

Completed acquisition by GXO Logistics, Inc. of Wincanton plc

SUMMARY

ME/7099/24

OVERVIEW OF THE CMA'S DECISION

1. The Competition and Markets Authority (**CMA**) has found that the acquisition by GXO Logistics, Inc. (**GXO**) of Wincanton plc (**Wincanton**) gives rise to a realistic prospect of a substantial lessening of competition (**SLC**) as a result of horizontal unilateral effects in the supply of mainstream contract logistics services (**CLS**) in the UK.
2. On 29 April 2024, GXO acquired Wincanton. The CMA refers to this acquisition as the **Merger**. GXO and Wincanton 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 8 November 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, or the CMA decides that any undertaking offered is insufficient to remedy its concerns to the phase 1 standard, then the CMA will refer the Merger for an in-depth phase 2 investigation pursuant to sections 22(1) and 34ZA(2) of the Enterprise Act 2002 (the **Act**).

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

4. GXO and Wincanton both provide CLS including distribution and transport, warehousing, order fulfilment and other supply chain services to various types of customers.
5. The services that the CMA looked at in detail were the supply of mainstream CLS in the UK, comprising CLS to retail customers (eg fashion or groceries) and non-retail customers (eg public or chemicals) as this is the main overlap between the Parties' CLS activities.

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. In this case, the CMA has concluded that the CMA has jurisdiction to review this Merger because GXO and Wincanton are each enterprises that have ceased to be distinct as a result of the Merger, and because the turnover test is met.

What evidence has the CMA looked at?

7. In assessing this Merger, the CMA considered a wide range of evidence in the round.
8. The CMA received several submissions and responses to information requests from the Parties. This included information about the nature of the Parties' businesses, their win/loss and bidding data and the constraint from other suppliers and from self-supply.
9. The CMA also examined the Parties' own internal documents, which show how they run their business and how they view their rivals in the ordinary course of business.
10. The CMA spoke to and gathered evidence (such as tender data) from other companies and organisations such as competitors and customers to understand better the competitive landscape and to get their views on the impact of the Merger.

What did the evidence tell the CMA...

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

11. The CMA believes that the Merger raises significant competition concerns as a result of horizontal unilateral effects in the supply of mainstream CLS. In particular:
 - (a) the Merger would materially increase the level of concentration in the market, with the Merged Entity and its two largest rivals accounting for a significant proportion of supply. The Merged Entity would become the largest mainstream CLS provider with a share of supply of [20-30]%, followed by DHL ([10-20]%), Culina ([10-20]%) and a tail of much smaller providers (all <5%).
 - (b) The Parties (along with DHL, and to a lesser extent, Culina) compete closely in the supply of mainstream CLS, particularly for larger retail customers with complex requirements (such as omni-channel retailers and those active in

the groceries and fast-moving consumer goods sectors). A range of evidence, including tender data, customer evidence and internal documents suggests that these customers may have limited credible options and that both Parties are currently strong alternatives.

- (c) Although there is a long tail of other mainstream CLS suppliers, many of these are very small, or specialise in supplying particular types of logistics service (eg transport) or particular industries (eg fashion and apparel). While the CMA has seen evidence that some of these suppliers constrain the Parties for particular types of opportunity, the evidence reviewed by the CMA at phase 1 does not suggest that individually or cumulatively they exert a sufficient constraint across the mainstream CLS market to prevent competition concerns from arising.
- (d) While a significant proportion of logistics are done by customers themselves (self-supply) the ability of customers to self-supply would impose only a weak competitive constraint on the Merged Entity as self-supply is not viable for a significant set of customers.

What happens next?

12. As a result of these concerns, the CMA believes that it is or may be the case that the Merger has resulted or may be expected to result in an SLC in the supply of mainstream CLS in the UK. GXO has until 8 November 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 any undertaking offered is insufficient to remedy its concerns to the phase 1 standard, then the CMA will refer the Merger for an in-depth phase 2 investigation pursuant to sections 22(1) and 34ZA(2) of the Act.