTV of greater than \$25 million) in which GBT competed. GBT won the majority of this TTV, with the three competitors having similar shares. Navan and CTM won [※] of these opportunities.<sup>110</sup>

Table 3: Share of tender opportunities worth over \$25m annual TTV won, GBT data, 2021- 2023

	GMN opportunities (ie >\$25m value)	
	TTV share of	Number of
	opportunities	opportunities
	won,	won,
	opportunities	opportunities
	above \$25m	above \$25m
	annual TTV	annual TTV
GBT	[50-60]%	[%]
CWT	[10-20]%	[×]
BCD	[10-20]%	[×]
FCM	[10-20]%	[×]
Navan	-	[×]
CTM	-	[×]
Total TTV /	[%]	[%]
number of		
opportunities		

Source: CMA analysis of GBT bidding data, excluding renewals.

- 112. Considering the wider set of all opportunities in the GBT data (ie for customers of all sizes), the analysis shows that, while suppliers like Navan, CTM and Direct ATPI did win some of these opportunities, the Parties, and especially GBT, did win a considerable proportion [%]% of them. [%]. As explained above at paragraph 56, the evidence indicates that these options do not exert a material competitive constraint on the Parties, either for GMN customers or for the wider customer base.
- 113. CWT also provided tender data which showed that [※] were most successful in winning opportunities for all customers in TTV terms and that [※] and [※] were significantly less successful. However, for the reasons set out above in footnote 107, the CMA considers that CWT's dataset is [※] than GBT's, and so the CMA has placed limited weight on [※] from the CWT data.

<sup>110</sup> The highest value of a tender recorded as being won by Navan has an annual TTV of \$[≪] million.

#### Results – participation in tender opportunities

- 114. The GBT data allowed the CMA to consider the competitors who were identified as participants in tenders. 111 The Parties presented this analysis with a larger sample of opportunities which also included their renewals of existing business. Because the CMA received this analysis late in the investigation it has not had the opportunity to interrogate whether these renewals constituted full competitive processes, and how competitors were identified for these.
- 115. The CMA considers that although the inclusion of renewals increased the number of opportunities from [≫] to [≫], it does not materially affect the results. The results are presented in Table 4 below.

Table 4: Share of opportunities worth over \$25m annual TTV participated in, GBT data, 2021 - 2023

	GMN opportunities (ie >\$25m value)	
	TTV share of	Number of
	opportunities	opportunities
	participated	participated in,
	in,	opportunities above
	opportunities	\$25m annual TTV
	above \$25m	
	annual TTV	
GBT		N/A
CWT	[60-70]%	[%]
BCD	[50-60]%	[×]
FCM	[40-50]%	[%]
Navan	[10-20]%	[%]
CTM	[20-30]%	[%]
Total TTV /	[%]	[%]
number of		
opportunities		

Source: CMA analysis of GBT's bidding data, including renewals. This table reflects analysis shared in the Parties presentation in response to the Issues Letter, slide 40. GBT is excluded because it is presumed it participated in all opportunities in its own dataset.

- The table shows that CWT and BCD competed with GBT for the highest number of opportunities with annual TTV above \$25 million, followed by FCM, Navan and then CTM. This is similar to when considering shares by TTV, although CTM are shown to have competed for a particularly large opportunity, worth [20-30]% of the total.
- 117. Considering the wider set of all opportunities, the analysis shows that BCD, CWT and FCM participated in a roughly similar number of opportunities, ranging between [20-30]% and [40-50]% of the total TTV, with Navan and CTM lower at [10-20]% and [10-20]% respectively.

<sup>111</sup> The CWT data also included this information to some extent, but [涿], the CMA has not considered that information further.

<sup>112</sup> The extended dataset of opportunities from GBT to include renewals results in a total of [ $\times$ ] opportunities, with a total TTV of \$[ $\times$ ]. [ $\times$ ] of these opportunities have TTV of over \$25 million, which have a total TTV of \$[ $\times$ ].

- The Parties argued that this analysis shows Navan and CTM are competing closely to GBT and CWT for customers of all sizes. However, the CMA notes that they still compete less across all opportunities, and particularly for GMN opportunities, where Navan only appears [※] and CTM [※].
- 119. The CMA therefore considers that, while all of the above companies may have competed with GBT for some of its business since 2021, CWT and BCD are those who competed most often for GMN customers, followed by FCM, while the participation in GMN tenders of the smaller suppliers, Navan and CTM, appears very limited.

#### Competitor bidding information

120. The CMA also received information on their bidding activity from two competitors. 114 One of the competitors stated that for customers with TTV in excess of \$25 million, GBT, BCD, CWT, FCM and Navan were the TCMs who bid the most for tender opportunities in 2022 and 2023. 115 Another competitor stated that its main competitors for these customers over the same period were GBT, CWT and BCD. 116

#### CMA assessment of the bidding analysis

- 121. The CMA considers that, given that for customers with an annual TTV above \$25 million only [≫] appear as winners in the three years over which the data was available, other competitors are likely to be weak alternatives when it comes to GMN customers.
- The CMA notes that the analysis of all tenders, while showing that there is a larger set of competitors, also shows that [※] are the strongest competitors to GBT based on the value of TTV won, with a significant gap relative to the other suppliers, ie [※].
- 123. The CMA recognises that there are limitations in the bidding data available, including the fact that [≫]. The CMA has therefore interpreted this evidence with caution and in conjunction with other evidence.

<sup>&</sup>lt;sup>113</sup> Parties' response to the Issues letter, 11 July 2024, paragraph 5.12.

<sup>&</sup>lt;sup>114</sup> Response to the CMA's supplementary questionnaire, June 2024, question 4. Response to CMA questionnaire from a third party, June 2024, questions 7 – 10. The CMA notes that it does not have information on winners of these bids, or bid frequency.

<sup>&</sup>lt;sup>115</sup> Response to the CMA's supplementary questionnaire, June 2024, question 4.

<sup>&</sup>lt;sup>116</sup> Response to CMA questionnaire from a third party, June 2024, question 10.

#### Internal documents

124. The CMA considers that the Parties' internal documents show that the Parties compete closely for GMN customers and face limited constraints.

Closeness of competition between the Parties and remaining competitive constraints for GMN customers

125. This section first discusses the Parties' internal documents in relation to CWT's alleged weakened position, and then internal documents relating to closeness of competition between the Parties and competitive constraints exerted by competitors in relation to GMN customers.

Internal documents on CWT's financial condition

- 126. Some of CWT's internal documents stated that the financial difficulties which led CWT to enter into a Chapter 11 restructuring in 2021 affected its competitiveness. These internal documents also indicated that [X]. One internal document set out that between 2019 and 2023 CWT [X]. As explained in paragraph 82 above, the CMA considers this statistic to be not representative, as it does not cover customers that were retained by CWT (ie that were neither won nor lost). In the same internal document, CWT noted that '[×]'118 and, in another document, flagged their '[><].'119
- 127 The CMA however notes that other GBT and CWT internal documents indicated that CWT was starting to be successful in reducing the concerns around its financial position. For example, one CWT internal document [×] noted that '[×]' and ' $[\times]$ '. 120  $[\times]$ . 121  $[\times]$ . 122  $[\times]$ . 123
- 128. The CMA considers that the extent to which the loss of customers is attributable to CWT's financial difficulties is not straightforward to determine. This is because it is unclear how much of CWT's [X] was specific to CWT and its performance, and how much of the [≫] reflected the detrimental impact of Covid-19 across the business travel sector more generally. Whilst the Parties stated that CWT's 2023 TTV was only [>]% of its 2019 TTV. <sup>124</sup> [>]. <sup>125</sup>
- 129. On the basis of the above, the CMA considers that, while some documents emphasised CWT's [※] in the period following 2021, others referred to an improving outlook for CWT in 2023 and when looking forward to 2024. [×].

<sup>121</sup> GBT's internal document, Annex RFI1 GBT Q13.001 to RFI1, '[X]', December 2023, page 6.

<sup>122</sup> GBT's internal document, Annex GBT.Q9.008 to the FMN, '[≫]', page 8.

<sup>123</sup> GBT's internal document, Annex GBT.Q.032, '[≫]', page 53 and remark made by CWT during the Issues Meeting.

<sup>&</sup>lt;sup>124</sup> Parties' response to the Issues Letter, 11 July 2024, paragraphs 4.2 – 4.3.

<sup>125</sup> GBT's internal document, Annex GBT.Q10.004 to the FMN, '[≫]', October 2023, page 14.

Finally, the CMA considers that CWT's  $[\times]$  may partially be caused by Covid-19 which also negatively impacted other TMCs in the market.

CWT's internal documents on closeness of competition and remaining competitive constraints

- 130. The CMA considers that CWT's internal documents indicate that it focuses on  $[\times]$ . where it competes closely with GBT, and that there are few alternatives for such customers:
  - (a) CWT's documents showed that it is focused on providing BTA services []<1.126
  - (b) A 2022 CWT [ $\times$ ] document stated that [ $\times$ ]. 127
  - (c) As noted above, one CWT internal document indicated that [×]. 128 The CMA's own analysis indicated that  $[\times]$  of the  $[\times]$  customers that  $[\times]$ .<sup>129</sup>
  - (d) Win loss analysis commissioned by CWT found that in 2022, [≫]. 130
  - A December 2023 CWT [≫].<sup>131</sup>
  - A CWT [ $\times$ ] document stated that there were [ $\times$ ]. <sup>132</sup> [ $\times$ ]<sup>133</sup> [ $\times$ ]. (f)
  - A 2022 CWT document identified CWT as [X]. 134 [X]. 135 (g)
  - However, CWT described CTM in one internal document as [≫]. FCM was (h) described as [ $\times$ ]. In contrast, the Parties were [ $\times$ ]. The CMA noted that Navan had  $[\times]$ .
  - With respect to global coverage, a key requirement for GMN customers, CTM (i) is described as having  $[\times]$  is ' $[\times]$ '. FCM and Navan are noted to have []<137

 $<sup>^{126}</sup>$  CWT's internal document, Annex CWT.Q10.001 to the FMN, '[ $\gg$ ], 11 September 2023, slide 4.

<sup>127</sup> CWT's internal document, Annex CWT Q10.013 to the FMN, '[≫]', July 2022, page 10.
128 CWT's internal document, Annex RFI1.CWT.Q13.002 to RFI1, '[≫]', 17 October 2023, page 9.

<sup>129</sup> The CMA's own analysis indicated that [%].

<sup>130</sup> CWT's internal document, Annex CWT Q10.033 to the FMN, '[≫], 30 May 2023, page 36.

<sup>&</sup>lt;sup>131</sup> CWT's internal document, Annex CWT Q10.002 to the FMN, '[≫]', 14 December 2023, pages 3 – 4.

<sup>132</sup> CWT's internal document, Annex CWT Q10.013 to the FMN, '[×]', July 2022, page 9.

<sup>&</sup>lt;sup>133</sup> TripActions is the previous name of Navan.

<sup>134</sup> CWT's internal document, Annex CWT Q9.004 to the FMN, '[≫]', 2022, page 9. [≫]. Another CWT's internal document from 2023 noted that '[%]' with 2019 revenue of \$[%]. CWT's internal document, Annex CWT Q10.001 to the FMN, '[%]', 11 September 2023, page 5.

<sup>&</sup>lt;sup>135</sup> CWT's internal document, Annex CWT.Q10.027 to the FMN, '[≫]', 2022, page 48.

<sup>&</sup>lt;sup>136</sup> CWT's internal document, Annex CWT.Q10.003 to the FMN, '[≫]', June 2023, page 2. Another document, CWT's internal document, Annex CWT.Q10.008 to the FMN, '[×], March 2024, page 8, [×].

<sup>&</sup>lt;sup>137</sup> CWT's internal document, Annex RFI1 CWT.Q19.001 to RFI1, '[℅]', December 2023, pages 8,9 and 18.

- (j) The CWT [≫] document mentioned in paragraph 130(f) above also noted [≫]. 138 [≫]. 139
- (k) Regional and national TMCs were mentioned only rarely in CWT's internal documents. [≫]. <sup>140</sup> One document contained a reference to firms previously acquired by GBT, with DER Business Travel, acquired in 2019, referenced as having 'German presence' and SMT, acquired in 2016, referenced as having 'Nordic presence'. <sup>141</sup>
- 131. The CMA acknowledges that CWT's internal documents refer to numerous TMCs and new tech entrants [≫] competitive'. However, the CMA considers that the qualitative statements about the [≫], indicate that their offerings are differentiated from and do not compete closely with the Parties' service offerings. The CMA considers that CWT's internal documents show that only a small number of the TMCs referenced in the documents can be considered close competitors for GMN customers, namely GBT, CWT and BCD ([≫]). FCM, CTM, Navan and Spotnana compete but to a lesser extent.

GBT's internal documents on closeness of competition and remaining competitive constraints

- 132. GBT's internal documents similarly indicate that GBT has a strong position in relation to GMN customers with some documents identifying CWT as one of its main competitors in that segment. While a number of GBT's internal documents mention several suppliers, only a few competitors are identified as successfully competing to supply GMN customers:
  - (a)  $[\times]$ . 143
  - (b) [**※**].¹⁴⁴
  - (c) [**※**].<sup>145</sup>
  - (d) GBT observed in one internal document that '[>].'<sup>146</sup> [>].<sup>147</sup>
  - (e) [**※**].<sup>148</sup>

<sup>138</sup> CWT's internal document, Annex CWT.Q10.013 to the FMN, '[%]', July 2022, page 9.
139 CWT's internal document, Annex CWT.Q10.003 to the FMN, '[%], June 2023, page 2.
140 CWT's internal document. Annex CWT.Q10.043 to the FMN, '[%]', July 2023, page 9.

<sup>140</sup> CWT's internal document, Annex CWT.Q10.013 to the FMN, '[X]', July 2022, page 9.

<sup>141</sup> CWT's internal document, Annex CWT.Q10.013 to the FMN, '[×]', July 2022, page 36.

<sup>&</sup>lt;sup>142</sup> CWT's internal document, Annex CWT.Q10.027, '[≫]', 2022, page 48.

<sup>&</sup>lt;sup>143</sup> GBT's internal document, Annex GBT Q10.007 to the FMN, '[≫], page 375.

<sup>144</sup> GBT's internal document, Annex RFI1 GBT.Q13.001 to RFI1, '[X]', December 2023, page.3.

<sup>&</sup>lt;sup>145</sup> GBT's internal document, Annex RFI1 GBT.Q13.001 to RFI1, '[≫], page.8.

<sup>&</sup>lt;sup>146</sup> GBT's internal document, Annex RFI1 GBT.Q19.007 to RFI1, '[×], page 3.

<sup>&</sup>lt;sup>147</sup> GBT's internal document, Annex GBT Q10.012 to the FMN, '[≫], page 11.

<sup>&</sup>lt;sup>148</sup> GBT's internal document, Annex GBT Q10.007 to the FMN, '[≫], page 14.

- (f) In line with the last point, the CMA considers that GBT's documents identify technology entrants as particularly strong for smaller customers, as opposed to GMN customers.
  - (i) One of the reasons is that  $[\times]$ .<sup>149</sup>  $[\times]$ .<sup>150</sup>
  - (ii) In one internal document [×].<sup>151</sup> [×].<sup>152</sup>
  - (iii) GBT's internal documents indicate that [≫]. 153 [≫]. 154
  - (iv) [**>**<]. <sup>155</sup>
  - (v) One GBT internal document noted that the '[≫]'.<sup>156</sup> However, as discussed in greater detail in paragraphs 154 159, the CMA understands from competitor and customer feedback that the new tech entrants have encountered difficulties when trying to scale operations to meet the needs of GMN customers.
- (g) The CMA has seen very few GBT internal documents discussing regional or national TMCs. [≫]. 157
- The CMA recognises that GBT's internal documents refer to a broad range of BTA service suppliers, including traditional TMCs, new tech entrants and national and regional TMCs. As GBT, the market leader, competes for both GMN and smaller customers (primarily through its Egencia product), it is expected that its internal documents reference a broad selection of alternative suppliers. However, consistent with CWT's internal documents, the CMA considers that [≫] suggests that, with the exception of CWT and BCD, the other suppliers referenced in GBT's internal documents, do not compete that closely and exert, if any, only a limited competitive constraint on GBT for the supply of BTA services to GMN customers.

#### Levels of customers switching

The CMA's analysis of CWT's and GBT's customer data shows that many business customers stay with their TMC for long periods of time. In 2023, [50-60]% of GBT Select's TTV was generated by customers that had been GBT's customers for [≫] years or longer. Similarly, [50-60]% of CWT's TTV was generated by customers that had been its customers for [≫] years or more. <sup>158</sup> Furthermore, as

<sup>149</sup> GBT's internal document. Annex GBT Q10.007 to the FMN. '[X], page 370

<sup>150</sup> GBT's internal document, Annex GBT Q10.007 to the FMN, '[≫], page 370 and 372.

<sup>&</sup>lt;sup>151</sup> GBT's internal document, Annex GBT.Q10.007 to the FMN, '[≫], page 186.

<sup>&</sup>lt;sup>152</sup> GBT's internal document, Annex GBT Q10.012 to the FMN, '[≫], page 11.

<sup>&</sup>lt;sup>153</sup> GBT's internal documents, Annex RFI1 GBT.Q13.001 to RFI1, '[※], page 9 and Annex RFI1 GBT.Q19.003 to RFI1, '[※], page 1.

<sup>154</sup> GBT's internal document, Annex GBT.Q10.001 to the FMN, '[X], pages 20 – 21.

<sup>&</sup>lt;sup>155</sup> GBT's internal document, Annex RFI1 GBT.Q19.002 to RFI1, '[≫], page 1.

<sup>&</sup>lt;sup>156</sup> GBT's internal document, Annex GBT Q10.007 to the FMN, '[≫], page 372.

<sup>&</sup>lt;sup>157</sup> GBT's internal document, Annex GBT.Q10.007 to the FMN, '[≫], page 375.

<sup>&</sup>lt;sup>158</sup> Parties' data provided in response to RFI1, question 24.

- noted in paragraph 127 above, CWT also confirmed in the Issues Meeting that the level of customer churn is  $[\times]$ , ie around  $[\times]$ % per year. 159
- 135. Both Parties' internal documents indicate that [≫]. It is therefore difficult for newer entrants to win customers from more established TMCs.
  - (a) In an internal document CWT described the [※].<sup>160</sup> In another document CWT [※].<sup>161</sup>
  - (b) In an internal document GBT stated that [※].<sup>162</sup>
- 136. In relation to the Parties submissions set out in paragraph 87, based on the subsample of responses to the [※] customer survey, which the Parties argue are indicative of high switching rates, the CMA has placed limited weight on this evidence for a number of reasons.
- 137. The CMA found the findings of the [≫] regarding customer switching rates inconsistent with all other sources of evidence, including the Parties' own submissions (see paragraph 134 above), which indicated that customer switching rates are low.
- 138. The CMA has also not been able to interrogate the assumptions and methodology of the whole survey as it was submitted late during the investigation. The CMA understands that the sample is made up of business travel customers using BTA services and not restricted to the Parties' customers. It may therefore not be representative of the population whose switching behaviour is relevant to assessing the competitive impact of this Merger, which is the Parties' GMN customers. Moreover, from the statistics provided by the Parties, it is also not clear which TMCs the GMN customers switched between, or whether the switching is related to the entirety of the BTA services or just a portion of it.
- The CMA considers that the responses given by the sub-sample of customers who are spending more than \$25 million are not representative of GMN customers. The survey suggests that [※] of [※] respondents used [※] to [※] brands in the past [※] years and a further [※] used more than [※] brands and that [※] of [※] of the respondents stated that it is 'easy' to switch existing TMC and a further [※] stated that it is 'extremely easy'.¹6³ This does not align with other evidence on the number of brands used and ease and frequency of switching by GMNs. In addition, the respondents to the survey [※] as a key buying factor.¹6⁴ This is again

<sup>&</sup>lt;sup>159</sup> Remark made by CWT during the Issues Meeting.

<sup>&</sup>lt;sup>160</sup> CWT's internal document, Annex CWT.Q10.027 to the FMN, '[≫]', 2022, page 53.

<sup>&</sup>lt;sup>161</sup> CWT's internal document, Annex CWT.Q10.001 to the FMN, '[≪], 11 September 2023, pages 4 and 9.

<sup>&</sup>lt;sup>162</sup> GBT's internal document, Annex GBT.Q8.004 to the FMN, '[≫], page 29.

<sup>&</sup>lt;sup>163</sup> Note on the [≫] survey statistics presented at the Issues Meeting, 12 July 2024, Tables 1 and 2.

<sup>164</sup> Note on the [3<] survey statistics presented at the Issues Meeting, 12 July 2024, Table 4.

- inconsistent with other evidence, including that from third parties as set out in paragraph 144, which supports [%] as being a very important factor.
- 140. Further, the CMA notes the [≫] report itself which contains the result of the full survey states that 'companies do not often switch TMCs due to [≫]'. Other factors cited were [≫].<sup>165</sup>
- 141. Finally, the CMA notes that the survey was conducted in [≫] (ie during the late stages of the Covid-19 pandemic). The [≫] survey itself noted: '[≫]'. 166

#### CMA's conclusion on internal documents

142. On the basis of the above documents, the CMA considers that the Parties compete closely with each other, both being two of the very few strong competitors capable of servicing GMN customers, despite the fact that CWT experienced financial difficulties in 2021. The CMA further considers that BCD is consistently mentioned as a strong competitor to both GBT and CWT in internal documents. The Parties' internal documents also indicate that FCM and, to a lesser extent, CTM, whilst they compete for GMN customers, are weaker competitors, including because their strength varies geographically. The CMA therefore considers that the competitive constraint imposed by these two rivals on the Parties is limited. The Parties' internal documents also show that the Parties consider that, at present, tech entrants have very limited capability of competing for GMN customers. Furthermore, both GBT's and CWT's internal documents rarely discuss regional and national TMCs. The majority of the Parties' internal documents (with the exception of [X], on which the CMA has placed little weight) also indicated that this industry is characterised by low levels of customer switching.

#### Third-party evidence

- 143. The large majority of customers that responded to the CMA were large business travel customers, with more than two-thirds of respondents reporting annual TTV exceeding \$25 million. 167
- 144. Customers consistently told the CMA that large businesses have specific needs which only a small number of TMCs can provide. A large geographic coverage, consistent and high service levels and personal support were identified as key factors for customers. <sup>168</sup> Customers also preferred using a single TMC across their organisation, as set out in the market definition section above. Customers that

<sup>&</sup>lt;sup>165</sup> [**※**] survey, provided to the CMA with the Parties' response to the Issues Letter, '[**※**]', 16 February 2022, page 90.

<sup>166 [</sup> $\times$ ] survey, provided to the CMA with the Parties' response to the Issues Letter, '[ $\times$ ]', 16 February 2022, page 90.

<sup>&</sup>lt;sup>167</sup> Response to the CMA questionnaire from a number of third parties, June 2024, question 4.

<sup>&</sup>lt;sup>168</sup> Response to the CMA questionnaire from a number of third parties, June 2024, question 7.

- responded to the CMA's investigation and who indicated that they used more than one TMC, expressed a desire to consolidate their TMCs in the future. 169
- 145. The CMA asked GBT's and CWT's customers, suppliers, and competitors to identify who they considered to be the closest competitors to each of the Parties.
- 146. The vast majority of GBT's customers that provided views on competitors to GBT identified BCD as a close competitor to GBT. The majority also mentioned CWT. Just less than half of respondents mentioned FCM. Navan and ATPI were mentioned much less frequently.<sup>170</sup>
- 147. The vast majority of CWT's customers that provided views on competitors to CWT identified BCD as a close competitor to CWT. A majority mentioned GBT and slightly fewer FCM. Only very few customers mentioned CTM and Navan and both were identified as being less close competitors than GBT, BCD or FCM. Even fewer customers mentioned Spotnana. The other competitors mentioned by the Parties in paragraph 79 above were not mentioned at all. Around half of the customers that provided views to the CMA on the Merger expressed concerns, predominantly citing the limited number of choices that would be available to them post-Merger. The remaining customers were neutral as to the Merger.
- The CMA also received responses from travel suppliers regarding competitors to GBT and CWT, which were very similar to those provided by customers. The vast majority saw BCD as a close competitor to GBT. CWT was mentioned next most often, followed by FCM, CTM and Navan. BCD was also listed as the closest competitor to CWT. GBT and FCM were seen as the next closest competitors, with CTM and Navan again viewed as less close competitors. The other competitors mentioned by the Parties in paragraph 79 above were not mentioned at all.
- 149. One competitor explained that it would consider its main competitors to be other TMCs with broad international networks. In particular, it saw competition occurring between GBT, CWT, BCD, CTM and FCM.<sup>174</sup> However, it added that in international RFPs, GBT, BCD and CWT are seen most frequently and that CTM and FCM are seen more in the small to mid-segment. They are not seen to be at the level of GBT, CWT and BCD when it comes to providing consistent services globally.<sup>175</sup>

<sup>&</sup>lt;sup>169</sup> Response to the CMA questionnaire from a third party, June 2024, question 3.

<sup>&</sup>lt;sup>170</sup> Response to the CMA questionnaire from a number of third parties, June 2024, question 5.

<sup>&</sup>lt;sup>171</sup> Response to the CMA questionnaire from a number of third parties, June 2024, question 6.

<sup>&</sup>lt;sup>172</sup> Response to the CMA questionnaire from a number of third parties, June 2024, question 14.

<sup>&</sup>lt;sup>173</sup> Response to the CMA questionnaire from a number of third parties, June 2024, questions 3 and 4.

<sup>&</sup>lt;sup>174</sup> Note of a call with third party, May 2024, paragraph 14.

<sup>&</sup>lt;sup>175</sup> Note of a call with third party, May 2024, paragraph 16.

- 150. Another competitor explained that most 'corporate companies would go for one of the main three suppliers, which are BCD, CWT and GBT' but that they may 'drop down to FCM or CTM.' 176
- 151. Based on all of the responses received by the CMA from competitors to the Parties, BCD was viewed as the closest competitor to both GBT and CWT. In addition to the Parties competing with each other, FCM, CTM and Navan were identified as the next closest competitors to the Parties, but were viewed as less close, when compared to BCD.<sup>177</sup>
- 152. Customer feedback with respect to FCM's service offering, and whether it is a good alternative to GBT and CWT, was mixed. A few customers saw FCM as a good alternative option to the Parties:
  - (a) One customer stated that there are few travel agencies that could handle its global footprint and explained that its alternative choices to CWT would be GBT, BCD and FCM.<sup>178</sup>
  - (b) Another customer stated that if GBT were not available they would take a split regional view and likely use BCD and FCM.<sup>179</sup>
  - (c) Another customer stated that BCD and FCM were both capable of servicing their global footprint. 180
  - (d) Another customer told the CMA that if CWT were not available FCM could be relevant and sufficiently global to meet their requirements. The customer noted that FCM being 'OBT agnostic' was appealing as the customer held direct agreements with third-party OBT providers.<sup>181</sup>
- 153. However, several third parties identified weaknesses with FCM's product offering compared to the services provided by GBT, BCD and CWT. Customers and suppliers stated that FCM is strong in the Asia Pacific region but lacked global consistency and reach:<sup>182</sup>
  - (a) One competitor told the CMA that the nature of FCM's partnership model made it much harder for it to provide detailed and timely reporting data travel.<sup>183</sup>

<sup>&</sup>lt;sup>176</sup> Note of a call with third party, May 2024.

<sup>177</sup> Response to the CMA questionnaire from a number of third parties, June 2024, questions 11 and 12.

<sup>&</sup>lt;sup>178</sup> Note of a call with third party, May 2024, paragraph 11.

<sup>&</sup>lt;sup>179</sup> Response to the CMA questionnaire from a third party, June 2024, question 5.

<sup>&</sup>lt;sup>180</sup> Response to the CMA questionnaire from a third party, June 2024, question 5.

<sup>&</sup>lt;sup>181</sup> Response to the CMA questionnaire from a third party, June 2024, question 6.

<sup>&</sup>lt;sup>182</sup> Response to the CMA questionnaire from a number of third parties, June 2024, questions 5 and 6.

<sup>&</sup>lt;sup>183</sup> Note of a call with third party, June 2024.

- (b) One customer told the CMA that FCM lacked experience dealing with large regulated corporate enterprises. 184
- (c) Another customer described FCM as 'good overall besides in the Americas. It is technologically more advanced but not global in coverage.' 185
- (d) Another customer described FCM as 'unable to meet our needs in our last tender.' 186
- (e) Another customer described FCM as 'particularly strong in APAC and the UK' but noted it 'has a considerably smaller footprint in rest of the world. It does not have sizable operations in our key markets and does not operate with global consistency. Its global programme management is immature.' 187
- (f) One hotel chain described FCM as 'weak in EMEA', another chain described it as 'lacking strength in LATAM' and another described FCM as being stronger in 'Australia and New Zealand'. 188
- 154. Customers consistently told the CMA that they did not consider newer tech entrants like Navan or Spotnana to be viable options for multinational and large customers. Key concerns raised were that newer entrants lacked a strong enough service offering, the required geographic footprint and the scale to deal with very large customers. Concerns were also expressed around a lack of experience serving large customers and, in some cases, the fact that their technology lacked interoperability with competing online booking tools:<sup>189</sup>
  - (a) One customer noted that TravelPerk and Navan 'are not yet available at the requisite scale.' 190
  - (b) One customer explained that Navan 'does not currently have the same global coverage and expertise to handle our needs'.<sup>191</sup>
  - (c) One customer noted that they would only consider tech-entrant BTA service providers like Navan and Spotnana 'in isolated cases as currently they are not large enough to support an organization such as ourselves and our size.' The customer noted that they would 'still need fulfilment services from a major player such as BCD or CWT'. 192

<sup>&</sup>lt;sup>184</sup> Responses to the CMA questionnaire, June 2024, question 5.

<sup>&</sup>lt;sup>185</sup> Response to the CMA questionnaire from a third party, June 2024, question 5.

<sup>&</sup>lt;sup>186</sup> Response to the CMA questionnaire from a third party, June 2024, question 6.

<sup>&</sup>lt;sup>187</sup> Response to the CMA questionnaire from a third party, June 2024, question 6.

<sup>&</sup>lt;sup>188</sup> Response to the CMA questionnaire from a number of third parties, June 2024, question 3.

<sup>&</sup>lt;sup>189</sup> Response to the CMA questionnaire from a number of third parties, June 2024, question 10.

<sup>&</sup>lt;sup>190</sup> Response to the CMA questionnaire from a third party, June 2024, question 6.

Response to the CMA questionnaire from a third party, June 2024, question 5.

<sup>&</sup>lt;sup>192</sup> Response to the CMA questionnaire from a third party, June 2024, question 10.

- (d) One customer explained that they would not consider a tech entrant because 'they do not have the ability to fully support all of our requirements on a global basis and are currently not fully tested with a large corporate organisation.' 193
- (e) One customer explained that a company they acquired is using Navan but that they plan to 'switch from Navan to CWT as quickly as possible because with the complexity of our scope, it is important to keep a 'traditional' TMC'. 194
- 155. A few customers considered that newer entrants could become alternatives for large customers in the future but that this prospect was still several years away. 

  One customer noted that Navan is moving towards being a more traditional TMC following their acquisition of Reed & Mackay. 

  196
- 156. Some customers emphasised the appeal of the tech entrants' OBT products but noted that these are not a replacement for a traditional TMC, but something to be used in conjunction with a traditional TMC:
  - (a) One customer explained that many companies may use an OBT for the bulk of their less complex booking requirements. In these cases, a tech based BTA provider is a credible alternative but there are limitations relating to expense integration and managing large, regulated corporations.<sup>197</sup>
  - (b) Another customer stated that they would only consider using a tech entrant 'in a hybrid model' with 'experienced, qualified agent support' because the technology is 'not yet mature enough to fully support all scenarios.' 198
  - (c) Another customer described tech entrants' tools as 'more competitive with the OBT providers' but lacking in 'program maturity' and 'breadth of service' (including front-end customer facing services as well as back-end support and reporting capabilities). 199
- 157. Two suppliers stated that Navan could compete aggressively for smaller customers but that it had relatively few large multi-national clients. Suppliers consistently told the CMA that the tech entrants accounted for a very small share of large customers' travel spend.<sup>200</sup>
- One large airline told the CMA that the vast majority of their largest corporate customers (by revenue spend) use either GBT, BCD or CWT as their TMC.

<sup>&</sup>lt;sup>193</sup> Response to the CMA questionnaire from a third party, June 2024, question 10.

<sup>&</sup>lt;sup>194</sup> Response to the CMA questionnaire from a third party, June 2024, question 10.

<sup>&</sup>lt;sup>195</sup> Responses to the CMA questionnaire from third parties, June 2024, question 10.

<sup>&</sup>lt;sup>196</sup> Response to the CMA questionnaire from a third party, June 2024, question 10.

<sup>&</sup>lt;sup>197</sup> Response to the CMA questionnaire from a third party, June 2024, question 10.

<sup>&</sup>lt;sup>198</sup> Response to the CMA questionnaire from a third party, June 2024, question 10.

<sup>&</sup>lt;sup>199</sup> Response to the CMA questionnaire from a third party, June 2024, question 10.

<sup>&</sup>lt;sup>200</sup> Responses to the CMA questionnaire, June 2024, question 4.

- 159. Some competitors told the CMA that it was very difficult for tech entrants to compete for GMN customers due to the complexity of serving very large customers and the requirement of operating a global service network.<sup>201</sup> On this basis, the CMA considers that tech entrants appear unlikely to be able to grow their business with GMN customers to a material extent in the foreseeable future.
- The CMA notes that the Parties emphasised that the April 2024 acquisition of Direct Travel by Madrona the investor consortium led by Spotnana's CEO Steven Singh is predicted to strengthen further Spotnana's competition for GMN customers.<sup>202</sup> The Parties also submitted that other tech-orientated TMCs had continued to expand since the Merger was announced, noting partnerships between ramp and Booking.com and TravelPerk and AmTrav.<sup>203</sup>
- 161. The CMA recognises that the recent acquisition of Direct Travel by an investor consortium led by the CEO of Spotnana may bring opportunities for Spotnana to partner permanently with a more traditional TMC and compete for GMN customers. However, the CMA notes that Direct Travel itself did not regularly appear in the Parties' internal documents nor in third party feedback regarding close competitors to the Parties. In fact, only one customer who responded to the CMA's investigation identified Direct Travel as a competitor to GBT.<sup>204</sup> As the acquisition is very recent, there is no available evidence to draw a conclusion on the likelihood of success of the partnership. In addition, the CMA did not receive any evidence to support the case that Spotnana/Direct Travel would be in a different situation to Navan who, as the CMA understands from customer feedback, post-acquisition of traditional TMC (Reed & Mackay), continues to struggle to expand into regularly serving GMN customers.
- 162. Accordingly, as noted in paragraph 188 below, the CMA considers that it is difficult for new entrants to break or expand into supplying GMN customers and that barriers to entry and expansion for serving this type of customer those requiring global coverage and/or with complex needs are high.
- 163. Very few customers mentioned unmanaged travel (employees booking their own travel or a company bringing business travel management in house) as a viable alternative to using a TMC. Third party evidence indicates that these were not attractive options for GMN customers especially. The only customer that told the CMA they would consider permitting employees to book their own travel and expense it back to the company had a relatively low TTV spend (less than £1 million).<sup>205</sup> Two larger customers indicated that they had previously considered

<sup>&</sup>lt;sup>201</sup> One recent entrant told the CMA it did not wish to grow the TMC side of its business. Note of a call with third party, May 2024. Another entrant told the CMA that based on its experiences of the difficulty onboarding a GMN customer it may choose not to bid for similar complex GMN contracts in the future. Note of a call with third party, June 2024.

<sup>&</sup>lt;sup>202</sup> Parties' response to the Issues Letter, 11 July 2024, paragraph 3.2(d)

<sup>&</sup>lt;sup>203</sup> Parties' Issues Meeting presentation, 10 July 2024, slide 10.

<sup>&</sup>lt;sup>204</sup> Response to the CMA questionnaire from a third party, June 2024, question 5.

<sup>&</sup>lt;sup>205</sup> Response to the CMA questionnaire from a third party, June 2024, question 12.

- bringing business travel management in house but ultimately decided to use a TMC.<sup>206</sup> Only one of these two customers indicated that they would consider in house travel management again as a potential option in the future.<sup>207</sup>
- 164. Travel suppliers also raised concerns about the ability of the Merged Entity to adversely impact the development and adoption of NDC airline booking technology. NDC is a relatively infant technology which can be used by TMCs and aggregators to access airlines' travel content. NDC has several benefits over the legacy EDIFACT system, including allowing for continuous pricing and a greater variety of services.<sup>208</sup> Currently fewer than three percent of all airline booking volumes are made using NDC.<sup>209</sup>
- 165. Some third parties stated that the Merged Entity would be able to exert its influence to shape the technological requirements of NDC in such a way that the costs of adoption would increase for tech entrants, resulting in a loss of potential competition and lower adoption.<sup>210</sup> Other travel suppliers raised concerns that the Merged Entity would be able to use its negotiating power to delay the widescale adoption of NDC.<sup>211</sup>

#### Other arguments made by the Parties

166. In this section, the CMA addresses the arguments made by the Parties with respect to (i) multi-homing; (ii) sponsored entry; and (iii) buyer power of business travel customers.

#### Multi-homing

- 167. As set out in paragraph 83 above, the Parties claimed that multi-homing (ie customers using more than one TMC across different geographies) is common and increases competitive tension.
- The CMA recognises that some GMN customers may use different suppliers of BTA services in different regions. However, based on third-party feedback, the CMA considers that GMN customers generally prefer to use one TMC for operational efficiency, and to ensure a consistency of service and ease of use for their employees. Using more than one TMC is usually due to legacy arrangements, or a customer having very bespoke travel requirements. The CMA has not seen any evidence of customers appointing more than one TMC with the intention of switching between them in the ordinary course of business.

<sup>&</sup>lt;sup>206</sup> Response to the CMA questionnaire from a third party, June 2024, question 11.

<sup>&</sup>lt;sup>207</sup> Response to the CMA questionnaire from a third party, June 2024, question 11.

<sup>&</sup>lt;sup>208</sup> Parties' response to the CMA's Request for Information, 24 May 2024, (RFI2), paragraph 5.1

<sup>&</sup>lt;sup>209</sup> Parties' response to RFI2, paragraph 5.4

<sup>&</sup>lt;sup>210</sup> Note of a call with third party, June 2024.

<sup>&</sup>lt;sup>211</sup> Note of a call with third party, June 2024. Response to the CMA questionnaire from a number of suppliers, June 2024, question 8.

169. The CMA further considers that the Parties have not offered any evidence or explanation as to how the proposed competitive tension as a result of multi-homing would manifest itself post-merger.

#### Sponsored entry

170. With regard to the example of the Blockskye/Kayak for Business/Gant Travel partnership creating a tailored solution for PwC US (see paragraph 83 above), the CMA understands this to be atypical and not representative of most GMN customers, as no customers, competitors, or suppliers mentioned this entity as a rival, and it does not appear in any of the bidding data provided by the Parties. The CMA did not receive evidence from any other customers regarding the option to develop a tailored solution with a new tech entrant in this manner.

#### Sophisticated customers exercising buyer power

- 171. As referenced in paragraph 83 above, the Parties submitted that business travel customers are sophisticated counterparties who, in some cases, have access to in-house travel procurement departments or travel consultants, and exercise a strong degree of bargaining power.
- 172. The CMA notes that buyer power based on customers' size, sophistication, or ability to switch easily are unlikely to prevent an SLC that would otherwise arise from the elimination of competition between the merging firms. <sup>212</sup> This is because a customer's buyer power depends on the availability of suitable alternatives they can switch to, which in the context of an SLC will have been reduced and GMN customers responding to the CMA indicated were already limited, or an option to self-supply, which the majority of GMN customers responding to the CMA said they would not be able to do.<sup>213</sup>

### CMA's conclusion on horizontal unilateral effects in the supply of BTA services to GMN customers

173. The Merger involves the combination of two of the three largest TMCs in the supply of BTA services to all customers and to GMN customers in particular, and would result in the Merged Entity having a very high share of supply to GMN customers (approximately [50-60]%). Bidding analysis and the Parties' internal documents show that the Parties currently compete closely, especially for GMN customers who typically have complex needs and require global coverage from their BTA services provider. Third parties similarly consistently identified GBT and CWT as close competitors to each other. Therefore, despite the financial

<sup>&</sup>lt;sup>212</sup> CMA129, paragraph 4.20.

<sup>&</sup>lt;sup>213</sup> CMA129, paragraph 4.20.

- difficulties experienced by CWT, the CMA considers that CWT continues to compete closely with GBT, especially for GMN customers.
- 174. The CMA considers that BCD would be the main competitor to the Merged Entity in the provision of BTA services to GMN customers, as different evidence sources consistently identified BCD as the closest competitor to the Parties. The evidence on FCM is mixed. While FCM appears an alternative to the Parties and BCD for GMN customers, the evidence indicates that it is a weaker competitor due to a lack of consistent global coverage. The evidence on CTM indicated that whilst, like FCM, it can compete for GMN customers, it is viewed as a weaker competitor to the Parties, compared to BCD and FCM. Considering the attributes identified as important by GMN customers when selecting a TMC, namely the ability to cater for global geographic coverage, complex needs, and high levels of in-person support, the pool of TMCs who can fulfil all these requirements appears limited to the Parties and BCD.
- 175. Tech entrants, including Navan and Spotnana, are identified as credible alternatives for smaller customers but as much weaker alternatives for GMN customers. This is consistently shown by various sources of evidence, including internal documents, bidding analysis and responses provided by third parties to the CMA's investigation. There is some evidence that suggests that Navan could grow into a stronger competitor in the future, but the evidence also suggests that this would take a significant amount of time and investment and would require Navan to overcome some significant hurdles (in particular relating to expanding geographic coverage and personnel-based support teams).
- 176. None of the other TMCs mentioned by the Parties as competitors in their submissions, as listed at paragraph 79 above, appeared as a credible competitor in any evidence sources.
- 177. Finally, whilst recognising that the roll out of NDC technology is at present limited, the CMA notes the concerns raised by several third parties including competitors and travel suppliers that the Merger could adversely impact the development and adoption of NDC airline booking technology which may be important for airlines, customers and possible tech entrants.
- 178. For the reasons set out above, the CMA considers that it is or may be the case that the Merger may be expected to result in an SLC as a result of horizontal unilateral effects in the supply of BTA services to GMN customers.

#### **ENTRY AND EXPANSION**

179. Entry, or expansion of existing firms, can mitigate the initial effect of a merger on competition, and in some cases may mean that there is no SLC. The CMA will consider entry and/or expansion plans of rivals who do so in direct response to the

merger as a countervailing measure that could prevent an SLC. Entry or expansion plans of rivals that occur irrespectively of whether the merger proceeds may be considered in the competitive assessment when appropriate.<sup>214</sup> In assessing whether entry or expansion might prevent an SLC, the CMA considers whether such entry or expansion would be timely, likely and sufficient.<sup>215</sup>

#### Barriers to entry

#### Parties' submissions

- 180. The Parties submitted that the barriers to entry and expansion were low. Track record was not a barrier to expansion as demonstrated by the ability of Navan to win GMN customers like Unilever or Heineken.
- 181. The Parties submitted that Travel-as-a-Service providers like Spotnana allowed new players to enter and existing TMCs to modernise their technology stack at a low cost. GDSs and aggregators made travel content widely accessible.<sup>216</sup> The Parties submitted that the increasing importance of technology to customers benefits new tech entrants, who can provide a digital first solution more easily, as they are starting from scratch rather than using legacy technology.<sup>217</sup>
- 182. The Parties explained that TMCs could readily expand their global footprint through a partnership model.<sup>218</sup> [≫].<sup>219</sup> The Parties further submitted that not already having the staff or local partners in place to service a contract is not a barrier to entry, [≫].<sup>220</sup> The Parties added that new staff can be hired and trained quickly.<sup>221</sup>
- 183. The Parties also stated that regulatory barriers were minimal.<sup>222</sup>

#### Third-party evidence

- 184. Competitors told the CMA that expansion into serving GMN customers was difficult.
  - (a) Competitors told the CMA that IATA regulations require TMCs to have a presence in countries in which they book airline tickets.<sup>223</sup> In addition, GMN customers could make a physical presence in certain countries a necessary condition of a tender.<sup>224</sup> One competitor stated that it had discovered that

<sup>&</sup>lt;sup>214</sup> CMA129, paragraph 8.28.

<sup>&</sup>lt;sup>215</sup> CMA129, paragraph 8.40.

<sup>&</sup>lt;sup>216</sup> Parties' response to the Issues Letter, 11 July 2024, paragraph 6.9.

<sup>&</sup>lt;sup>217</sup> Parties' response to the Issues Letter, 11 July 2024, paragraph 1.9(c).

<sup>&</sup>lt;sup>218</sup> Parties' response to the Issues Letter, 11 July 2024, paragraph 6.3.

<sup>&</sup>lt;sup>219</sup> Parties' response to the Issues Letter, 11 July 2024, paragraph 6.7.

<sup>&</sup>lt;sup>220</sup> Parties' response to the Issues Letter, 11 July 2024, paragraph 6.8.

<sup>&</sup>lt;sup>221</sup> Parties' response to the Issues Letter, 11 July 2024, paragraph 1.8(a).

<sup>&</sup>lt;sup>222</sup> Parties' submission to the CMA, 14 June 2024, paragraph 4.12.

<sup>223</sup> Note of a call with third party, May 2024, paragraph 15.

<sup>&</sup>lt;sup>224</sup> Note of a call with third party, June 2024.

finding appropriate partners could take years. In many countries the most appropriate partners already cooperate with one of the three largest TMCs and some have exclusivity agreements.<sup>225</sup> It stated that without the capacity to offer a consistent global service through a partner network, most TMCs are not a likely contender in bids for large multinational enterprises.<sup>226</sup>

- (b) Competitors also identified hiring the skilled service personal required to serve large customers as a significant cost to expansion. An OBT provider told the CMA that incentives to support large multinational customers were limited as margins were higher for smaller customers.<sup>227</sup> Another newer entrant explained that it is difficult to break into the global arena of TMCs because it is costly and takes time.<sup>228</sup>
- 185. Many GMN customers told the CMA that they highly value a TMC having global coverage and consistency of service across different regions, with geographic coverage rated as one of the most important characteristics when choosing a TMC.<sup>229</sup> A lack of global coverage appears to be a significant barrier to servicing GMN customers as the majority of customers who noted deficiencies in the offerings of FCM and Navan (when compared to the Parties and BCD) identified their lack of global coverage or inconsistency of service across different countries.<sup>230</sup>
- 186. A number of customers told the CMA that there were barriers to switching TMC. Customers told the CMA that tender processes are costly in terms of resources. Trust and experience were very important when deciding on their choice of TMC, as discussed above. Changing TMC could require employee behavioural change which risks affecting usage of the service. Some customers required custom solutions or designated support teams that benefit from the experience of working with the business.<sup>231</sup> The CMA considered that these factors tend to favour the incumbent TMC provider.
- 187. As explained in paragraph 134 above, the Parties' internal documents also indicate that the business travel industry is a mature industry in which there is a low level of customer churn and it is difficult to win new customers. This is on account of the high switching costs experienced by customers, in particular GMN customers.

<sup>&</sup>lt;sup>225</sup> Note of a call with third party, June 2024.

<sup>&</sup>lt;sup>226</sup> Note of a call with third party, June 2024.

<sup>&</sup>lt;sup>227</sup> Responses to the CMA questionnaire, June 2024, question 13.

<sup>&</sup>lt;sup>228</sup> Note of a call with third party, May 2024, paragraph 15.

Response to the CMA questionnaire from a number of third parties, June 2024, question 7.

<sup>&</sup>lt;sup>230</sup> Response to the CMA questionnaire from a third party, June 2024, question 10. Response to the CMA questionnaire from a third party, June 2024, question 5. Response to the CMA questionnaire from a third party, June 2024, question 5. Response to the CMA questionnaire from a third party, June 2024, question 6.

<sup>&</sup>lt;sup>231</sup> Note of a call with third party, May 2024, paragraph 16. Note of a call with third party, May 2024, paragraph 12.

#### CMA's view on barriers to entry

- 188. On the basis of the above, the CMA considers that the barriers to entry and expansion into providing business travel services to GMN customers are high. To serve these customers TMCs need significant scale. Competitors stated that this is extremely costly and time consuming to achieve. Customers also identified experience as an important factor in their choice of TMC. While some newer tech entrants like Navan have succeeded in winning a very limited number of large customers, the low shares of supply of tech entrants among large customers, as well as third-party evidence not identifying them as credible GMN suppliers, demonstrates the difficulty in entering this space.
- 189. The CMA further considers this market to be one characterised by low levels of customer churn, with value placed on the (typically lengthy) relationship of trust between the customer and their TMC.

#### Entry and expansion

- 190. Entry and/or expansion plans of rivals occurring irrespectively of whether the Merger proceeds, eg by tech entrants, has been considered in the competitive assessment above to the extent relevant.
- 191. As regards entry and/or expansion plans of competitors in response to the Merger, the CMA has not received any evidence indicating such entry or expansion.

#### CMA's views on entry and expansion

192. The CMA concluded that the evidence received does not indicate that entry or expansion will be timely, likely and sufficient to mitigate any SLC arising in the supply of BTA services to GMN customers.

## CONCLUSION ON SUBSTANTIAL LESSENING OF COMPETITION

193. Based on the evidence set out above, the CMA believes that it is or may be the case that the Merger may be expected to result in an SLC as a result of horizontal unilateral effects in the supply of BTA services to GMN customers.

#### **DECISION**

- 194. Consequently, the CMA believes that it is or may be the case that (i) arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation; and (ii) the creation of that situation may be expected to result in an SLC within a market or markets in the United Kingdom.
- 195. The CMA therefore believes that it is under a duty to refer under section 33(1) of the Act. However, the duty to refer is not exercised whilst the CMA is considering whether to accept undertakings under section 73 of the Act instead of making such a reference.<sup>232</sup> The Parties have until 6 August 2024<sup>233</sup> to offer an undertaking to the CMA.<sup>234</sup> The CMA will refer the Merger for a phase 2 investigation<sup>235</sup> if the Parties do not offer an undertaking by this date; if the Parties indicate before this date that they do not wish to offer an undertaking; or if the CMA decides<sup>236</sup> by 13 August 2024 that there are no reasonable grounds for believing that it might accept the undertaking offered by the Parties, or a modified version of it.

Mike Walker

**Chief Economic Adviser** 

**Competition and Markets Authority** 

30 July 2024

<sup>&</sup>lt;sup>232</sup> Section 33(3)(b) of the Act.

<sup>&</sup>lt;sup>233</sup> Section 73A(1) of the Act.

<sup>&</sup>lt;sup>234</sup> Section  $\overline{73(2)}$  of the Act.

<sup>&</sup>lt;sup>235</sup> Sections 33(1) and 34ZA(2) of the Act.

<sup>&</sup>lt;sup>236</sup> Section 73A(2) of the Act.