

# COMPLETED ACQUISITION BY GXO LOGISTICS, INC. OF WINCANTON PLC

## SUMMARY OF INTERIM REPORT

19 February 2025

### OVERVIEW OF OUR INTERIM REPORT

1. The Competition and Markets Authority (CMA) has provisionally found that the completed acquisition (the **Merger**) by GXO Logistics, Inc. (**GXO**) of Wincanton plc (**Wincanton**, and together with GXO, the **Parties**), to create the **Merged Entity**, amounts to a relevant merger situation (**RMS**) that may be expected to result in a substantial lessening of competition (**SLC**) in the supply of dedicated warehousing services to Grocery customers in the United Kingdom (**UK**).
2. This is not our final decision, and we invite any interested parties to make representations to us on these provisional findings by no later than **5pm on Wednesday 12 March 2025**. Please make any responses to these provisional findings by email to [gxowincanton@cma.gov.uk](mailto:gxowincanton@cma.gov.uk). We will take all submissions received by this date into account in reaching our final decision.

### WHO ARE THE BUSINESSES AND WHAT PRODUCTS DO THEY SUPPLY?

3. GXO is a global contract logistics services (**CLS**) provider headquartered in Greenwich, Connecticut, USA and listed on the New York Stock Exchange. Wincanton is a British supply chain solutions company headquartered in Chippenham, Wiltshire, which prior to the Merger was listed on the London Stock Exchange. GXO acquired Wincanton on 29 April 2024 in a pure cash transaction.
4. GXO and Wincanton overlap in the supply of CLS, of which the two principal components are **transport** and **warehousing** services. Although some customers purchase both transport and warehousing services from a single supplier, they are typically procured separately, and we have therefore examined competitive conditions for each service individually.

5. The Parties provide CLS to a wide range of customers in the UK, although this Interim Report (based on the evidence received so far) focuses primarily on **Retail** customers, ie customers whose products are sold directly to consumers. Many of the Parties' largest Retail customers are national supermarket chains, which we refer to as **Grocery** customers.

## OUR ASSESSMENT

### Why are we examining 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. In this case, the CMA has jurisdiction over the Merger because the turnover test is met. The turnover test is met where the value of the turnover in the UK of the enterprise being taken over exceeds £70 million.<sup>1</sup> The UK turnover of Wincanton was approximately £1,445 million in its most recent financial year (FY 2023).

### What evidence have we looked at?

8. In assessing the competitive effects of the Merger, we looked at a wide range of evidence in the round.
9. We received several submissions and responses to information requests from the Parties, including their response to the CMA's Phase 1 Decision, and held meetings with the Parties, including a site visit and an Initial Substantive Meeting. We have considered the Parties' submissions carefully, including detailed evidence they have provided on self-supply, margins and bidding data.
10. We spoke to and gathered information from third parties to better understand the competitive landscape faced by the Parties and obtain views on the impact of the Merger. We have received evidence from the Parties' customers, competitors and industry consultants.

## WHAT DID THE EVIDENCE TELL US...

### ... about the extent of competition between the Parties and their rivals?

11. As indicated above, the evidence shows that customers typically procure transport and warehousing services separately, and we have therefore considered

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<sup>1</sup> [Section 23\(1\)\(b\)](#) of the Enterprise Act 2002 (the **Act**). See also paragraphs 2.12 and 2.13 below.

competitive conditions for each in turn. For warehousing, we have further distinguished between shared and dedicated services: **shared warehousing** refers to facilities that are made available to and used by multiple customers, whereas **dedicated warehousing** refers to facilities that are used exclusively by a single customer.

12. The evidence we have received so far shows that the Parties are two of the largest providers of transport services, but that there are other strong competitors including DHL, Culina and XPO. Shares of supply, bidding data and third-party evidence show that DHL and Culina in particular compete closely against the Parties and have competed successfully against them in several large tenders. Our provisional view is therefore that the Merger does not raise significant competition concerns in the supply of transport services.
13. The evidence also indicates that there are a wide range of providers for shared warehousing services, including national providers such as DHL, Culina and XPO, as well as many smaller providers. The Parties have lost several tenders and customers to these providers, and third parties have not raised concerns to us regarding shared warehousing. Our provisional view is therefore that the Merger does not raise significant competition concerns in the supply of shared warehousing services.
14. In dedicated warehousing, the evidence from third parties and our bidding analysis shows that the Parties are two of the three largest and most successful suppliers to Retail customers, alongside DHL. For Grocery customers in particular, the evidence consistently shows that GXO, Wincanton and DHL are the leading providers of dedicated warehousing services, with no other provider having any major contracts for these customers. For other Retail customers, the evidence is finely balanced but shows that the Parties are two of the leading providers, although there are also others (such as ID Logistics, CEVA, Arvato and Culina) that supply dedicated warehouses to Retail customers and have competed successfully against the Parties in some tenders.

### **... about the competitive constraint from self-supply on dedicated warehousing services?**

15. Many of the Parties' largest Retail customers, particularly Grocers, self-supply some of their dedicated warehousing requirements. The Parties have submitted that there are also examples of customers switching their warehousing in-house, and that customers would have an incentive to switch in response to an increase in prices following the Merger.
16. The views of third parties on the nature of the costs and benefits of self-supply and outsourcing were generally consistent. The principal cost of outsourcing is the provider's management fee, which is typically charged as a percentage of the total

contract value. Regarding the benefits of outsourcing, many customers emphasised that providers such as GXO and Wincanton offer valuable access to innovations and market-wide best practice, as well as expertise in introducing and implementing significant changes.

17. There were a wider variety of views regarding the relative size of the costs and benefits of outsourcing. On the basis of the evidence received so far, we consider that the extent to which self-supply is viewed as a close substitute to outsourcing varies between customers and is driven by a range of factors such as the extent of the customer's in-house expertise, their attitudes towards innovation and risk and the nature of each individual procurement exercise. Overall, the evidence so far indicates that there are several customers who consider that self-supply is not a close substitute for their outsourced warehouses (either generally or in specific tenders), and we consider that even if these customers could switch to self-supply to mitigate an adverse effect of the Merger, they would remain worse off as a result, and would lose at least some of the benefits of outsourcing.

### **... about the overall effect of the Merger on dedicated warehousing services?**

18. The evidence summarised above shows that the Parties are two of the leading suppliers of dedicated warehousing services to Retail customers, and although they may face a constraint from self-supply in certain circumstances, this constraint is weak for certain customers and/or tenders.
19. Based on the evidence received so far, which is finely balanced, our current view is that there are sufficient competitive alternatives for Retail customers other than Grocers, such that the Merger is not expected to result in an SLC for these customers. Although the Parties and DHL are currently the leading providers, there are other credible providers that have an existing track record and have competed successfully against the Parties in tenders (in addition to the constraint from self-supply). We also note that Wincanton has not won a dedicated warehousing contract for Retail customers other than Grocers in several years, and only a small number of these customers expressed concerns regarding the Merger.
20. In the Grocery segment, the evidence consistently shows that the Parties and DHL are by far the strongest providers of dedicated warehousing services. Further, as discussed above, whilst self-supply is viewed as an alternative in certain circumstances, the evidence shows that this is not the case for a significant number of customers and/or tenders. This is consistent with the fact that five out of eight Grocery customers expressed concerns to us regarding the Merger.
21. As part of our assessment, we have considered the key barriers to entry and expansion in the Grocery segment (and more broadly), as well as competitors'

future plans. The evidence shows that customers generally prefer suppliers with a strong track record of providing dedicated warehousing within the relevant sector/industry. These preferences appear to be particularly strong for Grocers, as their warehouses store and process a wide range of products (including perishable goods), and they are therefore risk averse when choosing new suppliers. This creates a material barrier to entry for potential competitors who do not yet have a strong UK track record. We have found no evidence that competitors have concrete plans to enter or expand in the Grocery segment within the next two to three years. Our analysis indicates that there are several significant Grocery warehousing contracts that are likely to come up for tender (and/or renewal) over that period.

22. Therefore, our provisional view is that the effect of this Merger is to combine two significant and close competitors in the supply of dedicated warehousing services to Grocery customers, with limited strong alternatives and material barriers to entry. We therefore provisionally consider that the Merger would result in an SLC in the supply of dedicated warehousing services to Grocery customers.

## PROVISIONAL CONCLUSION

23. For the reasons explained in this report, we provisionally conclude that the Merger has resulted in the creation of an RMS, and that situation may be expected to result in an SLC in the supply of dedicated warehousing to Grocery customers in the UK.

## WHAT HAPPENS NEXT?

24. We invite any interested parties to make representations to us on these provisional findings by no later than **5pm on Wednesday 12 March 2025**.
25. As a result of the provisional SLC identified, the Parties are required to confirm to the CMA within three working days of notification of this Interim Report whether they intend to submit a completed Phase 2 Remedies Form (Remedies Form), and to submit this by no later than **5pm on Wednesday 5 March 2025**. Following submission of the Remedies Form (or confirmation by the Parties that they do not intend to submit such a form), the CMA will publish an Invitation to Comment on Remedies in order to consult on possible action to remedy, mitigate or prevent the SLC and the resulting adverse effects provisionally identified. For more information on the phase 2 remedy process, see chapter 12 of [Mergers: Guidance on the CMA's jurisdiction and procedure \(CMA2\)](#).