

COMPLETED ACQUISITION BY GXO LOGISTICS, INC. OF WINCANTON PLC

Interim Report

ME/7099/24

19 February 2025

© Crown copyright 2025

You may reuse this information (not including logos) free of charge in any format or medium, under the terms of the Open Government Licence.

To view this licence, visit www.nationalarchives.gov.uk/doc/open-government-licence/ or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: psi@nationalarchives.gov.uk.

Website: www.gov.uk/cma

**Members of the Competition and Markets Authority
who conducted this inquiry**

Richard Feasey (*Chair of the Group*)

Sir Kenneth Parker

Robin Foster

Jo Armstrong

Chief Executive of the Competition and Markets Authority

Sarah Cardell

The Competition and Markets Authority has excluded from this published version of the interim report information which the inquiry group considers should be excluded having regard to the three considerations set out in section 244 of the Enterprise Act 2002 (specified information: considerations relevant to disclosure). The omissions are indicated by [✂]. Some numbers have been replaced by a range. These are shown in square brackets. Non-sensitive wording is also indicated in square brackets.

CONTENTS

SUMMARY	6
OVERVIEW OF OUR INTERIM REPORT	6
WHO ARE THE BUSINESSES AND WHAT PRODUCTS DO THEY SUPPLY?.....	6
OUR ASSESSMENT	7
Why are we examining this Merger?	7
What evidence have we looked at?	7
WHAT DID THE EVIDENCE TELL US.....	7
... about the extent of competition between the Parties and their rivals?	7
... about the competitive constraint from self-supply on dedicated warehousing services?	8
... about the overall effect of the Merger on dedicated warehousing services?.....	9
PROVISIONAL CONCLUSION.....	10
WHAT HAPPENS NEXT?.....	10
FINDINGS	11
1. INTRODUCTION.....	11
Evidence in our investigation.....	11
2. RELEVANT MERGER SITUATION.....	13
Introduction.....	13
Enterprises ceasing to be distinct.....	13
Turnover test or share of supply test	14
Statutory time limits	14
Provisional conclusion on relevant merger situation.....	15
3. COUNTERFACTUAL	16
Framework for assessing the counterfactual.....	16
Assessment of the counterfactual	16
4. MARKET DEFINITION	18
Framework	18
Product market.....	18
Geographic market.....	26
Provisional conclusion on market definition.....	26
5. COMPETITIVE ASSESSMENT.....	27
Introduction.....	27
Parties' submissions.....	27
TOH 1: Transport	28
TOH 2: Shared warehousing.....	32
TOH 3: Dedicated warehousing	35
6. COUNTERVAILING FACTORS	57
Entry and expansion.....	57
Self-supply.....	68

Efficiencies	69
Provisional conclusion on countervailing factors	69
7. PROVISIONAL CONCLUSIONS	70
8. NEXT STEPS IN THE PROCESS	71

APPENDICES

- A. Shares of supply
- B. Bidding analysis
- C. Self-supply
- D. Margins analysis

SUMMARY

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 gxo.wincanton@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.¹ 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 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.

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

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 \(CMA2\)](#).

FINDINGS

1. INTRODUCTION

- 1.1 This is the Interim Report of the Inquiry Group appointed to consider the acquisition by GXO Logistics, Inc. (**GXO**) of Wincanton plc (**Wincanton**) (the **Merger**).^{2,3} On the basis of the evidence to which we refer in this Interim Report we provisionally conclude that the Merger may be expected to result in a substantial lessening of competition (**SLC**).
- 1.2 The purpose of this Interim Report is to provide interested parties with an understanding of the evidence the Inquiry Group has received and considered in the investigation to date and the findings which we propose to draw from it. This includes evidence received in the phase 1 investigation and additional evidence received in our phase 2 inquiry to date. When considering evidence referred to in the Phase 1 Decision,⁴ the Inquiry Group has applied the evidential thresholds that are applicable in phase 2.
- 1.3 The provisional conclusions presented in this Interim Report are not our final decision. This will be made at the end of the investigation and may vary from the provisional conclusions presented in this Interim Report. Interested parties are invited to make written representations on any aspect of this Interim Report by **5pm on Wednesday 12 March 2025**.
- 1.4 Following this, the Inquiry Group will conduct a face-to-face hearing at which the Parties will have an opportunity to expand upon or supplement any written representations they wish to make. We may also request and/or receive further evidence following the hearing which may inform the Inquiry Group's final decision.

Evidence in our investigation

- 1.5 In conducting our analysis in phase 2, we have had access to and considered evidence gathered during the phase 1 investigation.
- 1.6 In addition, during the course of our investigation we have received additional evidence and carried out further analysis which has informed our assessment of

² On 14 November 2024, the Competition and Markets Authority (**CMA**) made a reference to its Chair under [section 22](#) of the Enterprise Act 2002 (the **Act**), for the constitution of a Group of CMA Panel Members (the **Inquiry Group**) to investigate and report on the anticipated acquisition by GXO Logistics, Inc. (**GXO**) of Wincanton plc (**Wincanton**) (the **Merger**). GXO and Wincanton are each a **Party** to the Merger; together they are referred to as the **Parties** and, for statements relating to the future where GXO acquires Wincanton (if the Merger was to proceed), as the **Merged Entity**. The relevant terms of reference can be found on the [CMA website](#).

³ Published and notified to the Parties in line with [CMA rules of procedure for merger, market and special reference groups \(CMA17\)](#), Rule 11.

⁴ CMA, [Decision on relevant merger situation and substantial lessening of competition \(Phase 1 Decision\)](#), 1 November 2024.

market definition, closeness of competition between the Parties and their competitors, the competitive constraint from self-supply and the barriers to and prospects of entry and expansion. The evidence base that we have drawn on includes the following:

- (a) We have held several meetings with the Parties and their advisors, including (i) a site visit and teach-in held on 28 November 2024, (ii) an Initial Substantive Meeting (**ISM**) held on 9 December 2024, and (iii) an **Update Call** which took place on 7 January 2025.⁵
- (b) We have received several detailed submissions from the Parties, including their response to the CMA's Phase 1 Decision,⁶ their responses to the ISM and Update Call, and submissions on specific issues such as self-supply and margins.
- (c) We have received responses from the Parties to several information requests, including quantitative evidence on revenues, margins and bidding data.
- (d) We have held calls with 22 of the Parties' largest customers, and requested internal documents from these customers to provide additional evidence on specific points of discussion.⁷ These customers together represent over 50% of each Party's annual revenues.
- (e) We have held calls with four industry consultants and six of the Parties' competitors.
- (f) Seven of the Parties' competitors ([REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED] and [REDACTED]) responded to a formal request for information (under a Section 109 Notice) concerning their future entry and expansion plans and recent tenders that they have won.
- (g) We have received additional views on the Merger from nine of the Parties' smaller customers (via email).

⁵ Information on the purpose and content of an ISM and update calls can be found in [Mergers: Guidance on the CMA's jurisdiction and procedure \(CMA2\)](#).

⁶ [Parties' response to the Phase 1 Decision](#), 2 December 2024.

⁷ We held follow-up calls with four customers to further explore specific issues, particularly regarding self-supply

2. RELEVANT MERGER SITUATION

Introduction

- 2.1 This chapter addresses the first of the two statutory questions which we are required to answer under [section 35\(1\)](#) of the Enterprise Act 2002 (the **Act**), namely, whether a relevant merger situation (**RMS**) has been created.
- 2.2 The concept of an RMS has two principal elements: (a) two or more enterprises cease to be distinct enterprises within the statutory period for reference;⁸ and (b) the turnover test and/or the share of supply test is met.⁹ We address each of these elements in turn below.
- 2.3 For the reasons set out below, we provisionally consider that the Merger has resulted in the creation of an RMS for the purposes of establishing jurisdiction; this is on the basis that Merger has resulted in two or more parties (namely, the enterprises of GXO and Wincanton) ceasing to be distinct and that the turnover of Wincanton in its most recent financial year exceeds £70 million.

Enterprises ceasing to be distinct

Enterprises

- 2.4 The first element of the jurisdictional test is whether two or more enterprises have ceased to be distinct as a result of the Merger.¹⁰
- 2.5 The Act defines an ‘enterprise’ as ‘the activities or part of the activities of a business’.¹¹ A ‘business’ is defined as including ‘a professional practice and includes any other undertaking which is carried on for gain or reward or which is an undertaking in the course of which goods or services are supplied otherwise than free of charge’.¹²
- 2.6 GXO and Wincanton are both active in the supply of CLS. In the UK in their respective financial year 2023, GXO generated turnover of approximately £2,947 million¹³ and Wincanton generated turnover of approximately £1,445 million.¹⁴

⁸ Sections [23](#) and [24](#) of the Act.

⁹ [Section 23](#) of the Act.

¹⁰ [Section 23](#) of the Act. The Act also prescribes a time limit within which, or circumstances in which, enterprises are treated as ceasing to be distinct ([section 24](#) of the Act).

¹¹ [Section 129\(1\)](#) of the Act.

¹² [Section 129\(1\)](#) of the Act. See also [section 129\(3\)](#) of the Act.

¹³ Final Merger Notice (**FMN**), 5 September 2024, Table 3.

¹⁴ FMN, Table 4.

2.7 Our provisional view is that each of GXO and Wincanton is a ‘business’ within the meaning of the Act and that, accordingly, the activities of each of GXO and Wincanton constitute an ‘enterprise’ for the purposes of the Act.

Ceasing to be distinct

2.8 The Act provides that any two enterprises ‘cease to be distinct’ if they are brought under common ownership or common control.¹⁵

2.9 The Merger concerns the acquisition by GXO of the entire share capital of Wincanton. As a result of the Merger, Wincanton is now wholly under the control of GXO. Accordingly, GXO has acquired a controlling interest in Wincanton within the meaning of [section 26](#) of the Act and GXO and Wincanton are under common ownership and control.

2.10 Our provisional conclusion is therefore that the Merger has resulted in two or more parties (namely, the enterprises of GXO and Wincanton) ceasing to be distinct.

Turnover test or share of supply test

Turnover test

2.11 The second element of the jurisdictional test seeks to establish sufficient connection with the UK on a turnover or share of supply basis.

2.12 The turnover test is met where the value of the turnover in the UK of the enterprise being taken over exceeds £70 million.¹⁶ The UK turnover of Wincanton was approximately £1,445 million in its most recent financial year (FY 2023). Our provisional conclusion is that the turnover test in [section 23\(1\)\(b\)](#) of the Act is met.

Statutory time limits

2.13 [Section 24](#) of the Act requires that a completed merger must have taken place not more than four months before the CMA takes its decision whether to refer the Merger to a phase 2 investigation. The Merger completed on 29 April 2024 and was made public that day. Following a number of extensions made in accordance with [section 25](#) of the Act, the decision to refer the Merger for a phase 2 investigation was made on 14 November 2024.

¹⁵ [Section 26](#) of the Act.

¹⁶ [Section 23\(1\)\(b\)](#) of the Act. The £70 million threshold for the turnover test is applicable as the Merger was completed prior to 1 January 2025, when the threshold for the turnover test was increased to £100 million. See also [Section 24](#) of the Act.

2.14 Our provisional conclusion is that the decision to refer the Merger for a phase 2 investigation was made within the applicable statutory time limits.

Provisional conclusion on relevant merger situation

2.15 In view of the above, we have provisionally concluded that the Merger has resulted in the creation of an RMS.

3. COUNTERFACTUAL

- 3.1 In this chapter, we assess the impact of the Merger relative to the situation that would prevail absent the Merger (ie the counterfactual)¹⁷

Framework for assessing the counterfactual

- 3.2 The framework for assessing the counterfactual is set out in our Merger Assessment Guidelines (**MAGs**).¹⁸ As set out in the MAGs, at phase 2 we have to make an overall judgement as to whether or not an SLC has occurred or is likely to occur. To help make this assessment, we will select the most likely conditions of competition as the counterfactual against which to assess the merger. In some instances, we may need to consider multiple possible scenarios before identifying the relevant counterfactual (eg a merger firm being purchased by alternative acquirers). In doing this, we will consider whether any of the possible scenarios make a significant difference to the conditions of competition and, if any do, we will find the most likely conditions of competition absent the merger as the counterfactual.¹⁹
- 3.3 In completed mergers, the counterfactual may consist of the pre-merger conditions of competition, or conditions of competition that involve stronger or weaker competition between the parties to a merger than under the pre-merger conditions of competition.²⁰ In determining the appropriate counterfactual, we will generally focus on changes to the pre-merger conditions of competition only where there are reasons to believe that those changes would make a material difference to its competitive assessment.²¹

Assessment of the counterfactual

- 3.4 The Parties submitted that the appropriate counterfactual should be the pre-Merger conditions.²² The Parties stated that if the Merger had not occurred, Wincanton would either have continued to operate as an independent entity, or would have been acquired by an alternative bidder, noting that CEVA Logistics (**CEVA**) had made an offer to acquire Wincanton that was recommended by Wincanton's board.
- 3.5 The Parties submitted that absent the Merger, Wincanton's strategic priorities would most likely have remained the same or very similar whether operating as an

¹⁷ [Merger Assessment Guidelines \(CMA129\)](#), March 2021, paragraph 3.1.

¹⁸ [CMA129](#), paragraphs 3.6–3.38.

¹⁹ [CMA129](#), paragraph 3.13.

²⁰ [CMA129](#), paragraph 3.2.

²¹ [CMA129](#), paragraph 3.9.

²² FMN, paragraphs 135-139.

independent entity or under the ownership of CEVA.²³ In this regard, the Parties noted that CEVA's offer documents do not make any reference to changing Wincanton's strategic priorities.

- 3.6 In light of the evidence that we have received so far, our provisional view is that the appropriate counterfactual is the pre-Merger conditions of competition. We note that this is consistent with the Parties' submissions and evidence presented above, and we have not received any submissions or other evidence suggesting that the Merger should be assessed against an alternative counterfactual.

²³ FMN, paragraphs 135-137.

4. MARKET DEFINITION

Framework

- 4.1 Where the CMA makes an SLC finding, this must be ‘within any market or markets in the United Kingdom for goods or services’.²⁴ An SLC can affect the whole or part of a market or markets.
- 4.2 Market definition provides a framework for assessing the competitive effects of a merger. The assessment of the relevant market 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.²⁵ The boundaries of the market do not determine the outcome of the analysis of the competitive effects of the merger, as it is recognised that there can be constraints on merging parties from outside the relevant market, segmentation within the relevant market, or other ways in which some constraints are more important than others. We have taken these factors into account in the competitive assessment.
- 4.3 Product market definition starts with the relevant products of the merger firms. In identifying what other significant competitive alternatives should be included in the relevant market, we pay particular regard to demand-side factors and also consider supply-side factors.²⁶

Product market

Introduction

- 4.4 The Parties overlap in the supply of CLS, which is a widely recognised term referring to a range of supply chain-related services enabling businesses to supply goods to their customers and to consumers.²⁷ The two principal components of CLS are transport and warehousing services:
- (a) **Transport** services involve the movement of goods, materials and inventory between the ‘point of origin’ and ‘point of consumption’.²⁸ In the context of CLS, transport includes the provision of management services (such as planning), rather than purely standalone ‘road freight’ or ‘haulage’ services.²⁹ Transport includes both business-to-business (**B2B**) services and business-

²⁴ [Section 35\(1\)\(b\)](#) of the Act.

²⁵ [CMA129](#), paragraph 9.1.

²⁶ [CMA129](#), paragraph 9.6.

²⁷ FMN, paragraph 142.

²⁸ FMN, paragraphs 145-146.

²⁹ FMN, paragraph 148.

to-consumer (**B2C**) services.³⁰ B2B transport services are sometimes classified as either **primary** or **secondary**: the former refers to distribution from the point of origin (eg a manufacturer's warehouse) to a customer's warehouse (eg a retailer's warehouse), and the latter refers to onward distribution from the customer's warehouse to either another warehouse or a physical store.

- (b) **Warehousing** services include the receipt of goods, handling, storage, inventory management, picking, packing and dispatching goods.³¹ Warehousing can be either shared or dedicated: **shared warehousing** refers to a facility that is made available to and used by multiple customers (and so is typically owned or leased by the CLS supplier), and **dedicated warehousing** refers to a facility that is used exclusively by a single customer (and so is often owned or leased by that customer). Warehousing is sometimes also classified as primary or secondary (reflecting the terminology used in transport), ie with primary warehouses being those used by manufacturers and secondary warehouses being those used by retailers.

4.5 We note that the emphasis above is primarily on the services provided, rather than the physical assets such as lorries and warehouses. We understand that the ownership of the relevant assets varies on a contract-by-contract basis, depending on the customer's preferences and requirements.³² In some contracts the third-party logistics provider (**3PL**) will provide some or all of the relevant assets (eg for shared warehousing), whereas in other contracts the assets will be entirely customer owned or leased. The Parties submitted that it is common for the largest CLS customers to own or lease the assets required to service a contract, or for the 3PL to inherit the relevant assets from the previous provider.³³ The Parties stated that over [X]% of the transport fleets that each of GXO and Wincanton currently operate are customer-owned or have been inherited through particular contracts, whilst [X]% of GXO's (and over [X]% of Wincanton's) warehousing square footage is owned or leased by the customer. Our assessment of the Merger is therefore focussed primarily on the provision of contract logistics services, although we recognise that access to the relevant assets may be a source of competitive advantage and/or a barrier to entry, and we take this into account where relevant.

³⁰ B2C transport services include 'final mile' delivery (ie the delivery of goods directly to consumers, as the final stage of the logistics chain), and 'two-person home delivery' (ie the transportation of goods to consumers which are either too large or heavy to be processed through normal parcel networks). B2C transport services have not been the focus of our inquiry, as there is limited overlap between the Parties and we understand that there are a wide range of specialist and local couriers that provide these services (such as Evri, Royal Mail and DPD). See FMN, paragraph 147. GXO's response to the CMA's s109 notice 1 dated 27 November 2024, question 5.

³¹ FMN, paragraph 148.

³² FMN, paragraph 223.

³³ FMN, paragraphs 209-223.

- 4.6 In previous cases the CMA has distinguished between the supply of CLS to retail and non-retail customers, and this categorisation is also applied in many of the Parties' submissions to the CMA.³⁴ CLS in the retail segment (**Retail CLS**) involves the provision of services to customers whose products are sold directly to consumers, such as grocers and high street chains (eg in fashion and home improvement).³⁵ CLS in the non-retail segment (**Non-Retail CLS**) involves the provision of services to customers whose products or services are not consumer-facing, such as automotive, construction, energy and manufacturing businesses.³⁶ The Parties refer to the supply of CLS to both retail and non-retail customers as **Mainstream CLS**.
- 4.7 The remainder of this chapter is structured as follows. We first present the Parties' submissions on market definition, in which they propose that the relevant market is for Mainstream CLS services, covering both Retail and Non-Retail customers. In light of these submissions, we consider whether it is appropriate to define product markets based on customer segmentations, namely (i) Retail and Non-Retail customers, and (ii) Grocery customers. We then consider whether each of (i) transport and warehousing, and (ii) shared and dedicated warehousing, constitute distinct product markets. Finally, we consider whether the **self-supply** of CLS by customers (also known as **insourcing**) forms part of the relevant market(s).

Parties' submissions

- 4.8 The Parties submitted that there is a single market for Mainstream CLS.³⁷ The Parties stated that there is a high degree of supply-side substitutability within Mainstream CLS, which is sufficient to support a finding that there is one market for Mainstream CLS, covering all industry sectors (including those in both Retail and Non-Retail). The Parties stated that the strong supply-side substitutability in Mainstream CLS is driven by the following key factors: (i) the assets required to provide CLS services in different sectors are very similar; (ii) 3PLs can readily acquire any necessary assets; and (iii) customers can and do easily switch providers.
- 4.9 The Parties further stated that in their experience, Mainstream CLS is customer specific, rather than sector or product specific, as services are tailored to meet the requirements of each individual customer, irrespective of the sector in which they

³⁴ In GXO/Clipper for example, the CMA stated that it did not consider that it would be appropriate to aggregate the supply of CLS to retail customers with the supply of CLS to other customers (GXO/Clipper, [Phase 1 Decision](#), paragraph 36).

³⁵ FMN, paragraph 287.

³⁶ FMN, paragraph 367. Non-Retail CLS does not include the supply of CLS to life sciences or aerospace and defence customers, which the CMA considered to be separate markets in its phase 1 assessment, finding no plausible competition concerns. CMA, [Phase 1 Decision](#), 5 December 2024, paragraph 26. We have received no evidence in phase 2 which indicates that we should assess the impact of the Merger on either life science or aerospace and defence customers.

³⁷ FMN, paragraph 270.

operate. The Parties submitted that this is consistent with the fact that the majority of major 3PLs offer services to both Retail and Non-Retail customers.

- 4.10 During our phase 2 investigation, the Parties submitted that there are certain features of **Grocery customers** that distinguish them from other CLS customers.³⁸ The Parties stated that the size of Grocery customers sets them apart from other customers, both in terms of total CLS expenditure and individual contract sizes.³⁹ The Parties also provided the following list of distinct logistics requirements of Grocery customers: (i) temperature controlled products, (ii) high-labour and low automation warehouses, (iii) frequent, time dependent deliveries that must be made within tight windows, (iv) a wide range of retail stores of different formats, (v) a variety of SKUs with different characteristics and high velocity turnover, and (vi) frequent peaks and troughs in demand.⁴⁰

Our analysis

Customer segmentation

- 4.11 In light of the Parties' submissions above, we first consider whether it is appropriate to define separate markets based on customer segmentations, specifically (i) Retail and Non-Retail customers, and (ii) Grocery and non-Grocery customers.

Retail and Non-Retail customers

- 4.12 Based on the evidence received to date, our current view is that there are many different customer segmentations used within the industry, with varying frameworks and definitions. In our calls with third-parties for example, some have referred to customers based on their position in the supply chain (such as manufacturers and retailers), while others have focussed on specific industries or 'verticals' (such as grocery, 'consumer', or ecommerce).⁴¹
- 4.13 The evidence also shows that each customer's logistics arrangements are unique, meaning that there is significant variation in customer requirements and preferences even within a given industry. All customers vary for example in terms of the specific products that require handling and processing, the number and size of their warehouses, and (partly as a result) the type of technology and automation

³⁸ We define Grocery customers (or 'Grocers') as national supermarket chains. The Parties did not indicate whether they consider that Grocery customers should be treated as a separate market.

³⁹ [Parties' response to the Phase 1 Decision](#), 2 December 2024, paragraph 1.6 (b).

⁴⁰ Parties' ISM presentation, slide 9.

⁴¹ Throughout this report, we use the term 'segment' only when referring to the categories/segmentations used in our competitive assessment, ie Retail, Non-Retail and Grocery customers. We use terms such as 'industries', 'sectors' and 'verticals' when referring to more general customer categories (eg those used by third parties such as 'fashion' or 'home improvement').

used within those warehouses.⁴² Contracts and prices are also individually negotiated with each customer, and 3PLs' margins vary between customers even within the same industry (see Appendix D).

- 4.14 On this basis, we do not consider that it is appropriate to define product markets based on customer type. Regarding the Retail and Non-Retail segments, we note that these are broad terms, each covering many industries/verticals, and there are some customers that do not fit neatly into either category.⁴³ We therefore do not consider that these are well-defined markets. However, we consider that this is a useful segmentation for the purposes of our competitive assessment. In particular, the evidence shows that conditions of competition are different in the two segments, with the Parties' shares of supply and tender overlaps being lower in the Non-Retail segment (see Appendices A and B). This is driven in part by the fact that the Non-Retail segment covers a diverse range of customers, some of which (such as telecoms, petroleum and construction companies) have unique requirements that do not give rise to a meaningful overlap between the Parties, and/or are served by specialist suppliers.
- 4.15 We note further that the Parties' largest customers are overwhelmingly in the Retail segment, and therefore much of our evidence base relates to these customers. [10-20] of GXO's (and [10-20] of Wincanton's) largest twenty customers are in the Retail segment and Retail customers account for [X] of their total revenues.⁴⁴
- 4.16 Therefore, whilst we do not consider that there are separate markets for Retail and Non-Retail customers, the evidence shows that there are differences in the requirements of customers in these segments and in the set of credible 3PLs that serve them. We consider that these factors are relevant to our analysis of closeness of competition between different suppliers, and we have therefore taken this into account in the competitive assessment below, including at times segmenting between Retail and Non-Retail customers in our analysis.

Grocery and non-Grocery customers

- 4.17 Regarding Grocery customers, we have received evidence from the Parties and some third parties that there are certain features and requirements that distinguish Grocers from other customers. One Grocer for example noted the difficulty of automation in warehouses such as its own (referred to as 'large scale pick

⁴² For example, the Parties have provided details on the warehouses of GXO's largest customers, which shows significant variation in the number of warehouses used by different customers, even amongst Grocers. Frontier Economics, The competitive threat posed by insourcing and mixed sourcing – an updated submission prepared for the CMA, 14 January 2025, Annex A.

⁴³ Some companies are primarily manufacturers/suppliers for example, but also make some direct sales to end-consumers (ie primarily B2B suppliers, but with some B2C sales). There are other companies (such as [X]) that do not directly supply end-consumers, but are active in the same industry/vertical as those that do (such as [X]).

⁴⁴ CMA analysis based on 2023 data provided by the Parties. GXO and Wincanton responses to the CMA's s109 notice 1 dated 27 November 2024, question 6.

operations’) compared to other businesses such as ecommerce.⁴⁵ Another Grocer stated that the main difference between food and non-food retail lies in temperature control and compliance with relevant regulations,⁴⁶ and an industry consultant emphasised that providing CLS for Grocery customers is a ‘massive undertaking’, requiring a big space for warehousing and experienced staff to run it smoothly.⁴⁷ As submitted by the Parties, we also understand that there is a heightened risk and cost of failure for Grocers due to the perishable nature of the goods.⁴⁸

- 4.18 We also note that many third parties referred to ‘Grocers’ or ‘food retail’ as specific segments, and this is also reflected in some of the internal documents that we received from competitors.⁴⁹
- 4.19 As above, whilst we do not consider that Grocery customers constitute a separate product market, the evidence indicates that there are certain characteristics that distinguish the requirements of Grocery customers from others, which may be relevant for our assessment of closeness of competition between suppliers. We take this into account in our competitive assessment and distinguish between Grocery and non-Grocery customers where relevant.
- 4.20 In summary, we do not consider that it is appropriate to define separate markets based on customer type, although we recognise that there are some differences between Retail and Non-Retail customers, as well as Grocery and non-Grocery customers, that are relevant when analysing closeness of competition. We therefore distinguish between these customer segments where relevant in our competitive assessment.

Transport and warehousing

- 4.21 Although transport and warehousing services are used to meet different customer requirements, and are therefore not close demand-side substitutes, we have considered whether it may be appropriate to treat them as a single product for the purposes of our investigation. This would be the case, for example, if customers typically purchase them as a single bundle.
- 4.22 The evidence overall indicates that the advantages of bundling the two services are limited, and customers generally procure them separately. The Parties submitted that [X] of their largest Retail customers have a different mix of 3PLs between their transport and warehouse contracts, and this is consistent with the third-party evidence we have gathered.⁵⁰ Further, those customers that told us

⁴⁵ Third party call note.

⁴⁶ Third party call note.

⁴⁷ Third party call note.

⁴⁸ [Parties’ response to the Phase 1 Decision](#), 2 December 2024, paragraph 5.12.

⁴⁹ For example: Third party call notes; and third party internal document.

⁵⁰ [Parties’ response to the Phase 1 Decision](#), 2 December 2024, paragraph 4.30.

there were advantages in procuring the two services together stated that they would be prepared to use different suppliers depending on the offers received, and in two instances had recently done so.⁵¹

- 4.23 The evidence therefore shows that customers generally view transport and warehousing as distinct services, and many customers procure them individually. As the two services are not close demand-side substitutes, we consider that they are separate product markets. We note for completeness that supply-side conditions also vary considerably, as set out in Chapter 5 below.

Shared and dedicated warehousing

- 4.24 The evidence we have received so far indicates that shared and dedicated warehousing are not close demand-side substitutes in general. In particular, our understanding is that shared warehousing has two principal demand drivers:⁵²
- (a) Small volumes: if customer's volumes are too small to require a dedicated warehouse, the customer can rent space in a shared facility (typically owned or leased by the 3PL) and split the overhead costs with other customers. We understand that shared facilities are sometimes also used by larger customers for low volume products that require specialist handling.
 - (b) Peak demand: during periods of high demand, customers can make use of shared warehousing on a short-term basis. The Parties submitted that this would typically be for a period of several months.⁵³
- 4.25 The evidence shows that dedicated warehousing is not a close substitute for either of the above use cases. In particular, shared warehousing is a more cost-effective solution for small and variable volumes, as costs are shared across multiple users. Many customers simply do not operate at the necessary scale to require a dedicated facility, and therefore rely on the warehousing facilities (and equipment) provided by 3PLs.⁵⁴
- 4.26 For many larger customers, it is more efficient to use a dedicated facility that is tailored to their specific needs. One customer told us that a dedicated facility is essential due to its specific requirements, but the challenge is finding a sufficiently large property for servicing a large number of stores.⁵⁵ Further, large customers typically own or lease dedicated warehousing facilities directly, whereas shared facilities (by their nature) are owned or leased by the 3PL.

⁵¹ Third party call notes.

⁵² Parties' post-ISM proactive submission to the CMA, 5 January 2025, paragraph 6.7.

⁵³ Parties' post-ISM proactive submission to the CMA, 5 January 2025, paragraph 6.7.

⁵⁴ Third party call note.

⁵⁵ Third party call note.

4.27 On the basis of the evidence above, we do not consider that shared and dedicated warehousing are close demand-side substitutes in general (albeit they may be in specific instances), and therefore provisionally consider that they are distinct product markets.

Self-supply

4.28 The Parties have not made any submissions as to whether self-supply should form part of the relevant product market(s). However, they have submitted that self-supply is an important feature of the market, and a substitute to the CLS services provided by 3PLs.⁵⁶ The Parties provided a paper on the competitive threat from self-supply which contains an analysis on the likely response of customers to a small but significant non-transitory increase in price (**SSNIP**).⁵⁷ According to the Parties, this analysis shows that large Retail customers would have an incentive to move their logistics operations in-house rather than accept a SSNIP post-merger.

4.29 We note that the Parties have made several detailed submissions regarding the importance of self-supply, and we have carefully considered all of these, including their SSNIP analysis. Our view is that whether we treat self-supply as part of the relevant product market(s) or as an important out of market constraint does not have a substantive impact on our analysis or conclusions. We consider that the latter is more appropriate, as the evidence shows that the constraint from self-supply varies significantly between customers, and where customers do choose to self-supply, it is to serve their own requirements only.⁵⁸

4.30 We therefore do not consider that self-supply should be included in the relevant product markets, but we recognise that it is an important out of market constraint, and a critical aspect of our investigation. We consider the evidence on self-supply in detail below in our competitive assessment (Chapter 5) and our analysis of countervailing factors (Chapter 6).

Provisional conclusion on the product market

4.31 In light of the analysis above, we provisionally conclude that each of (i) transport, (ii) shared warehousing, and (iii) dedicated warehousing services are separate markets.

⁵⁶ [Parties' response to the Phase 1 Decision](#), 2 December 2024, paragraph 1.10(f). Parties' post-ISM proactive submission to the CMA, 5 January 2025, paragraph 1.5(a).

⁵⁷ Parties', Issues Letter Response, paragraph R.39; and Annex 005 - Frontier Economics, The competitive threat from insourcing, mixed sourcing and multi-sourcing paper.

⁵⁸ For the reasons set out in Appendix C, we also do not consider that the SSNIP analysis submitted by the Parties is informative for the purposes of market definition, and we note that the Parties did not submit this evidence in relation to market definition.

Geographic market

- 4.32 As with product markets, the CMA's focus in defining geographic markets is on demand-side factors and identifying the most important competitive alternatives to the merger firms.⁵⁹ The CMA may consider evidence such as information on the competitive performance of firms across different geographic areas, information on differences in pricing and other parameters across geographic areas, product characteristics such as perishability, and the views of market participants.
- 4.33 The Parties submitted that a UK national geographic market is most appropriate in this case, because (i) customers typically source CLS on a national basis, even where operations may be based in a specific region, (ii) most 3PLs regularly supply CLS across the UK, (iii) 3PLs' pricing does not depend on the customer's location, and (iv) 3PLs advertise their services on a national or broader level.⁶⁰
- 4.34 Our provisional view is that the evidence supports the Parties' submission that there is a UK national geographic market. We understand that there are some local dimensions to competition, due for example to the presence of regional transport hauliers and local providers of shared warehousing. However, we have not received any evidence that conditions of competition materially or systematically vary across local areas within the UK. As submitted by the Parties, the evidence also shows that their customers typically source CLS on a national basis, and most large 3PLs (including the Parties) are active across the UK.

Provisional conclusion on the geographic market

- 4.35 In light of the above, we provisionally conclude that the relevant geographic market is the UK.

Provisional conclusion on market definition

- 4.36 For the reasons set out above, we provisionally conclude that the relevant markets are the supply of each of the following services by third-parties in the UK:
- (a) transport;
 - (b) shared warehousing; and
 - (c) dedicated warehousing.

⁵⁹ [CMA129](#), paragraph 9.13.

⁶⁰ FMN, paragraph 341.

5. COMPETITIVE ASSESSMENT

Introduction

- 5.1 We have investigated a horizontal unilateral effects theory of harm (**TOH**) for each of the product markets identified in Chapter 4, ie transport, shared warehousing and dedicated warehousing. Horizontal unilateral effects can 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.⁶¹
- 5.2 We first present a high-level summary of the Parties' submissions that are most pertinent to our competitive assessment. We then consider each of the three TOHs in turn. The Parties' submissions on specific topics (such as self-supply) are assessed in detail within each TOH.

Parties' submissions

- 5.3 During the course of our inquiry, we have received various submissions from the Parties, including their written response to the CMA's Phase 1 Decision;⁶² submissions made to us orally at the site visit held and the ISM; as well as written submissions following both the ISM and Update Call.⁶³
- 5.4 The Parties submitted the following:
- (a) There can be no SLC for Non-Retail customers or for non-Grocery Retail customers as they will continue to have a wide choice of 3PLs who can effectively meet their needs;⁶⁴
 - (b) There are certain features and requirements of Grocery customers that distinguish them from other Retail customers. At present, the Parties and DHL account for most of the major outsourced warehouse contracts for Grocers, although other 3PLs (such as the Culina Group, XPO and other smaller 3PLs) are also involved in Grocery CLS.⁶⁵
 - (c) There can be no SLC for Grocery customers because (i) nearly all Grocers insource all or some of their CLS requirements, which enables them to constantly benchmark the performance of 3PLs, impose improvement plans

⁶¹ [CMA129](#), paragraph 4.1.

⁶² [Parties' response to the Phase 1 Decision](#), 2 December 2024.

⁶³ Parties' post-ISM proactive submission to the CMA, 5 January 2025. Parties' post-CMA update call proactive submission to the CMA, 14 January 2025.

⁶⁴ [Parties' response to the Phase 1 Decision](#), 2 December 2024 paragraph 1.6, Sections 3,4 and 9.

⁶⁵ [Parties' response to the Phase 1 Decision](#), 2 December 2024, paragraph 1.6.

and/or threaten to switch their logistics in-house; (ii) Grocers are highly sophisticated, experienced and powerful purchasers of CLS services; and (iii) Grocers control competition for their CLS needs as they can strategically deploy multi- and mixed-sourcing procurement strategies to maximise their buyer power.⁶⁶ Grocers can also significantly reduce barriers to entry and expansion for other 3PLs by encouraging and/or sponsoring new entry and expansion.

TOH 1: Transport

Parties' submissions

- 5.5 The Parties submitted that large Retail customers maximise competitive tension amongst 3PLs by modularising their CLS requirements, tendering warehousing and transport separately and/or separately tendering different geographic parts of their business.⁶⁷ The Parties stated that these multi- and mixed-sourcing procurement strategies enable customers to maximise their buyer power, and noted that [X] of the Parties' 20 largest Retail customers have a different mix of 3PLs between their transport and warehouse contracts.
- 5.6 The Parties submitted that transport tenders draw in a broader competitor set than warehousing tenders, including transport-focused 3PLs and transport technology platform providers.⁶⁸ The Parties also stated that 3PLs do not need a pre-existing national transport capability to successfully compete for transport opportunities because (i) customers typically provide the assets necessary to achieve national coverage, and (ii) any assets not provided can readily be obtained when an opportunity is won.⁶⁹

Closeness of competition between the Parties and their rivals

Shares of supply

- 5.7 We present our estimates of shares of supply for transport services in Table 5.1 below. Details on the methodology are provided in Appendix A.

⁶⁶ [Parties' response to the Phase 1 Decision](#), 2 December 2024, paragraph 1.6, Sections 5-8. Parties' ISM slides, page 18.

⁶⁷ [Parties' response to the Phase 1 Decision](#), 2 December 2024, paragraphs 1.6 and 4.30-4.31. The Parties submitted that the CMA's Phase 1 Decision refers to 'larger retail customers with complex needs', but that the CMA did not clearly define the scope of 'large retail customers' ([Parties' response to the Phase 1 Decision](#), 2 December 2024, paragraphs 1.5 and 2.4). In light of the terminology used in the [Phase 1 Decision](#), some of the Parties' submissions refer explicitly to 'Large Retail Customers', but they also do not provide a definition of the term. In this report, we therefore avoid general references to 'large' customers, and refer to customer size only when referring to a specific group of customers (eg the largest 20 customers) or reflecting the Parties' submissions.

⁶⁸ [Parties' response to the Phase 1 Decision](#), 2 December 2024, paragraph 4.31.

⁶⁹ [Parties' response to the Phase 1 Decision](#), 2 December 2024, paragraphs 3.28-3.31.

negotiations with few, sometimes only two bidders. Different 3PLs may provide alternative solutions as to how the relevant services may be designed to meet the customer's requirements, and 3PLs' offers can therefore vary across multiple dimensions.

- 5.12 Customers told us that they do not commonly reveal the number or identity of 3PLs taking part in a procurement exercise. There is therefore some degree of uncertainty for 3PLs regarding the exact set of competitors in individual procurement exercises, although we understand from our engagement with third parties that 3PLs often have an understanding of the most credible competitors for a particular tender,⁷² and internal documents of GXO indicate that at least in some instances it is able to estimate a probability of winning.⁷³
- 5.13 We therefore consider that customers undertake sophisticated procurement exercises, which allow them to obtain improved offers from 3PLs during the process. However, as stated in the MAGs, we note that a customer's buyer power depends on the availability of good alternatives they can switch to.⁷⁴ We have therefore analysed the Parties' bidding data to assess which competitors have successfully competed in tenders, and gathered evidence from a range of third parties on the set of competitive alternatives.

Our bidding analysis for transport services

- 5.14 In Table 5.2 we analyse the extent to which third party suppliers have successfully competed against the Parties in transport tenders since January 2020. The table shows both the number of transport tenders lost to each supplier, as well as the total value of lost opportunities to each supplier. Details on the dataset and methodology are provided in Appendix B.
- 5.15 The results in Table 5.2 are broadly consistent with the shares of supply data above. The Parties lost the most tenders to each other (in terms of both volume and value), but several other suppliers have successfully competed against the Parties, particularly DHL, Culina and XPO.
- 5.16 We have not presented results broken down for Retail and Non-Retail segments, or for Grocers. However, the Parties' tender dataset shows that several of the competitors have successfully competed against the Parties for contracts in each of these segments. For example, since January 2020, Wincanton has lost [redacted] large [redacted] transport tenders to Culina, [redacted].⁷⁵

⁷² A competitor for example told us that bidders are not told who the other participants are but can often guess due to market knowledge. Third party call note.

⁷³ Tranche 2b response to Q1-6, 7(b), 8-15 and 18-19.

⁷⁴ [CMA129](#), paragraph 4.20.

⁷⁵ Wincanton lost [redacted] and [redacted].

Table 5.2: Transport bidding analysis (GXO and Wincanton losses)

Supplier	GXO		Wincanton	
	Count of lost opportunities	% of total value of opportunities lost	Count of lost opportunities	% of total value of opportunities lost
GXO	.	.	[0-10]	[30-40]
Wincanton	[0-10]	[30-40]	.	.
DHL	[0-10]	[20-30]	[0-10]	[20-30]
XPO	[0-10]	[20-30]	[0-10]	[0-10]
Culina	[0-10]	[10-20]	[0-10]	[10-20]
3T Logistics	0	0	[0-10]	[0-10]
Other	[0-10]	[0-10]	[0-10]	[10-20]
Not known	0	0	[0-10]	[0-10]
Total	[X]	100	[X]	100

Source: CMA analysis based on bidding data supplied by the Parties and third parties. See Appendix B for details on the data and methodology.

Evidence from third parties

5.17 The evidence we have received from third parties is consistent with the quantitative evidence above, with several customers – across the Retail, Non-Retail and Grocery segments – telling us that there are a range of credible providers for transport services. For example:

- (a) A Grocery customer told us that it believes the Merger will have a limited impact on the UK transport market given the large numbers of suppliers.⁷⁶ It told us that transport is a more commoditised service than warehousing, with a wider range of providers (including regional hauliers).⁷⁷
- (b) Another Grocery customer told us that transport can be provided by both 3PLs and specialist hauliers, and there are more viable providers for transport than there are for large scale warehousing.⁷⁸
- (c) A Non-Retail customer told us that it has a long relationship with Wincanton across both warehousing and transport, but recently switched its transport services to a specialist provider ([X]).⁷⁹

5.18 We have also received evidence from third parties which shows that Culina, DHL and XPO in particular are credible competitors to the Parties in transport:

- (a) **Culina:** A competitor told us that Culina recently competed successfully against Wincanton for a large Grocery transport contract,⁸⁰ and we have also been told by several of the Parties' largest customers that Culina is one of

⁷⁶ Third party response to the CMA questionnaire dated 5 September 2024. As stated in chapter 4, we define Grocers as national supermarket chains. We therefore refer to [X] throughout as a Grocer, although we understand that GXO's largest warehousing contract with [X] is for [X]. We have interpreted their evidence with this in mind. In some instances, the customer made reference to specific product categories (eg food), and in some instances made comments regarding general competitive conditions in the supply of CLS (and/or transport and warehousing individually). We apply some caution to the customer's comments in instances where it is not clear what products it was referring to.

⁷⁷ Third party call note.

⁷⁸ Third party call note.

⁷⁹ Third party call note.

⁸⁰ Third party call note.

their transport providers. This is supported by an internal document we received from a competitor, which states that Culina is the largest provider of primary transport services in the Grocery and ‘fast moving consumer goods’ (FMCG) sectors, and that it is also a leading supplier of secondary transport services, alongside the Parties, DHL and XPO.⁸¹

- (b) **DHL:** DHL provides transport services to some of the Parties’ largest customers, including Grocers such as Morrisons and M&S.⁸² DHL also recently competed successfully against GXO for a large transport contract in the Non-Retail segment, in which GXO was the incumbent.⁸³
- (c) **XPO:** A competitor told us that XPO’s primary focus is transport, [redacted].⁸⁴ Two Retail customers also told us that XPO is stronger in transport than warehousing,⁸⁵ and it provides transport services to a Grocery customer of the Parties.⁸⁶

Provisional conclusion on TOH 1 (transport)

5.19 The evidence shows that the Parties have material shares of supply in transport services and have lost tenders to each other, but that there are several other strong competitors including DHL, Culina and XPO. DHL and Culina in particular compete closely against the Parties, with comparable or larger shares of supply depending on the segment, and have recently competed successfully against the Parties in several large tenders. In addition, the evidence from third parties shows that there are a wide range of credible suppliers of transport services, and more so than in warehousing.

5.20 We therefore provisionally conclude that the Merger may not be expected to raise significant competition concerns in the supply of transport services in the UK.

TOH 2: Shared warehousing

Parties’ submissions

5.21 The Parties submitted that the supply of shared warehousing is extremely competitive, with a wide range of providers.⁸⁷ This includes traditional 3PLs, multi-user/outsourced fulfilment specialists and some large retailers.⁸⁸

⁸¹ Third party internal document.

⁸² [Parties’ response to the Phase 1 Decision](#), 2 December 2024, Annex 1.

⁸³ Third party call note.

⁸⁴ Third party call note.

⁸⁵ Third party call notes

⁸⁶ Third party call note.

⁸⁷ Parties’ post-ISM proactive submission to the CMA, 5 January 2025, paragraph 6.3.

⁸⁸ Parties’ post-ISM proactive submission to the CMA, 5 January 2025, paragraphs 6.4 and 6.31.

5.22 The Parties also submitted that the costs and barriers to switching provider of shared warehousing are low. The main costs would typically relate to IT and project management but these are not material relative to the cost of the contract and would often be absorbed by the new 3PL and amortised within the term of the contract.⁸⁹ The Parties provided examples of customers who had recently switched to or from one of the Parties' shared warehouse offerings since FY23⁹⁰ and provided internal documents relating to competitors in shared warehousing.⁹¹

Closeness of competition between the Parties and their rivals

5.23 The quantitative data that we have received from the Parties does not systematically distinguish between shared and dedicated warehousing. We have presented shares of supply and bidding data for warehousing as a whole in Appendices A and B, which provides useful context regarding the overall competitive landscape. This data shows that the Parties have a particularly strong position in the supply of warehousing to Retail customers, with the Merged Entity being by far the largest provider, and only DHL having a share above 10%. The Parties also have a sizeable share of supply in the Non-Retail segment, but DHL would remain the largest provider in this segment post-Merger, and there are other suppliers such as XPO and Unipart with shares above 10%.

5.24 The bidding data also shows that competition is more intense in the supply of warehousing to Non-Retail customers (Appendix B). This is consistent with evidence we have received from third parties. For example, two competitors told us that Culina has a stronger presence in the Non-Retail segment, providing warehousing services for large manufacturers and other upstream suppliers (ie 'primary' warehousing).⁹²

5.25 We also understand that several customers in the Non-Retail segment have requirements that are specific to their particular industry, which do not give rise to an overlap between the Parties and/or are met by specialist or 'niche' logistics providers. A telecoms customer for example told us that it has specific technology requirements for its warehousing that requires relevant experience in the telecoms sector, and that Wincanton is not a viable provider for its business.⁹³

5.26 Our analysis of shared and dedicated warehousing in the remainder of this report therefore focuses on competition to supply Retail customers.

⁸⁹ Parties' post-ISM proactive submission to the CMA, 5 January 2025, paragraphs 6.27-6.28.

⁹⁰ Parties' post-ISM proactive submission to the CMA, 5 January 2025, paragraph 6.24.

⁹¹ Parties' post-ISM proactive submission to the CMA, 5 January 2025, paragraph 6.30.

⁹² Third party call notes.

⁹³ Third party call note.

Bidding analysis

- 5.27 Although the Parties' bidding data does not consistently distinguish between shared and dedicated warehousing, it includes information on contract size, which we have used as a proxy for whether the tender was for shared or dedicated warehousing. The Parties submitted for example that their average revenue per customer for shared warehousing is below £[redacted] million,⁹⁴ and a Retail customer told us that dedicated warehousing would typically start at an annual contract value of around £15 million.⁹⁵ An industry consultant also told us that 'small-to-medium' sized customers, ie those who spend approximately £1-10 million on CLS per year, typically rely on the warehousing space provided by 3PLs.⁹⁶
- 5.28 With these values in mind, we have analysed the bidding dataset to assess how competition in warehousing varies based on contract size. The results of our analysis are presented and discussed in further detail in Table 5.3 below, in our assessment of dedicated warehousing. The analysis shows that for warehousing tenders with an annual value below £20m – and particularly below £10m – there are several 3PLs that have successfully competed against the Parties. Within this range, the Parties lost Retail warehousing tenders on more than one occasion to each of DHL, ID Logistics, Geodis, and self-supply.⁹⁷
- 5.29 We note that these results are consistent with the evidence submitted by the Parties, which provide several recent instances in which Retail customers have switched away from one of the Parties to other 3PLs in shared warehousing.⁹⁸ Since FY2023, this includes [redacted] (lost to [redacted]), [redacted] (lost to [redacted]), [redacted] (lost to [redacted]), [redacted] (lost to [redacted]), [redacted] and [redacted] (lost to [redacted]).

Evidence from third parties

- 5.30 The evidence we have received from third parties supports the Parties' submissions and quantitative evidence discussed above. A Grocery customer for example stated that shared warehousing is fundamentally different from dedicated warehousing, and confirmed that it uses a large national 3PL other than the Parties or [redacted] ([redacted]) and a smaller provider ([redacted]) for shared warehousing.⁹⁹
- 5.31 We also understand from third parties that Culina in particular is stronger in shared than dedicated warehousing. A competitor told us that Culina specialises in

⁹⁴ Parties' post-ISM proactive submission to the CMA, 5 January 2025, paragraphs 6.15 and 6.19.

⁹⁵ Third party call note.

⁹⁶ Third party call note.

⁹⁷ We note that the bidding data includes instances of switches to self-supply below £10 million, which we assume would be to a dedicated warehousing facility (as shared warehouses are typically owned/leased by 3PLs). We recognise that there is no clear cut-off between shared and dedicated warehousing in terms of contract value, and there are likely to be some examples of both high-value shared warehousing contracts and small dedicated warehouses below £10 million.

⁹⁸ Parties' post-ISM proactive submission to the CMA, 5 January 2025, Table 10.

⁹⁹ Third party call notes.

transport and ‘multi-user’ warehouses,¹⁰⁰ and a Grocery customer told us that Culina is primarily a ‘shared user’ business, ie servicing multiple clients in a single warehousing site or distribution centre.¹⁰¹

5.32 We also note that we have not received any concerns from customers relating specifically to shared warehousing. As shown in TOH 3 below, several third parties indicated that their concerns related to dedicated warehousing.

Provisional conclusion on TOH 2 (shared warehousing)

5.33 The evidence shows that there are several suppliers that successfully compete for shared warehousing, including large 3PLs such as DHL, Culina and XPO, as well as many smaller 3PLs.

5.34 We therefore provisionally conclude that the Merger may not be expected to raise significant competition concerns in the supply of shared warehousing services in the UK.

TOH 3: Dedicated warehousing

Parties’ submissions

5.35 The Parties submitted that many 3PLs successfully compete for dedicated warehousing in the Retail segment (also referred to as ‘secondary’ warehousing). The Parties further stated that many of these warehouses have similar characteristics to those used by manufacturers in the Non-Retail segment (known as ‘primary’ warehousing), for which there are additional examples of supply by 3PLs other than the Parties (such as Culina and CEVA).¹⁰² The Parties therefore consider that – with the exception of Grocers – there is no clear distinction between Retail and Non-Retail warehousing, and as a result there is a wide range of credible suppliers.¹⁰³

5.36 The Parties stated that Grocers have distinct warehousing requirements (see Chapter 4 above), and that GXO, Wincanton and DHL currently account for most of the major outsourced warehousing contracts in the Grocery segment.¹⁰⁴ However, the Parties consider that self-supply is a viable and ever present option for large Retail customers, particularly Grocers.¹⁰⁵ The Parties submitted that self-supply by these customers imposes a meaningful competitive constraint on 3PLs, which 3PLs regard as equivalent to the competitive threat posed by other 3PLs.¹⁰⁶

¹⁰⁰ Third party call note.

¹⁰¹ Third party call note.

¹⁰² Parties’ post-CMA update call proactive submission to the CMA, 14 January 2025, paragraphs 1.4 and 2.2-2.7.

¹⁰³ Parties’ post-CMA update call proactive submission to the CMA, 14 January 2025, paragraphs 2.2-2.7.

¹⁰⁴ [Parties’ response to the Phase 1 Decision](#), 2 December 2024, paragraph 1.6(b).

¹⁰⁵ [Parties’ response to the Phase 1 Decision](#), 2 December 2024, paragraph 7.2.

¹⁰⁶ [Parties’ response to the Phase 1 Decision](#), 2 December 2024, paragraph 7.3.

The Parties also stated that Grocers are highly sophisticated, experienced and powerful purchasers, that are able to strategically deploy multi- and mixed-sourcing procurement strategies to maximise their buyer power, and encourage or sponsor new entry or expansion.¹⁰⁷

Closeness of competition between the Parties and their rivals

Bidding analysis

- 5.37 As noted in paragraph 5.27 above, the Parties' bidding data does not systematically distinguish between shared and dedicated warehousing. Instead, we have assessed how competition varies based on contract size. We understand that contracts below £10 million per year would typically be for shared warehousing (but may include some small dedicated warehouses), and contracts above £20 million per year would typically be for dedicated warehousing.
- 5.38 Table 5.3 below shows a summary of all Retail warehousing tender wins based on the Parties' bidding data, supplemented with data collected from third parties in response to our formal information request.¹⁰⁸ As noted in paragraph 5.26 above, our analysis is focussed on the supply of warehousing to Retail customers only. The table shows that many suppliers have successfully competed against the Parties for contracts below £10 million per year, which we understand to be generally (but not necessarily exclusively) shared warehousing contracts, and a number of suppliers have also won contracts in the £10-20 million per year range, which may include both shared and (small) dedicated warehousing contracts.
- 5.39 However, as the contract size increases, the number of 3PLs successfully competing in tenders diminishes. Other than the Parties and DHL, no other supplier is recorded as winning a dedicated warehousing contract with an annual value greater than £40 million (albeit we recognise that such tenders occur relatively infrequently).¹⁰⁹ This is consistent with the evidence we have obtained from two of those customers with contracts exceeding £50 million per year, who

¹⁰⁷ [Parties' response to the Phase 1 Decision](#), 2 December 2024, paragraph 1.6(c).

¹⁰⁸ The table includes all wins from GXO and Wincanton, as recorded in the bidding datasets submitted to the CMA. Seven other 3PLs provided information on the Mainstream CLS tenders that they won over the same period with a contract value of £10 million or more per year. We have used this information to allocate some of the tenders won by an 'unknown' supplier in the Parties' datasets to the relevant 3PL. We have also added additional wins for each of [REDACTED] and [REDACTED], ie for tenders not included in the Parties' dataset. We have been able to do this for [REDACTED] and [REDACTED] as their response specified whether an opportunity was for warehousing and/or transport. As a result, the results in the table may overstate the relative success of the Parties, [REDACTED] and [REDACTED]. However, we note that other third parties won comparatively few Retail contracts over the period, across both transport and warehousing ([REDACTED]), and some of these wins may also be captured in the Parties' bidding dataset. We also note that [REDACTED] of these 3PLs listed any relevant Grocery wins in their Section 109 response, such that there should be [REDACTED] in the Grocery results ([REDACTED] included [REDACTED] Grocery wins, but we infer from our call with the relevant customer that these are for transport only).

¹⁰⁹ While the Parties provided some examples of other 3PLs operating Retail dedicated warehousing (or primary warehouses with similar features), these examples were all for values below £[REDACTED]. See the Parties' post-CMA update call proactive submission to the CMA, 14 January 2025, paragraphs 1.4, 2.2-2.7 and 2.12.

indicated that the Parties, or the Parties and DHL, were the only suppliers to reach the final stage in their procurement process.¹¹⁰

Table 5.3: Warehousing or combined tenders won, by value (2020 – 2024)

Competitor	Annual contract value					
	£1-10 million	£10-20 million	£20-30 million	£30-40 million	£40-50 million	£50 million +
GXO	[10-20]	[5-10]	[0-5]	0	[0-5]	[0-5]
Wincanton	[10-20]	[0-5]	0	[0-5]	0	[0-5]
DHL	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]
Culina	[0-5]	0	[0-5]	[0-5]	0	0
Arvato	[0-5]	0	0	[0-5]	0	0
Geodis	[0-5]	0	[0-5]	0	0	0
ID Logistics	[0-5]	[0-5]	0	0	0	0
Other [15 suppliers]	[10-20]	[5-10]	[0-5]	0	0	0
Self-supply	[5-10]	[0-5]	[0-5]	0	0	0
Not known	[20-30]	[0-5]	0	0	0	0

Source: CMA analysis of the Parties' responses to the CMA's s109 notice 2 dated 13 December 2024, question 1; FMN, Annex 027 and Annex 028; and third-party responses to the CMA's RFI dated 3 February 2025, [REDACTED] and [REDACTED].

Note: Includes all new retail warehousing or combined transport and warehousing opportunities won by GXO, Wincanton, [REDACTED]; and losses recorded in the Parties combined bidding data to other third parties. For matched opportunities lost to other suppliers, an average annual value of the Parties entries was taken. All suppliers winning a maximum of two opportunities in the Parties combined data are recorded in 'Other'. Where multiple opportunities were won by [REDACTED] for the same customer on the same win date, they have been consolidated into a single entry, combining their annual values.

5.40 In Table 5.4 we have assessed whether the wins recorded above (for tenders above each of £10 million and £20 million per year) were for Grocery customers, or non-Grocery customers.

5.41 The results show that a wider range of 3PLs have won tenders for non-Grocery customers. Above £20 million per year for example, tenders were won by each of GXO, DHL, Arvato, Geodis, Panther and self-supply. We note that Wincanton did not win any non-Grocery contracts above £20 million over the period.

5.42 In the Grocery segment, only GXO, Wincanton, DHL and Culina won warehousing or combined contracts above £20 million per year. Further, we understand that a contract won by Culina was for a [REDACTED],¹¹¹ and [REDACTED].¹¹² Consistent with the Parties' submissions, the bidding data therefore indicates that GXO, Wincanton and DHL are the only 3PLs that regularly win dedicated warehousing contracts for Grocery customers.

¹¹⁰ Third party responses to the CMA questionnaire dated 5 September 2024

¹¹¹ Specifically for the delivery of [REDACTED]. Parties' post-CMA update call proactive submission to the CMA, 14 January 2025, page 4.

¹¹² Parties' post-CMA update call proactive submission to the CMA, 14 January 2025, page 4.

Table 5.4: Retail warehousing and combined opportunities won for Grocery and non-Grocery (Retail) customers

	Annual value greater than £10m			Annual value greater than £20 million		
	All retail	Groceries	Non-Groceries	All retail	Groceries	Non-Groceries
GXO	[10-20]	[0-5]	[10-20]	[5-10]	[0-5]	[5-10]
Wincanton	[5-10]	[0-5]	[0-5]	[0-5]	[0-5]	0
DHL	[5-10]	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]
Culina	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]
Arvato	[0-5]	0	[0-5]	[0-5]	0	[0-5]
Geodis	[0-5]	0	[0-5]	[0-5]	0	[0-5]
Panther	[0-5]	0	[0-5]	[0-5]	0	[0-5]
Other	[5-10]	[0-5]	[5-10]	0	0	0
Not known	[0-5]	0	[0-5]	0	0	0
Self-supply	[5-10]	0	[5-10]	[0-5]	0	[0-5]

Source: CMA analysis of the Parties' responses to the CMA's s109 notice 2 dated 13 December 2024, question 1 and third-party responses to the CMA's RFI dated 3 February 2025, [REDACTED] and [REDACTED].

Notes: Includes all new retail warehousing or combined transport and warehousing opportunities won by GXO, Wincanton, [REDACTED] and [REDACTED]; and all losses recorded in the Parties combined bidding data to other third parties. Matched opportunities won by other third parties have been recorded once. The [REDACTED] suppliers included in 'Other' each won [REDACTED] opportunity. Where multiple opportunities were won by [REDACTED] for the same customer on the same win date, they have been consolidated into a single entry, combining their annual values.

Evidence from third parties

5.43 We gathered evidence from customers, competitors and industry consultants regarding the competitive landscape (in both dedicated warehousing and CLS more broadly) and their views regarding the impact of the Merger on competition. We recognise that third parties may have certain incentives when providing their views, and we take this into account when deciding how much weight to attach to the evidence. We note, for example, that CEVA had previously made a bid for Wincanton, which may impact its view of the relevant market(s) and competitive conditions. We place greater weight on views that are supported by other corroborative evidence, such as internal documents or bidding analysis.

5.44 Of the 16 Retail customers that we spoke to:

- (a) Seven indicated that they were not concerned about the impact of the Merger,¹¹³ seven expressed concerns or viewed the Merger negatively,¹¹⁴ and two expressed mixed or neutral views.¹¹⁵ Of the eight Grocers that we spoke to, three were not concerned about the Merger ([REDACTED], [REDACTED] and [REDACTED]) and five expressed concerns ([REDACTED], [REDACTED], [REDACTED], [REDACTED] and [REDACTED]).¹¹⁶ We note that

¹¹³ [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED] and [REDACTED]. Third party call notes.

¹¹⁴ [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED] and [REDACTED]. Third party call notes.

¹¹⁵ [REDACTED] and [REDACTED]. Third party call notes and third party response to the CMA questionnaire dated 5 September 2024. In addition to the 16 Retail customers, we also held a call with another retailer ([REDACTED]) that had recently run a tender in which the Parties participated. We have not included this customer in our discussion above, as it is not a customer of the Parties, its logistics spend is lower than that of the Parties' largest customers, and it did not comment in detail on competitive conditions. We understand that the tender included both warehousing and transport (including B2C transport). We note that the retailer did not express concern about the impact of the Merger.

¹¹⁶ For completeness, we note that one of the five Grocers indicated that it was 'neutral' in its phase 1 questionnaire response. However, we held a detailed call with the customer in phase 2 in which it expressed several concerns regarding the merger. It stated that there is a potential concern due to the reduction in choice of 3PLs as a result of the merger, that another potential area of concern is innovation (which could be impacted if there is less competition) and that it is worried about management fees increasing (and that management fees have already gone up over time). Third party call note.

not all of the views that were expressed on the Merger were specifically in relation to dedicated warehousing, although we asked some customers specifically about their concerns in relation to dedicated warehousing. We understand that GXO or Wincanton provide dedicated warehousing to fourteen of the sixteen Retail customers that we spoke to.¹¹⁷

- (b) Those customers that were not concerned about the Merger generally told us that there were enough suppliers in the market, although they did not always indicate exactly which suppliers they considered to be credible. One of the Grocers told us that it was not concerned about the Merger because there are many smaller 3PLs that can grow and develop, and that in a future procurement it may consider such smaller 3PLs, DHL, DFDS or self-supply.¹¹⁸ However, another Grocer, that was not concerned overall, named only GXO, Wincanton and DHL as 3PLs with the required expertise or a credible track record. It also stated that the Merger would enable GXO to become a stronger competitor to DHL, and that it is open to self-supply if necessary or looking at other 3PLs to be disruptive.¹¹⁹
- (c) All of the seven customers that expressed concerns about the Merger stated that there are a limited number of alternative 3PLs to choose from. Four of the Grocery customers indicated that the strongest competitors are GXO, Wincanton and DHL, and three of these customers expressed concerns specifically relating to dedicated warehousing:
 - (i) One Grocery customer stated that there are only a limited number of credible 3PLs capable of running major CLS operations involving around 500 or more personnel, and that there are only really three credible providers that it could go to: GXO, Wincanton and DHL.¹²⁰
 - (ii) Another Grocery customer told us that there are fewer viable providers of large-scale warehousing services at a national scale than there are for transport. It also stated that there are very few 3PLs with the capacity, scale and capability to serve a large national retailer with dedicated warehousing and that it considers GXO and Wincanton to be two of the main competitors in this space.¹²¹
 - (iii) Another Grocery customer told us that in its view there are three recognised and capable suppliers (GXO, Wincanton and DHL), and the

¹¹⁷ One non-Grocery customer that expressed concerns about the Merger is supplied by Wincanton with [REDACTED]. One Grocery customer that expressed concern/a negative view of the Merger is supplied by GXO with [REDACTED]. However, the customer did state that only a short list of suppliers have the size and scale to meet its CLS requirements, irrespective of whether that's for [REDACTED]. Third party call note.

¹¹⁸ Third party call note.

¹¹⁹ Third party call note.

¹²⁰ Third party call note.

¹²¹ Third party call note.

scale and complexity of its warehouse operations have made it very difficult to consider smaller 3PLs.¹²²

- (iv) Another Grocery customer told us that if it were to run a procurement exercise in the future, it would likely consider GXO, Wincanton and DHL (although it did not state what specific services this was in relation to).¹²³

5.45 Of the four industry consultants that we spoke to, one told us that it was not concerned about the impact of the Merger on competition, whilst three provided mixed views, noting that the effect would likely vary by industry/sector:

- (a) One consultant told us that of the tenders it was involved in, GXO and Wincanton both made it to the final shortlist about 50% of the time. However, it does not have concern over the Merger's impact on competition in the Retail CLS segment because there are other creditable alternatives for customers in the market, such as Maersk, DP World and Metro Supply Chain.¹²⁴
- (b) Two consultants expressed mixed views on the Merger overall but noted that there may be an impact on certain customers or sectors. One of two consultants stated that GXO, Wincanton and DHL are the only 3PLs that can compete for large Retail warehousing contracts, as they are the only 3PLs with the relevant experience and track record.¹²⁵ The other consultant stated that most Grocery contracts have only GXO, Wincanton and DHL (and perhaps the occasional specialist 3PL) reaching the final stage of the tender as there are not many providers with the scale and experience of taking on such large contracts, whereas the e-commerce sector tends to be less concentrated.¹²⁶
- (c) The fourth consultant did not express a view on the impact of the Merger. It stated that major customers who have split their operation between GXO and Wincanton may have some concerns about the merger, and to assess whether the merger gives GXO a large competitive advantage, it is necessary to look at competition on a sector-by-sector basis.¹²⁷

¹²² Third party call note.

¹²³ Third party call note.

¹²⁴ Third party call note.

¹²⁵ Third party call note.

¹²⁶ Third party call note.

¹²⁷ Third party call note.

- 5.46 Of the six competitors that we spoke to, five were either not concerned about the impact of the Merger or did not express an overall view ([REDACTED], [REDACTED], [REDACTED], [REDACTED] and [REDACTED]),¹²⁸ and one ([REDACTED]) had a negative view of the impact of the Merger.
- (a) Of those that were neutral or did not express an overall view, one stated that it considers the CLS market to be very fragmented, and that this is true across all sectors of Mainstream CLS.¹²⁹
 - (b) Three competitors did not explicitly state whether there would not be any negative impacts from the Merger, but did indicate that there are a limited number of competitors within certain sectors. One competitor for example stated that there are only a few players, such as DHL, GXO, Wincanton and possibly CEVA, who can tick all the boxes required by major supermarkets when looking for a CLS provider, and that this limited list of 3PLs (particularly DHL, GXO, Wincanton) does not only apply to Grocers but also to other large CLS customers with large and complex logistics operations.¹³⁰ Another competitor stated that it does not provide warehousing for large Grocers, and the 3PLs who serve Grocers are DHL, GXO, Wincanton and XPO (although it stated that XPO might focus primarily on transport).¹³¹ Another stated that in the UK market it considers GXO, Wincanton and DHL as the big names who serve as the default in the market.¹³² However, it does not think the Merger will have a material impact on its business or change its growth potential. The other competitor stated that in the retail opportunities in which it participates, it will typically be GXO, Wincanton and DHL in the final stages. It stated that these three suppliers have size and scale, and the ability to manage change, as well as significant assets at their disposal – both from a financial and physical perspective – and can deliver service with a cost base that is affordable.¹³³
 - (c) The competitor that expressed a negative view on the impact of the Merger stated that there is a competitive gap between DHL, GXO, Wincanton and other suppliers. It told us that industry-specific experience (including references or case studies) is crucial to winning a contract and that it does not score well on its experience and track record (as well as other factors, such as scale) in tenders.¹³⁴

5.47 We note that some customers had concerns relating to the effects of the Merger outside of particular procurement exercises. For example, a Grocer stated that

¹²⁸ One of these competitors ([REDACTED]) indicated that it had a 'negative' view on the Merger in its phase 1 questionnaire response. However, it did not comment on the potential impact of the Merger on competition in our call at phase 2.

¹²⁹ Third party call note.

¹³⁰ Third party call note. The competitor did not specify whether this related specifically to warehousing, or CLS more generally.

¹³¹ Third party call note.

¹³² Third party call note.

¹³³ Third party call note and third party response to the CMA questionnaire dated 5 September 2024.

¹³⁴ Third party call note.

more competition in the market incentivises 3PLs to ‘go above and beyond’ to retain their existing customers.¹³⁵ Similarly, another Grocer believes that the Merger may lead to an erosion of service levels, as it becomes more difficult for the customer to challenge its 3PL given there are fewer alternative viable providers available in the market.¹³⁶ However, we provisionally attach limited weight to the potential for adverse effects of the Merger on the performance of the Parties during the term of the contract. This is because the large Grocery and Retail customers are sophisticated negotiators, with an ability to benchmark performance internally, and have detailed contractual arrangements that include detailed KPIs and financial incentives to ensure performance, such as underwrite and gainshare.¹³⁷

5.48 We also received an internal document from a competitor (in response to our formal request for information) which analyses competitive conditions in the Grocery segment.¹³⁸ The document states that there are only three credible players remaining in the market when retailers look to outsource their warehouse operations: DHL, GXO and Wincanton. An internal document received from another competitor refers to the ‘dominance from key competitors’ in ‘big grocery and chill’.¹³⁹

5.49 As shown above, we have received mixed views from third parties regarding the competitive landscape for dedicated warehousing, although we note that a material number of third parties (including customers, competitors and industry consultants) have expressed concerns regarding the impact of the Merger on competition. The evidence also consistently shows that the Parties and DHL currently have a particularly strong position in the supply of dedicated warehousing to Grocery customers.

5.50 We analyse the key factors that drive these market outcomes in detail below, in our assessment of barriers to entry and expansion. That analysis indicates that a crucial factor is customers’ preferences for experience and a track record in the relevant sector, particularly amongst Grocers.

Self-supply

5.51 In this section we consider the extent to which self-supply (also known as insourcing) constrains the Parties and other 3PLs when tendering for contracts absent the Merger (ie in the counterfactual) as well as the extent to which it might do so in response to the Merger. We recognise that self-supply is a crucial part of

¹³⁵ Third party call note.

¹³⁶ Third party call note.

¹³⁷ For example, Frontier Economics, The competitive threat posed by insourcing and mixed sourcing – an updated submission prepared for the CMA, 14 January 2025, Table 1.

¹³⁸ Third party internal document

¹³⁹ Third party internal document.

the competitive assessment. We have discussed in depth the constraint posed by self-supply with customers, competitors and industry consultants, and have requested relevant internal documents from these third parties. Further information on our assessment of self-supply is provided in Appendix C.

- 5.52 We first present the Parties' submissions, followed by the evidence we have received from third parties and the Parties' internal documents, and conclude with our provisional assessment of all the evidence received so far.

Parties' submissions

- 5.53 The Parties submitted that self-supply is a credible option for a range of customers, in particular for Grocers and other large Retail customers.¹⁴⁰ The Parties provided evidence which shows that [10-20] of GXO's largest 20 Retail customers self-supply at least [0-5] of their dedicated warehouses,¹⁴¹ and also provided [40-50] examples of customers switching from 3PLs to self-supply for the period 2010 to 2025.¹⁴²
- 5.54 The Parties stated that there are no material switching costs for customers to switch from an incumbent 3PL to self-supply.¹⁴³ In support of this, the Parties submitted an analysis examining whether it would be cost effective for GXO's largest 20 Retail customers to self-supply in response to a SSNIP.¹⁴⁴ The Parties stated that this analysis shows that the costs of switching to self-supply are [X] lower than a 5% increase in the overall contract value, and that GXO's largest Retail customers would therefore be both willing and able to self-supply the large majority of operations that they currently outsource to GXO if this were necessary to avoid a SSNIP.¹⁴⁵
- 5.55 The Parties submitted that their margins are [X] low across their largest Retail customers (both Grocery and non-Grocery), and that the most plausible explanation for these low margins is that these customers are particularly well-placed to insource their logistics requirements if they so choose and that this provides an additional competitive threat to 3PLs.¹⁴⁶ We have considered the evidence on margins in Appendix D.

¹⁴⁰ [Parties' response to the Phase 1 Decision](#), 2 December 2024, paragraph 1.10(f). Parties' post-ISM proactive submission to the CMA, 5 January 2025, paragraph 1.5(a).

¹⁴¹ Frontier Economics, The competitive threat posed by insourcing and mixed sourcing – an updated submission prepared for the CMA, 14 January 2025, Annex A.

¹⁴² Parties' post-ISM proactive submission, dated 5 January 2025, Annex 004.6.

¹⁴³ FMN, paragraph 184.

¹⁴⁴ Parties, Issues Letter Response, 10 October 2024, paragraph R.39; and Annex 005.01 (Annex E).

¹⁴⁵ Frontier Economics, The competitive threat posed by insourcing and mixed sourcing – an updated submission prepared for the CMA, 14 January 2025, paragraphs 12-14 and 55.

¹⁴⁶ [Parties' response to the Phase 1 Decision](#), 2 December 2024, paragraph 7.21.

Evidence from third parties

- 5.56 We spoke to 16 Retail customers regarding the extent to which they self-supply, their rationale for doing so (including the relative costs and benefits of self-supply and outsourcing), and the extent to which they consider self-supply to be a competitive alternative to outsourced supply.¹⁴⁷ We also discussed the constraint from self-supply with industry consultants and competitors of the Parties.
- 5.57 Of the 16 Retail customers that we spoke to, the large majority (12 of 16, ie 75%) self-supply at least one of their dedicated warehouses,¹⁴⁸ whereas the remainder (25%) fully outsource their dedicated warehousing.¹⁴⁹
- 5.58 The evidence shows that dedicated warehousing is typically procured on an open book basis, under which the 3PL charges for its services using a management fee that is expressed as a percentage of the overall contract value.¹⁵⁰ We therefore understand that the main *cost* of outsourcing is the 3PL's management fee. There was some consistency of views across customers regarding the nature of the *benefits* of outsourcing (which either cannot be replicated or cannot be replicated to the same extent through self-supply). These benefits were also broadly consistent with evidence on the 3PL value proposition submitted by the Parties.¹⁵¹ The main benefits that customers identified were the following:
- (a) **Innovation and best practice.** Eight customers indicated that an important benefit of outsourcing is access to market-wide innovation and/or best practice that is acquired and developed by the 3PL during their engagement with multiple customers but which cannot be replicated if the customer is self-supplying.¹⁵² For example:
- (i) A Grocery customer told us that it chooses to outsource where it believes there is a competitive advantage to doing so, or where there is an expertise from a 3PL that brings innovation and development into the network.¹⁵³
- (ii) Another Grocery customer told us it can adopt best practices from outsourced sites and implement them in its insourced sites. While industry consultants can provide theoretical insights on potential improvements, 3PLs offer practical experience and a proven track record. Unlike consultants, 3PLs can demonstrate where they have successfully implemented processes, share tangible outcomes such as

¹⁴⁷ These customers were some of the largest retail customers of the Parties, including: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED] and [REDACTED].

¹⁴⁸ Third party call notes.

¹⁴⁹ Third party call notes.

¹⁵⁰ Third party call notes. Also, FMN, 5 September 2024, paragraph 14(e)(v).

¹⁵¹ Parties' post-ISM proactive submission to the CMA, 5 January 2025, paragraphs 1.3 and 2.1-2.23.

¹⁵² Third party call note. Third party internal document. Third party call notes.

¹⁵³ Third party call note.

actual cost savings, and provide a balanced view of the benefits and challenges. Moreover, 3PLs can arrange visits to other customer sites, allowing the customer to see these solutions in action. By implementing changes after another customer, the customer also benefits from the 3PL's initial learnings and avoid repeating the same mistakes.¹⁵⁴

- (iii) Another Grocery customer told us that one of the reasons for outsourcing part of its operation is that large 3PLs can offer expertise to the customer's network.¹⁵⁵ It also told us that 3PLs suggest unique innovation and ideas that industry consultants could not provide to the same extent, particularly because the customer can go and view potential innovations in-person at the 3PL's other customer sites. Outsourcing helps avoid the customer's logistics becoming insular.¹⁵⁶
- (iv) A non-Grocery customer told us that the management fee reflects GXO's knowledge and expertise, ie they are effectively paying a fee for knowledge that they do not have in-house.¹⁵⁷

(b) **Expertise in introducing and implementing change.** Four customers indicated that a benefit of outsourcing is expertise in introducing and implementing changes to existing arrangements.¹⁵⁸ For example, a non-Grocery customer told us that 3PLs add the most value when a site is being set up and in the early stages of its operation.¹⁵⁹ Another non-Grocery customer told us the main driver of its decision to outsource was that it did not feel it had the capabilities to drive strategic change internally and 3PLs had more experience modernising operations.¹⁶⁰ A Grocery customer told us that it is fully capable of self-supplying, especially for mature operations, however it would be unlikely to self-supply something undergoing radical change or implementation of a large project.¹⁶¹ This is consistent with evidence we have received on the importance of 3PLs having a track record and prior experience of implementing similar change programmes for other customers.

(c) **Risk allocation.** Three customers indicated that a benefit of outsourcing is that they can allocate some of the risks involved in their CLS operations to a third party.¹⁶² For example, a Grocery customer told us they can transfer implementation risk to 3PLs (both contractually and commercially) when the

¹⁵⁴ Third party call note.

¹⁵⁵ Third party call note.

¹⁵⁶ Third party call note.

¹⁵⁷ Third party call note.

¹⁵⁸ Third party internal document.

Third party call notes.

¹⁵⁹ Third party call note.

¹⁶⁰ Third party call note.

¹⁶¹ Third party call note.

¹⁶² Third party internal document. Third party call note. Third party internal document.

3PL is implementing new innovation at the customer's site, which would not be possible with self-supply or using a third-party consultant.¹⁶³ Another Grocery customer provided an internal document which shows that one of the benefits of outsourcing is day-to-day operational risk, as well as legal and liability risk.¹⁶⁴ An independent consultant also told us that if there is less competition in the CLS market, the main issue will not be price-related, but rather 3PLs' willingness to accept risk and accountability.¹⁶⁵

- (d) **Delegation and flexibility.** Three customers indicated that a benefit of outsourcing is delegating responsibility to a 3PL (including making it easier to scrutinise team performance) and/or more flexibility to grow or downsize if needed.¹⁶⁶ For example:
- (i) A Grocery customer told us that if there are issues with performance, a 3PL can better put pressure on the team who manage the warehouse and it can deploy additional resources to resolve the issues.¹⁶⁷
 - (ii) Another Grocery customer told us that 3PLs have networks of contacts that can potentially fill otherwise empty space in warehouses and that [redacted].¹⁶⁸
 - (iii) A competitor also told us that there has been a general trend towards more outsourcing, in part because 3PLs provide flexibility, bear some of the operational risk, and are accountable for performance.¹⁶⁹
 - (iv) However, we also note that the Parties provided evidence which shows that the [redacted] of the personnel sourced to provide temporary support to GXO's secondary dedicated warehouses are from labour agencies, rather than GXO staff.¹⁷⁰ The Parties stated that rival 3PLs and customers can and do directly procure staff from the same agencies.
- (e) **Other benefits.** Some customers also identified other benefits from outsourcing such as allowing the customer to focus on its core business, labour considerations and additional funding options. For example:
- (i) A Grocery customer told us that, although it could self-supply, it prefers to fully outsource to focus on its core business and keep its business model as simple as possible.¹⁷¹ Similarly, a non-Grocery customer told

¹⁶³ Third party call note.

¹⁶⁴ Third party internal document.

¹⁶⁵ Third party call note.

¹⁶⁶ Third party internal document. Third party call notes.

¹⁶⁷ Third party call note.

¹⁶⁸ Third party call note.

¹⁶⁹ Third party call note.

¹⁷⁰ Parties' post-CMA update call proactive submission to the CMA, 14 January 2025, paragraphs 1.7-1.8.

¹⁷¹ Third party call note.

us that while it could self-supply its logistics services, it is not its preferred option, noting that this would require investment in the capability and that doing so would slow the business down.¹⁷² It stated that self-supply is not part of its strategy and is not currently being looked at.

- (ii) A Grocery customer told us that some 3PLs have newer or different agreements in place with trade unions,¹⁷³ and another Grocery customer stated that it would be costly to switch an outsourced operation in-house due to differences in costs of employment and contract terms.¹⁷⁴ Two other Grocery customers also mentioned labour issues, in particular, related to relationships with trade unions ([redacted]) and being part of a [redacted] ([redacted]).¹⁷⁵
- (iii) A non-Grocery customer provided an internal document that describes some of the benefits of outsourcing as 'funding options and ability to make more costs variable' and 'free up capital within the business (ie property, systems etc) to allocate to core focus of the business'.¹⁷⁶

5.59 In deciding whether to self-supply or outsource, we therefore understand that customers are ultimately trading off the management fee (the cost of outsourcing) against the perceived benefits of outsourcing listed above.¹⁷⁷ Some customers expressed strong views regarding whether self-supply is a close alternative to outsourcing (both for and against):

- (a) A Grocery customer told us that, although it currently outsources all its warehouses, it was capable of insourcing its logistics (in part due to owning all its assets) and indicated that it has significant internal expertise and knowledge of logistics.¹⁷⁸
- (b) Another Grocery customer told us it typically operates its warehousing in-house; [redacted].¹⁷⁹
- (c) Another Grocery customer told us it sees distinct advantages in maintaining a mix of both insourced and outsourced operations which allows it to adopt best practices from outsourced sites and implement them in its insourced

¹⁷² Third party call note.

¹⁷³ Third party call note.

¹⁷⁴ Third party call note.

¹⁷⁵ Third party call notes.

¹⁷⁶ Third party internal document.

¹⁷⁷ A non-Grocery customer told us that the management fee reflects GXO's knowledge and expertise, i.e. they are effectively paying a fee for knowledge that they do not have in-house. Third party call note. A Grocery customer told us, for open book contracts, the main difference of outsourcing (relative to insourcing) is the management fee, and the customer requires the 3PL to justify this fee, often asking the 3PL to self-fund its management fee via cost savings. Third party call note.

¹⁷⁸ Third party call note.

¹⁷⁹ Third party call note.

sites.¹⁸⁰ It considers that building in-house capacity would be a significant distraction, particularly [redacted],¹⁸¹ such that [redacted].¹⁸² Therefore, [redacted].¹⁸³

5.60 Most customers had mixed views regarding the constraint of self-supply on outsourcing. Some considered self-supply to be a realistic option for some sites (eg mature sites), but not others (eg new sites or those undergoing change). Several customers indicated that they would not want to change their current insourcing/outsourcing mix, particularly given the risks involved in bringing outsourced sites in-house and the benefits of outsourcing. For example:

- (a) A Grocery customer told us that self-supply is currently a realistic option, and for this reason it often uses it as leverage in negotiations with 3PLs, eg regarding the nominal management fee.¹⁸⁴ If the customer is not satisfied with the services being offered by a 3PL, it always has the option of shifting its logistic operations in-house but would prefer not to.¹⁸⁵ This is because transitioning between insourcing and outsourcing (or vice versa) is inherently disruptive and carries potential risks. [redacted]. Without a substantial and tangible reason to alter its current insourcing/outsourcing mix, the customer believes its existing approach remains the most effective strategy for its business.¹⁸⁶
- (b) Another Grocery customer told us that it always compares 3PL tender responses against its in-house solution as if it was a bid in its own right, with the 'cost per case' being the fundamental measure for comparison.¹⁸⁷ However, although the customer told us that it is fully capable of self-supply, especially for mature operations, it would be unlikely to insource something undergoing radical change or involving implementation of a large project.¹⁸⁸
- (c) Another Grocery customer told us it does not expect to change its mix of insourcing and outsourcing in the next three years. It could self-supply its fulfilment centre if it had to, but it would not be cost effective.¹⁸⁹ The customer would consider self-supply more if there were significant negative effects from just having one supplier post-Merger.¹⁹⁰
- (d) Another Grocery customer told us that insourcing decisions are made on a case-by-case basis.¹⁹¹ However, it also told us 3PLs suggest unique innovation and ideas, that industry consultants couldn't provide to the same

¹⁸⁰ Third party call note.

¹⁸¹ Third party call note.

¹⁸² Third party call note.

¹⁸³ Third party call note.

¹⁸⁴ Third party call note.

¹⁸⁵ Third party call note.

¹⁸⁶ Third party call note.

¹⁸⁷ Third party call note.

¹⁸⁸ Third party call note.

¹⁸⁹ Third party call note.

¹⁹⁰ Third party call note.

¹⁹¹ Third party call note.

extent, particularly including in-person visits to see potential innovations and in terms of the 3PL carrying more implementation risk (both contractually and commercially).¹⁹²

- (e) [X] told us that self-supply is not a very serious consideration for a new distribution centre that it is looking to open.¹⁹³ Furthermore, for its outsourced sites, self-supply of warehousing has not been considered as a viable alternative.¹⁹⁴
- (f) A non-Grocery customer told us that within the wider [X] Group there is sufficient know-how and expertise to take their logistics operations in-house if needed, but this would involve taking on significant risks, and self-supply would be 'sub-optimal'.¹⁹⁵
- (g) An industry consultant also told us that whether a customer decides to insource or outsource tends to be a strategic decision and this decision is usually taken before going out to tender.¹⁹⁶

5.61 Some customers also highlighted the costs of switching to self-supply. We provide some examples below, although we note that the Parties have also provided their own detailed estimates of these switching costs, and we have considered this evidence in further detail in Appendix C.

- (a) A Grocery customer told us that if it wanted to insource all its warehouses, it would need to hire at least 100 additional staff, and it would probably require one year or more to find and recruit the right people. Further, it would be difficult to attract staff from 3PLs as they have a preference to move between customers and industries to advance their careers.¹⁹⁷
- (b) Another Grocery customer told us the cost to switch to self-supply is fairly low, but the disruption would be significant since it is a six to twelve-month process. The customer would need to build up colleague and leadership experience, as well as handle any TUPE considerations.¹⁹⁸
- (c) A non-Grocery customer told us that it would be a large project to switch back to self-supply, but not a major challenge. However, hiring experienced senior staff, such as GXO's 'contract evolution team', would be costly as they are not covered by the TUPE.¹⁹⁹

¹⁹² Third party call note.

¹⁹³ Third party call note.

¹⁹⁴ Third party call note.

¹⁹⁵ Third party call note.

¹⁹⁶ Third party call note.

¹⁹⁷ Third party call note.

¹⁹⁸ Third party call note.

¹⁹⁹ Third party call note.

- 5.62 We also explored with customers whether they would switch to self-supply in response to a hypothetical price rise from 3PLs, and/or under what circumstances they would consider switching. Customers found this question difficult to answer in general, noting that 3PL performance is a combination of price and service quality, and many customers consider that there are additional benefits to outsourcing that cannot be replicated through self-supply. For example:
- (a) A Grocery customer told us it would consider self-supply to be more likely (or attractive) if the value created by 3PLs diminishes, or if 3PLs started increasing management fees.²⁰⁰ The customer told us taking outsourced sites inhouse is not something it is planning today, but if it became necessary to add a competitive edge, the customer would consider it.²⁰¹
 - (b) Another Grocery customer told us it does not have a specific financial threshold at which it would consider self-supply, as it currently lacks the capacity to manage all operations in-house.²⁰² The customer told us that transitioning between insourcing and outsourcing (or vice versa) is inherently disruptive and carries significant risks. To undertake such a change, the customer would need a clear and compelling reason that justifies the associated risks and operational upheaval.²⁰³ Insourcing would demand significant resources and is not a practical solution for the customer at this time.²⁰⁴
 - (c) Another Grocery customer told us it would likely have to accept a 5% price rise by 3PLs. It would start thinking about self-supply but it would not switch to self-supply as this would be a very big cultural shift: additional employees would need to be hired and capabilities would need to be built. The customer stated that it does not use insourcing as an explicit bargaining chip in negotiations with 3PLs, although it considers that implicitly 3PLs are more worried about customers insourcing, which removes business opportunities from the market in the future, rather than losing business to other 3PLs.²⁰⁵
- 5.63 As discussed in Appendix C, the Parties have provided examples of customers switching from outsourcing to self-supply.²⁰⁶ Based on the Parties' data, and our discussions with third parties, we understand that there are no recent examples of switches from outsourcing to self-supply for Grocery customers (for contracts above £10 million per year). Further, the two older Grocery switches in the Parties' data appear to have been driven by broader strategic decisions. Of the non-Grocery examples provided by the Parties, we recognise that there are some

²⁰⁰ Third party call note.

²⁰¹ Third party call note.

²⁰² Third party call note.

²⁰³ Third party call note.

²⁰⁴ Third party call note.

²⁰⁵ Third party call note.

²⁰⁶ Parties' post-ISM proactive submission, dated 5 January 2025, Annex 004.6.

instances in which the customer decided to insource despite a proposed solution from GXO. However, several of the examples appear to reflect strategic decisions, and we have not so far received evidence from customers of recent examples in which a like-for-like decision was made to switch to self-supply. This is consistent with evidence provided by a competitor, which stated that once a customer has outsourced they were generally unlikely to re-insource, and that the only example it can think of where a customer switched from using a 3PL to self-supply was Marks & Spencer, although this was done through the acquisition of Gist, rather than actively bringing the activity in-house.²⁰⁷

- 5.64 We recognise that for most customers and contracts the choice will not be a binary one between self-supplying all dedicated warehouses or outsourcing them all, but between whether to self-supply the particular warehouse or warehouses that are subject to a tender at a particular point in time. It might be argued that a customer could retain many of the benefits of outsourcing provided that at least some warehouses remain outsourced, but could still use self-supply to mitigate or avoid adverse effects from the Merger. The variety of views on outsourcing suggests that the proportion of warehouses that a customer must outsource to capture the benefits of outsourcing are likely to vary between customers, and we have also heard that the benefits of outsourcing for a customer can be more significant for some projects than others. The evidence so far therefore indicates that some customers would be worse off if they were required to change their self-supply/outsourcing mix as a result of the Merger (even if some warehouses remain outsourced).

Evidence from internal documents

The Parties submitted that their internal documents show considerable evidence of self-supply as imposing a direct competitive constraint. They supported this with examples demonstrating instances where they considered self-supply to be a competitor or where inhouse performance was seen to be particularly strong.²⁰⁸

- 5.66 There are some internal documents that indicate self-supply imposes a competitive constraint on the Parties. For example:
- (a) One Wincanton document specifically lists ‘in-house’ alongside a number of other 3PLs as competitors in the high street retail and home and DIY sectors.²⁰⁹ Another Wincanton document notes that ‘in-house’ is a key

²⁰⁷ Third party call note. Third party response to the CMA questionnaire dated 5 September 2024.

²⁰⁸ Parties, Issues Letter Response, 10 October 2024, paragraph R.37. The Parties subsequently submitted a section in their response to the Phase 1 Decision titled ‘internal documents demonstrate constraint from insourcing and many 3PLs’. However, this section does not provide any further examples of internal documents that demonstrate the constraint from insourcing and focuses on the constraint posed by other 3PLs. [Parties’ response to the Phase 1 Decision](#), 2 December 2024, paragraphs 8.1-8.5.

²⁰⁹ Wincanton’s Internal Document.

competitor in warehousing and notes that in-house operations can be hard to break into and [REDACTED].²¹⁰

- (b) Internal documents also identify examples where Wincanton lost a contract because the customer decided to self-supply,²¹¹ and where a customer indicated that it would be prepared to self-supply if GXO did not improve its offering by the time of the next tender.²¹²
- (c) A Wincanton document notes that Wincanton is competing with the customer's in-house solution which is run by a team of experienced logistics professionals. However, the document also notes that, should Wincanton be unable to agree terms with the customer, Wincanton expects that the customer will eventually go to tender as it lacks the necessary 'bandwidth' to deliver the desired change in-house.²¹³

5.67 However, there are other internal documents which indicate that self-supply, at least in some situations, is a weaker constraint due to the advantages the Parties have over self-supply:

- (a) A GXO document which identifies key logistics trends and their expected impact on third-party logistics, states that [REDACTED].²¹⁴
- (b) Another document indicates that GXO [REDACTED] self-supply, noting that it is [REDACTED].²¹⁵
- (c) A third-party market study prepared for GXO lists a number of trends, such as supply chain complexity and automation [REDACTED] in the next years which are expected to [REDACTED].²¹⁶
- (d) A Wincanton document notes that once customers' needs reach a certain level of complexity it may be necessary to outsource at least the majority of their logistics operations. Therefore, for the majority of customers, returning to self-supplying might not be a viable option.²¹⁷

5.68 We also requested internal bidding documents from GXO to assess whether there is evidence on the competitive constraint from insourcing (and other 3PLs) in specific tenders. In particular, we requested the final project 'kick off' presentation for the ten most recent Retail business opportunities that GXO has participated in with an annual contract value of £10 million or more.²¹⁸ However, these

²¹⁰ Wincanton's Internal Document.

²¹¹ Wincanton's Internal Document. [REDACTED].

²¹² GXO's Internal Document.

²¹³ Wincanton's Internal Document.

²¹⁴ GXO's Internal Document.

²¹⁵ GXO's Internal Document.

²¹⁶ GXO's Internal Document.

²¹⁷ Wincanton's Internal Document.

²¹⁸ GXO's response to the CMA's s109 notice 2 dated 13 December 2024, question 2.

documents contained limited information on either insourcing or competitive constraints more generally. In one tender ([REDACTED]), 'in-house' is mentioned alongside [REDACTED] as a key competitor,²¹⁹ whereas in another ([REDACTED]) it appears that the customer is only considering outsourced options.²²⁰

Our provisional view of the evidence on self-supply

- 5.69 We have set out above the evidence we have received on the constraint from self-supply from the Parties' submissions, third parties, and internal documents. Further analysis is provided in Appendix C.
- 5.70 Our current view is that there is a significant degree of consensus amongst customers (and the Parties) regarding the main costs and benefits of outsourcing, particularly access to innovation and market-wide best practice, and expertise in implementing change. However, there were a wider variety of views regarding the balance between the costs and benefits of outsourcing, and the extent to which these benefits could be replicated through self-supply.
- 5.71 Our provisional view is that the degree of substitutability between insourcing and outsourcing varies both between and within customers, depending on 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 procurement exercise (eg whether it is for the implementation of a new project or a mature warehouse). Even the same customer may consider self-supply to be a close substitute to outsourcing for some contracts, but not others.
- 5.72 Overall, the evidence we have received so far indicates that there are circumstances in which customers do not consider self-supply to be a close substitute to outsourcing (as well as some customers who do consider it a close substitute). Several customers told us that there are important benefits to outsourcing that cannot be fully replicated in-house, and in these cases, self-supply is not generally viewed as a credible alternative in procurement exercises. Some other customers consider that self-supply is an alternative to outsourcing in general, but less so in specific instances, such as when setting up a new warehouse or implementing a wider change in their logistics arrangements.
- 5.73 The Parties have submitted that switching costs are sufficiently low that Grocers and other large Retail customers would have an incentive to switch to self-supply to prevent a price rise post-Merger. We have analysed these submissions in detail in Appendix C. Our current view is that whilst the evidence on switching costs (and the relative efficiency of insourced and outsourced warehouses) is informative, there are certain benefits of outsourcing that are inherently difficult to capture in an

²¹⁹ GXO' response to the CMA's s109 notice 2 dated 13 December 2024, Annex 16.

²²⁰ GXO' response to the CMA's s109 notice 2 dated 13 December 2024, Annex 19.

economic model. This includes access to innovation and market-wide best practices that 3PLs provide (which benefit not only the outsourced warehouses, but also those that are currently insourced), as well as the delegation of risk and accountability to a third-party. Whilst the Parties' economic modelling provides a useful cross-check on the (mostly qualitative) third-party evidence, it does not robustly establish that customers have the incentive to switch to insourcing to prevent a degradation in price or quality post-Merger.

5.74 The Parties have also submitted that the low margins they achieve for supplying Grocers and other large Retail customers is further evidence of the strong competitive constraint from insourcing. We consider this evidence in Appendix D. Our provisional view is that there are many factors that affect contract-level margins, and as a result, there is significant variation in margins even between different Grocery customers and different contracts for the same customer. We consider that there are important factors which influence margins that remain unexplained, and we have not identified a clear relationship between the threat of insourcing and margins.

5.75 Overall, we consider that while self-supply poses a competitive constraint on the Parties for some customers and tenders, there are other circumstances in which self-supply is not a close substitute to 3PLs given the range of benefits associated with outsourcing which cannot be replicated or fully replicated by self-supply by some customers. In our assessment of countervailing factors, we have considered the list of warehousing contracts that could come up for tender within the next 2-3 years, as well as the extent to which customers could increase the threat of insourcing post-Merger. We have not so far received evidence that customers could materially increase the threat of self-supply to mitigate the loss of competition resulting from the Merger (see Chapter 6).

Provisional conclusion on TOH 3 (dedicated warehousing)

5.76 The evidence from our bidding analysis, customers, competitors and industry consultants consistently shows that the Parties compete closely in the supply of dedicated warehousing. Alongside DHL, the Parties are two of the three most successful suppliers to Retail customers, and the only suppliers with a successful and sustained record of winning the very largest contracts.²²¹ As recognised by the Parties, these three suppliers currently account for all of the major outsourced dedicating warehousing for Grocery customers.

5.77 We have explored the drivers of these market outcomes with third parties, including consideration of potential entry and expansion (for which our analysis is set out in Chapter 6 below). Our provisional view is that a key factor is the

²²¹ Further, as shown in Appendix A, our share of supply estimates show that the Merged Entity would be by far the largest supplier of warehousing services (shared and dedicated) to Retail customers.

preference amongst customers for 3PLs with a strong track record in the relevant sector. This is particularly the case for Grocers, whose warehouses store and process a wide range of products (including perishable goods that must be delivered within tight timeframes to multiple stores), who are risk averse in their choice of supplier. The evidence shows that this preference for 3PLs with a strong track record in the relevant sector creates a material barrier to entry for those suppliers that have not already developed a credible UK track record.

- 5.78 A central question in our competitive assessment is the extent to which 3PLs are constrained by the threat from self-supply, particularly in the Grocery segment where competition from other 3PLs is more limited. The Parties have submitted that self-supply is a strong and ever-present constraint, as evidenced by: (i) the fact that the majority of Grocery and other large Retail customers self-supply in practice, (ii) previous examples of customers switching from 3PLs to self-supply, and (iii) the costs of switching to self-supply being sufficiently low which indicates that customers would have an incentive to switch rather than accept a price rise by 3PLs.
- 5.79 We have engaged in detail with the Parties' submissions on these points, including their economic modelling (see Appendix C for details), and we have discussed this in detail with third parties, including follow-up calls with several Grocers to probe the evidence they provided on self-supply. Our provisional conclusion is that there is general consistency across the views held by third parties regarding the nature of the costs and benefits of outsourcing; in particular, many customers of 3PLs have emphasised that 3PLs provide valuable access to innovations and market-wide best practice, which can then be applied across both their insourced and outsourced warehouses, as well as expertise and experience in introducing and implementing changes, neither of which they can replicate themselves through self-supply.
- 5.80 However, there was a wider variety of views regarding the relative size of the costs and benefits of outsourcing, and the extent to which these benefits could be replicated through self-supply. Our provisional view is that the degree of substitutability between self-supply and outsourcing 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 specific nature of each procurement. Overall, the evidence we have received so far indicates that there are some customers who consider that self-supply is not an adequate substitute for outsourced warehouses, either in general or in specific tenders. We consider that even if these customers could switch to self-supply in order to mitigate an adverse effect of the Merger, they would be worse off as a result as they would very likely lose some of the benefits from outsourcing outlined above (even if they were still to retain other outsourced dedicated warehouses).

- 5.81 Accordingly, by removing the constraint that GXO and Wincanton exert on each other, our provisional view is that the Merger would lead to a significant reduction in competition in the supply of dedicated warehousing. We have given careful consideration to the question as to whether this impact would be limited to Grocery customers only or extend more widely to other Retail customers. Based on the evidence received so far, our current view is that the impact of the Merger would be most significant for Grocery customers: the current set of 3PLs competing for such tenders is limited to the Parties and DHL, and five Grocers expressed concern about the impact of the Merger. Even with the constraint from self-supply, the Merger would result in a significant worsening of the alternatives available to Grocery customers in general.
- 5.82 In the non-Grocery (Retail) segment, there is a wider set of 3PLs successfully competing for dedicated warehousing tenders, and only two customers expressed negative views to us regarding the impact of the Merger (albeit others expressed mixed views). Further, we consider that several competitors have expansion plans outside the Grocery segment, whereas we have seen no evidence of such plans in Grocery, which is consistent with the evidence we have received which indicates that barriers to entry are higher for this segment. Whilst we recognise that the Parties are two of the leading suppliers for non-Grocery Retail customers, our current view is that there are sufficiently strong competitive alternatives such that the Merger would not be expected to result in an SLC for this group of customers. However, we consider that the evidence overall is finely balanced for this segment (ie non-Grocery Retail customers) and we welcome further evidence from interested parties.
- 5.83 On the basis of the above, our provisional view is therefore that the Merger would lead to an SLC in the supply of dedicated warehousing to Grocery customers in the UK.

6. COUNTERVAILING FACTORS

- 6.1 In some instances, there may be countervailing factors that prevent or mitigate any SLC arising from a merger. We assess below the different ways in which this could occur (either individually or in combination): (i) entry and/or expansion of third parties in reaction to the effects of the Merger, (ii) customers increasing the constraint from self-supply, or (iii) through merger efficiencies.

Entry and expansion

Framework for assessing entry and expansion

- 6.2 As set out in the MAGs, we have used the following framework to determine whether entry or expansion would prevent an SLC. The entry or expansion must be:
- (a) timely;
 - (b) likely; and
 - (c) sufficient to prevent an SLC.
- 6.3 These conditions are cumulative and must be satisfied simultaneously.²²²
- 6.4 In order to reach a view on the timeliness, likelihood and sufficiency of future entry and expansion, we first consider the Parties' submissions and then the evidence on barriers to entry and expansion (with a focus on the supply of dedicated warehousing to Retail customers, particularly Grocers). Finally, we assess each of the three conditions in detail. In this case, we consider that it is helpful to first consider whether entry or expansion would be likely, and then the timeliness and sufficiency of such entry or expansion.

Parties' submissions

- 6.5 The Parties submitted that barriers to entry are low in the supply of Mainstream CLS, including for the supply of dedicated warehousing to Grocery and other large Retail customers. With reference to the specific barriers to entry discussed in the CMA's Phase 1 Decision, the Parties stated that:
- (a) Track record: Whilst track record and reputation are clearly important competitive parameters, recent examples of successful entry show that 3PLs can win business by leveraging their expertise from adjacent product markets (such as XPO and Culina in transport) and adjacent geographic markets

²²² [CMA129](#), paragraphs 8.31-8.32.

(such as CEVA and ID Logistics in mainland Europe). The Parties also stated that Retail customers with multiple warehouses also have the option of testing out new 3PLs with a subset of their operations.²²³

- (b) Size and scale: TUPE obligations, high levels of customer asset ownership and the modularity of large Retail customers' needs minimise the relevance of a 3PL's size. This is the case for dedicated warehousing specifically, as the facilities and technology (such as the warehouse management system (**WMS**)) are typically customer owned or leased. The Parties also provided evidence to demonstrate that both the level of CAPEX and short-term staff (to cover demand fluctuations) provided by 3PLs are very limited in practice, such that size and scale do not constitute material barriers to entry.²²⁴

6.6 The Parties stated that the lack of any material barriers to entry is evidence by the recent successful entry of Maersk, Arvato, Beckmann and ID Logistics into Retail CLS. The Parties provided evidence showing that each of these providers have successfully competed for large Retail CLS contracts in recent years, including Samsung and ASOS (Maersk), Hugo Boss and Uniqlo (Arvato), Superdry and Amazon (Bleckmann), and Inditex (ID Logistics). The Parties submitted that in many of these instances, these new entrants [✂].²²⁵

6.7 Regarding Grocers specifically, the Parties submitted that the limited 3PL competitor set for this group of customers is not driven by material barriers to entry, but rather due to factors which currently limit a Grocer's incentive to consider other 3PLs – namely, that competition among three 3PLs (ie GXO, Wincanton and DHL) is sufficient to deliver favourable pricing and terms and high levels of service.²²⁶ The Parties stated that Grocers are highly sophisticated and powerful purchasers of CLS services, who have various strategies to encourage and/or sponsor new entry and expansion (as Iceland did with GXO in 2016). Post-Transaction, 3PLs who already have a Grocery foothold (eg Culina Group and XPO) and/or established 3PLs with international Grocery Retail experience (eg CEVA) would be well placed to expand further.²²⁷

Our assessment

6.8 As set out in the MAGs, we have gathered evidence on both whether rivals have plans to enter or expand irrespective of whether the Merger proceeds, and

²²³ [Parties' response to the Phase 1 Decision](#), 2 December 2024, paragraphs 6.9-6.10.

²²⁴ Parties' post-CMA update call proactive submission to the CMA, 14 January 2025, paragraphs 3.1-3.10. [Parties' response to the Phase 1 Decision](#), 2 December 2024, paragraph 6.14.

²²⁵ [Parties' response to the Phase 1 Decision](#), 2 December 2024, paragraphs 3.43, 6.17-6.21.

²²⁶ [Parties' response to the Phase 1 Decision](#), 2 December 2024, paragraphs 5.2.

²²⁷ [Parties' response to the Phase 1 Decision](#), 2 December 2024, paragraph 1.6.

whether entry or expansion of third parties would occur in reaction to the Merger.²²⁸

- 6.9 Our assessment is based on evidence from a range of sources, including the Parties' submissions, calls with customers, competitors and industry consultants and internal documents (both from the Parties and from third parties). We note that our evidence includes responses from seven competitors to a formal request for information, asking for their most recent business strategy document(s) for the supply of Mainstream CLS in the UK, covering their growth plans or projections over the next three to five years.

Barriers to entry and expansion

- 6.10 Potential or actual competitors may encounter barriers which reduce or even severely hamper their ability to enter or expand in the market.²²⁹ Barriers to entry and expansion are specific features of the market that give incumbent firms advantages over potential competitors. Barriers to entry and expansion hinder the ability of potential entrants or firms looking to expand to constrain the exercise of market power by incumbents. We set out evidence on specific barriers to entry and expansion below.

Experience and track record

- 6.11 When we asked customers how they evaluated offers from 3PLs in procurement exercises in which the Parties took part, they told us that experience and track record are crucial factors in determining the success of 3PLs.²³⁰ In particular, as acknowledged by the Parties, we understand that Grocers have a particularly low tolerance for failure, as delays to the delivery of food products to a supermarket will narrow the window in which the Grocer can sell these goods before they spoil.²³¹ We consider that, as a result, customers (particularly Grocers) tend to be risk averse and have a strong preference for 3PLs with prior UK-specific experience in the same sector, and in managing operations of similar size and complexity as their own. For example:
- (a) Some third parties stated that Grocers would not consider awarding larger contracts to providers without an adequate track record.
 - (i) A Grocery customer told us that it would not consider awarding major contracts to providers who do not have the required size, capability,

²²⁸ [CMA129](#), paragraph 8.28.

²²⁹ [CMA129](#), paragraph 8.40.

²³⁰ Third party call notes.

²³¹ [Parties' response to the Phase 1 Decision](#), 2 December 2024, paragraph 5.12(b).

scale or track record as [redacted] and the business risks with such a strategy would be too high.²³²

- (ii) Another Grocery customer told us that to seriously consider a smaller 3PL, the customer would want to see a track record of similar delivery and operation to the customer's size. The 3PL would need to demonstrate that it has managed similar types of operations before and therefore is able to provide the service required in order to mitigate business risk to the customer.²³³ The customer also stated that although [redacted] has extensive grocery experience in France and continental Europe, it declined the customer's invitation for a warehousing tender in 2022 on the grounds that it did not have the relevant capabilities in the UK.²³⁴
 - (iii) A competitor stated that customers in the UK tend to be more risk averse and value UK track record and experience in selection of 3PLs. Especially customers with dedicated logistics requirements (eg dedicated warehousing) would want 3PLs who are able to demonstrate UK-specific capabilities.²³⁵
- (b) Third parties also told us that they want to see relevant references or case studies from the UK and their procurement exercise may include site visits:²³⁶
- (i) A Grocery customer noted that a recent procurement exercise included a site visit at one of the 3PL's sites in the UK which demonstrated its capabilities.²³⁷
 - (ii) A non-Grocery Retail customer told us that when choosing a 3PL, European (non-UK) experience would be relevant, but it would need to understand their UK set up. It would still be considered a big risk to their business if the supplier did not have a strong UK business.²³⁸
 - (iii) Another non-Grocery Retail customer told us that it considers a 3PL ([redacted]) as having insufficient capabilities in the UK, although it uses this 3PL for its business in other parts of Europe.²³⁹

²³² Third party call note.

²³³ Third party call note.

²³⁴ Third party call note.

²³⁵ Third party call note.

²³⁶ Third party call note.

²³⁷ Third party call note.

²³⁸ Third party call note.

²³⁹ Third party call note.

- (iv) An industry consultant stated that GXO, Wincanton and DHL are the only 3PLs that can compete for large Retail warehousing contracts, as they are the only 3PLs with the relevant experience and track record.²⁴⁰

- 6.12 Some competitors also considered a lack of experience (or references/case studies) to be a barrier or key challenge to entering or expanding ([REDACTED], [REDACTED], [REDACTED]). One competitor stated that it takes several years to build relationships and reputation in order to be invited to tender, and noted that the larger a contract, the more likely references become a prerequisite.²⁴¹
- 6.13 We note that two competitors did not identify references to be a material barrier to entry or expansion, even within the Grocery segment. One of the two stated that it would be 'pretty easy' to operate a Grocer's warehouse if it wanted to.²⁴² The other does not consider that there are any particular barriers to entry or expansion within any segments of Mainstream CLS.²⁴³ However, we note that we received an internal document from one of the two competitors which analyses CLS in the Grocery segment. This internal document considers the key decision-making factors when selecting a 3PL, and lists 'track record and pedigree in the sector' [REDACTED] 'primary selection factors'.²⁴⁴
- 6.14 The evidence above indicates that prior UK-specific experience and a track record in the same sector, and in managing customer logistics operations of similar size and complexity in the UK are prevalent requirements across Retail and Grocery customers. There is also some evidence that customers attach a higher weight to this criterion when they evaluate offers from 3PLs for larger contracts.
- 6.15 Based on the feedback received from customers, we understand that there is generally a degree of willingness on the part of customers to speak to and potentially consider other 3PLs.²⁴⁵ However, from the information customers provided, we identified only limited evidence from Grocery customers in particular of actually involving 3PLs other than GXO, Wincanton and DHL in previous procurement exercises, and in some cases other 3PLs declined to participate.²⁴⁶
- 6.16 Based on the evidence set out above, we therefore currently consider that customer preferences for 3PLs with relevant track record and experience constitute a material barrier to entry and expansion in the supply of dedicated warehousing services, particularly in the Grocery segment.

²⁴⁰ Third party call note.

²⁴¹ Third party call note.

²⁴² Third party call note.

²⁴³ Third party call note.

²⁴⁴ Third party internal document.

²⁴⁵ See for instance: Third party call note.

²⁴⁶ [REDACTED]: a smaller 3PL declined to participate. Third party call note. [REDACTED]: a smaller 3PL declined to participate due to lack of UK capabilities. Third party call note. See also a non-Grocery customer: [REDACTED] declined to participate. Third party call note.

Other barriers to entry and expansion

- 6.17 We have considered whether other parameters of competition over which 3PLs compete to win dedicated warehousing contracts could constitute barriers to entry or expansion. As set out in the discussion of self-supply (Chapter 5 above), there are several parameters that are important to the process of competition amongst 3PLs; for instance, access to market-wide innovation and best practice, and the ability to accept contractual and commercial risks from the customer. We have not received evidence that these factors in themselves constitute barriers to entry, although we note that suppliers with a strong track record in the relevant sector (ie with a significant existing relevant customer base) may have greater access to market-wide innovations and best practice, including practical experience of implementing such innovations.
- 6.18 We have received only limited evidence of financial barriers which may be related to 3PLs' ability to invest. This is particularly the case in dedicated warehousing for Grocery customers, in which the customers typically own the relevant assets.²⁴⁷ In this regard, the Parties submitted that capital expenditure and temporary staff movements between GXO's dedicated sites are limited in dedicated warehousing contracts.²⁴⁸ We have received some feedback from third parties that 3PLs may face different input costs,²⁴⁹ and that the scale of a 3PL's operations may bring benefits in relation to their ability to offer more flexibility to customers (eg, the ability to rent spare capacity to other customers or to add capacity to accommodate peaks in demand).²⁵⁰ However, considering the evidence in the round, we currently do not consider scale to be a significant competitive advantage in supplying dedicated warehousing services, in particular for Grocery customers.
- 6.19 Based on the limited strength of the evidence we have received at this stage of our investigation, we provisionally conclude that there are no other material barriers to entry and expansion other than experience and track record, as set out above.

Previous instances of entry and expansion

- 6.20 We have also considered the past record of 3PL entry and expansion in the UK, including the supply of dedicated warehousing to Retail customers.
- 6.21 The Parties have provided evidence that several 3PLs have recently entered or expanded in the supply of dedicated warehousing, including competitors such as ID Logistics, Arvato and Bleckmann.²⁵¹ We recognise these examples, and note that these suppliers have competed successfully [§] in some tenders for Retail

²⁴⁷ [Parties' response to the Phase 1 Decision](#), 2 December 2024, paragraph 3.34.

²⁴⁸ Parties' post-ISM proactive submission to the CMA, 5 January 2025, page 25. Parties' post-CMA update call proactive submission to the CMA, 14 January 2025, Annex 1.

²⁴⁹ See for instance: Third party call notes.

²⁵⁰ Third party call note.

²⁵¹ Parties' post-CMA update call proactive submission to the CMA, 14 January 2025, paragraph 2.12.

customers. We also note however that many third parties (including one Grocery customer) have told us that there has been significant consolidation in the CLS market overall, and that the set of credible suppliers has become more limited over time.²⁵²

- 6.22 Regarding the supply of dedicated warehousing to Grocery customers specifically, we consider that the extent of entry or expansion has been very limited. The Parties submitted that GXO successfully entered this segment, despite the lack of a previous track record. We note, however, that this is a single example which occurred approximately eight years ago (in 2016). We also note that GXO was a spin-off from XPO, and we have heard mixed evidence as to whether GXO was regarded as a ‘new entrant’ at the time. One Grocery customer for example stated that GXO’s Board members have been active in the UK under different brands for 20 to 30 years, and so GXO (or its constituent parts) has in fact been around a lot longer than eight years.²⁵³

Likelihood, timeliness and sufficiency of entry/expansion

Likelihood

- 6.23 The MAGs state that in considering whether any potential rivals will enter or existing rivals will expand in response to a merger, the CMA must be satisfied that the rivals will have both the ability and incentive to do so. In doing so, we have considered competitors’ plans regarding entry and expansion, as well as the scale of the barriers to entry or expansion discussed above.²⁵⁴
- 6.24 We have spoken to six competitors during our Phase 2 investigation,²⁵⁵ and reviewed the latest strategic plans (including UK growth plans and projections) from seven responses to our formal information request.²⁵⁶ Whilst these documents indicate that several competitors have general ambitions to grow overall and to expand in various other CLS segments in the UK,²⁵⁷ they do not indicate any concrete plans relating to the supply of dedicated warehousing to Retail customers, or Grocery customers in particular. When we asked these 3PLs about their interest in the Grocery segment, none of them excluded the possibility of entering or expanding, and one of these 3PLs, told us that it is confident of getting into a position to bid for larger contracts in three to four years’ time.²⁵⁸

²⁵² See for instance: Third party call notes. A Wincanton board document appears to confirm this; it mentions [REDACTED].

²⁵³ Third party call note.

²⁵⁴ [CMA129](#), paragraph 8.35.

²⁵⁵ [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED] and [REDACTED].

²⁵⁶ [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED] and [REDACTED].

²⁵⁷ See for instance: Third party response to the CMA’s s109 notice dated 19 December 2024. Third party response to the CMA’s s109 notice dated 19 December 2024.

²⁵⁸ Third party call note.

However, the internal documents we have received indicate that for this and other competitors, the Grocery segment is not a priority in the next few years:

- (a) For [X], an internal document (prepared around 6 months after the announcement of the Merger) states that ‘food retail’ is not a ‘core target vertical’, although it would be considered on a case-by-case basis noting that margins are ‘very low’;²⁵⁹
- (b) An internal document of another competitor (prepared before the announcement of the Merger) mentions that it should focus on its core transport strength in Groceries, with large supplier inbound contracts being a major focus for growth;²⁶⁰
- (c) An internal document of another competitor (prepared around three months after the announcement of the Merger) states ‘Sub-sectors to avoid: Big Grocery & Chill’.²⁶¹

6.25 We have also seen no evidence in the competitor documents or calls of any detailed consideration of the profitability of entry or expansion into dedicated warehousing (for Retail or Grocery customers specifically) including in response to the Merger.²⁶² Consistent with the Parties’ submissions on the margins they earn from their large retail customers, we have received evidence from some third parties that margins for Grocery contracts are considered to be low compared with other business opportunities. There is evidence from two 3PLs that relatively low margins in the Grocery segment (albeit not distinguishing between transport and warehousing) may limit their incentives to enter this segment.²⁶³

6.26 We have therefore received only limited evidence indicating that competitors have concrete plans to enter or expand in dedicated warehousing, particularly for Grocers, or evidence of strong incentives to enter. As emphasised by the Parties however, we recognise that Grocers and other large Retail customers are sophisticated and well-informed purchasers, and CLS services are crucial for the functioning of their business. We therefore consider that if there were to be a risk of significant deterioration in 3PL prices or service for dedicated warehousing as a result of the Merger, at least some Retail customers would be likely to take steps to mitigate such impact, which could include sponsored entry.

6.27 Further, we consider that it would only take one or a small number of customers to encourage entry by one of a number of potential entrants to overcome the barriers associated with track record. We note in this regard that one Grocery customer told us that it is keen to see how pricing develops following the Merger, and it has

²⁵⁹ Third party response to the CMA’s s109 notice dated 19 December 2024.

²⁶⁰ Third party response to the CMA’s s109 notice dated 19 December 2024.

²⁶¹ Third party response to the CMA’s s109 notice dated 19 December 2024.

²⁶² See [CMA129](#), paragraph 8.36 (b) and (c) for circumstances in which firms may find entry or expansion profitable.

²⁶³ Third party call note. Third party response to the CMA’s s109 notice dated 19 December 2024.

already met with another 3PL ([REDACTED]) to understand its capabilities and explore potential options moving forward.²⁶⁴

- 6.28 On this basis, we consider that entry or expansion in the supply of dedicated warehousing services (including for Grocery customers) by at least one competitor is likely at some stage post-Merger. In the following sections we assess whether such entry would be timely and sufficient to offset the impact of the Merger.

Timeliness

- 6.29 The MAGs state that the CMA will typically consider entry or expansion to be timely if it is effective within two years of an SLC arising.²⁶⁵ However, the CMA may consider shorter or longer periods than this, depending on the nature of the market.
- 6.30 As this is a market which is characterised by individual procurement exercises, we have first considered whether any significant volume of dedicated warehousing business is likely to be tendered by Retail customers within the next two years. Using the Parties' contract-level data,²⁶⁶ we have analysed the expiry dates of each of their 20 largest Retail warehousing contracts. We find that a [REDACTED] number of contracts are due to expire in each of 2025 and 2027, whilst a number of contracts (each in excess of £[REDACTED] million (at current prices)) are due to expire in [REDACTED] of 2026, and contracts with a combined value (in excess of £[REDACTED] million) are due to expire in 2028. We note that in addition to these tenders, customers informed us of some further dedicated warehousing tenders that may be undertaken within the next two years.²⁶⁷ We also note that it is likely that some contracts operated by the Parties' rivals will come for tender within the next two years, over which the Parties might compete absent the Merger. We have received data from a competitor ([REDACTED]) which indicates that a significant volume [REDACTED] of warehousing contracts for Grocery customers may expire and so come to tender within this timeframe.²⁶⁸
- 6.31 Based on these data sources, we consider that a substantial number and value of relevant tenders are likely to be competed for by the Parties (absent the Merger) within the two-year time period set out in the MAGs. The customers conducting these tenders are likely to be exposed to the direct effects of any reduction of

²⁶⁴ Third party call note.

²⁶⁵ CMA129, paragraph 8.33.

²⁶⁶ GXO' response to the CMA's s109 notice 1 dated 27 November 2024, Annex [013]. Wincanton' response to the CMA's s109 notice 1 dated 27 November 2024, Annex [12.1].

²⁶⁷ [REDACTED]: new distribution centre in [REDACTED]. Third party call note. [REDACTED]: currently looking at opening a new distribution centre, and the choice will essentially be between DHL, Wincanton, GXO or self-supply. Third party call note. [REDACTED] are planning to implement [REDACTED] at one of its [REDACTED] sites [REDACTED]. Third party call note. [REDACTED] is also considering larger projects, potentially in the hundreds of millions of pounds, including new sites. Third party call note. [REDACTED]: warehousing contract with [REDACTED] is due to expire in [REDACTED]; currently [REDACTED]. Third party call note.

²⁶⁸ Assuming a contract duration of three to five years as submitted by the Parties (see FMN, paragraph 176(c)). CMA analysis based on: Third party response to the CMA's RFI dated 3 February 2025.

competition following the Merger. We therefore do not consider that it is appropriate in this case to extend the time period which is considered 'timely' for the purposes of our assessment.

- 6.32 As noted in our discussion of 'likelihood' above, we have seen no concrete plans from competitors to enter or expand into dedicated warehousing for Grocery customers in the next 2-3 years. In the absence of any such plans, we considered whether customers could avoid or significantly mitigate the effects of a reduction of competition following the Merger by instead changing their approach to procuring dedicated warehousing services from 3PLs.
- 6.33 We consider that customers would be able to plan ahead of a contract expiring and to engage with potential suppliers to explore their capabilities and encourage them to enter or expand well in advance of an actual procurement exercise, if they felt the need to do so after the Merger. We have therefore asked customers how long it would take for them to consider a new or inexperienced 3PL as a credible provider of dedicated warehousing.
- 6.34 Customers had different views on the time it would take for a new 3PL to become a credible alternative to the Parties. One Grocery customer told us it would consider a new or inexperienced 3PL for its next warehousing contract;²⁶⁹ whereas another customer considered that it would prefer to see a new or inexperienced 3PL performing well in a smaller contract over five to eight years, or even longer, before considering them for a larger warehousing contract.²⁷⁰ We also received views between these two extremes. One Grocery customer told us that inexperienced suppliers would require significant support early on which increases the costs and hence reduce the benefit of introducing a new competitor;²⁷¹ another Grocery customer stated that it could start a 3PL off with a smaller site, something relatively less complicated, or even a chamber within an existing site and gauge its credibility for a couple of years.²⁷²
- 6.35 Overall, we consider that it is possible that there would be some additional entry or expansion within dedicated warehousing within the next two years, and we have identified some expiring contracts in that period for customers who appear more likely or willing to sponsor entry than others ([X]). However, there remains considerable uncertainty about when and how such entry would occur. Based on the evidence we have received so far, we consider that such entry would be likely to occur on a small scale initially, for example limited to a small regional warehousing operation alongside another 3PL. Given the importance of experience and track record to many Retail customers (particularly Grocers), any

²⁶⁹ Third party call note.

²⁷⁰ Third party call note.

²⁷¹ Third party call note.

²⁷² Third party call note.

new entrant is likely to require significantly longer than two years to become a credible and effective alternative to the Merged Entity.

6.36 We recognise that there is some uncertainty for 3PLs regarding the competitor set in any given tender, which may constrain the Merged Entity due to the risk of losing to a new entrant, or encouraging the customer to seek to sponsor entry. Our provisional view is that whilst this uncertainty is advantageous to customers, and constrains 3PLs to some extent, competitors also invest time in understanding customers' requirements, and have an understanding of the most credible competitors in any given tender (see the discussion in Chapter 4). Given the Parties' particularly strong position in the Grocery segment, and the limited track record of any other 3PLs except DHL, we consider that the Merger reduces the uncertainty faced by competitors in Grocery tenders, and further that the risk of losing a tender to a new entrant will only significantly increase if and when the entrant has successfully established a track record, which as indicated above, is likely to take more than two years.

6.37 We therefore provisionally conclude that entry or expansion would not be 'timely'.

Sufficiency

6.38 The MAGs state that entry or expansion should be of sufficient scope and effectiveness to prevent an SLC from arising as a result of the merger.²⁷³ Sufficiency to constrain the merged entity may come from a single entrant or firm expanding or from several, in aggregate, although entry or expansion needs to be successful over a sustained period of time.

6.39 Our provisional view is that for entry or expansion to be considered sufficient, at least one new or expanding 3PL would need to demonstrate that it was able to regularly participate in procurement exercises for dedicated warehousing contracts (including for Grocers), and actually win at least some of these procurement exercises with some regularity (including from incumbents), such that incumbent 3PLs would perceive a material risk of losing business to the new 3PL (and factor this in to their pricing and other terms).

6.40 To get to this point, we consider that it would be necessary for the new entrant to establish relationships with the major Grocery customers, and (where this is not the case already) hire relevant staff with experience in the segment. Given the typical length of procurement processes, this would need to occur with a significant lead time before the expiry of the relevant contracts listed above. Given the evidence presented on barriers to entry above, we consider that it would also be necessary for the new entrant to build a sufficient level of experience and track record in the UK to regularly win procurement exercises, by performing well in

²⁷³ [CMA129](#), paragraph 8.37.

fulfilling contracts and retaining business (albeit this might be accelerated if the firm were to hire experienced staff from incumbent providers).

- 6.41 In light of the evidence outlined in the section on ‘timeliness’ above, we consider that this is unlikely to materialise within the two year time period specified in the MAGs. For context, as set out in our competitive assessment and Appendices A and B, Wincanton is currently one of the largest and most successful providers of warehousing services to Retail customers, including Grocers. On balance, we therefore currently consider that any putative entry or expansion in dedicated warehousing within the timeframe set out in the MAGs would be of a substantially smaller scale and even in aggregate not equivalent to the constraint eliminated by the Merger.

Provisional conclusion on entry and expansion

- 6.42 Based on the evidence set out above, we provisionally conclude that countervailing entry or expansion would be likely to occur at some point post-Merger, but that there is considerable uncertainty about when and how it would occur, and the evidence indicates that effective entry is not likely to occur within the timeframe set out in the MAGs.
- 6.43 We therefore provisionally conclude that entry or expansion would not be timely or sufficient to prevent the SLC from arising.

Self-supply

- 6.44 In our competitive assessment we have analysed the competitive constraint from self-supply in detail. In doing so, we have considered the extent to which customers would switch to self-supply in response to a SSNIP, and the extent to which this would prevent any increase in prices (or degradation of terms) post-Merger. In our assessment of entry and expansion above, we have also considered whether customers could respond to the Merger by sponsoring entry. Our provisional view is that it is likely that sponsored entry will occur at some point in the future, but such entry or expansion will not be timely or sufficient to offset the impact of the Merger.
- 6.45 We have considered whether customers could or might respond to the Merger by increasing the threat of self-supply. For example, some customers may currently consider that there is sufficient competition amongst 3PLs, but would increase the threat of self-supply (to 3PLs) if such competition between 3PLs were to reduce as a result of the Merger. However, we consider that customers would already have an incentive to maximise the perceived threat from self-supply in order to achieve the best possible terms from 3PLs and we have not so far received any evidence

(in response to our questions) that customers could materially increase the threat of self-supply, relative to the current situation, or how they might do so.²⁷⁴

- 6.46 On this basis, our provisional conclusion is that customers would not have the ability or incentive to sufficiently increase the constraint from self-supply to offset the impact of the Merger (and thereby prevent the SLC).

Efficiencies

- 6.47 We have also considered whether there are any efficiencies arising from the Merger which could be considered a potential countervailing factor to be the SLC that we have provisionally found arise from the Merger.²⁷⁵
- 6.48 The Parties submitted that their customers would benefit from the merger through GXO's ability to run Wincanton's assets more efficiently in the future both by deploying GXO's skills and expertise and also via substantial expected cost synergies.²⁷⁶ Furthermore, the Parties also submitted that GXO strategy of investing significantly in the UK economy, its supply chain security and workforce, which can also benefit customers.²⁷⁷
- 6.49 However, as recognised by the Parties, we have not to date received any detailed assessment as to whether the Merger would give rise to efficiencies that will enhance rivalry, such that the Merger may not be expected to result in an SLC. We therefore provisionally consider that the merger efficiencies submitted by the Parties would not be timely, likely, and sufficient to mitigate or prevent an SLC from arising in the UK CLS market.

Provisional conclusion on countervailing factors

- 6.50 Given our provisional finding that entry and expansion would not be timely or sufficient to prevent the SLC, it is not necessary to consider whether countervailing factors taken together would offset the effect of the Merger (as entry or expansion does not contribute to mitigating an SLC within the time periods set out in the MAGs).
- 6.51 Based on the assessment set out in this chapter, we provisionally conclude that there are no countervailing factors arising from entry and/or expansion or Merger efficiencies that could offset the effect of the SLC which we have provisionally identified.

²⁷⁴ As examples, a [X] said self-supply would demand significant resources and is not a [X]. Third party call note. Another Grocer said that it may have to outsource more of its foods business post-Merger if the Merger required it to insource more of its non-food business (which it considers easier to do than for food products); Third party call note.

²⁷⁵ [CMA129](#), paragraphs 8.3-8.27.

²⁷⁶ FMN, 5 September 2024, paragraphs 57-66 and 601.

²⁷⁷ [Parties' response to the Phase 1 Decision](#), 2 December 2024, paragraph 1.9.

7. PROVISIONAL CONCLUSIONS

- 7.1 As a result of our assessment, and based on the evidence that is set out above and in the appendices to this Interim Report, we have provisionally concluded that:
- (a) the completed acquisition of Wincanton by GXO has resulted in the creation of an RMS; and
 - (b) the creation of that RMS may be expected to result in an SLC in the supply of dedicated warehousing services to Grocery customers in the UK.

8. NEXT STEPS IN THE PROCESS

- 8.1 This is not our final decision on the statutory questions, 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**. We will consider submissions received in response to this Interim Report, along with any further evidence received following the Interim Report, and whether our provisional assessment should be altered in the light of these.
- 8.2 As a result of the provisional SLC identified, we will consider possible remedies to address the SLC in parallel with considering any submissions received in response to this Interim Report. The Parties are required to confirm to the CMA whether they intend to submit a completed Phase 2 Remedies Form (**Remedies Form**) within three working days of publication of this Interim Report.
- 8.3 In order to propose possible remedies for the Inquiry Group's consideration, the Parties are required to submit a Remedies Form by no later than **5pm on Wednesday 5 March 2025**. Following submission by Parties 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 \(CMA2\)](#).)