

COMPLETED ACQUISITION BY GXO LOGISTICS, INC. OF WINCANTON PLC

Final Report

ME/7099/24
19 June 2025

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 Some numbers have been replaced by a range.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

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SUMMARY

OVERVIEW OF OUR FINDINGS

1. The Competition and Markets Authority (**CMA**) has found that the completed acquisition (the **Merger**) by GXO Logistics, Inc. (**GXO**) of Wincanton plc (now Wincanton Limited¹) (**Wincanton**, and together with GXO, the **Parties**), to create the **Merged Entity**, has resulted, or 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. GXO submitted remedy proposals intended to address the competition concerns we had provisionally found. Following a thorough assessment of GXO's proposals, including further information-gathering from GXO and third parties, we found that a modified version of GXO's divestiture remedy proposal, encompassing Wincanton's dedicated warehousing business serving Grocery customers, would be sufficient to restore the competition lost as a result of the Merger.

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 **Final Report** focuses primarily on the impact of the Merger on Grocery customers such as Sainsburys, Waitrose and Co-op.

¹ See Companies House, '[Certificate of re-registration from Public Limited Company to Private](#)', 19 June 2024.

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.² The UK turnover of Wincanton was approximately £1,445 million in 2023.
8. The CMA considered it was important to investigate the Merger given that the Parties supply critical business services to Grocery customers in the UK. There are over 100 dedicated warehouses used by Grocery customers in the UK and third-party warehousing services provided to Grocery customers is estimated to be worth nearly £1 billion in 2024. Any lessening of competition in the supply of CLS could potentially raise input costs for Grocery customers, and in turn risk raising grocery prices for end consumers at a time of already high food price inflation in recent years.

What evidence have we looked at?

9. In assessing the competitive effects of the Merger, we looked at a wide range of evidence in the round.
10. We received several submissions and responses to information requests from the Parties, including their response to the CMA's Phase 1 Decision and our Interim Report, and held meetings with the Parties, including a site visit, an Initial Substantive Meeting, and Main Party Hearing. We have considered the Parties' submissions carefully, including detailed evidence they have provided on self-supply, margins and bidding data.
11. 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.

² [Section 23\(1\)\(b\)](#) of the Enterprise Act 2002 (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.

WHAT DID THE EVIDENCE TELL US...

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

12. 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.
13. The evidence we have received 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. We found therefore that the Merger does not raise significant competition concerns in the supply of transport services.
14. 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. We found therefore that the Merger does not raise significant competition concerns in the supply of shared warehousing services.
15. 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, alongside DHL. For Grocery customers in particular, the evidence consistently shows that GXO, Wincanton and DHL are the only providers of dedicated warehousing services. For other types of customers, the evidence 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 such customers and have competed successfully against the Parties in some tenders.

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

16. Many of the Parties' largest customers, particularly Grocers, self-supply some of their dedicated warehousing requirements. The Parties have submitted that there are also examples of customers switching to self-supply their warehousing, and that customers would have an incentive to switch in response to an increase in prices following the Merger.

17. 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 (which could then be applied across their warehousing activities), as well as expertise in introducing and implementing significant changes to logistics arrangements.
18. There was a wider variety of views regarding the relative size of the costs and benefits of outsourcing. On the basis of the evidence received, 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 existing mix of self-supply and outsourcing in the network, the extent of the customer's in-house expertise, their attitudes towards innovation and risk and the nature of the sites involved in each individual procurement exercise. Overall, the evidence 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 the Parties are often likely to be able to identify where this is the case. Even if these customers could switch to self-supply to mitigate an adverse effect of the Merger, they would lose at least some of the benefits of outsourcing.

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

19. Based on the evidence received we found that there are sufficient competitive alternatives in dedicated warehousing services for 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 a 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 customers other than Grocers in several years, and only a small number of these customers expressed concerns regarding the Merger.
20. For Grocery customers, however, as noted above, the Parties and DHL are the only providers of dedicated warehousing services. Whilst self-supply is viewed as an alternative in certain circumstances, this is not the case for all Grocery customers and tenders. This is consistent with the fact that five out of eight Grocery customers expressed concerns to us regarding the Merger.
21. We found that Grocers are sophisticated buyers, and some may be able to exercise a degree of buyer power in some circumstances. However, a customer's buyer power depends on the availability of effective alternatives it can switch to.

Such availability will be reduced as a result of the Merger. We also found limited evidence of Grocers switching providers in the past or that they would be able to effectively deploy punishment strategies (such as reducing the number of other services they obtain from the Merged Entity outside of dedicated warehousing services) in response to any increase in price or reduction in service quality resulting from the Merger.

22. As part of our assessment, we have considered the key barriers to entry and expansion in the Grocery segment, 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 suppliers. This creates a material barrier to entry for potential competitors who do not yet have a strong UK track record in operating dedicated warehousing for Grocery customers. Our analysis indicated that entry by at least one new provider into the Grocery segment is likely to occur at some stage post-Merger. However, we found it will likely take a considerable period of time for any new entrant to expand and gain a track record strong enough to become a credible and effective alternative to the Merged Entity.
23. Having carefully considered all of the evidence in the round, we found that the effect of this Merger is to combine two significant and close competitors in the supply of dedicated warehousing services to Grocery customers, and that the remaining constraints (provided by DHL, self-supply, customer buyer power and future entry/expansion) will not be sufficient, either individually or in aggregate, to outweigh the significant reduction in competition arising from the Merger. We therefore consider that the Merger has resulted, or may be expected to result, in an SLC in the supply of dedicated warehousing services to Grocery customers.

CONCLUSION

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

HOW WILL WE ADDRESS THE CONCERNS WE HAVE FOUND?

25. Where we conclude that a merger has resulted in, or may be expected to result in, an SLC, we are required to decide what, if any, action should be taken for the purpose of remedying, mitigating or preventing that SLC, or any adverse effect resulting from it.

26. In assessing possible remedies, we first seek to identify remedies that, with a high degree of certainty, are effective in comprehensively addressing the SLC we have found. We then select the least costly remedy that we consider to be effective, where appropriate taking account of any relevant customer benefits. Lastly, we ensure that the least costly effective remedy is not disproportionate to the SLC and its resulting adverse effects.
27. In order to address the CMA's provisional SLC, GXO proposed two alternative potential remedies:
- (a) A divestiture remedy encompassing Wincanton's dedicated warehousing business to Grocery customers.
 - (b) A sponsorship remedy proposal, which GXO indicated was its preferred remedy, comprising a financial fund being made available to the Parties' Grocery customers for the purposes of sponsoring the entry and expansion of a new dedicated warehousing third-party logistics provider(s) for Grocery customers; and contract term guarantees being offered to the Parties' Grocery customers as an interim backstop protection.
28. We consulted on these remedy proposals with third parties and also held a Remedy Meeting with the Parties. Following the Remedy Meeting, GXO submitted amendments to its proposals including significant modifications to the sponsorship remedy proposal, which required detailed consideration, including further discussion with certain third parties. To enable this to occur we extended the statutory timetable for completing the inquiry.
29. Having carefully assessed GXO's amended remedy proposals, we ultimately found that only GXO's divestiture remedy proposal, subject to certain modifications (which we refer to as the **Enhanced Divestiture Remedy**), would comprehensively address the SLC and its resulting adverse effects. We considered that the modifications we identified would mitigate the risks associated with GXO's divestiture remedy proposal and overcome the material uncertainties and doubts we otherwise have about its effectiveness. We therefore concluded that the Enhanced Divestiture Remedy would represent an effective and proportionate remedy to the SLC and its resulting adverse effects.

WHAT HAPPENS NEXT?

30. The CMA will now take steps to implement the remedy described above and will consult publicly on the approach to be taken.
31. In line with statutory requirements, the CMA will implement its remedy decision within 12 weeks of publication of the Final Report by either accepting final undertakings or making a final order, which may be extended once by up to six

weeks if there are special reasons for doing so. Following the CMA either accepting final undertakings or making a final order, the Parties will be required to complete this divestiture transaction within the agreed timescales set out in the Final Report.

FINDINGS

1. INTRODUCTION

- 1.1 This is the Final Report of the Inquiry Group appointed to consider the acquisition by GXO Logistics, Inc. (**GXO**) of Wincanton plc (now Wincanton Limited³) (**Wincanton**) (the **Merger**).^{4,5} On the basis of the evidence to which we refer in this **Final Report** we conclude that the Merger, has resulted, or may be expected to result in a substantial lessening of competition (**SLC**).
- 1.2 The purpose of this Final Report is to provide interested parties with an understanding of the evidence the Inquiry Group has received and considered during the course of the investigation and the reasons for the **Inquiry Group's** findings. This includes evidence received in the phase 1 investigation and additional evidence received in our phase 2 inquiry. When considering evidence referred to in the CMA's **Phase 1 Decision**,⁶ the Inquiry Group has applied the evidential thresholds that are applicable in phase 2.
- 1.3 We are required to prepare and publish our Final Report by 25 June 2025.⁷
- 1.4 This document, together with its appendices, constitutes the CMA's Final Report published and notified to the Parties in line with the CMA's rules of procedure.⁸ Further information relevant to this inquiry can be found on the CMA webpage.⁹

Evidence in our investigation

- 1.5 In conducting our investigations in phase 2, we have had access to and considered evidence gathered during the phase 1 investigation.

³ See Companies House, '[Certificate of re-registration from Public Limited Company to Private](#)', 19 June 2024.

⁴ 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](#).

On 26 April 2024, the CMA imposed interim measures on the Parties by issuing an [initial enforcement order \(IEO\)](#) for the purpose of preventing pre-emptive action. On 19 June 2025, the CMA imposed an interim order (see the [CMA website](#)), which replaced the IEO. References to IEO in this Final Report shall mean the IEO prior to 19 June 2025 and the interim order for the period from 19 June 2025.

⁵ Published and notified to the Parties in line with [CMA rules of procedure for merger, market and special reference groups \(CMA17\)](#), Rule 11.

⁶ CMA, [Decision on relevant merger situation and substantial lessening of competition \(Phase 1 Decision\)](#), 1 November 2024.

⁷ In accordance with [section 39\(1\)](#) of the Act, the CMA shall prepare and publish its final report within a period of 24 weeks beginning with the date of reference concerned. The statutory deadline was further extended by eight weeks pursuant to [section 39\(3\)](#) of the Act (see [Notice of extension of statutory period](#)).

⁸ [CMA17](#), Rule 13.

⁹ See: [CMA website](#).

- 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 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 held several meetings with the Parties and their advisors, including (i) a site visit and teach-in on 28 November 2024, (ii) an Initial Substantive Meeting (**ISM**) on 9 December 2024,¹⁰ (iii) an **Update Call** on 7 January 2025, (iv) a Main Party Hearing (**MPH**) on 20 March 2025,¹¹ and (v) a remedy meeting on 25 March 2025.
 - (b) We received several detailed submissions from the Parties, including their response to the CMA's Phase 1 Decision,¹² their responses to the ISM and Update Call, submissions on specific issues such as self-supply and margins, their response to the CMA's Interim Report,¹³ their two post-MPH submissions,¹⁴ the Parties' Remedies Form,¹⁵ their modified remedy proposals,¹⁶ their response to the CMA's Interim Report on Remedies (**IRR response**),¹⁷ and evidence of new entry.¹⁸
 - (c) We received responses from the Parties to several information requests, including quantitative evidence on revenues, margins and bidding data.
 - (d) We held calls with 22 of the Parties' largest customers (of which eight were Grocery customers) and requested internal documents from these customers to provide additional evidence on specific points of discussion.¹⁹ These customers together represent over 50% of each Party's annual revenues.
 - (e) We held calls with four industry consultants and seven of the Parties' competitors.

¹⁰ 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 \(CMA2\)](#).

¹¹ Information on the purpose and content of MPH and update calls can be found in [CMA2](#).

¹² [Parties' response to the Phase 1 Decision](#), 2 December 2024.

¹³ [Parties' response to the CMA's Interim Report](#), 12 March 2025.

¹⁴ Parties' post-MPH submission, 28 March 2025. Parties' second post-MPH submission, 8 April 2025.

¹⁵ GXO's 3PL Sponsorship Remedy Proposal, 5 March 2025. GXO's Alternative Remedy Proposal, 5 March 2025. A non-confidential summary of GXO's Initial Remedy Proposals was appended to the Initiation to comment on remedies (**ITCR**), which was published on 7 March 2025 on the [inquiry webpage](#).

¹⁶ GXO's Hybrid Remedy Proposal, 31 March 2025. GXO's Updated Alternative Remedy Proposal, 31 March 2025.

¹⁷ Parties' response to the CMA's IRR, 8 May 2025, paragraph 16.

¹⁸ Parties' submission on evidence of new entry to the CMA, 12 June 2025.

¹⁹ We held follow-up calls with four customers to further explore specific issues, particularly regarding self-supply.

- (f) We received six third-party written responses to the invitation to comment on remedies (**ITCR**)²⁰ and further written responses to the Parties' modified remedy proposals from eight third parties.
- (g) Seven of the Parties' competitors 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.
- (h) We received additional views on the Merger from nine of the Parties' smaller customers (via email).
- (i) We received additional views on the Merger and self-supply in response to a request for information (**RFI**) from two Grocers who were not current customers of the Parties.

²⁰ See [CMA website](#).

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 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;²¹ and (b) the turnover test and/or the share of supply test is met.²² We address each of these elements in turn below.
- 2.3 For the reasons set out below, we consider that the Merger has resulted in the creation of an RMS for the purposes of establishing jurisdiction; this is on the basis that the 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.²³

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.²⁴
- 2.5 The Act defines an ‘enterprise’ as ‘the activities or part of the activities of a business’.²⁵ 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’.²⁶
- 2.6 GXO and Wincanton are both active in the supply of contract logistics services (**CLS**). In the UK in their respective financial year 2023, GXO generated turnover

²¹ Sections [23](#) and [24](#) of the Act.

²² [Section 23](#) of the Act.

²³ [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.

²⁴ [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).

²⁵ [Section 129\(1\)](#) of the Act.

²⁶ [Section 129\(1\)](#) of the Act. See also [section 129\(3\)](#) of the Act.

of approximately £2,947 million²⁷ and Wincanton generated turnover of approximately £1,445 million.²⁸

- 2.7 We found 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.²⁹
- 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 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.³⁰ The UK turnover of Wincanton was approximately £1,445 million in FY 2023. Our 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

²⁷ Final Merger Notice (FMN), 5 September 2024, Table 3.

²⁸ FMN, 5 September 2024, Table 4.

²⁹ [Section 26](#) of the Act.

³⁰ [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.

with [section 25](#) of the Act, the decision to refer the Merger for a phase 2 investigation was made on 14 November 2024.

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

Conclusion on relevant merger situation

- 2.15 In view of the above, we have 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).³¹

Framework for assessing the counterfactual

- 3.2 The framework for assessing the counterfactual is set out in our Merger Assessment Guidelines (**MAGs**).³² 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.³³
- 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.³⁴ 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.³⁵

Assessment of the counterfactual

- 3.4 The Parties submitted that the appropriate counterfactual should be the pre-Merger conditions.³⁶ 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

³¹ [Merger Assessment Guidelines \(CMA129\)](#), March 2021, paragraph 3.1.

³² [CMA129](#), paragraphs 3.6–3.38.

³³ [CMA129](#), paragraph 3.13.

³⁴ [CMA129](#), paragraph 3.2.

³⁵ [CMA129](#), paragraph 3.9.

³⁶ FMN, 5 September 2024, paragraphs 135-139.

independent entity or under the ownership of CEVA.³⁷ 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, our 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.

³⁷ FMN, 5 September 2024, paragraphs 135-137.

4. NATURE OF COMPETITION AND BACKGROUND

- 4.1 This chapter sets out background information about CLS where companies like GXO and Wincanton operate as third-party logistics providers (**3PLs**). In this chapter we consider:
- (a) how customers organise their CLS; and
 - (b) how customers procure CLS from 3PLs.
- 4.2 The Parties told us that CLS encompasses a wide range of supply chain-related services which enable businesses to supply their goods to business customers and consumers. The Parties cited sources that estimate the size of the overall contract logistics market in the UK at over £75 billion in 2024.³⁸ These interrelated services include warehousing (ie the storage of goods), distribution (ie the transport of goods), and a range of ancillary services:³⁹
- (a) **Transport** services involve the movement of goods, materials and inventory between the ‘point of origin’ and ‘point of consumption’.⁴⁰ In the context of CLS, transport includes the provision of management services (such as planning), rather than purely standalone ‘road freight’ or ‘haulage’ services.⁴¹ Transport includes both business-to-business (**B2B**) services and business-to-consumer (**B2C**) services.⁴² B2B transport services are sometimes classified as either **primary** or **secondary**: primary refers to distribution from the point of origin (eg a manufacturer’s warehouse) to a customer’s warehouse (eg a retailer’s warehouse), and secondary 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.⁴³ 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). Customers may choose

³⁸ FMN, 5 September 2024, paragraphs 397 *et seq.* See also [United Kingdom Contract Logistics Market Forecasted Robust Growth amid E-Commerce Surge](#), 26 February 2024 last accessed by the CMA on 10 June 2025.

³⁹ FMN, 5 September 2024, paragraph 142.

⁴⁰ FMN, 5 September 2024, paragraphs 145.

⁴¹ FMN, 5 September 2024, paragraph 146.

⁴² 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, 5 September 2024, paragraph 147. GXO’s response to the CMA’s s109 notice 1 dated 27 November 2024, question 5.

⁴³ FMN, 5 September 2024, paragraph 148.

either to procure CLS from a 3PL in respect of their dedicated warehouses (commonly referred to as ‘outsourcing’), or, to provide such services inhouse (commonly referred to as ‘insourcing’ or ‘self-supply’).

- (c) Ancillary services can include, for instance: reverse logistics which includes a range of inbound logistics such as returns, recycling,⁴⁴ tray washing, ESG related services, and broader supply chain management services.⁴⁵

4.3 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.⁴⁶ In some contracts the 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.⁴⁷ 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.⁴⁸ Our assessment of the Merger is therefore focussed primarily on the provision of contract logistics services.

4.4 CLS is used by a wide range of businesses. Distinctions between CLS users are sometimes made by the level of the supply chain at which they are active or the industry sector in which they operate. 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.⁴⁹ 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 groceries, fashion and home improvement).⁵⁰ 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.⁵¹ The Parties

⁴⁴ Recycling & Reclamation Unit (**RRU’s**) involve the waste element of wider warehousing operations and are frequently tendered and managed separately. See [Parties’ response to the CMA’s Interim Report](#), 12 March 2025, footnote 34.

⁴⁵ FMN, 5 September 2024, paragraph 149.

⁴⁶ FMN, 5 September 2024, paragraph 223.

⁴⁷ FMN, 5 September 2024, paragraphs 209-223.

⁴⁸ FMN, 5 September 2024, paragraphs 215-218.

⁴⁹ 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](#), 4 October 2022, paragraph 36).

⁵⁰ FMN, 5 September 2024, paragraph 287.

⁵¹ FMN, 5 September 2024, 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](#), 1 November 2024, paragraph 26. We have not received evidence in phase 2 to indicate that we should assess the impact of the Merger on either life science or aerospace and defence customers.

refer to the supply of CLS to both retail and non-retail customers as **Mainstream CLS**.⁵² As we set out in Chapter 6, due to the overlaps between the Parties, our competitive assessment encompasses particular subsets of CLS, namely warehousing and transport, and within these, Retail and Non-Retail customers. The focus of our competitive assessment is a specific subset of warehousing services for a specific subset of Retail customers, namely dedicated warehousing services to Grocery customers. We therefore focus on this type of service and group of customers in the rest of this Chapter, although some of the features discussed also apply to other types of services and customers. For the purposes of this Final Report, we define Grocery customers (or **Grocers**) as the national supermarket chains in the UK.

Logistics arrangements of customers

- 4.5 We understand from the evidence we have gathered that CLS are important inputs for many customers. The functioning of a customer's supply chain is critical to serving its own customers and for some customers CLS can represent one of their largest costs. In the case of Grocers, 3PLs need to ensure that products are always 'on the shelf' in supermarkets as disruptions in logistics services may not only lead to empty shelves but loss of custom and long-term impacts on a Grocer's reputation. When products are perishable (eg, certain fresh produce) they may need to be destroyed if not delivered on time.⁵³ We understand that, for these and other reasons, Grocers are risk averse and have a very low tolerance for underperformance or failure in their logistics set-up. For example, a grocer told us that empty shelves in stores even for a handful of days would be 'brand damaging'.⁵⁴ Another Grocer mentioned 'Grocery customers' risk averse nature'.⁵⁵ The Parties also told us that larger customers have a strong incentive to ensure 3PL competition remains strong to avoid a situation where they are reliant on one 3PL and cannot operate (for example, where a 3PL is the exclusive provider of a customer's logistics and the business continuity risk is high if a force majeure event were to occur).⁵⁶ We consider some of these characteristics again in our competitive assessment and the section on barriers to entry and expansion below.
- 4.6 As set out above, CLS consist of a range of different services (eg warehousing, transport and certain ancillary services). The Parties have provided examples of customers who procure these services from a single 3PL, multiple 3PLs, self-supply, or a combination of these.⁵⁷

⁵² FMN, 5 September 2024, paragraph 15.

⁵³ See also: [Parties' response to the Phase 1 Decision](#), 2 December 2024, paragraph 5.12(b); Third party call note; and Third party call note.

⁵⁴ Third party call note.

⁵⁵ Third party call note.

⁵⁶ FMN, 5 September 2024, paragraph 159.

⁵⁷ See for example the Parties' overview in Parties' response to the Phase 1 Decision, 2 December 2024, Annex 001..

- 4.7 Customers differ in their views about whether to outsource and, if they do, the extent to which they outsource, as well as whether they split or combine different logistics services. For instance, one Grocer told us that they prefer to use the same 3PL for dedicated warehousing and transport⁵⁸ whereas others told us that they would consider splitting services between providers, and that some Grocers already do so.⁵⁹ We also understand that the views of a particular customer can change over time as their circumstances change.⁶⁰ Where relevant, different approaches adopted by different customers are discussed in more detail in our competitive assessment. As we explain there, some of the main benefits of outsourcing CLS to a 3PL include access to innovations and best practices, and expertise in introducing and implementing changes to logistics arrangements.
- 4.8 Grocery customers can have many distinct logistics needs. Some customers have contracts with one or more 3PLs for the operation of one or more distribution centres (warehousing contracts) and one or more transport contracts for the movement of goods between distribution centres and from distribution centres to retail outlets.⁶¹ In addition to these substantial contracts, customers can also have smaller contracts, for example for temporary or niche activities.⁶²
- 4.9 The use of more than one 3PL by a customer does not necessarily imply that these 3PLs were competitive alternatives to each other when the respective services were procured. Different 3PLs may be better able to meet different requirements of the same customer. For example, one Grocer uses [X].⁶³ Another Grocer uses a different 3PL for its [X] store network.⁶⁴
- 4.10 We understand that Grocers tend to consider their warehousing and related logistics requirements holistically and that each Grocer tries to optimise its logistics network as a whole rather than consider each component in isolation. A third party told us that decisions to outsource to a 3PL are usually taken before procurement exercises to select a particular 3PL are undertaken.⁶⁵ However, we have also seen instances where customers retain and compare the option to self-supply against 3PLs' offers during the procurement exercise, suggesting that they remain open to insourcing instead.⁶⁶

⁵⁸ Third Party call note.

⁵⁹ Third party call note; Third party call note; and Third party call note.

⁶⁰ ISM transcript, pages 19-20; and MPH transcript, page 16.

⁶¹ See for example the Parties' overview in Parties' response to the Phase 1 Decision, 2 December 2024, Annex 001. For an example of a customer's warehousing and transport setup, see Third party call note.

⁶² Several contracts in the Parties opportunities data reference opportunities for temporary storage solutions and 'Tray wash' services eg tender names in GXO's opportunities data include '[X]', '[X]', '[X]', '[X]', '[X]'; and tender names in Wincanton's opportunities data include '[X]' and '[X]'. FMN, 5 September 2024, Annexes 027-028.

⁶³ Third party call note.

⁶⁴ Third party response to the CMA's RFI dated 24 March 2025.

⁶⁵ Third party call note.

⁶⁶ One Grocery customer told us it treats self-supply as an alternative bid; one Grocery customer told us [X]; and one Grocery customer told us it leveraged its option to self-supply when negotiating with 3PLs. Third party call note; Third party call note; and Third party call note.

- 4.11 The Parties told us that there are over one hundred dedicated Grocery warehouses in the UK of which roughly [30-40]% are outsourced (ie operated by a 3PL) and [70-80]% are insourced (ie self-supplied).⁶⁷ Due to the presence of self-supply, it is difficult to estimate the value of the services provided. However, based on revenue information of the Parties and their competitors, we estimate that the value of the outsourced segment of dedicated Grocery warehousing services in 2024 was around £769 million (see Table 6.5).
- 4.12 Grocers sell a range of different products, including food and non-food items, and this will be reflected in their logistics requirements. There are dedicated warehouses for food products and some, but not all, customers have separate warehouses for temperature controlled, frozen, and ambient products.⁶⁸ There are also often separate, dedicated warehouses for certain products that Grocers sell; some are for specific products (eg clothes or dutiable goods such as alcohol and tobacco),⁶⁹ and others are for a range of different non-food products (eg 'general merchandise').⁷⁰ Some customers told us that they use different warehouses depending on the speed of inventory turnover, eg separate warehouses for fast- or slow-moving products.⁷¹
- 4.13 We consider that Grocers have a unique combination of requirements that apply across all of their warehousing and related logistics, and this sets them apart from other customers. We discuss these in more detail in Chapter 6.

Procurement

Invitations to tender

- 4.14 We understand that Grocers commonly undertake multi-stage procurement exercises involving bidding processes when they tender for outsourced CLS. These exercises are commonly followed by bilateral negotiations with very few, sometimes only a single 3PL.⁷²
- 4.15 We understand that the offers 3PLs make to customers are bespoke to each tender. A 3PL's bid in a particular tender exercise is very likely to differ in both technical and financial terms from any other 3PL's bid. This is because the logistics services that customers procure comprise many different elements

⁶⁷ Parties' response to the CMA's Interim Report, 12 March 2025, Annex 003.

⁶⁸ See Parties' response to the CMA's Interim Report, 12 March 2025, Annex 003. For an example of a customer's warehousing and transport setup, see Third party call note.

⁶⁹ See for example: Third party call note.

⁷⁰ Parties' response to the Phase 1 Decision, 12 March 2025, Annex 003 in which we could identify [X] of [X] warehouses as being for general merchandise (some with additional product lines).

⁷¹ See for example: Third party call note; and Third party call note.

⁷² See Parties' site visit presentation, 28 November 2024, slide 16. A consultant described the process when it is conducting it on behalf of a customer, see: Third party call note.

including, for example, various service levels and financial terms.⁷³ In addition, because the prices and other terms are negotiated individually, 3PLs can engage in price discrimination across customers. The ability of a customer to negotiate with 3PLs will affect the terms achieved. One customer told us that it is not possible to determine whether the terms the customer secures with its 3PLs are better or worse than those of other customers, as it has no visibility into how others negotiate.⁷⁴ We found that there is significant variation in contract-level margins between customers even between different contracts of the same customer (see Appendix E).

- 4.16 We note that switching CLS services entails risks and that many Grocers are risk averse. Some customers may therefore prefer to re-negotiate with incumbent 3PLs rather than switch.⁷⁵ Based on the evidence we have gathered, procurement exercises by Grocers for dedicated warehousing contracts and switching are relatively infrequent.⁷⁶
- 4.17 We understand that the procurement exercises Grocery customers undertake are costly both for customers and 3PLs.⁷⁷ These exercises can run over extended periods (several months), and can involve site visits and detailed presentations.⁷⁸ A 3PL told us that it declines to take part if they can identify that a customer is running a benchmarking exercise to compare their existing operations with offers from other 3PLs rather than intending to change suppliers.⁷⁹

⁷³ We requested Wincanton's Grocery contracts currently in force (Wincanton internal document, annex '[X]' to Wincanton's response to the CMA's RFI dated 4 April 2025; Wincanton internal document, annex '[X]' to Wincanton's response to the CMA's RFI dated 4 April 2025; and Wincanton internal document, annex '[X]' to Wincanton's response to the CMA's RFI dated 4 April 2025) and characterise these as complex. The Parties told us that certain Grocery customers have an overarching Master Services Agreement (**MSA**) which contains separate Statements of Work (**SOW**) for each dedicated warehousing service (see GXO's Updated Alternative Remedy Proposal, 31 March 2025, footnote 6). We found in these documents detailed stipulations on, amongst others, a range of service levels, health and safety outcomes, and financial performance which indicate that there is a very large number of parameters in which 3PLs' proposals may differ.

⁷⁴ Third party call note.

⁷⁵ See for instance: Third party call note: 'The Customer reiterated that it would always worry about uncertainty, transition and change'; and Third party call note.

⁷⁶ Two Grocers have not switched between different 3PLs for any dedicated warehousing services since 2015; one Grocer since 2018; two Grocers since 2020 or at least 2020; and one Grocer since 2023 (Third party response to the CMA's RFI dated 24 March 2025; Third party call note; Third party response to the CMA's RFI dated 24 March 2025; Third party response to the CMA's RFI dated 24 March 2025; Third party response to the CMA's RFI dated 24 March 2025; and Third party internal document, annex to response to the CMA's RFI dated 26 March 2025). A 3PL also told us that warehousing tenders for the large Grocers do not come up very often. Third party call note. Another 3PL told us that it observes long partnerships between Grocery customers and 3PLs of 20 and more years (Third party call note).

⁷⁷ See for example: Third party call note. See also: Third party call note, mentioning data packs that customers put together and that 3PLs have to understand.

⁷⁸ Parties' site visit presentation slides, 28 November 2024, slide 16. The Parties also provided customer-facing presentations for prospective customers in response to the CMA's s109 notice 1 dated 27 November 2024, question 16. For site visits see for example: Third party call note; and Third party call note.

⁷⁹ Third party call note.

Assessment of bids

- 4.18 When customers tender CLS, they tend to adopt a balanced scorecard approach to evaluating the offers from 3PLs.⁸⁰ The evidence we obtained from customers indicated that customers have different preferences regarding different elements of 3PLs' offers (ie they tend to use different criteria in the balanced scorecards and attach different weights to these criteria). Examples of criteria include commercial terms and innovation.⁸¹ This may lead 3PLs to face some uncertainty about a customer's exact preferences.

Contracts

- 4.19 We consider the following features of 3PL contracts as being relevant for our competitive assessment:
- (a) First, contracts can be on an 'open book' or 'closed book' basis. This determines which contract party bears the risk of input price rises. In an 'open book' contract, the customer will have visibility over the input costs and bear the risk of cost increases. Customers also have the ability to benchmark input costs when procuring open book contracts. We understand that the scale of larger 3PLs may give them a price advantage over their customers and smaller 3PLs for inputs (eg, staff, fleet and equipment).⁸² Customers will then pay an additional 'management fee' (over and above the input costs) to the 3PL. In a 'closed book' contract, the risk of input cost increases remains with the 3PL as the customer pays an agreed total price for the contract (typically in instalments) without visibility of (or ability to benchmark) the input costs or management fee components. The Parties told us that 'open book' contracts are widespread, especially for dedicated warehousing.⁸³
 - (b) Second, contracts can contain gainshare, bonus-malus, or underwrite clauses. We understand that these are frequently used in dedicated Grocery warehousing contracts. A gainshare clause determines how a 3PL and its customer share any cost savings which go above and beyond an agreed level. An underwrite is a commitment by the 3PL to deliver a certain value of efficiency gains.⁸⁴ The gainshare can change over the duration of the contract and depending on the nature of the efficiency gains. Bonus-malus clauses impose a financial penalty that reduces the amount payable to a 3PL

⁸⁰ A consultant described the process in detail, see: Third party call note, and see for example Third party internal document, response to the CMA's RFI dated 6 March 2025.

⁸¹ We requested tender evaluation documents (eg scorecards) from a number of Grocery customers and found that these were all different from each other in the criteria with which bids were evaluated and in the weights (if any) that were attached to each criterion (Third party internal document, response to the CMA's RFI dated 6 March 2025; and Third party internal document, response to the CMA's RFI dated 6 January 2025).

⁸² See for example: Third party call note; and Third party call note.

⁸³ Parties' post-ISM proactive submission to the CMA, 5 January 2025, paragraphs 2.3 and 2.22.

⁸⁴ [Parties' response to the Phase 1 Decision](#), 2 December 2024, paragraph 5.16(c) and Parties' post-ISM proactive submission to the CMA, 5 January 2025, paragraph 2.3(b-c).

if certain events stipulated in a contract occur (eg not meeting certain key performance indicators).⁸⁵ We understand that 3PLs compete with each other and seek to win customers' business not only by offering them a better deal in terms of a lower headline price and better commercial terms but also by offering to take on more risk and to deliver higher cost savings.

- (c) Third, there are additional elements which can form part of a 3PL's offer, for instance: offering to roll out new technologies (eg automation systems) or implement other innovations and/or best practice; the experience of the staff managing the contract; or a 3PL's ability to offer additional flexibility (eg by accommodating and adapting to peaks and troughs in the warehouse capacity required by a customer).⁸⁶ We consider that a 3PL's ability to offer a particular customer 'access to innovation' is likely to be a function of the number and variety of other sites which that 3PL is also serving. This is because greater scale and variety provide broader and deeper scope to experiment with new technologies and practices and to obtain insights on what yields the best results. Different 3PLs will have different combinations of sites, and so may develop different approaches to innovation which they will be able to share amongst their existing customers and propose to prospective customers.

⁸⁵ [Parties' response to the Phase 1 Decision](#), 2 December 2024, paragraph 5.16(a)-(b) and Parties' post-ISM proactive submission to the CMA, 5 January 2025, paragraph 1.4(c).

⁸⁶ Third party call note; Third party call note; and Third party call note.

5. MARKET DEFINITION

Framework

- 5.1 Where the CMA makes an SLC finding, this must be ‘within any market or markets in the United Kingdom for goods or services’.⁸⁷ An SLC can affect the whole or part of a market or markets.
- 5.2 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.⁸⁸ 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.
- 5.3 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.⁸⁹

Product market

Introduction

- 5.4 The Parties overlap in the supply of CLS.⁹⁰ As set out in Chapter 4 above, CLS can be considered as consisting of two principal components, namely transport and warehousing services. Further distinctions can be made within warehousing services, on the basis of whether the warehouse is dedicated or shared warehousing and on the basis of the type of customer.
- 5.5 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 (and whether to also distinguish between food and non-food warehouses for Grocery customers). We then consider whether each of

⁸⁷ [Section 35\(1\)\(b\)](#) of the Act.

⁸⁸ [CMA129](#), paragraph 9.1.

⁸⁹ [CMA129](#), paragraph 9.6.

⁹⁰ FMN, 5 September 2024, paragraph 142.

(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

- 5.6 The Parties submitted that there is a single market for Mainstream CLS. 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.⁹¹
- 5.7 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 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.⁹²
- 5.8 During our phase 2 investigation, the Parties submitted that there are certain features of **Grocery customers** that distinguish them from other CLS customers.⁹³ 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.⁹⁴ 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.⁹⁵ In a later submission, the Parties submitted there is an overlap in the features, requirements and innovations of different customer groups including between food manufacturers' warehouses and other upstream warehouses in the Grocery supply chain.⁹⁶

⁹¹ FMN, 5 September 2024, paragraph 270.

⁹² FMN, 5 September 2024, paragraph 271.

⁹³ As stated in Chapter 4, 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.

⁹⁴ [Parties' response to the Phase 1 Decision](#), 2 December 2024, paragraph 1.6 (b).

⁹⁵ Parties' ISM presentation, 9 December 2024, slide 9.

⁹⁶ [Parties' response to the CMA's Interim Report](#), 12 March 2025, paragraph 36(a).

- 5.9 The Parties submitted that self-supply should be assessed as an in-market constraint, especially when focussing on the Grocery segment, because self-supply is the dominant solution in this segment used by [0-10] out of 10 Grocers for [70-80]% of dedicated Grocery warehouses in the UK, with substitution occurring in both directions.⁹⁷

Our assessment

Customer segmentation

Retail and Non-Retail customers

- 5.10 Based on the evidence we have received, we found 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).⁹⁸
- 5.11 The evidence 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 used within those warehouses.⁹⁹ Contracts and prices are also individually negotiated with each customer (see Chapter 4), and 3PLs' margins vary between customers even within the same industry (see Appendix E). On this basis, we do not consider that it is appropriate to define product markets based on customer type.
- 5.12 Regarding the Retail and Non-Retail segments, we note that these are broad terms, each covering many industries and there are some customers that do not fit neatly into either category. We do not consider that these are well-defined markets.¹⁰⁰ For example, non-retail food manufacturers and 'fast moving consumer goods' (**FMCG**) customers may share a number of the requirements of

⁹⁷ [Parties' response to the CMA's Interim Report](#), 12 March 2025, paragraph 36(b).

⁹⁸ Throughout this Final 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' and 'sectors' when referring to more general customer categories (eg those used by third parties such as 'fashion' or 'home improvement').

⁹⁹ 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.

¹⁰⁰ 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]).

Grocery customers, such as a need for ambient and frozen warehousing and storage of high frequency products with a short shelf life.¹⁰¹ However, in contrast to Grocers, there may be (i) significantly fewer individual products concerned, (ii) less variety in product characteristics (eg size, weight), or (iii) larger lots of products to be prepared for delivery to fewer destination sites. In addition, the (Non-Retail) food manufacturers we spoke to listed a larger set of credible 3PLs than Grocery customers despite their overlap in requirements.¹⁰²

- 5.13 Nonetheless, we consider that distinguishing between Retail and non-Retail segments may still be useful 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 and petroleum companies) have unique requirements that do not give rise to a meaningful overlap between the Parties, and/or are served by specialist suppliers.¹⁰³
- 5.14 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 20 customers are in the Retail segment and Retail customers account for [X] of their total revenues.¹⁰⁴
- 5.15 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 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

- 5.16 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 operations') compared to other businesses such as ecommerce.¹⁰⁵ An industry

¹⁰¹ Third party call note; and Third party call note.

¹⁰² A customer listed six credible suppliers for its warehousing needs (Third party call note); and [X] and [X] listed four credible suppliers (Third party call note; and Third party call note).

¹⁰³ See for example: Third party call note; and Third party call note.

¹⁰⁴ 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.

¹⁰⁵ Third party call note.

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.¹⁰⁶ Another Grocer stated that the main difference between food and non-food retail lies in temperature control and compliance with relevant regulations.¹⁰⁷ The Parties submitted that there is a heightened risk and cost of failure for Grocers due to the perishable nature of the goods.¹⁰⁸

- 5.17 In addition, 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.¹⁰⁹
- 5.18 Whilst we do not consider that Grocery customers constitute a separate product market (for the reasons set out at paragraph 5.11 above), 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.
- 5.19 We also note that some Grocers ([REDACTED], [REDACTED], [REDACTED], and [REDACTED]) procure warehouse services in relation to non-food products (such as for clothing and general merchandising).¹¹⁰ In view of the limited available evidence regarding the extent to which competitive conditions differ between such non-food warehouses and food warehouses for Grocery customers, we have not drawn any market segmentation between them, but have taken into account the distinction where relevant in our competitive assessment for the analysis of the closeness of competition between different suppliers.¹¹¹

¹⁰⁶ Third party call note.

¹⁰⁷ Third party call note.

¹⁰⁸ Parties’ response to the Phase 1 Decision, 2 December 2024, paragraph 5.12.

¹⁰⁹ For example: Third party call note; Third party call note; and Third party internal document response to the CMA’s s109 notice dated 19 December 2024.

¹¹⁰ Parties’ response to the CMA’s Interim Report, 12 March 2025, Annex 003. We refer to such warehouses as ‘non-food’ warehouses, and warehouses containing food products as ‘food’ warehouses. However, we note that the distinction between them is not always clear cut as some warehouses can contain both types of products. For example, one Grocer noted that it ‘has national hubs which deal with general merchandise and slower moving grocery lines’ (Third party call note). This appears to be confirmed by Wincanton’s contract with that customer which refers to general merchandise (see Wincanton internal document, annex ‘[REDACTED]’ to Wincanton’s response to the CMA’s RFI dated 4 April 2025, page 17.) for a site that the Parties classified as a food warehouse (see Parties’ response to the CMA’s Interim Report, 12 March 2025, Annex 003. The Parties also showed us a Grocer’s warehouse that contained both food and non-food products at the site visit (Site visit and teach-in held on 28 November 2024 at [REDACTED]).

¹¹¹ For completeness, we note that there are two types of warehouses used by Grocery customers that we have not taken into account in the competitive assessment of theory of harm 3 (**TOH 3**) (supply of dedicated warehousing services): (i) Recycling and Reclamation Units (**RRUs**) and (ii) B2C grocery ecommerce sites. Wincanton is not active in relation to RRUs and the Parties provided evidence that RRUs are frequently tendered and managed separately by a different 3PL from other warehousing operations for Grocery customers with a broader set of credible competitors (Frontier Economics, The competitive threat posed by insourcing and mixed sourcing – an updated submission prepared for the CMA, 14 January 2025, paragraph 46 and footnote 25). This is also supported by third-party evidence (see for example: Third party call note). B2C grocery ecommerce sites are used by Grocery customers to fulfil grocery orders (for food and non-food products) for direct delivery to end consumers (also known as ‘dark warehouses’). However, we are

- 5.20 In summary, we do not consider that it is appropriate to define separate markets based on type of customer, although we recognise that there are some differences between Retail and Non-Retail customers, Grocery and non-Grocery customers, and potentially also food and non-food warehouses for Grocery customers, that are relevant when analysing closeness of competition. We distinguish between these segments where relevant in our competitive assessment.

Transport and warehousing

- 5.21 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.
- 5.22 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.¹¹² Further, those customers that told us 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.¹¹³
- 5.23 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 6 below.

Shared and dedicated warehousing

- 5.24 The evidence we have received 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:¹¹⁴
- (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

not aware of any 3PLs operating these sites as 'dedicated' warehouses for Grocery customers, but only as shared warehouses, and therefore they fall outside the scope of TOH 3 (Parties' response to the CMA's RFI of 30 May 2025, 3 June 2025, paragraphs 1.2-1.5).

¹¹² [Parties' response to the Phase 1 Decision](#), 2 December 2024, paragraph 4.30.

¹¹³ Third party call note; and Third party call note.

¹¹⁴ Parties' post-ISM proactive submission to the CMA, 5 January 2025, paragraph 6.7.

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.¹¹⁵

- 5.25 The evidence shows that 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.¹¹⁶
- 5.26 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.¹¹⁷ As mentioned in Chapter 4, large customers typically own or lease dedicated warehousing facilities directly.
- 5.27 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 consider that they are distinct product markets.

Self-supply

- 5.28 As set out above, the Parties submitted that self-supply should be assessed as an in-market constraint, especially when focussing on the Grocery segment, because self-supply is the dominant solution in this segment, with substitution occurring in both directions.¹¹⁸ We also note that the Parties made several detailed submissions regarding the importance of self-supply, and we have carefully considered all of these, including their small but significant non-transitory increase in price (**SSNIP**) analysis (see Appendix C).
- 5.29 Whilst all Grocers – [X] – self-supply at least one dedicated warehouse, a Grocer's mix of insourced and outsourced sites reflects a variety of considerations, and this does not directly address whether self-supply poses a competitive constraint on outsourced sites (see paragraphs C.8 and C.9 in Appendix C). Furthermore, whilst there are examples of Grocers taking the Parties' sites inhouse (with known contract value of £10 million or higher), there were none in the last three years and [X] the Grocers that currently outsource ([X] out of [X])

¹¹⁵ Parties' post-ISM proactive submission to the CMA, 5 January 2025, paragraph 6.7.

¹¹⁶ Third party call note.

¹¹⁷ Third party call note.

¹¹⁸ [Parties' response to the CMA's Interim Report](#), 12 March 2025, paragraph 36(b).

do not have any examples of bringing outsourced sites (with a known contract value of £10 million or higher) inhouse since 2015 (see paragraphs C.11 and C.12 in Appendix C). We consider switches from outsourcing to insourcing more pertinent than switches from insourcing to outsourcing, to understand the constraint of self-supply on outsourced sites. Finally, 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.¹¹⁹

- 5.30 Overall, we consider self-supply is not in the relevant market. However, we recognise that self-supply 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 6) and our analysis of countervailing factors (Chapter 7).

Conclusion on the product market

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

Geographic market

- 5.32 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.¹²⁰ 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.
- 5.33 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.¹²¹
- 5.34 Our 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

¹¹⁹ 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.

¹²⁰ [CMA129](#), paragraph 9.13.

¹²¹ FMN, 5 September 2024, paragraph 341; and [Parties' response to the CMA's Interim Report](#), 12 March 2025, paragraph 34.

local areas within the UK. As submitted by the Parties, the evidence also shows that their customers typically source CLS (including transport and shared and dedicated warehousing services) on a national basis, and most large 3PLs (including the Parties) are active across the UK.

Conclusion on the geographic market

5.35 In light of the above, we conclude that the relevant geographic market for transport and shared and dedicated warehousing is the UK.

Conclusion on market definition

5.36 For the reasons set out above, we 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.

6. COMPETITIVE ASSESSMENT

Introduction

- 6.1 We have investigated a horizontal unilateral effects theory of harm (**TOH**) for each of the product markets identified in Chapter 5, 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.¹²²
- 6.2 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 product market TOHs in turn. The Parties' submissions on specific topics (such as self-supply) are assessed in detail within each TOH.

Parties' submissions

- 6.3 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;¹²³ 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.¹²⁴
- 6.4 After we published our Interim Report we received various submissions from the Parties, including a written response to our Interim Report,¹²⁵ submissions made to us orally at the MPH held on 20 March 2025,¹²⁶ two further post-MPH submissions,¹²⁷ and a submission on evidence of new entry.¹²⁸
- 6.5 We set out the Parties' submissions that relate to each theory of harm below.

TOH 1: Transport

Parties' submissions

- 6.6 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

¹²² [CMA129](#), paragraph 4.1.

¹²³ [Parties' response to the Phase 1 Decision](#), 2 December 2024.

¹²⁴ Parties' post-ISM proactive submission to the CMA, 5 January 2025; and Parties' post-CMA update call proactive submission to the CMA, 14 January 2025.

¹²⁵ [Parties' response to the CMA's Interim Report](#), 12 March 2025.

¹²⁶ Information on the purpose and content of MPH and update calls can be found in [CMA2](#).

¹²⁷ Parties' post-MPH submission, 28 March 2025; and Parties' second post-MPH submission, 8 April 2025.

¹²⁸ Parties' submission on evidence of new entry to the CMA, 12 June 2025.

their business.¹²⁹ 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.

- 6.7 The Parties submitted that transport tenders draw in a broader competitor set than warehousing tenders, including transport-focused 3PLs and transport technology platform providers.¹³⁰ 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.¹³¹

Closeness of competition between the Parties and their rivals

Shares of supply

- 6.8 We present our estimates of shares of supply for transport services in Table 6.1 below. Details on the methodology are provided in Appendix A.
- 6.9 Table 6.1 shows that the Parties are two of the largest suppliers of transport services, albeit each of Culina and DHL have significantly larger shares, comparable to that of the Merged Entity. There are also a number of other established transport providers, such as CEVA, Unipart and XPO, as well as a long tail of other providers which collectively account for approximately a third of total market revenues.
- 6.10 Both of the Parties' shares are larger in the Retail than Non-Retail segment, and the Merged Entity would be the second largest supplier in the Retail segment. Culina remains the largest supplier in this segment however, and its transport customers include large Grocers such as Waitrose, Co-op, Morrisons and Tesco.¹³² DHL is the largest supplier in the Non-Retail segment by a considerable margin, with each of Culina, Unipart and XPO having similar shares to the Merged Entity in this segment.

¹²⁹ [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 Final 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.

¹³⁰ [Parties' response to the Phase 1 Decision](#), 2 December 2024, paragraph 4.31.

¹³¹ [Parties' response to the Phase 1 Decision](#), 2 December 2024, paragraphs 3.28-3.31.

¹³² [Parties' response to the Phase 1 Decision](#), 2 December 2024, footnote 300; and Parties' response to the Phase 1 Decision, 2 December 2024, Annex 1.

Table 6.1: Transport shares of supply

<i>Supplier</i>	<i>(%)</i>		
	<i>All mainstream CLS</i>	<i>Retail</i>	<i>Non-Retail</i>
GXO	[5-10]	[10-20]	[5-10]
Wincanton	[5-10]	[5-10]	[5-10]
Parties combined	[10-20]	[20-30]	[10-20]
Culina	[10-20]	[20-30]	[10-20]
DHL	[10-20]	[5-10]	[30-40]
CEVA	[0-5]	[0-5]	[0-5]
Gist	[0-5]	[5-10]	[0-5]
Unipart	[0-5]	[0-5]	[10-20]
XPO	[5-10]	[0-5]	[10-20]
Others	[30-40]	[30-40]	[10-20]
Total	100	100	100

Source: CMA estimates based on revenue data from the Parties and third parties.

Notes: Suppliers with shares belonging to the same range are listed in alphabetical order.

Bidding analysis

Introduction

- 6.11 Our engagement with third parties shows that customers typically run tender processes to select their CLS provider (in both transport and warehousing). The Parties submitted that tenders allow customers to maximise competitive tension and extract the most advantageous terms from 3PLs, tailor their requirements (including flexing how much of their CLS needs they wish to tender), gain a comprehensive insight into the range of CLS solutions available, and to assess whether it would be beneficial to outsource their needs or retain them in-house.¹³³
- 6.12 As we have outlined in Chapter 4 above, customers often 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.¹³⁴ We have therefore analysed the Parties' bidding data to assess which 3PLs 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

- 6.13 In Table 6.2 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.

¹³³ FMN, 5 September 2024, paragraph 199.

¹³⁴ [CMA129](#), paragraph 4.20.

- 6.14 The results in Table 6.2 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.
- 6.15 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 3PLs have successfully competed against the Parties for contracts in each of these segments. For example, since January 2020, Wincanton has lost [X] large [X] transport tenders to Culina, [X].¹³⁵

Table 6.2: 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.

Evidence from third parties

- 6.16 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.¹³⁶ It told us that transport is a more commoditised service than warehousing, with a wider range of providers (including regional hauliers).¹³⁷
 - (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.¹³⁸

¹³⁵ Wincanton lost [X] and [X].

¹³⁶ Third party response to the CMA questionnaire dated 5 September 2024.

¹³⁷ Third party call note.

¹³⁸ Third party call note.

- (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.¹³⁹

6.17 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,¹⁴⁰ and we have also been told by several of the Parties' largest customers that Culina is one of 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 FMCG sectors, and that it is also a leading supplier of secondary transport services, alongside the Parties, DHL and XPO.¹⁴¹
- (b) **DHL:** DHL provides transport services to some of the Parties' largest customers, including Grocers such as Morrisons and Marks & Spencer (**M&S**).¹⁴² DHL also recently competed successfully against GXO for a large transport contract in the Non-Retail segment, in which GXO was the incumbent.¹⁴³
- (c) **XPO:** A competitor told us that XPO's primary focus is transport, [X].¹⁴⁴ Two Retail customers also told us that XPO is stronger in transport than warehousing,¹⁴⁵ and it provides transport services to a Grocery customer of the Parties.¹⁴⁶

Conclusion on TOH 1 (transport)

6.18 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.

¹³⁹ Third party call note.

¹⁴⁰ Third party call note.

¹⁴¹ Third party response to the CMA's s109 notice dated 19 December 2024 (Third party internal document).

¹⁴² Parties' response to the Phase 1 Decision, 2 December 2024, Annex 001.

¹⁴³ Third party call note.

¹⁴⁴ Third party call note.

¹⁴⁵ Third party call note; and Third party call note.

¹⁴⁶ Third party call note.

- 6.19 We therefore 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

- 6.20 The Parties submitted that the supply of shared warehousing is extremely competitive, with a wide range of providers.¹⁴⁷ This includes traditional 3PLs, multi-user/outsourced fulfilment specialists and some large retailers.¹⁴⁸
- 6.21 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.¹⁴⁹ The Parties provided examples of customers who had recently switched to or from one of the Parties' shared warehouse offerings since FY23¹⁵⁰ and provided internal documents relating to competitors in shared warehousing.¹⁵¹

Closeness of competition between the Parties and their rivals

- 6.22 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.
- 6.23 The share of supply data shows that the Parties have a particularly strong position in the supply of warehousing to Retail customers. The Merged Entity would be the largest provider, with a [30-40]% share of supply, followed by two suppliers (DHL and Culina) with shares of 10-20%, and four suppliers with shares below 10%.
- 6.24 The Parties also have a sizeable share of supply in the Non-Retail segment. The Merged Entity would have a [20-30]% share, although DHL would remain the largest provider in this segment post-Merger, with a [30-40]% share, two other suppliers (XPO and Unipart) would have shares of 10-20%, and three suppliers with shares below 10%.
- 6.25 The bidding data also shows that competition is more intense in the supply of warehousing to Non-Retail customers (see Appendix B). This is consistent with

¹⁴⁷ Parties' post-ISM proactive submission to the CMA, 5 January 2025, paragraph 6.3.

¹⁴⁸ Parties' post-ISM proactive submission to the CMA, 5 January 2025, paragraphs 6.4 and 6.31.

¹⁴⁹ Parties' post-ISM proactive submission to the CMA, 5 January 2025, paragraphs 6.27-6.28.

¹⁵⁰ Parties' post-ISM proactive submission to the CMA, 5 January 2025, paragraph 6.24.

¹⁵¹ Parties' post-ISM proactive submission to the CMA, 5 January 2025, paragraph 6.30.

evidence we have received from third parties. For example, two 3PLs told us that Culina has a stronger presence in the Non-Retail segment, providing warehousing services for large manufacturers and other upstream suppliers.¹⁵²

- 6.26 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.¹⁵³
- 6.27 In view of the above, our analysis of shared and dedicated warehousing in the remainder of this Final Report focuses on competition to supply Retail customers.

Bidding analysis

- 6.28 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 £[X] million,¹⁵⁴ and a Retail customer told us that dedicated warehousing would typically start at an annual contract value of around £15 million.¹⁵⁵ 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.¹⁵⁶
- 6.29 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 6.3 below, in our assessment of dedicated warehousing. The analysis shows that for warehousing tenders with an annual value below £20 million – and particularly below £10 million – 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.¹⁵⁷
- 6.30 We note that these results are consistent with the evidence submitted by the Parties, which provide several recent instances in which Retail customers have

¹⁵² Third party call note; and Third party call note.

¹⁵³ Third party call note.

¹⁵⁴ Parties’ post-ISM proactive submission to the CMA, 5 January 2025, paragraphs 6.15 and 6.19.

¹⁵⁵ Third party call note.

¹⁵⁶ Third party call note.

¹⁵⁷ See Table 6.5. We note that the bidding data include 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.

switched away from one of the Parties to other 3PLs in shared warehousing.¹⁵⁸ Since FY2023, this includes [X] (lost to [X]), [X] (lost to [X]), [X] (lost to [X]), [X] (lost to [X]), [X] and [X] (lost to [X]).

Evidence from third parties

- 6.31 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 [X] ([X]) and a smaller provider ([X]) for shared warehousing.¹⁵⁹
- 6.32 We also understand from third parties that Culina in particular is stronger in the provision of shared than dedicated warehousing. A competitor told us that Culina specialises in transport and 'multi-user' warehouses,¹⁶⁰ 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.¹⁶¹ Another competitor told us that it believes there are more credible competitors for shared warehousing than in dedicated warehousing.¹⁶²
- 6.33 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.

Conclusion on TOH 2 (shared warehousing)

- 6.34 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.
- 6.35 We therefore 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

- 6.36 The Parties submitted that many 3PLs successfully compete for dedicated warehousing in the Retail segment. The Parties further stated that many of these warehouses have similar characteristics to those used by manufacturers in the

¹⁵⁸ Parties' post-ISM proactive submission to the CMA, 5 January 2025, Table 10.

¹⁵⁹ Third party call note; and Third party call note.

¹⁶⁰ Third party call note.

¹⁶¹ Third party call note.

¹⁶² Third party call note.

Non-Retail segment, for which there are additional examples of supply by 3PLs other than the Parties (such as Culina and CEVA).¹⁶³ 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.¹⁶⁴

- 6.37 The Parties stated that Grocers have distinct warehousing requirements, and that GXO, Wincanton and DHL currently account for most of the major outsourced warehousing contracts in the Grocery segment.¹⁶⁵ Nevertheless, the Parties consider that self-supply is a viable and ever present option for large Retail customers, particularly Grocers.¹⁶⁶ 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.¹⁶⁷ 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.¹⁶⁸
- 6.38 The Parties submitted that, even on the Interim Report’s provisional conclusions, the provisional SLC identified is exceptionally narrow: it is limited in duration given that the Interim Report found that entry is likely, and it is limited in scope given only a few Grocers raised concerns with self-supply or sponsoring entry.¹⁶⁹
- 6.39 The Parties’ submissions in relation to self-supply, customer buyer power and countervailing factors, are further summarised below.

Closeness of competition between the Parties and their rivals

Bidding analysis

- 6.40 As noted in paragraph 6.22 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.
- 6.41 Table 6.3 below provides a summary of all Retail warehousing tender wins based on the Parties’ bidding data, supplemented with data collected from third parties in

¹⁶³ Parties’ post-CMA update call proactive submission to the CMA, 14 January 2025, paragraphs 1.4 and 2.2-2.7.

¹⁶⁴ Parties’ post-CMA update call proactive submission to the CMA, 14 January 2025, paragraphs 2.2-2.7.

¹⁶⁵ [Parties’ response to the Phase 1 Decision](#), 2 December 2024, paragraph 1.6(b).

¹⁶⁶ [Parties’ response to the Phase 1 Decision](#), 2 December 2024, paragraph 7.2.

¹⁶⁷ [Parties’ response to the Phase 1 Decision](#), 2 December 2024, paragraph 7.3.

¹⁶⁸ [Parties’ response to the Phase 1 Decision](#), 2 December 2024, paragraph 1.6(c).

¹⁶⁹ [Parties’ response to the CMA’s Interim Report](#), 12 March 2025, paragraphs 3 and 42-44.

response to our formal information request.¹⁷⁰ As noted in paragraphs 6.22 to 6.27 above, given the wider competitor set in the non-Retail segment, our analysis is focused on the supply of warehousing to Retail customers only.

- 6.42 Table 6.3 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.
- 6.43 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).¹⁷¹ This is consistent with the evidence we have obtained from two of those customers with contracts exceeding £50 million per year, who indicated that the Parties, or the Parties and DHL, were the only suppliers to reach the final stage in their procurement process.¹⁷²

¹⁷⁰ Table 6.3 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 [X] and [X], ie for tenders not included in the Parties' dataset. We have been able to do this for [X] and [X] 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, [X] and [X]. However, we note that other third parties won comparatively few Retail contracts over the period, across both transport and warehousing ([X]), and some of these wins may also be captured in the Parties' bidding dataset. We also note that [X] of these 3PLs listed any relevant Grocery wins in their section 109 response, such that there should be [X] in the Grocery results ([X] included [X] Grocery wins, but we infer from our call with the relevant customer that these are for transport only) (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; 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; Third party response to the CMA's s109 notice dated 19 December 2024; and Third party response to the CMA's s109 notice dated 19 December 2024).

¹⁷¹ While the Parties provided some examples of other 3PLs operating Retail dedicated warehousing (or manufacturers' warehouses with similar features), these examples were all for values below £[X] million. 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.

¹⁷² Third party responses to the CMA questionnaire dated 5 September 2024.

Table 6.3: 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.

Note: Includes all new retail warehousing or combined transport and warehousing opportunities won by GXO, Wincanton, [X] and [X]; 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 [X] for the same customer on the same win date, they have been consolidated into a single entry, combining their annual values.

- 6.44 In Table 6.4 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.
- 6.45 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.
- 6.46 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 [X],¹⁷³ and [X].¹⁷⁴ Consistent with the Parties' submissions, the bidding data therefore indicate that GXO, Wincanton and DHL are the only 3PLs that regularly win dedicated warehousing contracts for Grocery customers.

¹⁷³ Specifically for the delivery of [X]. Parties' post-CMA update call proactive submission to the CMA, 14 January 2025, page 4; Third party response to the CMA's RFI dated 3 February 2025; and [X].

¹⁷⁴ Parties' post-CMA update call proactive submission to the CMA, 14 January 2025, page 4.

Table 6.4: Retail warehousing and combined opportunities won for Grocery and non-Grocery (Retail) customers

	Annual value greater than £10 million			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.

Notes: Includes all new retail warehousing or combined transport and warehousing opportunities won by GXO, Wincanton, [X] and [X]; 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 [X] suppliers included in 'Other' each won [X] opportunity. Where multiple opportunities were won by [X] for the same customer on the same win date, they have been consolidated into a single entry, combining their annual values.

Shares of supply

- 6.47 As discussed in paragraph 6.22, the quantitative data that we have received from the Parties does not systematically distinguish between shared and dedicated warehousing. As a result, we have not been able to produce separate share estimates for dedicated warehousing as a whole. We present our estimates of shares of supply for all mainstream CLS warehousing (shared and dedicated), disaggregated by Retail and non-Retail segments, in Appendix A. We consider that these shares are informative for assessing the overall competitive landscape.
- 6.48 As set out in TOH 2 above, the Parties have a particularly strong position in the supply of warehousing to Retail customers, with the Merged Entity being the largest provider, with a [30-40]% share of supply, followed by two suppliers (DHL and Culina) with shares of 10-20%, and four suppliers with shares below 10%.¹⁷⁵
- 6.49 Within the Retail segment, share of supply estimates are available for all dedicated warehousing services to Grocery customers. Details on the methodology are provided in Appendix A, and the share of supply estimates as set out in Table 6.5 below.
- 6.50 As shown in Table 6.5, the Parties and DHL are the only 3PLs currently servicing dedicated warehousing contracts for Grocery customers. We consider that this is consistent with the bidding data which records only the Parties and DHL winning large, dedicated warehousing tenders for Grocery customers (see paragraph B.19 in Appendix B).

¹⁷⁵ As noted in paragraphs 6.22 to 6.27 above, given the wider competitor set in the non-Retail segment, we have focused our analysis on the supply of warehousing to Retail customers. Furthermore, given the evidence set out in paragraphs 6.40 to 6.46 that a wider range of 3PLs compete for non-Grocery (Retail) tenders, we have also focused our analysis on warehousing services to Grocery customers.

6.51 We consider these results show that all dedicated warehousing to Grocery customers is already highly concentrated. There are only three firms present, and the Merger would lead to a reduction to two firms. GXO has the highest market share and the increment from the Merger is substantial. Based on 2024 data, we find there is a combined share of [70-80]% for all dedicated warehousing to Grocers by value ([10-20]% increment).

Table 6.5: Shares of supply for all dedicated warehousing to Grocery customers (2024)

Supplier	Totals		Shares (%)	
	Value (£m)	Number of sites	By value	By number of sites
GXO	[X]	[X]	[60-70]	[50-60]
Wincanton	[X]	[X]	[10-20]	[10-20]
Parties Combined	[X]	[X]	[70-80]	[60-70]
DHL	[X]	[X]	[20-30]	[20-30]
Total	[X]	[X]	100	100

Source: CMA estimates based on DHL's response to the CMA's s109 notice 2 dated 5 March 2025, question 1; Parties' Phase 2 Remedies Form, 21 November 2024, Annex ARP.001; Parties' response to the CMA's request for information of 30 May 2025, 3 June 2025, Annex 003; and GXO's response to the CMA's request for information of 16 April 2025, 17 April 2025, question 1.

Notes: Excludes RRUs.

6.52 We note that these shares reflect current contracts and may change with the awarding of new contracts in future. However, we have seen little evidence of other suppliers credibly competing for such services.

6.53 Based on 2024 share estimates by revenue and by number of sites, we consider that:

- (a) The levels of concentration for the provision of dedicated warehousing to Grocery customers are already very high and would increase even further following the Merger, reducing the number of firms to two.
- (b) GXO's shares are already very high, and the Merger would lead to a significant increase in that share. Market shares of this magnitude are generally indicative of strong market power.
- (c) The Merged Entity would be the largest provider of dedicated warehousing to Grocery customers and have a significantly higher share than the only other current provider, DHL.

6.54 We have also considered how, within the Grocery customer segment, the Parties' competitive position may differ if food and non-food dedicated warehouses for Grocery customers are considered separately. As set out in Appendix A, only the Parties and DHL, or a subset of these, are currently active in relation to either of these areas:

- (a) For food dedicated warehousing for Grocery customers, the Parties are the two largest suppliers, and the Merged Entity would have a [90-100]% share by value (with Wincanton as a [10-20]% increment) (see Table A.6 in

Appendix A). The only other supplier is DHL with a lower share of [5-10]% by value. DHL [X] operates [X] food dedicated warehouses ([X]).¹⁷⁶ We consider that this is consistent with evidence received from third parties indicating DHL may be weaker in Grocery food dedicated warehousing.

- (b) For non-food dedicated warehousing for Grocery customers, GXO and DHL are the only two current suppliers, with shares by value of [30-40]% and [60-70]% respectively (see Table A.7 in Appendix A). While Wincanton does not currently operate non-food dedicated warehousing for Grocery customers, we understand that Wincanton is still considered as a relevant competitor by Grocery customers.

Evidence from third parties

6.55 We gathered evidence from customers, 3PLs 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. In assessing this evidence, we recognise that:

- (a) Some customers may not have engaged with the 3PL market recently.
- (b) Individuals within the same organisation may have differing views or personal experiences; and to reflect this, we have engaged with a range of senior personnel within customer organisations.
- (c) Third parties may have certain incentives when providing their views. 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.

6.56 We have taken these points into account during the merger review process (including remedies) when deciding how much weight to attach to the evidence. We place greater weight on views that are supported by other corroborative evidence, such as internal documents or bidding analysis.

Customer views on competitors

6.57 Given the limited competitor set for dedicated warehousing for Grocery customers evidenced from the bidding and share of supply data (discussed above), we have given particular attention to Grocery customers' views on competitors.

¹⁷⁶ Third party response to the CMA's s109 notice dated 5 March 2025, DHL. DHL stated that [X]. DHL operates [X]. DHL would be [X]. DHL said that [X]. Third party call note, DHL.

- 6.58 Grocery customers told us that experience and track record are important criteria if a 3PL is to be regarded as a credible bidder.¹⁷⁷
- 6.59 Winning recent tenders is evidence a firm is seen as an effective competitor. Wincanton and GXO are both shown in the bidding data to have won tenders recently.
- 6.60 One Grocer stated that GXO, Wincanton and DHL are the only credible 3PLs in food warehousing, whereas in fashion retail there may be more options.¹⁷⁸ Another Grocer named only GXO, Wincanton and DHL as 3PLs with the required expertise or a credible track record.¹⁷⁹
- 6.61 We received mixed evidence from third parties on the relative strength of DHL. One Grocer told us that it would consider DHL to be a viable alternative for its dedicated warehousing requirements (subject in each case to DHL's responses to any tender and commercial offering).¹⁸⁰
- 6.62 Other Grocers have told us that they perceive DHL's strength in dedicated food warehousing to have declined in recent years or that DHL was relatively weaker than GXO and Wincanton. For example, a Grocer said that it understood that DHL was keen to exit food due to the complexity and challenge.¹⁸¹ It also said that DHL used to run [redacted] food sites for the Customer ([redacted]) and chose a strategic option to go more into non-food and e-commerce. However, it feels that if it were to speak to DHL about an opportunity in food again it would be interested.¹⁸²
- 6.63 Additionally, a Grocer told us that it considers only GXO, Wincanton and to some extent DHL specialise in food/FMCG logistics. It also said that DHL has somewhat retracted from this market. It also stated that DHL is capable of running ambient food warehousing sites (eg tinned goods) but does not have strong experience in chilled food warehousing. For chilled warehousing, it considers that GXO and Wincanton are currently the only credible 3PLs.¹⁸³
- 6.64 DHL told us that for manual warehouses, [redacted]. It said that it would [redacted] in tenders for grocery (food) warehousing [redacted]. It also told us that it assesses tenders and its willingness to participate on a case-by-case basis, [redacted].¹⁸⁴
- 6.65 We have also received evidence to show that Wincanton and GXO are sometimes the last two bidders in a tendering process for grocery warehousing. For example,

¹⁷⁷ Third party call note; Third party call note; and Third party call note.

¹⁷⁸ Third party call note.

¹⁷⁹ Third party call note.

¹⁸⁰ Third party response to the CMA's RFI dated 24 March 2025.

¹⁸¹ Third party call note.

¹⁸² Third party call note.

¹⁸³ Third party call note.

¹⁸⁴ Third party call note; and Third party response to the CMA's RFI dated 28 March 2025.

an internal document from a Grocer showing how it scores potential suppliers, lists only GXO and Wincanton.¹⁸⁵

- 6.66 Evidence received on [X] shows that GXO and Wincanton are the main contenders for [X].¹⁸⁶ [X], GXO, Wincanton and DHL were the only providers to [X].¹⁸⁷
- 6.67 We note that food dedicated warehouses represent the majority ([60-70]%) of all Grocery dedicated warehousing,¹⁸⁸ and therefore much of our evidence from Grocery customers relates to these types of warehouses. Nonetheless, for completeness, we have considered whether competitive conditions differ significantly between food and non-food dedicated warehouses for Grocery customers. In this regard:
- (a) As noted above, in contrast to food dedicated warehouses, only GXO and DHL currently supply non-food dedicated warehouse services to Grocery customers. However, we understand that Wincanton is still considered by Grocery customers as a competitor for non-food dedicated warehouse services,¹⁸⁹ and this is also supported by Wincanton's internal documents.¹⁹⁰
 - (b) One Grocery customer noted that DHL had strength in general merchandise and non-food operations, suggesting that DHL may be a stronger competitor in relation to non-food dedicated warehouses.¹⁹¹ This is also reflected in DHL being the largest provider by share of supply.
 - (c) However, there is limited available evidence from third parties that the relevant competitor set is significantly broader for non-food dedicated warehouses for Grocery customers. Only one Grocery customer indicated to us that the competitor set for non-food dedicated warehouses may be wider, noting that there may be more options for 3PLs in fashion retail. This customer also expressed concerns regarding the Merger and did not exclude concerns in relation to non-food dedicated warehouses, instead noting that the 'lack of competition' is more acute in the supply of food warehousing than clothing/fashion.¹⁹² Furthermore, one other third party told us that there are

¹⁸⁵ Third party internal document.

¹⁸⁶ Third party response to the CMA's RFI dated 19 March 2025.

¹⁸⁷ Third party response to the CMA's RFI dated 24 March 2025. GXO submitted on 12 June 2025 that the Grocer had recently awarded the tender – concerning a major (over £[X] million annual value) contract for [X] – and that neither [X] were successful (GXO's submission on evidence of new entry to the CMA, 12 June 2025, page 4). The Grocer confirmed to the CMA [X]. Only the Parties and DHL [X] (Third party response to CMA's RFI dated 12 June 2025).

¹⁸⁸ CMA analysis based on 2024 revenue information provided by the Parties and DHL. See Appendix A.

¹⁸⁹ Grocery customers did not exclude that Wincanton is a relevant competitor for their non-food dedicated warehousing needs (Third party call note; Third party call note; and Third party call note); and an internal document provided by a Grocery customer listed Grocery retail, consumer packaged goods, and e-commerce as Wincanton's focus.

¹⁹⁰ Wincanton's response to the CMA's s109 notice 1 dated 27 November 2024, Annex '[X]' to Question 16, page 1.

¹⁹¹ Third party call note.

¹⁹² Third party call note. As stated above, 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

other credible players for non-food dedicated warehousing, particularly in the clothing and general merchandise space. However, it noted that Grocers still tend to contract with GXO, Wincanton and DHL in respect of such warehouses.¹⁹³

- 6.68 In respect of the Retail non-Grocery segment, some Retail non-Grocery customers only identified GXO, Wincanton and DHL as credible competitors for dedicated warehousing.¹⁹⁴ However, only one of these customers raised concerns about the impact of the Merger on competition. Furthermore, other non-Grocer retail customers considered there was also one other credible 3PL (naming either Advanced Supply Chain, CEVA or DP World).¹⁹⁵

Views on the Merger

- 6.69 Of the 16 Retail customers that we spoke to:
- (a) Seven indicated that they were not concerned about the impact of the Merger,¹⁹⁶ seven expressed concerns or viewed the Merger negatively,¹⁹⁷ and two expressed mixed or neutral views.¹⁹⁸ Of the eight Grocers that we spoke to, three were not concerned about the Merger¹⁹⁹ and five expressed concerns.²⁰⁰ We note that 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. GXO or Wincanton provide dedicated warehousing to fourteen of the sixteen Retail customers that we spoke to.²⁰¹

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.

¹⁹³ Third party call note.

¹⁹⁴ Third party call note; Third party call note; and Third party call note.

¹⁹⁵ Third party call note; Third party call note; and Third party call note.

¹⁹⁶ Third party call note; Third party call note; Third party call note; Third party call note; Third party call note; Third party call note; and Third party call note.

¹⁹⁷ Third party call note; Third party call note; Third party call note; Third party call note; Third party call note; Third party call note; and Third party call note.

¹⁹⁸ Third party call note; and Third party call note; 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 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 (Third party call note).

¹⁹⁹ Third party call note; Third party call note; and Third party call note.

²⁰⁰ Third party call note; Third party call note; Third party call note; Third party call note; and Third party call note. 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 (Third party call note).

²⁰¹ One non-Grocery customer that expressed concerns about the Merger is supplied with [REDACTED] (Third party call note). 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).

- (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 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.²⁰² 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.²⁰³
- (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.²⁰⁴
 - (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.²⁰⁵
 - (iii) Another Grocery customer told us that in its view there were three recognised and capable suppliers (GXO, Wincanton and DHL), and the scale and complexity of its warehouse operations have made it very difficult to consider smaller 3PLs.²⁰⁶ It also said that CEVA declined the customer's invitation for the tender in 2022 because food retail was not part of their area of expertise.²⁰⁷
 - (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

²⁰² Third party call note.

²⁰³ Third party call note.

²⁰⁴ Third party call note.

²⁰⁵ Third party call note.

²⁰⁶ Third party call note.

²⁰⁷ Third party call note.

to).²⁰⁸ It said a merger between GXO and Wincanton might remove some innovation from the industry, and that it had concerns regarding the impact on management fees.²⁰⁹

- (d) We also received responses to an RFI from [X] Grocers that were not current customers of the Parties,²¹⁰ of which one expressed a view on the Merger.²¹¹ This Grocer told us it considers that this Merger does remove an element of competition in the grocery logistics market, with knock-on effects for many businesses who work with larger 3PLs. It noted that there has been considerable consolidation in the grocery logistics market over the past five years through the loss of failing logistics companies, as well as opportunistic growth from existing logistics providers. Although this has helped to stabilise the grocery logistics industry, the reduced competition in this market has also resulted in a substantial increase in costs for customers.²¹²

6.70 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 concerns over the Merger's impact on competition in the Retail CLS segment because there are other credible alternatives for customers in the market, such as Maersk, DP World and Metro Supply Chain.²¹³
- (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.²¹⁴ 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.²¹⁵

²⁰⁸ Third party call note.

²⁰⁹ Third party call note.

²¹⁰ Third party responses to the CMA's RFI dated 14 April 2025.

²¹¹ Third party response to the CMA's RFI dated 14 April 2025.

²¹² Third party response to the CMA's RFI dated 14 April 2025.

²¹³ Third party call note.

²¹⁴ Third party call note.

²¹⁵ Third party call note.

- (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.²¹⁶

6.71 Of the 3PLs that we spoke to, five were either not concerned about the impact of the Merger or did not express an overall view,²¹⁷ and one 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.²¹⁸
- (b) Three 3PLs 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 3PL 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.²¹⁹ Another 3PL 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).²²⁰ 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.²²¹ However, it does not think that the Merger will have a material impact on its business or change its growth potential. The other 3PL 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.²²²
- (c) The 3PL 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

²¹⁶ Third party call note.

²¹⁷ One of these competitors indicated that it had a 'negative' view on the Merger in its phase 1 questionnaire response (Third party response to the CMA questionnaire dated 5 September 2024). However, it did not comment on the potential impact of the Merger on competition in our call at phase 2.

²¹⁸ Third party call note.

²¹⁹ Third party call note. The competitor did not specify whether this related specifically to warehousing, or CLS more generally.

²²⁰ Third party call note.

²²¹ Third party call note.

²²² Third party call note; and Third party response to the CMA questionnaire dated 5 September 2024.

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.²²³

- 6.72 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 more competition in the market incentivises 3PLs to ‘go above and beyond’ to retain their existing customers.²²⁴ 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.²²⁵ We have focused on the impact on the tendering process, recognising existing contracts and monitoring limit scope for degradation in the course of performing existing contracts. That said, to the extent there is less constraint in tenders this may also affect incentives regarding performance in the context of future contracts.
- 6.73 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. 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.²²⁶ An internal document received from another competitor refers to the ‘dominance from key competitors’ in ‘big grocery and chill’.²²⁷

Our conclusion on third party evidence

- 6.74 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 currently have a particularly strong position in the supply of dedicated warehousing to Grocery customers.
- 6.75 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.

²²³ Third party call note.

²²⁴ Third party call note.

²²⁵ Third party call note.

²²⁶ Third party response to the CMA’s s109 notice dated 19 December 2024 (Third party internal document).

²²⁷ Third party response to the CMA’s s109 notice dated 19 December 2024 (Third party internal document).

Self-supply

- 6.76 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 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, Appendix D and Appendix E.
- 6.77 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 assessment of all the evidence.

Parties' submissions

- 6.78 The Parties submitted that self-supply is a credible option for a range of customers, in particular for Grocers and other large Retail customers.²²⁸ 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,²²⁹ and also provided [40-50] examples of customers switching from 3PLs to self-supply for the period 2010 to 2025.²³⁰
- 6.79 The Parties stated that there are no material switching costs for customers to switch from an incumbent 3PL to self-supply.²³¹ 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.²³² 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.²³³
- 6.80 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-

²²⁸ [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).

²²⁹ Frontier Economics, The competitive threat posed by insourcing and mixed sourcing – an updated submission prepared for the CMA, 14 January 2025, Annex A.

²³⁰ Parties' post-ISM proactive submission, 5 January 2025, Annex 004.6.

²³¹ FMN, 5 September 2024, paragraph 184.

²³² Parties, Issues Letter Response, 10 October 2024, paragraph R.39; and Annex 005.01 (Annex E).

²³³ 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.

placed to insource their logistics requirements if they so choose and that this provides an additional competitive threat to 3PLs.²³⁴ We have considered the evidence on margins in Appendix E.

6.81 In response to the CMA's Interim Report, the Parties submitted that:

- (a) The majority of Grocer feedback on self-supply was positive and confirms that it is a close substitute for outsourcing. The concerns raised by five Grocers are narrower than they appear and, in some instances, appear to have been misconstrued.²³⁵
- (b) The limited negative feedback about self-supply from five Grocers with concerns about the Merger relates to only a few warehouses ([10-20]). All evidence in the case confirms self-supply is a competitive constraint for most Grocers and tenders.²³⁶
- (c) Grocers have the clear ability to self-supply mature sites. This is demonstrated by: (i) the fact Grocers self-supply large parts of their network today; (ii) benchmarking data confirming self-supplied site performance matches that of outsourced sites; (iii) Grocers' feedback confirming their ability to self-supply; (iv) the absence of any material barriers to switching; and (v) the range of examples of Grocers successfully re-insourcing.²³⁷
- (d) Grocers' ability to self-supply extends to new sites and major change, as evidenced by: (i) Grocers' track record of handling new site establishment and change programs inhouse; and (ii) Grocers' use of consultants and staff hires to obtain relevant expertise.²³⁸
- (e) Grocers' ability to switch is supported by their ability to efficiently replicate the key benefits of outsourcing internally. This is supported by evidence confirming that Grocers can and do obtain innovation and best practice insights via comparable channels.²³⁹
- (f) Grocers would have the incentive to self-supply if the Merged Entity raised prices or reduced service levels, as the costs and benefits of self-supply versus outsourcing are generally finely balanced and switching costs are low. This is demonstrated by: (i) the fact that Grocers self-supply most warehouses today; (ii) economic modelling confirming that Grocers would be incentivised to re-insource in response to any material increase in the cost of outsourcing – even when accounting for the largely immaterial qualitative

²³⁴ [Parties' response to the Phase 1 Decision](#), 2 December 2024, paragraph 7.21.

²³⁵ [Parties' response to the CMA's Interim Report](#), 12 March 2025, paragraphs 141(a) and 142-149.

²³⁶ [Parties' response to the CMA's Interim Report](#), 12 March 2025, paragraphs 141(b) and 150-155.

²³⁷ [Parties' response to the CMA's Interim Report](#), 12 March 2025, paragraphs 141(c) and 156-175.

²³⁸ [Parties' response to the CMA's Interim Report](#), 12 March 2025, paragraphs 141(d) and 176-183.

²³⁹ [Parties' response to the CMA's Interim Report](#), 12 March 2025, paragraphs 141(e) and 184-210.

benefits of outsourcing not factored into the model; (iii) benchmarking data confirming no cost efficiency differential; (iv) Grocers' feedback confirming they would switch if the Merged Entity degraded its offering; and (v) internal documents confirming the constraint of self-supply on 3PLs.²⁴⁰

Evidence from third parties

- 6.82 We spoke to 16 Retail customers (eight of which were Grocery 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.²⁴¹ We also discussed the constraint from self-supply with industry consultants and competitors of the Parties.
- 6.83 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,²⁴² whereas the remainder (25%) fully outsource their dedicated warehousing.²⁴³ An even larger majority of Grocery customers that we spoke to (seven out of eight, ie 87.5%) self-supply at least one of their dedicated warehouses,²⁴⁴ with only one (ie 12.5%) fully outsourcing their dedicated warehousing.²⁴⁵
- 6.84 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.²⁴⁶ 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 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 Parties²⁴⁷ (although the Parties submitted that only the first two benefits in the next paragraph are relevant and that they consider the remaining benefits are inaccurate or less important).²⁴⁸
- 6.85 The main benefits of outsourcing that customers identified were the following:

²⁴⁰ [Parties' response to the CMA's Interim Report](#), 12 March 2025, paragraphs 141(f) and 211-232.

²⁴¹ These customers were some of the largest retail customers of the Parties, including: (i) eight Grocery customers ([REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED] and [REDACTED]); and (ii) eight non-Grocery customers ([REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED] and [REDACTED]).

²⁴² Third party call note; Third party call note; Third party call note; Third party call note; Third party call note; Third party call note; Third party call note; Third party call note; Third party call note; Third party call note; Third party call note; and Third party call note.

²⁴³ Third party call note; Third party call note; Third party call note; and Third party call note.

²⁴⁴ Third party call note; Third party call note; Third party call note; Third party call note; Third party call note; Third party call note; and Third party call note.

²⁴⁵ Third party call note.

²⁴⁶ Third party call note; Third party call note; and Third party call note. Also, FMN, 5 September 2024, paragraph 14(e)(v).

²⁴⁷ Parties' post-ISM proactive submission to the CMA, 5 January 2025, paragraphs 1.3 and 2.1-2.23.

²⁴⁸ [Parties' response to the CMA's Interim Report](#), 12 March 2025, paragraphs 186-187 and 203-210.

- (a) **Innovation and best practice.** Eight customers (and five Grocery 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 and/or across multiple sites but which could be difficult to replicate if the customer is self-supplying all their own warehousing.²⁴⁹ One customer suggested that the importance of this benefit may depend on the type of the customer (and potentially their size).²⁵⁰ For example:
- (i) A Grocery customer told us that it chooses to outsource as it likes to use the 3PL as a benchmark or because a 3PL has expertise that brings innovation and development from across the market (which can give the customer a competitive advantage).²⁵¹ The customer told us that 3PLs can provide ‘thought leadership’ by investing in new technology or delivering on a sustainability agenda.²⁵² The customer stated that the Merger might remove some innovation from the industry.²⁵³
 - (ii) Another Grocery customer told us it can adopt best practices from outsourced sites and implements 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 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.²⁵⁴
 - (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.²⁵⁵ It also told us that 3PLs suggest innovation and ideas that industry consultants could not provide to the same extent, for example because the customer can go and view potential innovations in-person at the 3PL’s other customer sites.²⁵⁶ The customer told us that 3PLs gain knowledge and insights from customers

²⁴⁹ Third party call note; Third party call note; Third party call note; Third party call note; Third party call note; Third party call note; Third party call note; and Third party internal document.

²⁵⁰ A grocery customer told us that large grocery retailers like [REDACTED] have greater inhouse CLS capability than smaller grocery retailers such as [REDACTED] (Third party call note).

²⁵¹ Third party call note; and Third party call note.

²⁵² Third party call note.

²⁵³ Third party call note.

²⁵⁴ Third party call note.

²⁵⁵ Third party call note.

²⁵⁶ Third party call note.

that benefit the 3PL's other customers, and that this knowledge can help reduce costs, improve innovation or other parts of their service offering (such as sustainability).²⁵⁷ Outsourcing helps avoid the customer's logistics becoming insular.²⁵⁸

- (iv) A non-Grocery customer told us that the management fee reflects GXO's knowledge and expertise, ie it is effectively paying a fee for knowledge that it does not have in-house.²⁵⁹
- (b) **Expertise in introducing and implementing change.** Four customers (one Grocery customer) indicated that a benefit of outsourcing is expertise in introducing and implementing changes to existing arrangements.²⁶⁰ For example:
 - (i) 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.²⁶¹
 - (ii) 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.²⁶²
 - (iii) A Grocery customer told us that it is fully capable of self-supplying, especially for mature operations, however [X].²⁶³
 - (iv) Another Grocery customer also told us that 3PLs have been helpful on large projects because of their experience.²⁶⁴
 - (v) This is consistent with evidence we have received on the importance of 3PLs having prior experience of implementing similar change programmes for other customers.
- (c) **Risk allocation.** Three customers (two Grocery 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.²⁶⁵ For example:
 - (i) A Grocery customer told us it can transfer implementation risk to 3PLs (both contractually and commercially) when the 3PL is implementing

²⁵⁷ Third party call note.

²⁵⁸ Third party call note.

²⁵⁹ Third party call note.

²⁶⁰ Third party internal document; Third party call note; Third party call note; and Third party call note.

²⁶¹ Third party call note.

²⁶² Third party call note.

²⁶³ Third party call note.

²⁶⁴ Third party call note.

²⁶⁵ Third party internal document; Third party call note; and Third party internal document.

new innovation at the customer's site, which would not be possible with self-supply or using a third-party consultant.²⁶⁶

- (ii) 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.²⁶⁷
- (iii) 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.²⁶⁸
- (d) **Delegation and flexibility.** Three customers (two Grocery 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.²⁶⁹ 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.²⁷⁰
 - (ii) Another Grocery customer told us that 3PLs have networks of contacts that can potentially fill otherwise empty space in warehouses and that [REDACTED].²⁷¹
 - (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.²⁷²
 - (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 dedicated warehouses for Retail customers are from labour agencies, rather than GXO staff. The Parties stated that rival 3PLs and customers can and do directly procure staff from the same agencies.²⁷³
- (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

²⁶⁶ Third party call note.

²⁶⁷ Third party internal document.

²⁶⁸ Third party call note.

²⁶⁹ Third party internal document; Third party call note; and Third party call note.

²⁷⁰ Third party call note.

²⁷¹ Third party call note.

²⁷² Third party call note.

²⁷³ Parties' post-CMA update call proactive submission to the CMA, 14 January 2025, paragraphs 1.7-1.8.

model as simple as possible.²⁷⁴ Similarly, a non-Grocery customer told 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. It stated that self-supply is not part of its strategy and is not currently being looked at.²⁷⁵

- (ii) A Grocery customer told us that some 3PLs have newer or different agreements in place with trade unions,²⁷⁶ 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.²⁷⁷ The Parties submitted that these alleged differences in contract terms are incorrect as the Grocer would inherit the same staff and terms under the TUPE.²⁷⁸ Nonetheless, two other Grocery customers also mentioned labour issues, in particular, related to relationships with trade unions and being part of a [REDACTED].²⁷⁹
- (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’.²⁸⁰

6.86 In deciding whether to self-supply or to outsource, we consider that customers are ultimately comparing the management fee or cost of outsourcing against the perceived benefits of outsourcing listed above.²⁸¹ Some customers also expressed strong views regarding whether self-supply is a close alternative to outsourcing:

- (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 that it has significant internal expertise and knowledge of logistics.²⁸²
- (b) Another Grocery customer told us it typically operates its warehousing in-house. [REDACTED].²⁸³ It noted that it currently has no plans to outsource and that it has an internal change department (transformation department) which

²⁷⁴ Third party call note.

²⁷⁵ Third party call note.

²⁷⁶ Third party call note.

²⁷⁷ Third party call note.

²⁷⁸ Parties' response to the CMA's Interim Report, 12 March 2025, paragraph 204.

²⁷⁹ Third party call note; and Third party call note.

²⁸⁰ Third party internal document.

²⁸¹ 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 (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).

²⁸² Third party call note.

²⁸³ Third party call note.

attends trade shows and exhibitions around the world in order to learn about new innovations in the space. It considers itself at the forefront of most innovations by having a really good transformation team that are always looking at the latest innovations. It also works with external consultants and sometimes implements big changes with support from third party expertise (ie consultants).²⁸⁴

- (c) Another Grocery customer told us it does not view insourcing as an alternative to its outsourced dedicated warehouses, including food sites. It is currently carrying out a procurement exercise for [REDACTED]. 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 sites. It considers that building in-house capacity would be a significant distraction, particularly [REDACTED], and that [REDACTED]. Therefore, [REDACTED]. If the balance between in-house vs outsourced dedicated warehousing were to be [REDACTED], this would increase the risk to its supply chain and it would lose the benefits of having a [REDACTED] network. As such it is not feasible for the customer to insource [REDACTED] of its outsourced dedicated warehouses.²⁸⁵

6.87 Other customers had more mixed views regarding the constraint of self-supply on outsourcing. A customer considered self-supply to be a realistic option for some sites (eg mature sites), but not others (eg new sites or those undergoing change). Another customer told us that there were not specific characteristics that made a particular dedicated warehouse easy or difficult to self-supply. 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 they obtained from 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. 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. 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.²⁸⁶
- (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

²⁸⁴ Third party call note.

²⁸⁵ Third party call note; and Third party response to the CMA's RFI dated 24 March 2025.

²⁸⁶ Third party call note; and Third party call note.

the 'cost per case' being the fundamental measure for comparison. However, although it told us that it is fully capable of self-supply, especially for mature operations, [REDACTED].²⁸⁷

- (c) Another Grocery customer told us that [REDACTED]. It told us it would be operationally feasible to insource all its 3PL solutions (including all sites run by Wincanton) and it could probably take some of these sites in-house very quickly. However, it was of the view that it would currently only be cost effective to do so at one site. For the remainder of relevant sites, whether they are food or non-food sites, any move to insource requirements would be cost additive. The customer would consider self-supply more if there were significant negative effects from just having one supplier post-Merger. The customer stated that there are no specific features (eg automation) that it could point to that make insourcing harder, although it said that the reality is that its non-food sites are the most complex sites, whereas the food sites are fairly manual, traditional warehouses.²⁸⁸
- (d) Another Grocery customer told us that insourcing decisions are made on a case-by-case basis. However, it also told us 3PLs suggest unique innovation and ideas, that industry consultants could not provide to the same extent, particularly including in-person visits to see potential innovations and in terms of the 3PL carrying more implementation risk (both contractually and commercially).²⁸⁹
- (e) [REDACTED] told us that self-supply is not a very serious consideration for a new distribution centre that it is looking to open. This is because [REDACTED]. It stated [REDACTED]. [REDACTED]. Furthermore, for its outsourced sites, self-supply of warehousing has not been considered as a viable alternative.²⁹⁰
- (f) A non-Grocery customer told us that within the wider [REDACTED] 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'.²⁹¹
- (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.²⁹²

6.88 Some customers also highlighted costs of switching to self-supply. We provide some examples below, although we note that the Parties have also provided their

²⁸⁷ Third party call note.

²⁸⁸ Third party call note; Third party response to the CMA's RFI dated 25 March 2025; and Third party call note.

²⁸⁹ Third party call note.

²⁹⁰ Third party call note; and Third party response to the CMA's RFI dated 19 March 2025.

²⁹¹ Third party call note.

²⁹² Third party call note.

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. However, this would mainly relate to non-food dedicated warehousing (as it outsources most of its non-food sites), as it could hire less than 100 additional staff for its food operations (given it already has food logistics experts in-house). 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.²⁹³
- (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.²⁹⁴
- (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.²⁹⁵

6.89 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. It 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.²⁹⁶
- (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. It 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

²⁹³ Third party call note; and Third party response to the CMA's RFI dated 19 March 2025.

²⁹⁴ Third party call note.

²⁹⁵ Third party call note.

²⁹⁶ Third party call note.

and operational upheaval. Insourcing would demand significant resources and is not a practical solution for the customer at this time.²⁹⁷

- (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. It 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.²⁹⁸

6.90 As discussed in Appendix C, the Parties have provided examples of customers switching from outsourcing to self-supply.²⁹⁹ 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) and [REDACTED] Grocery customers ([REDACTED] out of [REDACTED]) do not have examples of bringing outsourced sites (with a known contract value of £10 million or higher) inhouse since 2015.

Evidence from internal documents

6.91 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.³⁰⁰

6.92 There are some internal documents that indicate self-supply imposes a competitive constraint on the Parties.³⁰¹ [REDACTED]. For example:

- (a) In a GXO final project 'kick off' presentation ([REDACTED]), 'in-house' is mentioned alongside [REDACTED] as a key competitor.³⁰² [REDACTED].³⁰³
- (b) The Parties' Phase 1 Issues Meeting slides contain an extract from a [REDACTED] tender document prepared by [REDACTED] for its CLS restructure [REDACTED] which states

²⁹⁷ Third party call note.

²⁹⁸ Third party call note.

²⁹⁹ Parties' post-ISM proactive submission, dated 5 January 2025, Annex 004.6.

³⁰⁰ 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).

³⁰¹ We have also considered a third party internal document. This document includes a discussion in relation to self-supply which was informed by conversations with several Grocery customers. We have placed limited weight on this evidence given the fact that we have conducted our own extensive market outreach for the purposes of this investigation which is more recent and more directly relevant to the issues we are investigating.

³⁰² GXO's response to the CMA's s109 notice 2 dated 13 December 2024, Annex 16.

³⁰³ Third party response to the CMA's RFI dated 25 March 2025.

that one of the options [REDACTED] was considering was insourcing all of its food warehouses.³⁰⁴ [REDACTED].³⁰⁵

- (c) A GXO document ([REDACTED]) for a [REDACTED] tender covering [REDACTED] dedicated Grocery warehouses states that [REDACTED] included an inhouse option for each depot in the tender process and benchmarked GXO's proposal against that inhouse option. GXO assessed that [REDACTED].³⁰⁶ However, in a GXO final project 'kick off' presentation for the same customer ([REDACTED]) but a separate project, it appears that the customer is only considering outsourced options.³⁰⁷ [REDACTED].³⁰⁸
- (d) A GXO [REDACTED] document indicates a customer ([REDACTED]) would be prepared to self-supply if GXO did not improve its offering by the time of the next tender.³⁰⁹ [REDACTED].³¹⁰
- (e) A Wincanton document notes that 'in-house' is a key competitor in 'Grocery & Consumer' warehousing and notes that in-house operations can be hard to break into and [REDACTED].³¹¹
- (f) There are also internal documents indicating self-supply as a constraint for non-Grocery customers. A Wincanton document states that Wincanton lost a contract because the customer ([REDACTED]) decided to self-supply.³¹² A Wincanton document specifically lists 'in-house' alongside a number of other 3PLs as competitors in the high street retail and home and DIY sectors.³¹³ A Wincanton document notes that Wincanton is competing with the customer's ([REDACTED]) 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.³¹⁴

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

³⁰⁴ Parties' Issues Meeting presentation slides, 8 October 2024, slide 18.

³⁰⁵ Third party call note.

³⁰⁶ GXO's Internal Document.

³⁰⁷ GXO's response to the CMA's s109 notice 2 dated 13 December 2024, Annex 19.

³⁰⁸ Third party call note.

³⁰⁹ GXO's Internal Document.

³¹⁰ Third party call note.

³¹¹ Wincanton's Internal Document.

³¹² Wincanton's Internal Document.

³¹³ Wincanton's Internal Document.

³¹⁴ Wincanton's Internal Document.

- (a) A GXO document which identifies key logistics trends and their expected impact on third-party logistics, states that [REDACTED].³¹⁵
- (b) Another document indicates that GXO [REDACTED] self-supply, noting that it is [REDACTED].³¹⁶
- (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].³¹⁷
- (d) A Wincanton document notes that once customers' needs reach a certain level of complexity customers outsource the majority of their logistics operations, but as volumes become so large that an investment in logistics is worthwhile, customers again mainly self-supply as insourcing becomes a competitive advantage. [REDACTED] and [REDACTED] are included as examples on the cusp of mainly outsourcing and mainly insourcing.³¹⁸

Our assessment

- 6.94 We set out above the evidence we received on the constraint from self-supply from the Parties' submissions, third parties, and internal documents. Appendix C provides further evidence on the prevalence of self-supply, customer re-insourcing switches and self-supply modelling analysis. Appendix D sets out the Parties' additional modelling combining the constraint from self-supply with constraints from DHL and new entry. Appendix E discusses the Parties' submissions regarding relative margins for Grocery customers and whether these margins are lower due to the competitive constraint from self-supply.
- 6.95 We spoke to 16 Retail customers, eight of which were Grocery customers. We placed more weight on the evidence from Grocery customers but included evidence from non-Grocery customers where appropriate for wider context.
- 6.96 We found 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 was a wide 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.
- 6.97 Several customers told us that there are important benefits to outsourcing that could be difficult to replicate in-house, and in these cases, self-supply is not

³¹⁵ GXO's Internal Document.

³¹⁶ GXO's Internal Document.

³¹⁷ GXO's Internal Document.

³¹⁸ Wincanton's Internal Document.

generally viewed as a credible alternative in procurement exercises. A customer told us that it compares self-supply as an alternative when it tenders for outsourced opportunities, but [REDACTED].³¹⁹ The Parties submitted that Grocers have the clear ability to self-supply mature sites,³²⁰ could even self-supply new sites and major change projects,³²¹ and can replicate the key benefits of outsourcing internally.³²² We accept some Grocers appear to be able to self-supply all types of sites themselves (including mature sites, new sites or implement change), but the evidence suggests that several others see the benefit in outsourcing some of these activities. Grocers told us that 3PLs bring innovation from across the market, which is something that cannot be replicated if they self-supply. We therefore consider the benefits of outsourcing are not limited to certain types of sites and conclude that the competitive constraint of self-supply will vary between customers and even by site.

- 6.98 The Parties submitted that most Grocery customer feedback on self-supply was positive, and any concerns were narrower than they appear or sometimes appear to be misconstrued.³²³ However, we found that only one Grocery customer (that was currently outsourcing all of its dedicated warehousing) had no reservations and raised no concerns about insourcing its currently outsourced dedicated warehouses.³²⁴
- 6.99 The Parties submitted that the Grocery customers' negative feedback about self-supply and concerns about the Merger relate to only a few warehouses.³²⁵ However, [REDACTED], Grocery customers told us that they are not seriously considering self-supply (or not considering it at all).³²⁶
- 6.100 We gave weight to the Parties' internal documents on the basis that these documents represent important contemporaneous evidence of the constraint of self-supply on outsourcing. The Parties submitted that the documents supporting self-supply being a weak constraint all apply to general CLS, while some of the documents supporting self-supply as a competitive constraint relate specifically to Grocers.³²⁷ [REDACTED].
- 6.101 We gave weight to what Grocery customers told us about their incentive to self-supply (although we gave little weight to Grocery customers' reaction to a SSNIP given their difficulty answering this question). We consider that the third-party evidence suggests that the degree of substitutability between insourcing and

³¹⁹ Third party call note.

³²⁰ [Parties' response to the CMA's Interim Report](#), 12 March 2025, paragraphs 141(c) and 156-175.

³²¹ [Parties' response to the CMA's Interim Report](#), 12 March 2025, paragraphs 141(d) and 176-183.

³²² [Parties' response to the CMA's Interim Report](#), 12 March 2025, paragraphs 141(e) and 184-210.

³²³ [Parties' response to the CMA's Interim Report](#), 12 March 2025, paragraphs 141(a) and 142-149.

³²⁴ Third party call note; and Third party call note.

³²⁵ [Parties' response to the CMA's Interim Report](#), 12 March 2025, paragraphs 141(b) and 150-155.

³²⁶ A Grocery customer told us that it is currently carrying out a procurement exercise for [REDACTED] (Third party response to the CMA's RFI dated 24 March 2025). Another customer told us that [REDACTED] (Third party call note).

³²⁷ [Parties' response to the CMA's Interim Report](#), 12 March 2025, paragraphs 231-232.

outsourcing varies both between customers and by site, depending on a range of factors such as the existing mix of insourcing and outsourcing, 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 ([§]). Notwithstanding these differences in propensity to insource, we consider that 3PLs, and particularly a 3PL that is already operating a given warehouse site, will have some understanding of the strength of constraint provided by insourcing for a particular customer and/or a particular site (see 'our assessment' in the integrated modelling section for more on price discrimination).

6.102 The Parties submitted that Grocers would have the incentive to self-supply if the Merged Entity raised prices or reduced service levels, as the costs and benefits of self-supply versus outsourcing are generally finely balanced and switching costs are low.³²⁸ We have analysed these submissions in detail in Appendix C. We engaged with this evidence and concluded the following:

- (a) Whilst the evidence on switching costs (and the relative efficiency of insourced and outsourced warehouses) is informative, there remain certain benefits of outsourcing that are inherently difficult to capture in an 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. We therefore placed less weight on the modelling analysis and more weight on the qualitative third-party evidence (including any evidence of actual switches to re-insourcing due to poor performance)
- (b) While the Parties provided examples of Grocery customers switching from outsourcing to self-supply, [§] the Grocers that currently outsource ([§] out of [§]) do not have any examples bringing outsourced sites (with a known contract of £10 million or higher) inhouse since 2015.

6.103 As explained in Chapter 4, existing Grocery customer logistics networks tend to mix insourcing and outsourcing dedicated warehouses in most instances. Grocery customer views on outsourcing suggest that the proportion of warehouses that a Grocery customer considers it will need to outsource to maximise the benefits of outsourcing are likely to vary between customers. However, we consider that Grocers can be expected to aim to optimise these configurations for their current

³²⁸ [Parties' response to the CMA's Interim Report](#), 12 March 2025, paragraphs 141(f) and 211-232.

and, to the extent they are known, anticipated needs. For most Grocery customers and contracts, the choice will not be between self-supplying all dedicated warehouses or outsourcing them all, but between whether to self-supply a particular warehouse or warehouses that are subject to a tender at a particular point in time. A customer could therefore seek to retain some of the benefits of outsourcing by retaining some outsourced warehouses even if it were forced to self-supply others following the Merger. However, we expect any material change in the proportion of warehouses that are outsourced in response to a price increase and/or deterioration of quality would leave some Grocery customers worse off relative to the position they would otherwise choose to be in absent the Merger, since they would be forced to deviate from their current (likely) optimal configuration.

- 6.104 Additionally, Grocery customer views suggest that the value of outsourcing increases with lessons learned across more customer sites. We consider that if the merger leads to significantly more insourcing, the market wide innovations that are available and generated through outsourced sites will shrink, and so having fewer outsourced sites may then reduce the overall value of outsourcing for all customers.
- 6.105 The Parties submitted that the [X] margins they achieve for supplying Grocers and other large Retail customers is further evidence of the strong competitive constraint from insourcing.³²⁹ We consider this evidence in Appendix E. Our view is that there are many factors that affect contract-level margins, and as a result, there is significant variation in margins 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. Therefore, we placed less weight on the margin analysis.
- 6.106 In our assessment of countervailing factors, we have considered the extent to which customers could increase the threat of insourcing post-Merger. We have not received evidence that customers could materially increase the threat of self-supply to mitigate the loss of competition resulting from the Merger.
- 6.107 Overall, we consider that while self-supply may constrain the Parties for some specific customers and tenders, it is not a close substitute in others, as the benefits of outsourcing may be difficult for some customers to replicate in-house. We therefore conclude that although self-supply is useful in some circumstances for many Grocers, it will not provide a material and consistent constraint across all Grocery dedicated warehousing needs.

³²⁹ [Parties' response to the Phase 1 Decision](#), 2 December 2024, paragraph 7.21.

Customer buyer power

6.108 In this section we consider the extent to which Grocery customers can exercise their buyer power to discipline the Merged Entity's ability to increase prices or deteriorate service quality. We focus on Grocery customers' ability to switch 3PL, to leverage their wider CLS requirements, or otherwise punish 3PLs (Grocery customers' exercise of buyer power through insourcing has separately been discussed above).

Parties' submissions

6.109 In the Merger Notice, the Parties submitted that post-Merger, mainstream retail customers will continue to exercise significant countervailing buyer power, including over the Merged Entity, due to their ability to deploy a range of procurement strategies and processes. The Parties submitted that the resulting strong buyer power will discipline the Merged Entity post-Merger.³³⁰

6.110 In response to the CMA's Interim Report, the Parties further submitted that Grocers exercise remarkable bargaining power against 3PLs today even though there are only three 3PLs with an incumbent position in the segment in the UK. According to the Parties, this clearly demonstrates the strength of alternative options available to Grocers within the dedicated Grocery warehousing segment – or at least how effectively they wield the threat of those options.³³¹ In support of this submission, the Parties provided examples of Grocery customers switching and excluding 3PLs from tendering processes to punish them, and disciplining 3PLs without switching, including demanding compensation for poor performance (sometimes exceeding contractual obligations) or negotiating particularly favourable contractual terms.³³²

6.111 In addition, the Parties submitted that Grocery customers are able to exert buyer power through the scale and breadth of their overall CLS requirements to discipline 3PL conduct within the dedicated Grocery warehousing segment (the segment in which the CMA provisionally identified an SLC).³³³ In support of this submission, the Parties provided an analysis comparing Grocery customers' revenues with the Parties within and outside the dedicated Grocery warehousing segment. According to the Parties, most of their business with Grocers is outside this segment, with only two Grocers spending more on dedicated Grocery warehousing than other services with the Parties. The Parties also submitted that the Merger will enhance Grocers' leverage in this regard, as some Grocers who currently have limited 'non-SLC segment' spend with either Wincanton or GXO will have a more significant proportion of non-SLC segment spend with the Merged

³³⁰ FMN, 5 September 2024, paragraphs 450-454.

³³¹ Parties' post-MPH submission, 28 March 2025, paragraph 3.12.

³³² Parties' post-MPH submission, 28 March 2025, paragraphs 3.1-3.21.

³³³ Parties' second post-MPH submission, 8 April 2025, paragraphs 1.1-3.5 and Tables 1 and 2.

Entity post-Merger. In addition, the Parties provided examples where Grocers have sought to leverage their overall CLS position requirements with 3PLs.³³⁴

Our assessment

- 6.112 At the outset we note that, to prevent an SLC, buyer power would need to be able to protect all customers in all circumstances. Strong buyer power from one or a few Grocers or in some circumstances only would not be sufficient to constrain the Merged Entity across the entire market segment.
- 6.113 We recognise that Grocers are large and sophisticated purchasers, including in relation to their CLS requirements. However, as also discussed in Chapter 4: (i) Grocers operate relatively low margin businesses,³³⁵ and are generally risk averse with a very low tolerance for underperformance or failure in their logistics set-up;³³⁶ (ii) they consider switching 3PLs as a significant undertaking that entails risks;³³⁷ and (iii) the procurement exercises they undertake are costly to them and can run over extended periods.³³⁸ As a consequence, we consider that Grocers' buyer power from an ability to move business away from the Parties, is constrained by the costs, risks, and disruption that switching entails. The costs, risks, and disruption incurred by switching will also be intensified if any exercise of buyer power by switching requires multiple contracts to be re-tendered concurrently.
- 6.114 Moreover, a customer's buyer power depends on the availability of good alternatives it can switch to.³³⁹ As detailed above, there are only three credible suppliers of larger dedicated warehousing contracts. Post-Merger, Grocery customers will have their choice of credible suppliers reduced from three to two 3PLs. In view of the evidence from market shares, bidding data and third parties, the Merged Entity will also be a much stronger competitor than DHL. We consider therefore that the Merger will result in a material weakening of Grocery customers' buyer power for dedicated grocery warehousing.
- 6.115 We recognise that Grocery customers' overall CLS requirements may represent an additional source of leverage with 3PLs. That said, we consider that the availability of good alternatives that customers can switch to in the market of concern, which in the context of an SLC will have been reduced, is the most likely way that buyer power can prevent an SLC arising in that market.³⁴⁰ This applies

³³⁴ Parties' post-MPH submission, 28 March 2025, paragraphs 3.1-3.21. The Parties provided three examples of Grocery customers seeking to leverage their overall CLS requirements ([§], [§] and [§]).

³³⁵ See for example: CMA, [Competition and profitability in the groceries sector](#), 26 July 2024, paragraphs 1.3-1.6; and CMA, [CMA updates on action to contain cost of living pressures in groceries sector](#), 20 July 2023.

³³⁶ Third party call note; Third party call note; and Third party call note.

³³⁷ See for instance: Third party call note: 'The Customer reiterated that it would always worry about uncertainty, transition and change'.

³³⁸ Third party call note.

³³⁹ [CMA129](#), paragraph 4.20.

³⁴⁰ [CMA129](#), paragraph 4.20.

even more strongly in circumstances where a merger results in the loss of a major competitor in an already very concentrated market segment. We are also doubtful as to whether the Merger would afford Grocery customers a greater ability to leverage their overall CLS requirements. Customers are likely to already have an incentive, pre-Merger, to maximise this leverage in order to achieve the best possible terms from 3PLs. In addition, as the Parties overlap in other CLS segments, customers' ability to use alternative options in respect of such other CLS segments will also be impacted by the Merger.

- 6.116 Notwithstanding this, we have reviewed the Parties' analysis comparing Grocery customers' revenues with the Parties within and outside the dedicated Grocery warehousing segment. We note that, on the basis of the Parties' analysis, the Merger does not result in a change to the percentage spend on 'SLC segment' services compared to 'non-SLC segment' services for three Grocery customers and only a small change for another Grocery customer.³⁴¹ This suggests that, post-Merger, not all customers will be able to increase their leverage against the Parties. Furthermore, on the basis of the Parties' analysis, two Grocery customers will continue to spend more on 'SLC segment' services with the Parties than 'non SLC segment' services, post-Merger.³⁴² It is also the case that the Parties' analysis excludes non-food dedicated warehousing from the 'SLC segment'. We do not consider that this is appropriate (see paragraphs 5.20 and 6.54). When the Parties' analysis is adjusted to include non-food dedicated warehousing in the 'SLC segment' we find that, contrary to the Parties' submission, for half of the Parties' Grocery customers, the 'SLC-segment' spend is materially higher than their 'non-SLC segment' spend.
- 6.117 We also note that some Grocery customers may have a preference for using the Merged Entity as a provider of both dedicated warehousing and another type of CLS service (where we have not found an SLC) (eg warehousing and transport).³⁴³ For those customers the incentive to move other business away from the Parties in order to punish the Merged Entity may be weaker, even if they had the ability to do so.
- 6.118 As regards the Parties' examples of Grocery customers flexing their buyer power by switching, demanding compensation, or seeking to leverage their overall CLS requirements, we have several concerns regarding the weight that can be attached to them:

³⁴¹ There is no change in the percentage spend on 'SLC segment' services compared to 'non-SLC segment' services for [X]. There is also no change for [X] but the Parties do not supply dedicated food warehousing to [X]. There is only a small change for [X]. See Parties' second post-MPH submission, 8 April 2025, Table 2.

³⁴² [X]. See Parties' second post-MPH submission, 8 April 2025, Table 1.

³⁴³ For example, some Grocers told us about issues to consider when using the same provider for transport and warehousing, or splitting the two (Third party call note; Third party call note; and Third party call note).

- (a) All of the examples reflect pre-Merger competitive conditions. As noted above, post-Merger, the alternatives available to Grocery customers will be reduced, which will impact their ability to flex their buyer power.
- (b) In the case of all of the examples, it is unclear on the basis of the evidence available, to what extent they simply reflect reasonable demands from Grocery customers in the context of material contractual performance failures.
- (c) Regarding three examples the Parties provided of Grocery customers seeking to leverage their overall CLS requirements, it is unclear if each Grocery customer in question was necessarily seeking to leverage its CLS requirements in areas outside of dedicated Grocery warehousing into dedicated Grocery warehousing.³⁴⁴
- (d) Regarding two examples the Parties provided of Grocery customers excluding 3PLs from tender processes to punish them, we consider that the first example did not clearly involve punishment, and the second example involved exceptional circumstances which may not reflect how Grocery customers would react to an increase in price or reduction in service quality (as may result from the Merger).³⁴⁵

6.119 As such, and in particular given the lack of alternative suppliers, we conclude that customers' ability to credibly threaten to switch dedicated warehousing suppliers, is likely to be materially reduced as a result of the Merger. We also consider, in view of the evidence taken in the round, that the exposure of the Merged Entity to 'non-SLC segment' spend – which varies significantly between customers – will not be sufficient to restore buyer power of customers to pre-Merger levels. As a result, we find that whilst all Grocers are sophisticated buyers and some may indeed exercise a degree of buyer power in some circumstances, the exercise of buyer power by Grocers will be insufficient to constrain the Merged Entity or prevent the SLC.

³⁴⁴ As for the [X] example, the Parties noted that in relation to an alleged performance issue, [X]. However, we do not consider it is appropriate to make a distinction between food and non-food within dedicated warehousing in this regard as we consider that the Merger will reduce competition in relation to both. In relation to the [X] example, [X]. However, we understand that [X] sites do not concern dedicated Grocery warehousing, and so this example did not specifically concern [X] leveraging its position in respect of non-SLC spend as punishment in respect of SLC-spend. In relation to the [X] example, [X]. However, we understand that all of GXO's warehouses with [X], and so this example did not specifically concern [X] leveraging its position in respect of non-SLC spend as punishment in respect of SLC-spend.

³⁴⁵ In relation to the [X] example, the Parties noted that [X]. However, we note that [X] nonetheless made it through the [X] (Third party call note), or what the Parties refer to as [X]. In relation to the [X] example, [X]. However, we consider this example is more likely to reflect a customer reacting to a very serious issue as opposed to reflecting how a customer may respond to a reduction in competition such as an increase in price or reduction in service quality (as may result from the Merger).

Integrated modelling analysis

- 6.120 In this section we discuss the Parties' integrated modelling analysis which considers how DHL, self-supply and 3PL entry/expansion constrain the Merged Entity's ability to increase prices or deteriorate service quality.

Parties' submissions

- 6.121 In response to the CMA's Interim Report, the Parties submitted that the CMA did not assess the aggregate effect of the threat posed by DHL, self-supply and 3PL entry/expansion on the Merged Entity's incentives immediately post-Merger. According to the Parties, when all sources of constraint are considered together, the Merged Entity could not profitably raise prices or deteriorate its offering. In support of this, the Parties submitted modelling analysis ('integrated modelling analysis') to assess the aggregate effect of all three constraints.³⁴⁶
- 6.122 As set out above in the self-supply section of our competitive assessment and in Appendix C, the Parties originally submitted an analysis examining whether it would be cost effective for GXO's largest 20 Retail customers to self-supply in response to a 5% increase in contract value (the Parties' SSNIP model).³⁴⁷ We proposed an alternative model (using the same underlying data) that compared the net benefit of self-supply and the net benefit of outsourcing to understand the potential post-merger percentage price increase given the constraint of self-supply (the CMA's self-supply modelling analysis). However, we considered that both the Parties' SSNIP model and our proposed alternative self-supply modelling analysis failed to capture all the relevant considerations for a customer's decision whether to outsource or self-supply, and thus did not reflect the competitive constraint of self-supply on outsourcing (see Appendix C).
- 6.123 The Parties' integrated modelling analysis built on the CMA's self-supply modelling analysis in the Interim Report and extended it to include additional constraints from DHL and 3PL entry/expansion. The Parties' integrated modelling analysis had two time periods (Period 1 and Period 2) and compared the Merged Entity's profits from two strategies for each Grocery customer: (i) Strategy 1: no price increase in Period 1 and no entry in Period 2; compared to (ii) Strategy 2: a price increase in Period 1 which induces entry in Period 2.³⁴⁸ Strategy 1 profit is pre-merger profits for all years in both periods. Strategy 2 balances an increase in profits in Period 1 (due to a price increase) against a decrease in profits in Period 2 conditional on the probability that customers switch away from the Merged Entity (which we refer to as 'punishment') (see Table D.1 in Appendix D).

³⁴⁶ [Parties' response to the CMA's Interim Report](#), 12 March 2025, paragraphs 4 and 46-51.

³⁴⁷ 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.

³⁴⁸ [Parties' response to the CMA's Interim Report](#), 12 March 2025, paragraphs 51-52.

6.124 The Parties also submitted that any attempt to price discriminate based on the Merged Entity's best estimates as to how willing each Grocery customer would be to switch to self-supply, DHL, or sponsor a new entrant, would be inaccurate by a significant degree due to information asymmetries, and would not be able to accurately factor in the risk of retaliation.³⁴⁹ The Parties also submitted that any price increase on an untargeted basis would risk losing a significant volume of business (accordingly, the Parties included an additional modelling sensitivity analysis where the Merged Entity also loses business in Period 1).³⁵⁰

Our assessment

- 6.125 In Appendix D we present our analysis of the Parties' integrated modelling analysis assessing whether the Merged Entity would have an incentive to increase prices to Grocery customers considering the combined effect of the constraints from DHL, self-supply and 3PL entry/expansion.³⁵¹
- 6.126 As set out in further detail in Appendix D, we consider that the integrated modelling analysis is useful to help us understand some of the trade-offs and factors which the Merged Entity might consider when setting its prices, particularly those which might be capable of quantification.
- 6.127 Overall, we accept that DHL, self-supply and 3PL entry/expansion are relevant constraints to consider. However, we have identified three main concerns regarding the modelling.
- 6.128 First, a Grocer's decision to outsource is complex, and the model attempts to capture only the financial considerations involved. It does not account for other relevant strategic factors, including a more holistic assessment of their overall logistics network and longer-term strategic objectives. This appears to be reflected in the predictions of the model, for which [X] out of seven Grocers ([X]) do not currently have an incentive to outsource (according to the model), as the value of their management fee is greater than the value of their gainshare. This suggests that the model does not fully capture the value that customers derive from outsourcing.
- 6.129 Second, we consider that the model's results are not robust to (at least) equally plausible changes in assumptions. For example, if we include 'hard to quantify' benefits of outsourcing and reduce Period 2 from five years to three years, we find that, in most scenarios where the Parties have at least a 50% probability of retaining the Grocery customer in Period 2 (which we consider is likely given our

³⁴⁹ [Parties' response to the CMA's Interim Report](#), 12 March 2025, paragraphs 15-17; and Parties' post-MPH submission, 28 March 2025, paragraphs 3.

³⁵⁰ [Parties' response to the CMA's Interim Report](#), 12 March 2025, paragraphs 17, 72-83; Parties' post-MPH submission, 28 March 2025, paragraph 3.8(a).

³⁵¹ [Parties' response to the CMA's Interim Report](#), 12 March 2025, paragraphs 48-51.

third concern about the integrated modelling analysis, set out below), the Merged Entity has an incentive to raise prices for most Grocers in Period 1.

6.130 As we set out in Appendix D, we consider that these assumptions are (at least) equally plausible because:

- (a) Including 'hard to quantify' benefits of outsourcing improves model fit in that all Grocers who currently outsource have an incentive to do so according to the model, consistent with observed practice.
- (b) Reducing Period 2 from five years to three years is consistent with the Parties' submission that contracts typically last between three and five years, and our analysis of the Parties' current Grocery customer contracts suggests that a duration of three years or less and five years or more appear to be equally common. Despite reducing the duration of Period 2, we consider it appropriate to keep Period 1's duration of five years because the evidence suggests five years is a more reasonable estimate than three years, regarding how long it would take for sufficient entry to occur.

6.131 Third, the model assumes that if the Merged Entity raises prices in Period 1, Grocers will respond by switching in Period 2. We consider that this relies on a 'punishment' mechanism, where Grocers incur an implied cost (which is the difference between the Parties' offer and the next best alternative) to switch away from the Merged Entity. In particular, we consider that, while punishment is possible, it is an unlikely customer response given that Grocers are risk-averse and would incur risks and costs to switching to a less effective alternative (see further paragraph 6.113 above). Furthermore, on the basis of the evidence available, we are not aware of clear examples where Grocers have switched 3PLs as a form of punishment (see further paragraph 6.118 above).

6.132 As regards the Parties' submission that the Merged Entity would not be able to price discriminate because it would not be able to accurately estimate each Grocer's willingness to switch to self-supply, DHL, or sponsor a new entrant, we do not consider that this is supported by the available evidence. To the contrary, the available evidence indicates that it is likely that the Merged Entity would have a reasonable understanding of the alternatives for a given customer and/or dedicated warehouse:

- (a) **Constraints from other 3PLs.** The supply of dedicated Grocery warehousing is highly concentrated with only three competitors (GXO, Wincanton and DHL). Moreover, the Merger will reduce the number of existing competitors from three to two, materially reducing the degree of uncertainty facing the Merged Entity.

- (b) We understand that customers do not commonly reveal the identity of other participants in a procurement exercise.³⁵² Nonetheless, GXO's internal documents indicate that, even under pre-Merger competitive conditions, it has been able to identify competitors. For example, this is confirmed by GXO's internal documents for [REDACTED] (although we note that these examples were for non-Grocery business opportunities).³⁵³ Other GXO internal documents indicate that at least in some instances GXO is able to estimate a probability of winning.³⁵⁴
- (c) Similarly, third parties have indicated that a 3PL will often have an understanding of the most credible competitors for a particular tender.³⁵⁵ One third party stated that [REDACTED].³⁵⁶
- (d) GXO has acknowledged that at least in some cases they get to know who the competitors are on a tender (although they do not know their competitors on every single tender).³⁵⁷
- (e) Grocers commonly undertake multi-stage procurement exercises involving bidding processes when they tender CLS. These exercises are commonly followed by bilateral negotiations with very few, sometimes only a single 3PL.³⁵⁸ We also understand that the final price and commercial terms are only determined at the negotiation stage in a tender process during which a 3PL may be able to elicit further information regards competing offers and better gauge the extent to which self-supply is a credible alternative for the customer.³⁵⁹
- (f) As for the Merged Entity's ability to predict customer's willingness to sponsor entry by a new 3PL, we note that, as discussed in Chapter 7, no Grocery customer has indicated to the CMA a strong willingness to sponsor entry. We also consider that the Merged Entry would have a reasonable understanding of the costs and risks attached to sponsored entry and in turn the likelihood of this occurring post-Merger.

³⁵² See for example: Third party call note; and Third party call note.

³⁵³ GXO's response to the CMA's s109 notice 1 dated 27 November 2024, Annexes '[REDACTED]' and '[REDACTED]' to Question 16, page 6. GXO subsequently told us that [REDACTED]. (GXO's response to the CMA's RFI of 9 January 2025). However, we infer from these documents that GXO is able to predict incumbents and which other 3PLs are competing for a particular contract. We note that in the examples provided, GXO correctly predicted [REDACTED] participation.

³⁵⁴ GXO's response to the CMA's s109 notice 1 dated 27 November 2024, Annex '[REDACTED]' to Question 16, page 6.

³⁵⁵ 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).

³⁵⁶ Third party call note.

³⁵⁷ MPH transcript, page 36.

³⁵⁸ See Parties' site visit presentation slides, 28 November 2024, slide 16. A consultant described the process when it is conducting it on behalf of a customer (Third party call note).

³⁵⁹ The Parties stated: 'Negotiation - Contracts verbally awarded but commercial terms negotiations continue' with one or two vendors (Parties' site visit presentation slides, 28 November 2024, slide 16) and, similarly, a consultant told us that: 'the parameters being negotiated at those final stages tend to be margins, startup costs, [...], and incentive schemes' (Third party call note).

- (g) **Constraint from self-supply.** GXO's internal documents indicate that [REDACTED]. [REDACTED] (see section 'Evidence from internal documents' in Self-supply).
- (h) Transparency in relation to customers' self-supply needs is aided by the fact that there are a relatively limited number of Grocers in the UK, the Parties operate as incumbent providers at a large number of Grocers' dedicated warehouses, and some of the supply relationships between the Parties and Grocers have been in place for extended periods.³⁶⁰
- (i) Transparency in relation to the constraint imposed by insourcing is also supported by third party evidence. [REDACTED].³⁶¹
- (j) In addition, the Parties have noted that the movement of senior staff across 3PLs and between 3PLs and Grocers is very common.³⁶² According to the Parties, 3PL staff move to work for Grocers in-house, and vice versa, such that it is a fluid job market where everybody knows everybody.³⁶³ We infer from this that some knowledge is likely to transfer with those staff movements. In addition, the Parties told us that a customer's preferences regarding self-supply can change when there are senior staff changes.³⁶⁴ Staff movements may therefore further aid transparency regarding Grocers' preferences.

6.133 Considering all of the above in the round, we have placed limited weight on the integrated modelling analysis, and more weight on the qualitative evidence from third-party calls and internal documents when assessing the constraints from DHL, self-supply and 3PL entry/expansion. We also consider that the Merged Entity would have a reasonable understanding of the alternatives for a given customer and/or dedicated warehouse in order to profitably raise prices on a targeted basis.

Conclusion on TOH 3 (dedicated warehousing)

6.134 The evidence we have obtained 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.³⁶⁵ In particular, as recognised by the Parties, these three suppliers currently account for

³⁶⁰ For example, see the relationship between GXO and [REDACTED]: Parties' site visit presentation slides, 28 November 2024, slide 22.

³⁶¹ Third party call note.

³⁶² [Parties' response to the CMA's Interim Report](#), 12 March 2025, paragraph 101.

³⁶³ MPH transcript, page 10. See also GXO's 3PL Sponsorship Remedy Proposal, 5 March 2025, Annex RP.003.

³⁶⁴ ISM transcript, pages 19-20; and MPH transcript, page 16.

³⁶⁵ 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.

all of the major outsourced dedicating warehousing for Grocery customers and the combined share of the Merged Entity would be [70-80]%.

- 6.135 We found that a key factor driving this market outcome is customer preference 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) and who are risk averse in their choice of supplier. The evidence shows that this creates a material barrier to entry for those suppliers that have not already developed a credible UK track record in the provision of dedicated warehousing to Grocery customers.
- 6.136 In addition to having a high combined share in respect of all dedicated warehousing to Grocery customers, the Parties have an even higher combined share, at [90-100]%, in respect of food dedicated warehousing to Grocery customers (which accounts for the majority of Grocery customers' dedicated warehousing procurement). The Parties do not currently overlap in respect of non-food dedicated warehousing for Grocery customers, which are currently only supplied by GXO and DHL. Nonetheless, we found that Wincanton is still considered as a relevant competitor for such warehouses and limited available evidence that the competitor set (beyond GXO, DHL and Wincanton) is significantly wider compared to food dedicated warehouses for Grocery customers.
- 6.137 An important question in our competitive assessment was 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. Our conclusion on self-supply is that:
- (a) There is general consistency across the views held by third parties regarding the nature of the costs and benefits of outsourcing. Many customers 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. 3PLs also offer expertise and experience in introducing and implementing changes as well as other benefits.
 - (b) However, there was a wider variety of views regarding the relative size of the costs and benefits of outsourcing to 3PLs, and the extent to which these benefits could be replicated through self-supply. We consider that the degree of substitutability between self-supply and outsourcing is driven by a range of factors such as the existing mix of insourcing and outsourcing in the network, the extent of the customer's in-house expertise, their attitudes towards innovation and risk, and the specific nature of each procurement.

- (c) Overall, although self-supply is useful in some circumstances for many Grocers, it will not provide a material and consistent constraint across all Grocery dedicated warehousing. 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 (and that this would be the case even if they were still to retain other outsourced dedicated warehouses).

- 6.138 We recognise that Grocers are large and sophisticated buyers who may exercise buyer power by threatening to switch 3PL. That said, we consider that Grocers are risk adverse and their propensity to switch will be constrained by the costs, risks and disruption incurred by doing so. Buyer power based on the ability to switch is also unlikely to prevent an SLC without the availability of good alternatives to switch to. In this case, post-Merger, the number of 3PLs is reduced from three to two firms, with the only remaining alternative being considerably weaker than the Merged Entity. Given the lack of alternative suppliers, customers' ability to credibly threaten to switch dedicated warehousing suppliers is materially reduced by the Merger. We recognise that Grocery customers may be able to use their wider CLS requirements (what we have referred to as 'non-SLC segment' spend) as a further source of leverage or punishment with 3PLs. However, taking the evidence in the round, we consider that the Merged Entity's exposure to 'non-SLC segment' spend – which varies significantly between customers – will not be sufficient to restore customers' buyer power to pre-Merger levels.
- 6.139 As set out in Chapter 7, we consider that entry in the supply of dedicated warehousing services for Grocery customers by at least one 3PL is likely at some stage post-Merger. But such entry is unlikely to be timely or sufficient as any entrant is likely to require significantly longer than two years to expand and gain sufficient track record to become a credible and effective alternative to the Merged Entity.
- 6.140 We have engaged with the Parties' integrated modelling analysis, which the Parties submit shows that the Merged Entity would not have an incentive to increase prices to Grocery customers considering the combined effect of the constraints of DHL, self-supply and 3PL entry/expansion. We consider that the model suffers from three main issues: (i) a Grocer's decision to outsource is complex, and the model captures only the financial considerations involved, but not other relevant strategic factors; (ii) the model's results are not robust to (at least) equally plausible changes in assumptions; and (iii) the model's framework relies on customer's switching away from the Merged Entity, which we consider is possible but unlikely given the limited supporting evidence and the implied cost that a Grocer may need to incur by switching to a less favourable alternative. As such, while we consider the model is useful in understanding the potential trade-

offs the Merged Entity would need to consider, we have placed limited weight on the results of the model.

- 6.141 Instead, we consider that when all remaining constraints on the Merged Entity are taken into account – including the constraint from DHL, self-supply, customers' buyer power, and the threat of future 3PL entry/expansion – the available evidence overall indicates that they will be unable to replicate the competitive constraint that Wincanton provided pre-Merger and will not prevent the Merged Entity from increasing prices or degrading services to Grocery customers. Furthermore, we consider that the Merger is likely to lead to a loss of innovation or the Merged Entity making innovations available on less favourable terms.
- 6.142 We also consider that, contrary to the Parties' submissions, post-Merger, the Merged Entity would have a reasonable understanding of the alternatives for a given customer and/or dedicated warehouse in order to profitably raise prices on a targeted basis.
- 6.143 Accordingly, by removing the constraint that GXO and Wincanton exert on each other, we consider that the Merger has resulted, or may be expected to result, in an SLC in the supply of dedicated warehousing to Grocery customers. We consider the Merger would impact all types of Grocery customers' dedicated warehouses (ie both food and non-food dedicated warehouses).
- 6.144 We also note that it would not be appropriate to consider the effects of the Merger only upon existing customers. Grocers who may be potential customers of 3PLs in the future (for example, those who may open new warehouses or who decide to outsource warehouses that are currently insourced) would also be adversely affected by the Merger. We note in that respect that a Grocer, who is not currently a customer of the Parties, raised concerns about a reduction of competition in the grocery logistics market and highlighted considerable consolidation in the market.³⁶⁶
- 6.145 In the non-Grocery (Retail) segment, there are 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 (see section 'Entry and expansion' below). Whilst we recognise that the Parties are two of the leading suppliers for non-Grocery Retail customers, we consider that there are sufficiently

³⁶⁶ Third party response to the CMA's RFI dated 14 April 2025.

strong competitive alternatives such that the Merger may not be expected to result in an SLC for non-Grocery Retail customers.

- 6.146 In the Non-Retail segment, the Parties also have a sizeable share of supply, 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%. The bidding data also shows that competition is more intense in the supply of warehousing to Non-Retail customers. Therefore, we consider that there are sufficiently strong competitive alternatives such that the Merger may not be expected to result in an SLC for Non-Retail customers.
- 6.147 On the basis of the evidence above, we have concluded that the Merger has resulted, or may be expected to result, in an SLC in the supply of dedicated warehousing to Grocery customers in the UK.

7. COUNTERVAILING FACTORS

- 7.1 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

- 7.2 As set out in the MAGs,³⁶⁷ 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.
- 7.3 These conditions are cumulative and must be satisfied simultaneously.
- 7.4 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 Grocery customers). 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

- 7.5 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,³⁶⁸ 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

³⁶⁷ [CMA129](#), paragraphs 8.31-8.32.

³⁶⁸ CMA, [Phase 1 Decision](#), 1 November 2024.

(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.³⁶⁹

- (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) are typically customer owned or leased. The Parties also provided evidence to demonstrate that both the level of capital expenditure 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.³⁷⁰

7.6 The Parties stated that the lack of any material barriers to entry is evidenced 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 [§].³⁷¹

7.7 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.³⁷² 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-Merger, 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.³⁷³

7.8 In response to the CMA's Interim Report, the Parties made the following additional submissions:

- (a) Grocers do not have a consistent view of what they consider to be 'track record' which in reality can be demonstrated in different ways.³⁷⁴ In the event of potential price increases or degradation in services, Grocers are likely to

³⁶⁹ [Parties' response to the Phase 1 Decision](#), 2 December 2024, paragraphs 6.9-6.10.

³⁷⁰ Parties' post-CMA update call proactive submission to the CMA, 14 January 2025, paragraphs 3.1-3.10; and [Parties' response to the Phase 1 Decision](#), 2 December 2024, paragraph 6.14.

³⁷¹ [Parties' response to the Phase 1 Decision](#), 2 December 2024, paragraphs 3.43 and 6.17-6.21.

³⁷² [Parties' response to the Phase 1 Decision](#), 2 December 2024, paragraph 5.2.

³⁷³ [Parties' response to the Phase 1 Decision](#), 2 December 2024, paragraph 1.6.

³⁷⁴ [Parties' response to the CMA's Interim Report](#), 12 March 2025, paragraph 90.

adjust their 'track record' requirements to consider a broader range of 3PLs.³⁷⁵

- (b) In any event, there are multiple 3PLs that can already evidence many of the essential components of 'track record' in various ways, including by referencing (i) prior or other warehousing experience with UK Grocers; (ii) other contractual relationships with UK Grocers; (iii) experience in Grocery in other jurisdictions; (iv) experience in adjacent markets; and (v) senior staff from experienced incumbents. According to the Parties, at least four 3PLs (CEVA, Culina, XPO and ID Logistics) can each demonstrate multiple of these credentials.³⁷⁶ The Parties further submitted that both senior personnel and site managers move frequently between 3PLs and Grocers and immediately support 'track record' and demonstrate operational credibility.³⁷⁷
- (c) The Interim Report does not acknowledge the simple reason why rival 3PLs are not currently leveraging their track record to create concrete plans to enter the Grocery segment, namely the intensity of competition among 3PLs active in the segment, the threat of self-supply which further sharpens 3PL competition, and the [REDACTED] low margins earned by 3PLs as a result.³⁷⁸
- (d) If existing 3PLs raised prices or degraded their services, entry would be faster and more expansive than the Interim Report provisionally finds. The risk of triggering such entry exerts a strong disciplining effect on the Parties today.³⁷⁹
- (e) More specifically, in relation to the likelihood of entry/expansion, while the CMA may not have identified evidence of concrete plans of entry, market conduct and credentials demonstrate that there are a number of 3PLs that have the incentive and ability to rapidly seek entry if the Merged Entity were to raise prices or degrade its services.³⁸⁰ According to the Parties:
 - (i) Culina is actively pursuing Grocery tenders, [REDACTED]; and (based on GXO's market intelligence) [REDACTED] and [REDACTED]. Further, Culina's recent 'key strategic hire' of a new CEO who had previously worked at a Grocer would make it well positioned to expand in dedicated Grocery warehousing.³⁸¹
 - (ii) In relation to CEVA, limited weight should be placed on [REDACTED]. By contrast, CEVA's bid for Wincanton is unequivocal evidence of its intention to build its reputation in Grocery. In addition, [REDACTED].

³⁷⁵ [Parties' response to the CMA's Interim Report](#), 12 March 2025, paragraph 93.

³⁷⁶ [Parties' response to the CMA's Interim Report](#), 12 March 2025, paragraphs 22 and 98-111; and [REDACTED].

³⁷⁷ Parties' MPH slides, slides 14-15.

³⁷⁸ [Parties' response to the CMA's Interim Report](#), 12 March 2025, paragraph 23.

³⁷⁹ [Parties' response to the CMA's Interim Report](#), 12 March 2025, paragraphs 4-6.

³⁸⁰ [Parties' response to the CMA's Interim Report](#), 12 March 2025, paragraphs 113-117.

³⁸¹ Parties' MPH slides, slide 16; and MPH transcript, page 43.

- (iii) In relation to XPO, as XPO's CLS non-compete has expired in August 2023, XPO has begun to [REDACTED]. For example, in 2023, GXO lost a contract opportunity with [REDACTED] to XPO. GXO also understands that XPO participated in the [REDACTED] tender ([REDACTED]), and GXO considers it is likely to be [REDACTED].
- (f) In relation to the timeliness of entry/expansion, the Interim Report's provisional conclusion that entry/expansion would likely take more than two years is overestimated:³⁸² (i) Grocers do not have a consistent view of track record and multiple 3PLs can already demonstrate track record across a number of factors; (ii) the timeline that Grocers have suggested it would take for a new 3PL to become a credible alternative is overstated; (iii) low switching barriers facilitate Grocers' ability to test new 3PLs for shorter periods, including through shorter term contracts, review clauses and expansive termination or penalty clauses; (iv) feedback provided by Grocers on their readiness to award contracts to new 3PLs appears to have been provided on the assumption of current conditions of competition, rather than taking into account how both customers and 3PLs will be incentivised to accelerate entry should the Merged Entity raise prices or degrade services post-Merger; and (v) even if a 3PL is only able to win part of a tender this would have a constraining effect on the Parties.
- (g) In relation to sufficiency of entry/expansion, the standard set for sufficiency in the Interim Report was inappropriately high and would not even be met by Wincanton.³⁸³ Wincanton services only [REDACTED] dedicated Grocery warehouses that generate more than £20 million in annual revenue and these are not an example of Wincanton winning a dedicated grocery warehousing tender. In relation to the standard of 'regularly participating' in procurement exercises, Wincanton has in fact missed out on significant dedicated Grocery warehousing opportunities. Further, it would only take a 3PL winning a single successful contract for incumbent 3PLs to perceive a material risk of losing business to them. Finally, if 3PLs are required to have relationships with major Grocery customers, have relevant and experienced staff and established track record, a number of 3PLs are already at this point.

Our assessment

- 7.9 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

³⁸² [Parties' response to the CMA's Interim Report](#), 12 March 2025, paragraphs 118-125.

³⁸³ [Parties' response to the CMA's Interim Report](#), 12 March 2025, paragraphs 126-138.

whether entry or expansion of third parties would occur in reaction to the Merger.³⁸⁴

- 7.10 Our assessment is based on evidence from a range of sources, including the Parties' submissions, calls with customers, 3PLs and industry consultants and internal documents (both from the Parties and from third parties). We note that our evidence includes responses from seven 3PLs 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

- 7.11 Potential or actual competitors may encounter barriers which reduce or even severely hamper their ability to enter or expand in the market.³⁸⁵ 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

- 7.12 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 in the UK are crucial factors in determining the success of 3PLs.³⁸⁶ Grocery customers also told us that 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.³⁸⁷ Consequently, Grocers have a particularly low tolerance for failure, tend to be risk averse, and place significant weight on track record (see also Chapter 4). The evidence we have received from Grocery customers shows that they have a strong preference for 3PLs with prior UK-specific experience in the Grocery sector, and in managing warehousing operations of similar size and complexity as their own. For example:
- (a) A Grocery customer told us that an important criterion to evaluate the offers of 3PLs during a tender is proven track record in the groceries sector, and it would not consider awarding major contracts to providers who do not have

³⁸⁴ [CMA129](#), paragraph 8.28.

³⁸⁵ [CMA129](#), paragraph 8.40.

³⁸⁶ Third party call note; Third party call note; and Third party call note.

³⁸⁷ [Parties' response to the Phase 1 Decision](#), 2 December 2024, paragraph 5.12(b).

the required size, capability, scale or track record as [X] and the business risks with such a strategy would be too high.³⁸⁸

- (b) 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. The customer also stated that although [X] has extensive grocery experience in France and continental Europe, it declined the customer's invitation for a warehousing tender in 2022.³⁸⁹
- (c) Another Grocery customer told us it places significant importance on proven experience in managing large composite operations (ie fresh food, including 'chill and produce' and 'fast moving ambient'). It only named GXO, Wincanton and DHL as 3PLs with the required expertise or a credible track record. It also noted that a recent procurement exercise included a site visit at one of the 3PL's sites in the UK which demonstrated its capabilities.³⁹⁰
- (d) Another Grocery customer told us it wants to see track record at a major Grocery customer and the skills and experience of running multiple sites. It also noted that a few experts may not be enough to entice trust from retailers. For example, Maersk previously hired a number of 3PL specialists, but the customer has not seen any big movement of retail business to Maersk in the UK. Further it noted that, whilst it may be possible for a new entrant to recruit talent from the market, it is also easy for those individuals to leave again.³⁹¹ Contrary to the Parties' submissions, this suggests that some Grocers may place relatively limited weight on whether a 3PL has acquired senior staff from experienced incumbents when assessing a 3PL's track record.
- (e) Another Grocer told us that it would be open to a non-UK 3PL with extensive grocery experience gained outside the UK. However, it would be a big leap of faith and a lot of risk to move to a new entrant without UK grocery experience and it would also raise the question as to why the 3PL had not already entered the UK market, and it noted that experience is important as there is a steep learning curve within the UK industry.³⁹²

7.13 Other third parties confirmed Grocers' views on the importance of experience and track record. For example:

³⁸⁸ Third party call note.

³⁸⁹ Third party call note.

³⁹⁰ Third party call note.

³⁹¹ Third party call note.

³⁹² Third party call note.

- (a) A consultant told us that other 3PLs have been hiring senior talent and building their teams but have still not managed to get into the final round of tenders due to the lack of proven track record. In order to establish this track record, the consultant said that the purchaser would ideally need to be starting with a small contract of £5-6 million and two to three sites over the period of a minimum three-year cycle.³⁹³
- (b) A 3PL stated that it would be ‘pretty easy’ to operate a Grocer’s warehouse if it wanted to.³⁹⁴ However, it also stated that track record is a barrier in Grocery dedicated warehousing. It noted that operating multiple sites can provide a 3PL with more knowledge and experience and in turn offer greater know-how to customers. In the context of providing views on GXO’s proposed remedies, this 3PL also noted the importance of a 3PL having a ‘critical mass’ of sites in order for a remedy to genuinely create proper competition and recreate the competitive constraint from Wincanton.³⁹⁵
- (c) Another 3PL considered that it faced high barriers to entry. It also mentioned credibility and experience as necessary to be a competitive force and actually win contracts as Grocery customers would typically ask in the first round in tenders whether the 3PL has current grocery experience. It also highlighted the biggest hurdle was that Grocers would not come to it in the first place as it does not have credibility in this market and noted that it was a battle to get on the list in tenders.³⁹⁶
- (d) Another 3PL considers track record to be a key factor in customer tenders.³⁹⁷
- (e) 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.³⁹⁸
- (f) Another 3PL stated that customers in the UK tend to be more risk averse and value UK track record and experience in the selection of 3PLs. According to this 3PL, customers with dedicated logistics requirements (eg dedicated warehousing) in particular would want 3PLs who are able to demonstrate UK-specific capabilities.³⁹⁹
- (g) Another 3PL told us that it could leverage experience from other sectors but this requires a leap of faith from customers.⁴⁰⁰

³⁹³ Third party call note.

³⁹⁴ Third party call note.

³⁹⁵ Third party call note.

³⁹⁶ Third party call note.

³⁹⁷ Third party call note.

³⁹⁸ Third party call note.

³⁹⁹ Third party call note.

⁴⁰⁰ Third party call note.

- 7.14 Some 3PLs also considered a lack of experience (or references/case studies) to be a barrier or key challenge to entering or expanding.⁴⁰¹ One 3PL 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.⁴⁰²
- 7.15 Only one customer did not identify references to be a material barrier to entry or expansion, even within the Grocery segment. It considers that there are many smaller 3PLs that can grow and develop in the CLS industry with a fresher approach (although we note that this customer's statement may relate to or also include views on transport services as opposed to exclusively dedicated warehousing services). It said it may also consider a 3PL with 'no case picking operation experience'.⁴⁰³ One 3PL also took a similar view, noting to us that it did not consider that there are any particular barriers to entry or expansion within any segments of Mainstream CLS.⁴⁰⁴ However, this position was contradicted by the 3PL's internal documents. In particular, an internal document considering key decision-making factors when selecting a 3PL in the CLS Grocery segment listed 'track record and pedigree in the sector' [✂] 'primary selection factors'.⁴⁰⁵
- 7.16 Evidence received from third parties that the CMA consulted in relation to GXO's proposed remedies has further clarified that track record is not a simple, binary concept (which a 3PL either has or does not have) but is complex and multi-faceted. In particular, both Grocers and 3PLs have emphasised the importance of 3PLs being able to successfully run multiple sites and across different customers in order to demonstrate their track record. 3PLs that serve a larger and more varied number of sites may have improved efficiency and gain more insights that they can then apply across all customers, enabling customers to have better access to market-wide innovations and best practices which many customers value. For similar reasons, both Grocers and 3PLs noted the importance of a 3PL operating a 'critical mass' of sites to demonstrate credibility as a competitor. Other factors that will be relevant are the length of time a 3PL has participated in the market and the regularity with which it has won or retained contracts, alongside the experience of its senior leadership.
- 7.17 Finally, contrary to the Parties' submissions, we have not received evidence that Grocers are likely to adjust their track record requirements to consider a broader range of 3PLs in the event of any potential price increase or degradation in services post-Merger. We have also not received evidence from Grocers that, when assessing track record, they will place significant weight on a 3PL having

⁴⁰¹ Third party call note; Third party call note; and Third party call note.

⁴⁰² Third party call note.

⁴⁰³ Third party call note.

⁴⁰⁴ Third party call note.

⁴⁰⁵ Third party internal document.

other types of warehousing or other types of experience as a substitute for prior experience in dedicated warehousing services in the UK for Grocery customers.

- 7.18 Based on the evidence set out above, we conclude that customer preferences for 3PLs with relevant track record and experience in dedicated warehousing services in the UK (recognising that these concepts are multi-faceted) represent a material barrier to entry and expansion particularly in the Grocery segment.

Other barriers to entry and expansion

- 7.19 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 in Chapter 6 above, there are several parameters that are important to the process of competition amongst 3PLs such as 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 stronger track record in the relevant sector (ie with a larger relevant customer base and greater range and variety of sites) are likely to have greater access to market-wide innovations and best practice, including practical experience of implementing such innovations in a variety of different contexts, than suppliers with a weaker track record.
- 7.20 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 customers typically own the relevant assets.⁴⁰⁶ In this regard, the Parties submitted that capital expenditure and temporary staff movements between GXO's dedicated sites are limited in dedicated warehousing contracts.⁴⁰⁷ We have received some feedback from third parties that 3PLs may face different input costs,⁴⁰⁸ 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).⁴⁰⁹ Considering the evidence in the round, we have not received evidence that economies of scale in dedicated warehousing confer significant cost advantages for 3PLs or represent barriers to entry. However, as noted above, we do consider that the number and variety of warehousing sites served by a 3PL are likely to feature in customers' assessments of the 3PL's track record.

⁴⁰⁶ [Parties' response to the Phase 1 Decision](#), 2 December 2024, paragraph 3.34.

⁴⁰⁷ 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.

⁴⁰⁸ See for instance: Third party call note; and Third party call note.

⁴⁰⁹ Third party call note.

7.21 Based on the evidence we have received during our investigation, we have not identified material barriers to entry and expansion other than experience and track record, as set out above.

Previous instances of entry and expansion

7.22 We have also considered the past record of 3PL entry and expansion in the UK, including in the supply of dedicated warehousing to Retail customers.

7.23 The Parties have provided evidence that several 3PLs have recently entered or expanded in the supply of dedicated warehousing, including 3PLs such as ID Logistics, Arvato and Bleckmann.⁴¹⁰ We recognise these examples, and note that these suppliers have competed successfully [REDACTED] in some tenders for certain other Retail customers. We also note, however, that many third parties (including two Grocery customers) 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.⁴¹¹ The Parties' internal documents also mention [REDACTED].⁴¹²

7.24 Regarding the supply of dedicated warehousing to Grocery customers specifically, we consider that the extent of entry and expansion has been very limited. The Parties submitted that GXO successfully entered, despite the lack of a previous track record. The Parties submitted that although GXO was a part of XPO at the time of the Iceland contract win, XPO itself did not have any significant experience in the Grocery sector. Furthermore, whether or not GXO had an experienced leadership team, this was not an anomaly as many 3PLs have executives with significant experience in Grocery. According to the Parties, the example should also not be dismissed on the basis that it happened approximately eight years ago. Given average contract terms of up to five years, GXO's entry occurred less than two tender periods ago and is therefore still relevant.⁴¹³

7.25 We note, however, that GXO itself was the result of a series of acquisitions of 3PLs which had long-standing track record with Grocers in the UK and continuity in their senior management.⁴¹⁴ One Grocery customer for example stated that

⁴¹⁰ Parties' post-CMA update call proactive submission to the CMA, 14 January 2025, paragraph 2.12.

⁴¹¹ See for instance: Third party call note; Third party call note; Third party call note; Third party call note; and Third party call note. A Wincanton board document appears to confirm this; it mentions two waves of consolidation and show that this explains changes in 3PLs' market shares (Wincanton Internal Document).

⁴¹² Wincanton Internal Documents.

⁴¹³ [Parties' response to the CMA's Interim Report](#), 12 March 2025, footnote at paragraph 68.

⁴¹⁴ The Parties told us that M&S, Sainsbury's and Morrisons were previous customers. GXO provided [REDACTED] with a dedicated grocery warehousing contract of £[REDACTED] million at [REDACTED], it also provided smaller dedicated warehousing to [REDACTED] at £[REDACTED] million and [REDACTED] at £[REDACTED] million (see Parties' post-MPH submission, 28 March 2025, paragraphs 4.1-4.8). We have also found the following evidence of previous relationships between GXO's predecessors and Grocers: Christian Salvesen (acquired by Norbert Dentressangle in 2007) operated Tesco's southern frozen consolidation centre (which, Christian Salvesen stated in 2001, 'further develops Christian Salvesen's business relationship with Tesco') (see [Tesco Selects Christian Salvesen As Logistics Partner For Frozen Consolidated Network Project](#), 4 December 2001, last accessed by the CMA on 10 June 2025). TDG (acquired by Norbert Dentressangle in 2011) operated Sainsbury's Rugby national distribution centre and frozen food warehouse in Stone (TDG stated in 2009 that it had 'supported Sainsbury's in

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.⁴¹⁵ Even if GXO were considered as *de novo* entry in the UK, we note that GXO would represent a single example of entry in an eight-year period.

Likelihood, timeliness and sufficiency of entry/expansion

Likelihood

- 7.26 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 3PLs' plans regarding entry and expansion, as well as the scale of the barriers to entry or expansion discussed above.⁴¹⁶
- 7.27 We have spoken to seven 3PLs during our phase 2 investigation, and reviewed the latest strategic plans (including UK growth plans and projections) from seven responses to our formal information request. Whilst these documents indicate that several 3PLs have general ambitions to grow overall and to expand in various other CLS segments in the UK,⁴¹⁷ they do not include any specific plans relating to the supply of dedicated warehousing to Retail customers, or Grocery customers in particular.
- 7.28 When we asked these 3PLs about their interest in the Grocery segment, none of them excluded the possibility of entering or expanding. However, only one of these 3PLs, told us that it has plans to enter the market for dedicated Grocery warehousing. Furthermore, we received mixed evidence from this 3PL in relation to the timing of its entry plans:
- (a) It initially told us that it is confident of getting into a position to bid for larger contracts in three to four years' time.⁴¹⁸ However, an internal document from this 3PL (prepared around six months after the announcement of the Merger) indicated that the Grocery segment is not a priority in the next few years, stating 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'.⁴¹⁹

varying capacities for the past two decades') (see [Keeping pace with Sainsbury's evolving retail strategy](#), last accessed by the CMA on 10 June 2025). Norbert Dentressangle (acquired by XPO in 2015) managed the ambient food operation at Bradford and four M&S general merchandise regional distribution centres (Norbert Dentressangle stated in 2015 that it was building on a '25 year partnership') (see [Marks & Spencer signs new deal with Norbert Dentressangle](#), last accessed by the CMA on 10 June 2025) and operated two Morrisons distribution centres in Scotland (see [Morrisons renews deal with Norbert Dentressangle | MT Article | Motor Transport](#), last accessed by the CMA on 10 June 2025).

⁴¹⁵ Third party call note.

⁴¹⁶ [CMA129](#), paragraph 8.35.

⁴¹⁷ See for instance: Third party response to the CMA's s109 notice dated 19 December 2024; and Third party response to the CMA's s109 notice dated 19 December 2024.

⁴¹⁸ Third party call note.

⁴¹⁹ Third party response to the CMA's s109 notice dated 19 December 2024.

- (b) In discussions with the CMA in relation to GXO's proposed remedies, it subsequently made more ambitious statements regarding its growth plans. The 3PL indicated that it might start actively pursuing such contracts in two to three years' time;⁴²⁰ and in a further call with the CMA referred to doing so in approximately two years' time.⁴²¹ It noted that it would realistically only pursue contracts for fragmented parts of a Grocer's operations and would be unlikely to win a contract for a large regional distribution centre at first.⁴²² It also noted that it would consider any opportunities before this time if approached by a Grocer. However, we have attached less weight to this revised position (compared to the 3PL's earlier statements and internal documents noted above) given the 3PL's position as a potential remedy recipient. Furthermore, this 3PL considered that within the timeframe for it to successfully enter and expand in the market, the Merged Entity and DHL might be in a position to corner the market and make it 'unenterable', with rivals being unable to match their financial clout, size, and experience.⁴²³ The 3PL stated that GXO would use its financial size and strength to do everything it could to slow, if not prevent, its entry and expansion.⁴²⁴

7.29 The information we have received from other 3PLs indicates that dedicated Grocery warehousing does not feature in their plans:

- (a) An internal document of another 3PL (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.⁴²⁵
- (b) An internal document of another 3PL (prepared around three months after the announcement of the Merger) states 'Sub-sectors to avoid: Big Grocery & Chill'.⁴²⁶
- (c) Another 3PL told us that it had considered the dedicated Grocery warehousing segment in the past [REDACTED].⁴²⁷
- (d) A further 3PL stated that it has not operated grocery distribution centres in the past. As grocery warehousing contracts are open book, such contracts would not align with its business strategy and that its focus has shifted to consolidating and standardising its current operations – the [REDACTED] has resulted in a reinforcement of this position.⁴²⁸ [REDACTED], this 3PL told us that it still would

⁴²⁰ Third party call note.

⁴²¹ Third party call note.

⁴²² Third party call note.

⁴²³ Third party call note.

⁴²⁴ Third party call note.

⁴²⁵ Third party response to the CMA's s109 notice dated 19 December 2024.

⁴²⁶ Third party response to the CMA's s109 notice dated 19 December 2024.

⁴²⁷ Third party call note.

⁴²⁸ Third party call note; and Third party call note.

need to invest in a senior team if it were interested in entered this segment.⁴²⁹

- 7.30 We have not received evidence from 3PLs 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.⁴³⁰ That said, two 3PLs noted that relatively low margins in the Grocery segment (albeit not distinguishing between transport and warehousing) may limit 3PL's incentives to enter this segment.⁴³¹ One of these 3PLs stated that current margins are not sufficiently attractive,⁴³² and even if its entry were sponsored by a Grocer (pursuant to GXO's Hybrid Remedy Proposal), the management fee it earns would still need to be higher than the current market fee to compensate for the costs and risks of entry.⁴³³ The second 3PL noted however that low margins may be compensated by the high revenue potential that characterises the Grocery sector.⁴³⁴
- 7.31 According to the Parties' market intelligence, several 3PLs (including Culina, CEVA, and XPO) have recently participated in tenders with Grocery customers. However, the Parties' submission is inconsistent with the fact that only one 3PL confirmed to the CMA that it has plans to enter the market for dedicated Grocery warehousing (as discussed above). Furthermore, we have identified only limited evidence directly from Grocery customers of instances where they have involved 3PLs other than GXO, Wincanton and DHL in previous procurement exercises, and in at least several instances the Grocer did not consider the 3PL to have the experience or track record to be a credible option for the tender:
- (a) In relation to Culina: one Grocer did not identify this 3PL as a participant in previous (or future) procurement exercises.⁴³⁵ A second Grocer told us that [REDACTED]. [REDACTED].⁴³⁶ A third Grocer told us that the 3PL provides certain transport services but it lacks the experience and the relevant fleet in the delivery or type of warehouse operations required by the customer.⁴³⁷
 - (b) In relation to CEVA: one Grocer [REDACTED] told us that [REDACTED]. It also considers [REDACTED].⁴³⁸ Another Grocer considered that CEVA may not have the expertise to run a possible divestment business consisting of Wincanton contracts.⁴³⁹ As already noted above, another Grocer said that although [REDACTED] has extensive

⁴²⁹ Third party call note.

⁴³⁰ See [CMA129](#), paragraph 8.36 (b) and (c) for circumstances in which firms may find entry or expansion profitable.

⁴³¹ Third party call note; and Third party response to the CMA's s109 notice dated 19 December 2024.

⁴³² Third party call note.

⁴³³ Third party call note.

⁴³⁴ Third party call note.

⁴³⁵ Third party response to the CMA questionnaire dated 5 September 2024.

⁴³⁶ Third party call note.

⁴³⁷ Third party call note.

⁴³⁸ Third party response to the CMA questionnaire dated 5 September 2024; and Third party call note.

⁴³⁹ Third party call note.

grocery experience in France and continental Europe, it declined the customer's invitation for a warehousing tender in 2022.⁴⁴⁰

- (c) In relation to XPO: one Grocer told us that this [REDACTED]. [REDACTED]. The Grocer [REDACTED].⁴⁴¹
Another Grocer told us that the 3PL [REDACTED].⁴⁴²

- 7.32 Regarding the Parties' submissions on the multiple ways that Culina, CEVA, XPO and ID Logistics can demonstrate track record (in terms of UK warehouse grocery experience, key senior staff, non-UK experience, and other UK grocery experience), this has not been supported by the evidence we have received from customers or these 3PLs themselves (as set out above). We acknowledge that the elements the Parties have identified for each of the 3PLs may play a role in Grocers' perception of track record, which, as we have mentioned above, is likely to be multi-faceted. However, customer feedback indicates that these elements are unlikely to compensate for a lack of prior UK-specific experience and a track record in the Grocery sector, and experience in managing warehousing operations of similar size and complexity in the UK.
- 7.33 We have therefore received only limited evidence indicating that rival 3PLs have plans to enter or expand in dedicated warehousing, particularly for Grocers, or evidence of strong incentives to enter.
- 7.34 As to whether the likelihood of entry would be increased as a result of the Merger, we have not received evidence from 3PLs that this would be the case. None of the 3PLs that we contacted during the course of our investigation said that their plans regarding dedicated Grocery warehousing in the UK would change as a result of the Merger. To the contrary, one 3PL has referred to the additional challenges presented by the prospect of competing against a strengthened GXO in an already concentrated market post-Merger.⁴⁴³
- 7.35 As to the prospect of customers sponsoring entry post-Merger, 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 post-Merger, at least some Retail customers may have the incentive to take steps to mitigate such impact, which could include sponsored entry. There may also be some customers who will require at least two (or more) potential 3PLs for resilience or corporate governance reasons.

⁴⁴⁰ Third party call note.

⁴⁴¹ Third party call note.

⁴⁴² Third party response to the CMA's RFI dated 24 March 2025.

⁴⁴³ Third party call note.

- 7.36 We consider that it would likely only take one or a small number of customers to enable entry by one of a number of potential entrants to overcome the barriers to entry associated with track record (although how effective a competitor that entrant(s) proved to be, and over what time period, would then depend upon its/their capacity to expand by accumulating further contracts with additional customers). However, the evidence we have gathered from Grocery customers does not indicate that they have a strong willingness to sponsor entry:⁴⁴⁴
- (a) Two Grocery customers told us they are generally willing to speak to or potentially consider other 3PLs.⁴⁴⁵ One of these customers also initially told us that it is keen to see how pricing develops following the Merger, and it has already met with another 3PL [§] to understand its capabilities and explore potential options moving forward.⁴⁴⁶
 - (b) However, in response to the CMA's invitation to comment on possible remedies, this Grocery customer indicated that it placed significant importance on proven experience in managing large composite operations; and that it was unaware of any third parties that have the credibility and expertise to address its grocery needs at the sites currently serviced by Wincanton.⁴⁴⁷
 - (c) Moreover, this customer – as well as most other Grocery customers that the CMA consulted on GXO's proposed remedies – expressed reservations as to their ability to create a credible new 3PL, even with the benefit of the sponsorship fund contemplated by GXO's Hybrid Remedy Proposal (see further Chapter 8 below).⁴⁴⁸
- 7.37 Taking the evidence in the round, we consider that entry in the supply of dedicated warehousing services (including for Grocery customers) by at least one 3PL 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

- 7.38 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.⁴⁴⁹ However, the CMA

⁴⁴⁴ GXO submitted on 12 June 2025 that [§] had recently won 'a significant dedicated grocery warehousing [...] contract' with a Grocer, which it expected to be worth several million pounds per year (GXO's submission on evidence of new entry to the CMA, 12 June 2025, page 2). However, the Grocer confirmed to the CMA that it is [§]. [§]. (Third party response to RFI dated 12 June 2025). The CMA does not therefore consider that this is evidence of a Grocer supporting entry into the supply of dedicated warehousing services for Grocery customers.

⁴⁴⁵ Third party call note; and Third party call note.

⁴⁴⁶ Third party call note.

⁴⁴⁷ Third party letter to the CMA dated 5 March 2025.

⁴⁴⁸ Third party letter to the CMA dated 5 March 2025.

⁴⁴⁹ CMA129, paragraph 8.33.

may consider shorter or longer periods than this, depending on the nature of the market.

- 7.39 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 Grocery customers within the next two years. Using the Parties' contract-level data,⁴⁵⁰ we have analysed the expiry dates of each of their 20 largest Retail warehousing contracts. We find that a [X] number of contracts are due to expire in each of 2025 and 2027, whilst a number of contracts (each in excess of £[X] million (at current prices)) are due to expire in [X] 2026, and contracts with a combined value in excess of £[X] 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.⁴⁵¹ 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 third party which indicates that a significant volume [X] of dedicated warehousing contracts for Grocery customers may expire and so come to tender within this timeframe.⁴⁵²
- 7.40 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 competition following the Merger. We do not therefore consider that it is appropriate in this case to extend the time period which is considered 'timely' for the purposes of our assessment.
- 7.41 As noted in our discussion of 'likelihood' above, we have seen no concrete plans from 3PLs to enter or expand into dedicated warehousing for Grocery customers in the next two to three years. Only one 3PL indicated to us that it intends to enter,⁴⁵³ and as explained above, we have placed more weight on its initial expectation of being able to enter in three to four years' time in contrast to its later more ambitious plans of being able to enter on a shorter time frame.
- 7.42 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

⁴⁵⁰ 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.

⁴⁵¹ [X]: new distribution centre in [X] (Third party call note). [X]: 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). [X]: planning to implement [X] at one of its [X] sites [X]. [X] is also considering larger projects, potentially in the hundreds of millions of pounds, including new sites. (Third party call note). [X]: warehousing contract with [X] is due to expire in [X]; currently [X] (Third party call note).

⁴⁵² Assuming a contract duration of three to five years as submitted by the Parties (see FMN, 5 September 2024, paragraph 176(c)). CMA analysis based on: Third party response to the CMA's RFI dated 3 February 2025.

⁴⁵³ Third party call note.

Merger by instead changing their approach to procuring dedicated warehousing services from 3PLs.

- 7.43 We consider that customers would be able to plan ahead of a contract expiring and may be able 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 therefore asked customers how long it would take for them to consider a new or inexperienced 3PL as a credible provider of dedicated warehousing. Customers had different views on the time it would take for a new 3PL to become a credible alternative provider:
- (a) One Grocery customer told us it would consider a new or inexperienced 3PL for its next warehousing contract.⁴⁵⁴
 - (b) Another Grocery customer stated that it [REDACTED].⁴⁵⁵
 - (c) Another Grocery 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.⁴⁵⁶ The customer considered that sufficient time is required for a new entrant to become credible and it would want to have the skills and experience of running multiple sites. It noted further that it starts negotiations already one to two years prior to the expiry of a five-year contract.⁴⁵⁷
 - (d) Another 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.⁴⁵⁸ The customer noted that even if it could assume that there was a capable and willing entrant, the customer still would not know if it were going to enter and actually be competitive, in addition to how much of the customer's resources and leadership time would be needed to support it.⁴⁵⁹
 - (e) Another Grocery customer considered that if a new 3PL entered through another grocery customer (ie if another Grocer sponsored entry), then the customer would want to see a couple of contract cycles to be reassured of its

⁴⁵⁴ Third party call note.

⁴⁵⁵ Third party call note.

⁴⁵⁶ Third party call note. The Parties submitted that this customer has not run a dedicated Grocery warehousing tender since [REDACTED]; in addition, when GXO entered dedicated Grocery warehousing this customer was able to build a relationship with GXO in a significantly shorter period of time ([Parties' response to the CMA's Interim Report](#), 12 March 2025, paragraph 120). However, the customer told us that it has undertaken procurement exercises in [REDACTED] and is [REDACTED] (see Third party call note). In addition, we note (as set out in section on 'Previous instances of entry and expansion' above) that [REDACTED] that customer (see [REDACTED]). We therefore do not consider it is appropriate to characterise the relationship between GXO (and its predecessor XPO) as having been built in a significantly shorter period of time than the time periods referred to by this customer.

⁴⁵⁷ Third party call note.

⁴⁵⁸ Third party call note.

⁴⁵⁹ Third party call note.

experience⁴⁶⁰ although it would require less time than that if it were itself the customer of a new 3PL.⁴⁶¹

- 7.44 On balance, this suggests that there is significant uncertainty about when and how entry and expansion would occur.
- 7.45 As regards customers sponsoring entry, as noted above, in response to the CMA's consultation on GXO's remedy proposals, most customers raised concerns regarding their ability to sponsor the creation of a credible new 3PL, even with the benefit of the sponsorship fund contemplated by GXO's Hybrid Remedy Proposal (see further Chapter 8 below). This raises further uncertainty as to the likelihood and time scale in which customers could sponsor a new or inexperienced 3PL.⁴⁶²
- 7.46 In addition, we note that sponsoring entry entails costs and risks for the customer sponsoring a new 3PL whilst it creates a positive externality for other customers as they do not bear the costs and risks whilst they may benefit from this entry (if it is successful). This situation may create a hold-up problem where each customer waits for another to sponsor entry and to free-ride without incurring the associated costs and risks.
- 7.47 Overall, we consider that there remains considerable uncertainty about when and how entry and expansion would occur. Based on the evidence we have received, we consider that entry, even if aided by a Grocer's sponsorship, would be likely to occur on a small scale initially, for example limited to a small warehousing operation alongside another 3PL. Given the importance of experience and a strong and established track record to many Grocery customers, we consider that any new entrant is likely to require significantly longer than two years to expand and to become a credible and effective alternative to the Merged Entity.
- 7.48 In the evidence we have gathered there was no support for the Parties' submission that entry would be faster and more expansive in the event the Merged Entity raised prices or degraded services post-Merger. While it may increase the profitability of entry, it does not overcome the barriers to entry we have identified above. As we have set out in Chapter 4, Grocers have a very low tolerance for underperformance or failure due to the impact on their business and are accordingly risk averse. We have seen no evidence that this would change materially post-Merger.
- 7.49 We recognise that there is some residual 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

⁴⁶⁰ Third party call note.

⁴⁶¹ Third party call note.

⁴⁶² Furthermore, contrary to the Parties' submission, we have not received evidence from third parties that their ability to sponsor a new or inexperienced 3PL is significantly enhanced through making use of shorter-term contracts, review clauses, or expansive termination or penalty clauses.

entry. We consider that while this uncertainty is advantageous to customers, and may constrain 3PLs to some extent, 3PLs, including the Parties, also invest time and effort in understanding customers' requirements, and are likely to have an understanding of the most credible competitors in any given tender. Given the Parties' particularly strong position in the Grocery segment, and the very limited track record of any other 3PL except DHL, we consider that the Merger reduces the uncertainty faced by competitors in Grocery tenders. The risk of losing a tender to a new entrant will only significantly increase if and when that entrant has established a strong track record, which as indicated above, we consider is likely to take more than two years.

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

Sufficiency

7.51 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.⁴⁶³ 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.

7.52 Our view is that for entry or expansion to be considered sufficient in the circumstances of this case, a number of cumulative conditions would need to be met:

- (a) at least one new 3PL would need to have acquired or be expected to acquire a strong track record; and
- (b) such a record would be demonstrated by it either having won and serviced a variety of contracts for dedicated warehousing for Grocery customers or otherwise demonstrated that it was regarded by customers and/or by competitors as being capable of doing so.⁴⁶⁴

⁴⁶³ [CMA129](#), paragraph 8.37.

⁴⁶⁴ We disagree with the Parties that the standard we set in the CMA's Interim Report (CMA, [Interim Report](#), 19 February 2025) is inappropriately high and that it would not even be met by Wincanton. We note that any relevant threshold is solely defined by the scope and effectiveness necessary to prevent an SLC from arising as a result of the Merger – which in turn is defined by the scope and effectiveness of Wincanton itself. We note, as further set out in Chapter 6, that Wincanton is one of the three most successful suppliers to Retail customers (including Grocery customers), and amongst the only suppliers with a successful and sustained record of winning and retaining the very largest contracts. In addition, we note the following: (i) the standard set out in the CMA's Interim Report did not make any quantitative statements about 'sufficiency'; (ii) the £20 million contract value threshold referred to by the Parties was applied in the context of assessing the bidding data in Chapter 6 and it was not used for market definition purposes but as a proxy for identifying contracts that are likely to concern dedicated warehousing given that the Parties' bidding data does not systematically distinguish between shared and dedicated warehousing; (iii) as set out in Chapter 4, procurement exercises and switching are relatively infrequent (see also Chapter 6 which found that large contracts are tendered relatively infrequently). We therefore consider the Parties' statements do not contradict the standard set out in the CMA's Interim Report.

- 7.53 To get to this point, we consider that a new 3PL would need to overcome several obstacles. It would first 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 then be necessary for the new entrant to build a sufficient level of experience and track record by cumulatively winning a number of contracts and by fulfilling those contracts and retaining business over a period of several years. This would enable the 3PL to expand the pool of knowledge and activities from which new insights and efficiencies can be derived, enhancing the 3PL's competitive strength. For this reason, we do not consider that an entrant with only a single contract would exert sufficient competitive constraints on the Merged Entity (even if this contract were of significant size).
- 7.54 These views are supported by third parties, including third-party views received in response to the CMA's consultation on GXO's proposed remedies. As such views were provided in relation to the nature and scale of a remedy business that would be sufficient to replicate the competitive constraint provided by Wincanton, we consider these views are relevant to the question of the sufficiency of entry as a countervailing factor (whilst also recognising that responses from 3PLs should be viewed in context and given appropriate weight). For example:⁴⁶⁵
- (a) One customer told us that for a 3PL to replace the constraint lost by Wincanton it would need to demonstrate an ability to deliver a consistently high level of service, it would need to transition to scale, and that it would also need to be capable of adapting to differences between customers and deliver on contractual technological continuous improvement commitments. It would require time and enough support from customers to develop capabilities that are transferrable between a range of customers.⁴⁶⁶
 - (b) Another customer told us it would want to see track record at a major Grocery customer and the skills and experience of running multiple sites and noted that a few experts may not be enough to entice trust from retailers.⁴⁶⁷
 - (c) One 3PL noted that a 3PL would need to be able to operate multiple distribution centres such that it has a critical mass in order to genuinely recreate the competition provided by Wincanton.⁴⁶⁸

⁴⁶⁵ See also the third-party evidence summarised in the earlier sections of this Chapter.

⁴⁶⁶ Third party call note.

⁴⁶⁷ Third party call note.

⁴⁶⁸ Third party call note.

- (d) Another 3PL considered that a 3PL would need to recruit a senior team with track record capability in grocery dedicated warehousing; and that a potential remedy business could not consist of just one or two sites but must be a viable alternative to GXO's offering. It also stated that a 3PL operating multiple sites across different clients can provide learnings that can help with other contracts.⁴⁶⁹ In relation to its own entry plans, the 3PL estimated that it would take around five years in order to enter and expand to reach Wincanton's current market position in relation to dedicated warehousing (the 3PL noted that adding transport would be a bigger prospect). But the 3PL noted uncertainty regarding this given that there may be a scenario in five years' time where GXO and DHL have cornered the market and have made it unenterable with no 3PL being able to match their financial clout, size and experience.⁴⁷⁰
- (e) Another 3PL told us that its concerns about entry are the need for expertise, knowledge and experience. A 3PL with just two sites (pursuant to GXO's Hybrid Remedy Proposal), even with the benefit of a sponsorship fund, cannot claim to be a credible supplier and would need certain characteristics or capabilities to supply grocery customers, which are challenging to serve.⁴⁷¹

7.55 In light of the evidence outlined in the sections above, we consider that entry and expansion that is sufficient is very unlikely to materialise within the two-year time period specified in the MAGs (having already concluded that whilst some form of entry by at least one 3PL is likely, it is uncertain whether this would happen within two years). Even if such entry and expansion in dedicated warehousing were to occur within this timeframe, we consider it would be on a substantially smaller scale and even in aggregate would not be equivalent to the constraint eliminated by the Merger.

7.56 Whilst we acknowledge that the Merged Entity might already take into account a certain degree of risk of losing business to a new entrant, we consider, for the reasons given above, that this risk is not significant or imminent, and does not materially increase post-Merger (for the reasons why entry will not be timely and sufficient which we have outlined above). Consequently, we consider that the Merged Entity is likely to have the ability to increase prices or otherwise worsen its offering (for at least some customers in some circumstances) for a substantial period of time before a sufficient constraint is re-established by the presence of a new entrant 3PL with a sufficiently strong track record.

⁴⁶⁹ Third party call note; and Third party call note.

⁴⁷⁰ Third party call note.

⁴⁷¹ Third party call note.

Conclusion on entry and expansion

- 7.57 Based on the evidence set out above, we 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 which prevents an SLC is not likely to occur within the two-year timeframe set out in the MAGs.
- 7.58 We therefore conclude that entry or expansion would not be timely or sufficient to prevent the SLC from arising.

Self-supply

- 7.59 In our competitive assessment in Chapter 6 we 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.
- 7.60 In our competitive assessment, we found that, pre-Merger, customers' ability and willingness to self-supply varied by customer and between different sites (see section on competitive assessment self-supply). As set out in the MAGs,⁴⁷² we have considered whether customers could or might respond to the Merger by increasing the threat of self-supply, either generally or in particular circumstances. 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. While some customers could increase their use of self-supply, we consider self-supply will not provide a material and consistent constraint across all Grocery dedicated warehousing needs.⁴⁷³
- 7.61 On this basis, we conclude in the round 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 from arising.

⁴⁷² [CMA129](#), paragraphs 8.44-8.46.

⁴⁷³ As examples, a Grocer said self-supply would demand significant resources and is not a [X] (Third party call note). Another Grocer said that [X] (Third party call note).

Efficiencies

- 7.62 We have also considered whether there are any efficiencies arising from the Merger which could be considered a potential countervailing factor to the SLC that we have found arise from the Merger.⁴⁷⁴
- 7.63 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.⁴⁷⁵ Furthermore, the Parties also submitted that GXO's strategy of investing significantly in the UK economy, its supply chain security and workforce, can also benefit customers.⁴⁷⁶
- 7.64 However, we have not received from the Parties 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 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 supply of dedicated warehousing to Grocery customers in the UK.

Conclusion on countervailing factors

- 7.65 We considered whether there may be entry and/or expansion in response to the Merger. We found 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. We also found that the extent of entry or expansion has historically been very limited in that segment. We consider that at least one 3PL is likely to enter at some stage post-Merger. But such entry is not likely to be timely or sufficient as any new entrant is likely to take substantially more than two years for it to compete for large, dedicated Grocery warehousing contracts and to grow its portfolio to a size comparable to Wincanton. This is consistent with evidence from Grocery customers and other third parties, many of whom consider that it would take a new entrant many years to expand and establish a track record of comparable strength to Wincanton. We therefore conclude that entry or expansion would not be sufficient to prevent the SLC from arising.
- 7.66 We considered whether customers could or might respond to the Merger by increasing the threat of self-supply. We consider that customers 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 received any evidence (in

⁴⁷⁴ CMA129, paragraphs 8.3-8.27.

⁴⁷⁵ FMN, 5 September 2024, paragraphs 57-66 and 601.

⁴⁷⁶ [Parties' response to the Phase 1 Decision](#), 2 December 2024, paragraph 1.9.

response to our questions) that they could materially increase the threat of self-supply, relative to the current situation, or how they might do so. Therefore, we conclude that customers lack both the ability and incentive to enhance the constraint from self-supply enough to offset the Merger's impact and prevent an SLC.

- 7.67 We also consider that, given the limited scope to enhance the constraint from self-supply and the considerable time it will take for sufficient entry and expansion to occur, the combined threat of self-supply and entry and expansion is unlikely to prevent an SLC. In this context we note that there may be a tension between the purported constraints from increasing self-supply and increasing entry or expansion in response to the Merger. The greater the adoption of self-supply, the fewer business opportunities will be available to a new entrant – making the prospects of entry less favourable and therefore reducing the likelihood of entry or effective expansion.
- 7.68 We also considered whether there are any efficiencies arising from the Merger. We have not 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 concluded 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 supply of dedicated warehousing to Grocery customers in the UK.
- 7.69 Based on the assessment set out in this chapter, we conclude that there are no countervailing factors arising from entry and/or expansion, self-supply or Merger efficiencies that could offset the effect of the SLC which we have identified.

8. CONCLUSIONS

- 8.1 As a result of our assessment, and based on the evidence that is set out above and in the appendices to this Final Report, we have 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.

9. REMEDIES

Introduction

- 9.1 This chapter sets out our assessment of, and final decision on, the appropriate remedy to address the SLC and resulting adverse effects that we have found.
- 9.2 For reference, this Chapter is structured under the following main headings:
- (a) The CMA's framework for assessing remedies.
 - (b) Overview of the remedy options considered.
 - (c) Effectiveness of a divestiture remedy.
 - (d) Effectiveness of GXO's Hybrid Remedy Proposal.
 - (e) Our conclusions on effective remedies.
 - (f) Proportionality.
 - (g) Implementation considerations.
 - (h) Enforcement.
 - (i) Decision on remedies.

The CMA's framework for assessing remedies

- 9.3 The Act requires that the CMA, when considering remedies, shall 'in particular, have regard to the need to achieve as comprehensive a solution as is reasonable and practicable to the SLC and any adverse effects resulting from it'.⁴⁷⁷ This is a 'high duty'⁴⁷⁸ and therefore, the CMA needs to have a 'high degree of certainty' that the remedy will address the SLC.⁴⁷⁹
- 9.4 As explained in our guidance on merger remedies (**Merger Remedies Guidance** or **CMA87**), the effectiveness of a remedy is assessed by reference to its:⁴⁸⁰

⁴⁷⁷ Sections 35(4) and 36(3) of the Act.

⁴⁷⁸ *Ecolab Inc. v CMA* [2020]. The Competition Appeal Tribunal (**Tribunal**) 12, at [74]. At the remedies stage, the CMA 'is not ... concerned with weighing up probabilities against possibilities but rather with deciding what will ensure that no SLC either continues or occurs' (ibid., citing *Ryanair Holdings PLC v CMA* [2015] EWCA Civ 83, at [57]).

⁴⁷⁹ *Ecolab Inc. v CMA* [2020] Tribunal 12, at [83]. See also [CMA87](#), paragraph 3.5(d) which provides that the CMA will seek remedies that have a 'high degree of certainty' of achieving their intended effect.

⁴⁸⁰ [CMA87](#), paragraph 3.5.

- (a) impact on the SLC and its resulting adverse effects – the aim being to restore the dynamic process of rivalry between firms seeking to win customers' business over time;
- (b) duration and timing – remedies need to be capable of timely implementation and to address the SLC effectively throughout its expected duration;
- (c) practicality, in terms of its implementation, subsequent monitoring and potential enforcement; and
- (d) risk profile, in particular seeking a remedy that has a high degree of certainty of achieving its intended effect.⁴⁸¹ Customers or suppliers of merger parties should not bear significant risks that remedies will not have the requisite impact on the SLC or its adverse effects.

9.5 The objective of remedies is to address the SLC and its adverse effects. The CMA views competition as a dynamic process of rivalry between firms seeking to win customers' business over time. Restoring this process of rivalry through structural remedies, such as divestiture, which re-establish the structure of the market expected in the absence of the merger, should be expected to address the adverse effects at source. Behavioural remedies typically seek to regulate the ongoing behaviour of the merger parties rather than to re-establish the lost rivalry in the market.⁴⁸²

9.6 In order to be reasonable and proportionate, the CMA will seek to select the least costly remedy, or package of remedies, of those remedy options that it considers will be effective. In addition, the CMA will seek to ensure that no remedy is disproportionate in relation to the SLC and its adverse effects.⁴⁸³

Overview of the remedy options considered

9.7 Following the Interim Report, on 7 March 2025 we published an Invitation to comment on remedies (**ITCR**), which invited views on: (a) GXO's two remedy proposals: (i) a structural divestiture remedy proposal; and (ii) a behavioural remedy proposal (together, **GXO's Initial Remedy Proposals**); and (b) a third remedy option namely, a structural remedy requiring the divestiture of a potentially broader and/or differently configured standalone business than GXO's structural divestiture remedy proposal.⁴⁸⁴

⁴⁸¹ The Tribunal has held that it is reasonable for the CMA to not favour a remedy 'for which it cannot feel a high degree of confidence of success' (*Ecolab Inc. v CMA* [2020] Tribunal 12, at [83]).

⁴⁸² [CMA87](#), paragraph 3.5(a).

⁴⁸³ [CMA87](#), paragraph 3.6.

⁴⁸⁴ A non-confidential summary of GXO's Initial Remedy Proposals was appended to the [ITCR](#). The ITCR was published on 7 March 2025 on the [inquiry webpage](#).

- 9.8 During the ITCR public consultation period, we spoke to all of the Parties' dedicated warehousing Grocery customers, a number of 3PLs and an industry consultant to discuss GXO's Initial Remedy Proposals.⁴⁸⁵ We also received written responses to the ITCR from a number of third parties.⁴⁸⁶ The public consultation on the ITCR ended on 18 March 2025.
- 9.9 During the Group Remedies Meeting on 25 March 2025, we gave the Parties feedback on GXO's Initial Remedy Proposals based on the evidence we received from third parties during our public consultation on the ITCR. This feedback was intended to enable the Parties to modify their remedy proposals or consider whether additional evidence might be submitted to address the possible areas of concern identified by the CMA.⁴⁸⁷ GXO subsequently submitted an updated version of its remedy proposals on 31 March 2025, comprising two alternative remedy options which it submitted could each independently address the SLC identified in our Interim Report. Given the materiality of GXO's modifications, we undertook further market testing with certain third parties based on GXO's non-confidential summaries of its modified remedy proposals (see footnote for details).⁴⁸⁸
- 9.10 This chapter considers GXO's remedy proposals, as modified and updated in its 31 March 2025 submission. We consider the effectiveness of:
- (a) a divestiture remedy, focusing on a carve-out divestiture remedy proposed by GXO involving the divestiture of Wincanton's dedicated Grocery warehousing services business (**GXO's Divestiture Remedy Proposal**); and
 - (b) the **Hybrid Remedy Proposal** proposed by GXO, comprising a primary remedy, with both behavioural and structural elements, whereby GXO would provide a financial fund to facilitate the sponsorship of a new 3PL entrant into dedicated warehousing through the award of two contracts by a sponsoring Wincanton Grocery Customer (the **Sponsorship Component**) prior to the acceptance of final undertakings. Should the Sponsorship Component not be implemented by the final undertakings acceptance date, GXO proposed its Divestiture Remedy Proposal as a fallback remedy.
- 9.11 We provide further details on each of GXO's remedy proposals below. We consider the effectiveness of GXO's Divestiture Remedy Proposal as part of our

⁴⁸⁵ We spoke to the following third parties to discuss GXO's Initial Remedy Proposals: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED] and [REDACTED].

⁴⁸⁶ We received written responses to the ITCR from the following third parties: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED] and Menzies Distribution Solutions. Responses to the ITCR were published on the [inquiry webpage](#).

⁴⁸⁷ [CMA2](#), paragraph 12.12.

⁴⁸⁸ We held further remedy calls with: (a) two ([REDACTED] and [REDACTED]) of Wincanton's dedicated warehousing Grocery customers – [REDACTED], on the other hand, expressed a preference to submit a written response; and (b) four 3PLs (namely, [REDACTED], [REDACTED], [REDACTED] and [REDACTED]), who were listed by GXO as eligible remedy takers under one of its modified remedy proposals. We also sent non-confidential summaries to all of GXO's dedicated warehousing Grocery customers and invited their written responses to GXO's modified remedy proposals. We received written responses from the following Parties' customers: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED] and [REDACTED].

assessment of the effectiveness of a divestiture remedy (in paragraphs 9.17 et seq.) and then assess the effectiveness of GXO's Hybrid Remedy Proposal (in paragraphs 9.160 et seq.).

- 9.12 On 30 April 2025, we sent the Parties our Interim Report on Remedies (**IRR**) which set out our provisional decision on our preferred remedy, where we provisionally concluded (among other things) that a modified form of GXO's Divestiture Remedy proposal would be an effective and proportionate remedy. We also indicated in our IRR that GXO's Hybrid Remedy proposal would not be an effective remedy. We received GXO's response to our IRR (**IRR response**) on 8 May 2025.⁴⁸⁹
- 9.13 In its IRR response, GXO submitted that it welcomed the CMA's provisional conclusion that the modified form of its divestiture remedy represented an effective and proportionate remedy in the event that the CMA finds an SLC in its Final Report. It added that it was confident that it could successfully deliver a comprehensive divestiture solution that would mitigate any concerns the CMA may have.⁴⁹⁰ We have considered the IRR response in this chapter in reaching our final decision on remedies and refer to GXO's submissions in its IRR response where relevant.

Effectiveness of a divestiture remedy

Overview

- 9.14 In this section, we set out our assessment of, and conclusions on, the effectiveness of GXO's Divestiture Remedy Proposal.
- 9.15 A divestiture seeks to remedy an SLC through the disposal of a business or assets from the merger parties to create a new source of competition (if sold to a new market participant) or to strengthen an existing source of competition (if sold to an existing participant independent of the merger parties). An effective divestiture remedy should address at source the loss of rivalry resulting from the merger by changing or restoring the structure of the market. Restoring the dynamic process of rivalry through structural remedies, such as divestitures, which re-establish the structure of the market expected in the absence of the merger, should be expected to address the adverse effects at source.⁴⁹¹
- 9.16 In this case, GXO has proposed a divestiture remedy drawn from the Wincanton business ([X]) to address the SLC.

⁴⁸⁹ Parties' response to the CMA's IRR, 8 May 2025.

⁴⁹⁰ Parties' response to the CMA's IRR, 8 May 2025, paragraph 2.

⁴⁹¹ [CMA87](#), paragraphs 3.5(a), 3.38 and 5.1.

Description of GXO's Divestiture Remedy Proposal

9.17 We provide below a description of GXO's Divestiture Remedy Proposal.⁴⁹²

Proposed scope of the divestiture package

9.18 Under GXO's Divestiture Remedy Proposal, GXO would divest to a suitable purchaser (**Divestment Purchaser**), Wincanton's dedicated warehousing services business serving Wincanton's Grocery customers, namely [X] (the **Divestment Customers**) (the **Proposed Divestment Business**), which would include:⁴⁹³

- (a) all of the Divestment Customers' dedicated warehousing contracts serviced by Wincanton in the UK (**Divestment Contracts**);
- (b) Wincanton's brand for use solely and exclusively in relation to the Grocery segment;
- (c) assets (to the extent that they are not customer-owned, or customer-leased) which are necessary to operate the Proposed Divestment Business and compete for contracts;
- (d) all employees required to operate and grow the Proposed Divestment Business (including 'top of the pyramid' senior management); and
- (e) supplier contracts for services necessary to service the Divestment Contracts (to the extent that they are not contracted by the Divestment Customers).

9.19 GXO submitted that the Proposed Divestment Business represented a commercial proposition made up of profitable contracts generating £[X] million ([X])⁴⁹⁴ of revenue with an EBITDA of £[X] million ([X]).⁴⁹⁵ Of total revenues of £[X] million ([X]): [X] accounted for around £[X] million; [X], around £[X] million; and [X], around £[X] million.⁴⁹⁶ The Proposed Divestment Business would operate a total of [X].⁴⁹⁷

Transaction structure

9.20 GXO submitted that the sale of the Proposed Divestment Business could be implemented, [X], by way of either a share sale of 100% of the shares in a new company incorporated as a private limited company (**NewCo**) or an asset sale

⁴⁹² The full details of GXO's Divestiture Remedy Proposal are set out in GXO's Updated Alternative Remedy Proposal, 31 March 2025.

⁴⁹³ GXO's Updated Alternative Remedy Proposal, 31 March 2025, paragraph 6 and 14.

⁴⁹⁴ [X].

⁴⁹⁵ GXO's Updated Alternative Remedy Proposal, 31 March 2025, paragraph 16. EBITDA means earnings before interest, tax, depreciation and amortisation.

⁴⁹⁶ GXO's Updated Alternative Remedy Proposal, 31 March 2025, Annex ARP.004.

⁴⁹⁷ GXO's Updated Alternative Remedy Proposal, 31 March 2025, paragraph 34.

comprising all the customer contracts, assets, employees and supplier contracts that comprised the Proposed Divestment Business.⁴⁹⁸

Divestment Customer consents and minimum number of sites

- 9.21 GXO submitted that the divestiture would require the consent of the Divestment Customers as the Divestment Contracts contained clauses relating to transfer, novation, assignment or a change of control. GXO submitted that it was confident the relevant consents would be obtained but, if necessary, it would offer further incentives or additional commitments to facilitate customer consent.⁴⁹⁹
- 9.22 GXO submitted that it would offer the following to address any concerns the Divestment Customer might have:⁵⁰⁰
- (a) identification and addition of further staff considered important by the Divestment Customers (eg senior management, business development, or specialist employees not already included in the Proposed Divestment Business);
 - (b) continued engagement with Divestment Customers throughout the process;
 - (c) [REDACTED];⁵⁰¹
 - (d) [REDACTED];
 - (e) [REDACTED]; and
 - (f) as noted in paragraph 9.32 below, GXO would [REDACTED].
- 9.23 In the event not all Divestment Customers agreed to transfer to the Divestment Purchaser, GXO submitted that the CMA's Interim Report noted that it would only take 'one or a small number' of customers to overcome the barriers to entry related to track record.⁵⁰² GXO submitted that it considered 'one or a small number of customers' to mean at least two sites, even though it considered even one sizeable site would be sufficient to support entry. GXO proposed that at least two sites be required to transfer with the Proposed Divestment Business to establish the Divestment Purchaser as a credible competitor.⁵⁰³
- 9.24 GXO submitted that as a fallback option, [REDACTED]. GXO submitted that [REDACTED].⁵⁰⁴

⁴⁹⁸ GXO's Updated Alternative Remedy Proposal, 31 March 2025, paragraph 14a.

⁴⁹⁹ GXO's Updated Alternative Remedy Proposal, 31 March 2025, paragraph 17a.

⁵⁰⁰ GXO's Updated Alternative Remedy Proposal, 31 March 2025, paragraph 169.

⁵⁰¹ [REDACTED]. GXO's Updated Alternative Remedy Proposal, 31 March 2025, paragraph 169d.

⁵⁰² GXO's Updated Alternative Remedy Proposal, 31 March 2025, paragraph 34.

⁵⁰³ GXO's Updated Alternative Remedy Proposal, 31 March 2025, paragraph 5b.

⁵⁰⁴ GXO's Updated Alternative Remedy Proposal, 31 March 2025, paragraph 35.

9.25 GXO submitted that it considered that Divestment Customer consent for the transfer of their contracts could be obtained in six months based on its prior experience of acquiring carved-out assets and customer contract transfer processes in the industry.⁵⁰⁵ GXO also submitted that the Merged Entity, if required by the Divestment Purchaser, would provide [REDACTED] support services to facilitate the transfer with no disruption in customer facing services under a transitional services agreement (**TSA**).⁵⁰⁶

Duration of the Divestment Contracts

9.26 In relation to the Divestment Contracts' duration, GXO submitted that:

- (a) the Divestment Contracts for [REDACTED] Divestment Customers ([REDACTED]) were of sufficient duration to enable the Divestment Purchaser to develop the track record needed in the market: [REDACTED];⁵⁰⁷ and
- (b) [REDACTED] contract with Wincanton [REDACTED]. GXO submitted [REDACTED].⁵⁰⁸ GXO submitted that [REDACTED]. [REDACTED].⁵⁰⁹

Severance of Divestment Contracts from master agreements

9.27 Wincanton currently provides both the dedicated warehousing and transport services for [REDACTED] the Divestment Customers' [REDACTED] sites.⁵¹⁰

9.28 GXO submitted that for certain Grocery customers, their dedicated warehousing services were serviced through an overarching Master Services Agreement (**MSA**), which contained separate statements of work (**SOWs**) for each of:

- (a) dedicated warehousing services; and
- (b) transport services.

It added that these MSAs were separable into 'standalone' contracts of work and that the Parties envisioned doing so prior to transfer to a Divestment Purchaser.⁵¹¹

9.29 In this regard, GXO submitted that:⁵¹²

- (a) [REDACTED];
- (b) [REDACTED]; and
- (c) [REDACTED].

⁵⁰⁵ GXO's Updated Alternative Remedy Proposal, 31 March 2025, paragraph 17.

⁵⁰⁶ GXO's Updated Alternative Remedy Proposal, 31 March 2025, paragraph 22.

⁵⁰⁷ GXO's Updated Alternative Remedy Proposal, 31 March 2025, paragraph 52. Wincanton internal document, annex to Wincanton's response to the CMA's RFI dated 4 April 2025, clause 2.2.

⁵⁰⁸ GXO's Updated Alternative Remedy Proposal, 31 March 2025, paragraph 52.

⁵⁰⁹ GXO's Updated Alternative Remedy Proposal, 31 March 2025, paragraph 53.

⁵¹⁰ Parties' response to the Phase 1 Decision, 2 December 2024, Annex 1.

⁵¹¹ GXO's Updated Alternative Remedy Proposal, 31 March 2025, paragraph 55 and footnote 6.

⁵¹² GXO's Updated Alternative Remedy Proposal, 31 March 2025, paragraph 55 and footnote 6.

9.30 GXO submitted that it did not anticipate any practical difficulties with regards to separating [REDACTED] SOWs from their MSAs and that based on prior experience, it could manage the separation of contracts and address any practical severance concerns.⁵¹³

9.31 GXO submitted that [REDACTED].⁵¹⁴ GXO also noted that [REDACTED].⁵¹⁵

9.32 GXO submitted that [REDACTED].⁵¹⁶

Supplier consents

9.33 GXO submitted that where supplier novation consents were required (ie where third-party suppliers' contracted directly with Wincanton and not the Divestment Customer), [REDACTED]. However, it noted that [REDACTED].⁵¹⁷

Viability of the Proposed Divestment Business

9.34 In relation to the long-term viability of the Proposed Divestment Business, GXO submitted that it would provide the following further assurances:⁵¹⁸

- (a) **Non-solicitation provisions:** the Merged Entity would undertake not to solicit for [REDACTED] for a period of [REDACTED] from closing of the divestiture, [REDACTED]. GXO submitted that this undertaking would enable the Proposed Divestment Business to become established under its new ownership. This undertaking would not restrict the Merged Entity from bidding for new dedicated warehousing business from a Divestment Customer where that Divestment Customer proactively approached the Merged Entity.
- (b) **Non-reacquisition provisions:** subject to the non-solicitation provision, the Merged Entity would undertake not to re-acquire, and procure that its affiliated undertakings would not re-acquire, the Divestment Contracts (or any NewCo created in the event of a share sale) for a period of ten years from closing of the divestiture without the prior written consent of the CMA.

GXO's views on the overall effectiveness of GXO's Divestiture Remedy Proposal

9.35 GXO submitted that GXO's Divestiture Remedy Proposal was a targeted structural solution that comprehensively removed the overlap in the supply of dedicated warehousing services to Grocery customers in the UK. It added that the divestiture remedy included all assets, employees, supplier contracts and transitional support

⁵¹³ GXO's Updated Alternative Remedy Proposal, 31 March 2025, paragraph 55 and footnote 6.

⁵¹⁴ GXO's Updated Alternative Remedy Proposal, 31 March 2025, paragraph 56.

⁵¹⁵ GXO's Updated Alternative Remedy Proposal, 31 March 2025, paragraph 5b.

⁵¹⁶ GXO's Updated Alternative Remedy Proposal, 31 March 2025, paragraph 5b.

⁵¹⁷ GXO's Updated Alternative Remedy Proposal, 31 March 2025, paragraph 17b.

⁵¹⁸ GXO's Updated Alternative Remedy Proposal, 31 March 2025, paragraph 19.

that might be required by any purchaser to service the Divestment Customers, regardless of that purchaser's capabilities.⁵¹⁹

- 9.36 GXO submitted that GXO's Divestiture Remedy Proposal was made up of [X] Divestment Contracts with [X] of the UK's leading Grocery retailers. GXO submitted that these contracts were profitable individually and collectively, and that a Divestment Purchaser with access to just one contract would be in a good position to build the track record and expertise required by Grocery customers.⁵²⁰
- 9.37 GXO submitted that the implementation of GXO's Divestiture Remedy Proposal would provide the Divestment Purchaser with the capabilities to service the existing Divestment Contracts and compete for new dedicated warehousing contracts. It also submitted that the Divestment Purchaser would be capable of further growing and developing the Proposed Divestment Business in the long-term as a credible and effective competitor in the provision of dedicated warehousing services to Grocery customers.⁵²¹
- 9.38 GXO also stated that it was confident that the divestiture process, including obtaining all necessary approvals or consents, would be completed within the six-month remedy implementation timeline.⁵²²

Third parties' views on overall effectiveness of GXO's Divestiture Remedy Proposal

- 9.39 We held two sets of remedy calls with third parties:
- (a) The first set of remedy calls were held with each of the Parties' dedicated warehousing Grocery customers and a number of 3PLs following the publication of the ITCR on 7 March 2025. These calls discussed GXO's Initial Remedy Proposals, namely GXO's structural remedy proposal and GXO's behavioural remedy proposal, based on GXO's non-confidential summary of each proposal appended to the ITCR.
 - (b) The second set of calls were held with Wincanton's dedicated warehousing Grocery customers and a number of 3PLs based on GXO's non-confidential summaries of its updated remedy proposals (ie GXO's Divestiture Remedy Proposal and GXO's Hybrid Remedy Proposal) which we received on 4 April 2025.⁵²³
- 9.40 While GXO's Divestiture Remedy Proposal is a modified version of its initial structural remedy proposal, both involved the divestiture of Wincanton's dedicated warehousing business for Grocery customers and the overall perimeter of the

⁵¹⁹ GXO's Updated Alternative Remedy Proposal, 31 March 2025, paragraph 32.

⁵²⁰ GXO's Updated Alternative Remedy Proposal, 31 March 2025, paragraphs 49 and 50.

⁵²¹ GXO's Updated Alternative Remedy Proposal, 31 March 2025, paragraph 32b and 32c.

⁵²² GXO's Updated Alternative Remedy Proposal, 31 March 2025, paragraph 19.

⁵²³ GXO's non-confidential summaries.

Proposed Divestment Business remained essentially unchanged. The details of GXO's modifications,⁵²⁴ which primarily focused on [X], were not disclosed in GXO's non-confidential summary of GXO's Divestiture Remedy Proposal. Given this, we have relied on the views of third parties on a divestiture remedy from both sets of remedy calls as appropriate.

- 9.41 We provide a summary of third parties' views on the overall effectiveness of GXO's Divestiture Remedy Proposal below. Third-party views on specific aspects of GXO's Divestiture Remedy Proposal are discussed in further detail where relevant in the remainder of this section.
- 9.42 In considering the views of third parties, we note that the views of customers on a divestiture remedy may potentially be influenced by a number of factors, eg whether they would be directly impacted by a divestiture remedy or not, and in the particular circumstances of this case, by the availability of an alternative remedy under which they may potentially receive a sponsorship fund. We also note the potential incentives of 3PLs giving evidence, whose incentives may be impacted by their potential interest in acquiring a business under a divestiture remedy.
- 9.43 As noted in paragraph 9.42, we recognise that the views we have gathered require careful interpretation given the different incentives of third parties giving the evidence, and we take this into account in our assessment and conclusions.

Views of customers

- 9.44 Overall, customers were in principle open to a divestiture remedy encompassing Wincanton's dedicated warehousing business. That said, a number of customers raised concerns regarding how the divestiture remedy would be implemented. In particular:
- (a) One customer told us that a divestiture remedy would effectively remedy the SLC identified by the CMA if it was appropriately framed to take account of customer concerns, including how the customer would be compensated for the impact of the change.⁵²⁵ In an earlier submission, this customer explained that the adverse impacts on its business might include contract renegotiations; cost increases through service disruption; and disruption and uncertainty to people and service. While this customer focused its views on GXO's proposed divestment of Wincanton's business unit relevant to dedicated warehousing, this customer also considered that blocking the Merger would unequivocally solve the competition concern by both Parties staying in the market as it would retain the status quo and continuity of

⁵²⁴ GXO's proposed modifications under GXO's Divestiture Remedy Proposal were summarised in GXO's Updated Alternative Remedy Proposal, 31 March 2025, paragraph 5.

⁵²⁵ Third party call note.

service, and choice/competition in the market remained attractive to it as a customer of 3PLs.⁵²⁶

- (b) One customer told us that GXO's proposed divestiture remedy was acceptable in principle. However, it told us that it would require additional assurances on service quality and contract pricing as well as on the identity of the purchaser and whether the purchaser had the appropriate scale, expertise and experience.⁵²⁷ This customer also told us that there was a risk in not knowing who was going to own and operate the business going forward, but this might prove less of a risk if the customer's existing contract, terms and service level provisions would continue to run following the divestment, and that the same dedicated management team would stay with the business. It added that the identity of the purchaser would be important in relation to its ultimate business strategy and in providing 'thought' leadership.⁵²⁸
- (c) One customer submitted that it was open minded about the divestiture remedy.⁵²⁹ It submitted that the divestiture remedy placed significant importance on proven experience in managing larger composite operations and that it was unaware of any third parties that had the credibility and expertise to address its warehousing needs.⁵³⁰ The customer noted that the proposed divestiture remedy would create some risk for it, and that it would therefore be uncomfortable with moving its Wincanton operations.⁵³¹ Subsequently, in relation to GXO's modified remedy proposals, the customer submitted that if the CMA deemed some form of a divestiture remedy to be most appropriate, its strong preference would be to insource.⁵³²
- (d) One customer told us that it was broadly supportive of GXO's proposed divestiture remedy provided the divestiture package was appropriately structured with sufficient scale and a buyer with sufficient expertise was approved. This customer told us that the divestiture package must ensure a sufficient number of Grocery customers transferred, and that any contracts were of sufficient length to ensure there was a long-term viable business transfer. It added that the divestiture package must also include sufficient assets, supply contracts, personnel and senior management to enable the new 3PL to quickly establish itself.⁵³³

⁵²⁶ Third party response to the CMA's invitation to comment on remedies.

⁵²⁷ Third party call note.

⁵²⁸ Third party call note.

⁵²⁹ Third party call note; and Third party letter to the CMA.

⁵³⁰ Third party letter to the CMA.

⁵³¹ Third party call note.

⁵³² Third party email to the CMA.

⁵³³ Third party email to the CMA.

- (e) Another customer indicated that a divestiture remedy was the only option that avoided a lessening of competition.⁵³⁴ That said, the customer told us that it had concerns about who the purchaser would be and whether the purchaser would be able to run the business properly. It added that CEVA, Maersk, Unipart, DHL and ID Logistics were credible choices, but noted that European companies had a different way of running things with a preference for a higher management fee. It told us that the divestment business would need to be of a similar size to Wincanton's Grocery operations as it would be difficult for it to compete if it was smaller. In terms of some of the issues a purchaser might face, this customer told us that the purchaser would probably want certainty on the contracts, as well as protection against liability for employee disputes and TUPE, and that visibility over third-party contracts would also be important.⁵³⁵
- (f) Another customer told us that the proposed divestiture remedy was a positive and proportionate remedy but considered that there might be a challenge in finding a willing buyer for the divested Wincanton business.⁵³⁶
- (g) Another customer noted that the proposed divestiture remedy sounded interesting and that it made sense, although noted that it would require more details to comment fully.⁵³⁷
- (h) One customer initially told us that it could not comment on GXO's proposed divestiture remedy as it was not a Wincanton customer.⁵³⁸ Subsequently, in relation to GXO's modified remedy proposals, this customer told us that it had considered both modified proposals and that it did not have any material objections or concerns to raise.⁵³⁹

Views of 3PLs

9.45 3PLs were generally of the view that GXO's Divestiture Remedy Proposal would be effective. For example:

- (a) A 3PL told us that GXO's proposed divestiture remedy or a variation of this remedy could be effective, and if structured correctly, the divestiture remedy would result in the ready-made transfer of foundational clients with resources and assets to prove that the divestment purchaser was established, and

⁵³⁴ Third party email to the CMA.

⁵³⁵ Third party call note.

⁵³⁶ Third party call note.

⁵³⁷ Third party call note.

⁵³⁸ Third party call note.

⁵³⁹ Third party email to the CMA.

could say that its employees have been running a particular site for years in future tenders.⁵⁴⁰

- (b) Another 3PL told us that GXO's proposed divestiture remedy allowed for the creation of a realistic alternative supplier for customers and provided an opportunity for a new entrant.⁵⁴¹
- (c) Another 3PL told us that getting a larger number of warehousing sites available under the proposed divestiture would suddenly result in a critical mass that would genuinely create proper competition which recreated Wincanton.⁵⁴²
- (d) Another 3PL told that us that GXO's proposed divestiture remedy was a viable remedy to counter the concentration in the dedicated warehousing market.⁵⁴³
- (e) Another 3PL told us that GXO's proposed divestiture remedy would retain a separate 3PL in the market with a portfolio of business in place that would enable it to compete.⁵⁴⁴
- (f) Two 3PLs submitted that GXO's proposed divestiture remedy would be an effective remedy. One of the 3PLs submitted that a divestiture would ensure that knowledge and experience was retained within the divestment business. It also submitted that a divestiture was the only certain method of maintaining competition in the grocery sector.⁵⁴⁵

Our assessment

9.46 In line with our Merger Remedies Guidance,⁵⁴⁶ we would expect an effective divestiture remedy to re-establish the structure of the relevant UK market expected in the absence of the Merger and restore the dynamic process of rivalry between firms seeking to win customers' business over time. It should address our concerns at source by effectively reversing the UK element of the Merger which has given rise to the SLC so that it would provide a comprehensive solution to our SLC.

9.47 Our Merger Remedies Guidance sets out three broad categories of risks that may impair the effectiveness of a divestiture remedy.⁵⁴⁷

⁵⁴⁰ Third party call note.

⁵⁴¹ Third party call note.

⁵⁴² Third party call note.

⁵⁴³ Third party call note.

⁵⁴⁴ Third party call note.

⁵⁴⁵ Third party response to the CMA's invitation to comment on remedies; and Third party response to the CMA's invitation to comment on remedies.

⁵⁴⁶ [CMA87](#), paragraph 3.5(a).

⁵⁴⁷ [CMA87](#), paragraph 5.3.

- (a) **Composition risks:** these are risks that the scope of the divestiture package may be too constrained or not appropriately configured to attract a suitable purchaser or may not allow a purchaser to operate as an effective competitor in the market.
- (b) **Purchaser risks:** these are risks that a suitable purchaser is not available or that the merger parties will dispose to a weak or otherwise inappropriate purchaser.
- (c) **Asset risks:** these are risks that the competitive capability of a divestiture package will deteriorate before completion of the divestiture, for example, through the loss of customers or key members of staff.

9.48 We address each of these three categories of risks in turn below.

Composition risks – the appropriate scope of the divestiture package

Our assessment

9.49 While in principle, a remedy requiring the full divestiture of the entire Wincanton business is available and would in principle be effective, if we conclude a smaller divestiture package is effective, then it is not necessary for us to consider a broader (and more costly and intrusive) divestiture package. Based on our assessment of GXO's Divestiture Remedy Proposal, we have identified the following issues, which may give rise to composition risks:

- (a) **Minimum number of transferring sites:** there is a risk that GXO's proposal that Divestment Customers' consent to the transfer of a minimum of two sites (out of a total of [X] Divestment Customer sites) may be insufficient to address the SLC.
- (b) **Contract durations:** there is a risk that the contracts transferred are not of sufficient length to: (i) enable the Divestment Purchaser to demonstrate to Grocery customers that it has the capability and experience to operate the Proposed Divestment Business as an effective competitor within the UK dedicated warehousing market; (ii) ensure the ongoing and future financial viability or sustainability of the Proposed Divestment Business; and/or (iii) attract a suitable potential purchaser.
- (c) **Customer consent risk:** the risk that consent is not given is particularly acute in this case given there are only [X] Divestment Customers with each Divestment Customer accounting for a significant proportion of the Proposed Divestment Business' revenues; and the minimum number of sites that should form part of the divestiture package. In relation to the customer consent risk, we consider that the likelihood of obtaining customer consent is

impacted by: (i) [REDACTED]; (ii) the need to retain third-party supply and other contractual arrangements; and (iii) [REDACTED]. It is also necessary to consider the effectiveness of the [REDACTED].

- (d) **Key staff:** there is a risk that the Proposed Divestment Business does not include the relevant staff (including senior management) to form an effective competitor, [REDACTED].
- (e) **Non-solicitation period:** GXO has proposed that the Merged Entity would not solicit for [REDACTED] for a period of [REDACTED] from closing of the divestiture. There is a risk that this [REDACTED].

9.50 We cover each of these issues in the remainder of this section, indicating our views and any further evidence required from GXO.

Minimum number of transferring sites

9.51 The CMA's starting position in identifying the scope of a divestiture package is to identify a divestiture sufficient to restore the pre-merger situation in the markets subject to the SLC.⁵⁴⁸

9.52 GXO's Divestiture Remedy Proposal encompasses the entirety of Wincanton's existing dedicated warehousing services business to Grocery customers, including [REDACTED] sites across its [REDACTED] Divestment Customers. As GXO submitted, the divestments of these sites and customers would be 'a targeted structural solution that comprehensively removes the overlap in the supply of dedicated warehousing services to Grocery customers in the UK'. In particular, the GXO's Divestiture Remedy Proposal includes all assets, employees, supplier contracts and transitional support that may be required by any purchaser, regardless of that purchaser's own capabilities, to service the Divestment Customers'.⁵⁴⁹

9.53 In light of this, we consider that the scope of the Proposed Divestment Business, and in particular the inclusion of [REDACTED] Divestment Customer sites, is sufficient to effectively address the SLC and its resulting adverse effects.

9.54 However, we note that GXO's [REDACTED]. [REDACTED].

9.55 Furthermore, to the extent that GXO retains Wincanton Divestment Customer sites that do not transfer to the Proposed Divestment Business [REDACTED], which will make it harder for the Proposed Divestment Business to effectively compete and to replicate the constraint provided by Wincanton pre-Merger.

⁵⁴⁸ CMA87, paragraph 5.6.

⁵⁴⁹ GXO's Updated Alternative Remedy Proposal, 31 March 2025, paragraph 32.

- 9.56 We also do not agree with GXO's justification (summarised at paragraph 9.23 above) for the design of [X]. Contrary to GXO's submissions, the CMA's Interim Report did not provide a basis for asserting that the SLC would be effectively addressed if the Proposed Divestment Business comprised 'one or a small number of customers', or to interpret this to mean at least two sites. The reference to 'one or a small number of customers' in the CMA's Interim Report⁵⁵⁰ was made in relation to discussing the likelihood of entry (the first limb to the CMA's barriers to entry and expansion assessment), and in particular, the number of customers it would take to encourage entry. It was not made in relation to what level of entry would be considered sufficient to prevent an SLC (the third limb to the CMA's barriers to entry and expansion assessment).
- 9.57 Instead, in relation to sufficient entry as noted in Chapter 7 above, our position is that:
- (a) At least one new 3PL would need to have acquired or be expected to acquire a strong track record; and such a record would be demonstrated by it either having won and serviced a variety of contracts for dedicated warehousing for Grocery customers or otherwise demonstrated that it was regarded by customers and/or by competitors as being capable of doing so.
 - (b) To get to this point, it would be necessary for the new entrant to establish relationships with the major Grocery customers, which would require significant lead time ahead of new tender opportunities and procurement processes.
 - (c) The new entrant would need to build a sufficient level of experience and track record through cumulatively winning contracts, by performing well in fulfilling contracts and retaining business. In this regard, an entrant with only a single contract would not be able to exert sufficient competitive constraints on the Merged Entity, even if that contract was of significant size.
- 9.58 In other words, we consider that for entry to be sufficient to address the SLC we would expect an entrant (or entrants in aggregate) to build an equivalent track record to that held by Wincanton's existing business. In this context, we note that track record is a relative concept which develops over time with an increasing customer base and the growing number of contracts, and with the provider achieving successful performance of those contracts. This enables the provider to increase the pool of knowledge and activities from which new ideas and efficiencies can be derived (and which we have identified as a key reason for Grocery customers to use 3PLs), thereby enhancing the provider's competitive strength. In the context of a divestiture remedy, the most comprehensive and straightforward way of achieving this is through the Proposed Divestment

⁵⁵⁰ See [CMA's Interim Report](#), 19 February 2025, paragraph 6.27.

Business having equivalent scope to Wincanton's existing business in dedicated warehousing services to Grocery customers.

- 9.59 Third-party views (including from both 3PLs and customers) in relation to GXO's remedy proposals also provide evidence of the importance of the number of sites serviced by a 3PL in demonstrating their track record and credibility. In particular:
- (a) A customer told us that in relation to the benefits of the divestment business operating multiple sites, it would expect any 3PL worth its salt to want to be running multiple sites as it helped to drive a level of efficiency across their business.⁵⁵¹
 - (b) Another customer submitted that the divestiture package must be appropriately structured to have sufficient scale, by ensuring that it had a sufficient number of Grocery customers willing to transfer their arrangement to the CMA-approved 3PL purchaser. It also indicated that a divestiture remedy with much greater scale, by both number of customers and therefore associated numbers of warehouses, meant that it was more likely to be a successful remedy.⁵⁵²
 - (c) Another customer told us that operating multiple sites/having multiple customers, and critical mass, was important to the success of a 3PL, helping to spread fixed costs (such as supporting R&D expenditure) and gain richer learnings and insights. It added that knowledge and insights learned from serving one customer could be used to serve another, and help improve innovation or other parts of their service offering (eg on sustainability).⁵⁵³
 - (d) A 3PL told us that in order to be attractive, the divestment package could not include just one or two sites, but must be a viable alternative to GXO's offering.⁵⁵⁴ This 3PL told us that running operations for several different clients (which involved different methods and processes) could provide learnings that could help with other contracts. The 3PL noted that every site could be different, even if they had the same systems or core model of operating.⁵⁵⁵
 - (e) A 3PL told us that by getting a larger number of sites under the divestiture remedy proposal, there was suddenly a critical mass which genuinely created proper competition which recreated Wincanton. It also told us that having a larger number of sites was beneficial as it first involved more customers and secondly meant it came with a known management team with a lot of skill. This 3PL told us that this would mean the purchaser could already be a

⁵⁵¹ Third party call note.

⁵⁵² Third party email to the CMA.

⁵⁵³ Third party call note.

⁵⁵⁴ Third party call note.

⁵⁵⁵ Third party call note.

known player in the market. This 3PL also noted that multiple sites could provide a 3PL with more knowledge and experience.⁵⁵⁶

- (f) A 3PL told us that a critical mass was needed (ie a significant number of profitable sites, not just two sites with relatively low profitability) to be credible in the eyes of customers. However, this 3PL also noted that it was not just about critical mass but that other factors also contributed to this credibility in terms of proven capabilities.⁵⁵⁷
- (g) Another 3PL told us that scope would be important, as in order to be viable, it would require dedicated warehouses across multiple customers.⁵⁵⁸

9.60 This further supports our assessment that for the Proposed Divestment Business to replicate the constraint eliminated by the Merger, it is crucial that it is of equivalent scope to Wincanton's existing dedicated warehousing business.

Our assessment

9.61 We therefore consider that the scope of GXO's Divestiture Remedy Proposal (encompassing the entirety of Wincanton's existing dedicated warehousing business to Grocery customers, including all sites it currently services) would be sufficient to effectively address the SLC and its resulting adverse effects we have identified. In addition, our view is that [X]. We consider [X].

Contract durations

9.62 We note that while the [X] and [X] Divestment Contracts expire in [X] and [X] respectively, [X]. While the Proposed Divestment Business should have the relevant Wincanton senior team (see paragraph 9.18(d) above) and the capabilities it needs to operate the Divestment Contracts successfully, we consider that too short a contract duration could increase the risk that the Divestment Contracts are not extended, eg if the contract duration is insufficient for the Divestment Purchaser to establish its new relationship with the relevant customer, or to demonstrate to the relevant customer its capability to operate the Proposed Divestment Business effectively under new ownership.

9.63 We also note the evidence from third parties on the importance of the duration of the Divestment Contracts for the attractiveness of a divestiture remedy and to give the Divestment Purchaser time to establish itself – for example:

- (a) One customer submitted that any contracts selected for transfer should be of a sufficient length to ensure there was a long-term viable business transfer,

⁵⁵⁶ Third party call note.

⁵⁵⁷ Third party call note.

⁵⁵⁸ Third party call note.

and that GXO/Wincanton were not proposing to novate only contracts that were close to an end. Otherwise, it submitted that these contracts could return to GXO and lose the benefit of the transfer in the short term.⁵⁵⁹

- (b) One 3PL told us that there needed to be longevity in any contract being divested, and cited this as one of the factors that would make the divestiture package attractive.⁵⁶⁰
- (c) Another 3PL told us that contract length was an important factor – eg it would not be worth it for a 3PL to take over Wincanton’s business if it was due to run out in 12 months. It added that any new entrant needed time (a minimum of two years) to succeed and so, a long contract would help in that regard.⁵⁶¹

Our assessment

- 9.64 In our view, we consider that ensuring sufficient longevity in the duration of the Divestment Contracts will be an important consideration to ensure the effectiveness of a divestiture remedy. Contract longevity is a factor to enable the Divestment Purchaser to build up its own track record, gaining knowledge, experience and credibility with the Divestment Customers, and to ensure the sustainability and viability of the Proposed Divestment Business. It is also important to ensure that the divestiture package represents an attractive acquisition opportunity.
- 9.65 In our view, we consider that GXO should be required to take [X] steps ([X]) to ensure that each Wincanton Divestment Customer contract that will transfer with the Proposed Divestment Business, has a minimum of [X] duration remaining from the date of closing of the divestiture transaction. We consider that if this requirement cannot be met prior to transaction closing for reasons outside GXO’s control, GXO should be required to seek approval from the CMA for an [X], which may include, for example, [X] or if necessary, [X].
- 9.66 In relation to [X] and [X] Divestment Contracts, we note that [X] Divestment Contracts [X].⁵⁶² We also note that in relation to how long it would take to get a view of a new 3PL’s capabilities, one customer told us that [X].⁵⁶³ We note that [X].⁵⁶⁴

⁵⁵⁹ Third party email to the CMA.

⁵⁶⁰ Third party call note.

⁵⁶¹ Third party call note.

⁵⁶² This is currently feasible taking into account: (a) our current extended statutory deadline of 25 June 2025 to publish our Final Report (and final remedy decision); (b) the 12 weeks (around three months) following the Final Report for the CMA either to accept final undertakings or make a final order; and (c) assuming the CMA’s standard six-month period following the final undertakings or final order for GXO to complete a divestiture transaction.

⁵⁶³ Third party call note.

⁵⁶⁴ Third party call note.

- 9.67 Wincanton has had a long-term commercial relationship with [REDACTED] for approximately [REDACTED] years, [REDACTED]. In relation to the duration of this customer contract, while the steps we have set out in paragraph 9.65 above will apply, in considering GXO's alternative proposals (should the minimum contract duration not be achieved), the CMA will have regard to whether there are other sufficient mitigating factors to the risk of a shorter contract duration. We would expect GXO to set out what these mitigating factors may be when submitting its [REDACTED] the minimum contract duration [REDACTED].
- 9.68 We would require GXO to engage with the CMA as soon as [REDACTED] to ensure that completion of the divestiture transaction will occur within the agreed timescales.

Customer consent risk

- 9.69 We note GXO's submission that the divestiture would require the consent of the Divestment Customers. As set out in paragraph 9.44 above, some customers have identified various risks arising from the transfer of their contracts under a divestiture remedy, including service quality, contract pricing, retention of key staff, increased uncertainty, costs, contract renegotiations, loss of innovation and costs of managing contract exits.
- 9.70 As we have set out in paragraph 9.49 above, in principle, a divestiture of a business which comprises the entirety of Wincanton's dedicated warehousing services business to Grocery customers in the UK, would allow the Divestment Purchaser to compete effectively in this market on an ongoing basis. However, at this stage, given that the identity of the Divestment Purchaser is not yet known and the various risks cited by customers in relation to the transfer of contracts under a divestiture remedy have yet to be fully resolved, there are risks that customer consent may not be granted.
- 9.71 In general, to secure customer consent, we expect GXO to take [REDACTED].
- 9.72 In the following-subsections, we provide our view on several specific GXO proposals to mitigate customer transfer risks regarding: (a) contract severance risks; (b) third-party supply and other contractual arrangements; (c) [REDACTED]; and (d) [REDACTED]. We also discuss GXO's proposals regarding retention of key staff at paragraphs 9.105 to 9.111 below.

Contract severance risks

- 9.73 Third parties have raised concerns in relation to severing existing contracts to facilitate a divestiture. For example:
- (a) One Divestment Customer expressed concerns if the divestment resulted in its warehousing and transport being split, and noted that renegotiating its

transport contracts would involve associated time and resourcing costs, including legal costs. This customer's preference was for its warehousing and transport services to be provided by a single 3PL provider. It also noted that it did not think any contractual assurances or risk mitigants would address its concerns around the risk and commercial impact from separating warehouse and transport, or in order to make Wincanton's leadership team stay with the new provider.⁵⁶⁵ In relation to GXO's modified remedy proposals, this customer told us that it would be looking for the divestment business to provide transport, but that the purchaser would need to be capable of doing it.⁵⁶⁶

(b) [REDACTED]⁵⁶⁷

9.74 We note that GXO has proposed to work with each Divestment Customer to [REDACTED], and [REDACTED]. GXO has also [REDACTED].

Our assessment

9.75 Our view is that GXO's proposed approach in relation to contract severance risks appears sufficient to mitigate Divestment Customers' concerns regarding such risks.

Third-party supply and other contractual arrangements

9.76 GXO submitted that Wincanton's automation team (through [REDACTED]⁵⁶⁸) provided certain services to a number of customers under separate and standalone contractual agreements. It added that following the divestment, [REDACTED] would continue to provide these services to the Divestment Customers on standard market terms at an arm's length.⁵⁶⁹

9.77 GXO submitted that [REDACTED] was currently engaged by [REDACTED] (a Divestment Customer) to [REDACTED] and that this related to [REDACTED]. It added that this [REDACTED]. It submitted that [REDACTED]. In relation to this work, GXO has proposed that [REDACTED] with [REDACTED], and that this [REDACTED].⁵⁷⁰

9.78 GXO also submitted that if required by the Divestment Customer and/or the Divestment Purchaser, the Merged Entity could [REDACTED]. GXO submitted that it would structure the arrangements to ensure that the Merged Entity's CLS business had

⁵⁶⁵ Third party call note; and Third party response to the CMA's invitation to comment on remedies.

⁵⁶⁶ Third party call note.

⁵⁶⁷ Third party call note.

⁵⁶⁸ [REDACTED].

⁵⁶⁹ GXO's Updated Alternative Remedy Proposal, 31 March 2025, paragraph 143(a) and (b).

⁵⁷⁰ GXO's Updated Alternative Remedy Proposal, 31 March 2025, paragraph 143(b).

no access to information or data on work that [REDACTED] was doing for [REDACTED] under this contract.⁵⁷¹

- 9.79 We also note that one customer told us that [REDACTED] (which was owned by Wincanton) was currently carrying out work for it and that [REDACTED]. It also told us that [REDACTED]. It added that there was an element of risk if [REDACTED] post-Merger was owned by GXO. It added that going forward, [REDACTED] would need to enter into a direct contract with [REDACTED] to continue this project or it would expect the purchaser to have the capability or relationships to deliver, or it would expect GXO/Wincanton to continue to assume responsibility for delivery.⁵⁷²

Our assessment

- 9.80 In our view, where a Divestment Customer wishes to continue receiving services from [REDACTED] or any third-party supplier beyond completion of any divestiture, the Merged Entity should [REDACTED]. In this regard, GXO's proposal that [REDACTED]. We consider that GXO should be required to [REDACTED]. We expect that this approach would be applicable for any other projects by [REDACTED] or any third-party supplier providing services to Wincanton for the Divestment Customers.

[REDACTED]

- 9.81 As noted above (see paragraph 9.44), customers (including Divestment Customers) have also raised concerns relating to a range of costs associated with the transfer of their contracts to a new 3PL.
- 9.82 GXO has [REDACTED]. GXO has noted that [REDACTED].⁵⁷³
- 9.83 Further to our request in our IRR for clarity from GXO regarding the risks that may arise from the transfer of Divestment Contracts [REDACTED], GXO in its IRR response provided further information as detailed in Table 9.1 below:

⁵⁷¹ GXO's Updated Alternative Remedy Proposal, 31 March 2025, paragraph 143(b).

⁵⁷² Third party call note.

⁵⁷³ GXO's Updated Alternative Remedy Proposal, 31 March 2025, paragraph 169(d).

Table 9.1: Potential risks associated with the divestiture remedy, the estimated size of the risks and GXO's mitigation plans

<i>Risk</i>	<i>Estimate of size of risk to the Divestment Customer</i>	<i>GXO mitigation plans to secure customer consent</i>
[REDACTED]	[REDACTED]	[REDACTED]

Source: Parties' response to the CMA's IRR, 30 April 2025, Table 1.

- 9.84 GXO submitted that [REDACTED]. GXO stated that it was confident that [REDACTED] would be comprehensive and sufficient to [REDACTED].⁵⁷⁴
- 9.85 GXO proposed that it would engage with them [REDACTED] on: (a) [REDACTED]; (b) consent to transfer including addressing any Divestment customer-specific concerns; and (c) contract duration.⁵⁷⁵
- 9.86 GXO submitted that [REDACTED]:⁵⁷⁶
- (a) [REDACTED].
- (b) [REDACTED].
- 9.87 [REDACTED].⁵⁷⁷

Our assessment

- 9.88 We consider that GXO's proposal [REDACTED] Divestment Customers and its proposed Divestment Customer engagement plan (to secure customer consent) appears adequate and appropriate for the purpose of incentivising customer consent.

[REDACTED]

- 9.89 [REDACTED]. As noted above, in paragraph 9.61, we have already concluded that the scope for an effective divestiture remedy must be equivalent to the entirety of Wincanton's existing dedicated warehousing business to Grocery customers, including all of the [REDACTED] sites it currently services and not limited to one or two sites as proposed by GXO (see paragraph 9.23).
- 9.90 Third-party evidence suggests that [REDACTED] could be used to [REDACTED]. For example, one 3PL referred to [REDACTED].⁵⁷⁸ Another 3PL noted that [REDACTED].⁵⁷⁹
- 9.91 [REDACTED].

⁵⁷⁴ Parties' response to the CMA's IRR, 8 May 2025, paragraph 16.

⁵⁷⁵ Parties' response to the CMA's IRR, 8 May 2025, paragraph 18(a).

⁵⁷⁶ Parties' response to the CMA's IRR, 8 May 2025, paragraph 18b.

⁵⁷⁷ Parties' response to the CMA's IRR, 8 May 2025, paragraph 18c.

⁵⁷⁸ Third party call note.

⁵⁷⁹ Third party call note.

Table 9.2: [REDACTED]

[REDACTED]

Source: CMA analysis of Parties' response to the Phase 1 Decision, 2 December 2024, Annex 1; and CMA analysis of Parties' response to the CMA's Interim Report, 12 March 2025, Annex 3.

Notes: [REDACTED].

Footnotes:

* Where * is shown, [REDACTED].

** Wincanton operates the 3PL transport services for this site.

9.92 The CMA has a general preference for [REDACTED].⁵⁸⁰

9.93 Nonetheless, in the circumstances of this case, [REDACTED]:

(a) [REDACTED]; and

(b) [REDACTED].

9.94 The 3PLs that we spoke to [REDACTED]⁵⁸¹ and told us that [REDACTED].⁵⁸²

Our assessment

9.95 In our IRR, we provisionally concluded that to ensure that we can have a high degree of certainty that the Proposed Divestment Business will restore the competitive constraint lost as a result of the Merger, we would require the transfer of [REDACTED] Wincanton sites and, in the event that this was not possible ([REDACTED]), for [REDACTED]. In the IRR, we asked GXO for views on how [REDACTED] should be assessed.

9.96 In its IRR response, GXO made the following submissions:

- (a) [REDACTED]. It submitted that it disagreed with our provisional view in the IRR that the divestiture remedy should include [REDACTED] sites across the [REDACTED] Wincanton Customers. It submitted that while Divestment Contracts represented an important feature of the Proposed Divestment Business, other features such as the transfer of employees, additional assets and suppliers contracts were more important as these features would enable the Divestment Purchaser to win and compete for new contracts.⁵⁸³
- (b) Senior management employees involved with developing growth strategies would be transferred as part of the Proposed Divestment Business and that these employees would possess the know-how, track record and reputation

⁵⁸⁰ [CMA87](#), paragraph 5.16.

⁵⁸¹ One 3PL told us that in relation to whether the CMA should accept a remedy that involved [REDACTED], it depended on the level of self-containment of the operations of the sites that would be transferred, ie if the sites could be run autonomously. It added that what really mattered beyond [REDACTED] was whether the results from the remedy would form a sustainable platform for the 3PL remedy taker to grow. Third party call note.

⁵⁸² Third party call note; and Third party call note.

⁵⁸³ Parties' response to the CMA's IRR, 8 May 2025, paragraph 5 and 5a.

in providing the dedicated warehousing services to Grocery customers regardless of whether there were [REDACTED] sites or fewer.⁵⁸⁴

- (c) In the event that a customer or site did not transfer across with the Proposed Divestment Business, it would not have a material impact on the Proposed Divestment Business, as it would not be any different to an ordinary of course of business scenario whereby Wincanton lost a contract.⁵⁸⁵
- (d) Adding a customer and/or site(s) to the Merged Entity would not improve its competitive position in this market (as market shares do not convey significant meaning in a tender market context) or compromise the competitive equivalence of the Divestment Purchaser with the pre-Merger Wincanton.⁵⁸⁶
- (e) While [REDACTED].⁵⁸⁷
- (f) In the event of one or more Divestment Customers withheld their consent to transfer, [REDACTED]. GXO also submitted that [REDACTED]. [REDACTED], it submitted that [REDACTED].⁵⁸⁸

9.97 We consider that some flexibility on using the [REDACTED] to achieve ‘competitive equivalence’ is acceptable in principle and could be beneficial given the current uncertainty regarding which sites or customers may withhold consent. However, we have concerns if [REDACTED]. We consider that this could result in a situation where there is uncertainty regarding whether the divestiture remedy would restore the pre-Merger constraint, given that we could [REDACTED] (see further paragraphs 9.51 to 9.61 above).

9.98 We do not accept GXO’s submission that the transfer of employees, assets and suppliers contracts are more important than the number of sites. We consider that ‘competitive equivalence’ is a broad concept, and therefore, for the purpose of specifying the scope of a divestiture package, we would want one or several clear, quantitative metrics to provide a baseline, to avoid ambiguity and the scope for future disputes. While [REDACTED] alone do not themselves determine ‘competitive equivalence’, such [REDACTED] are more easily measured and less subject to dispute or disagreement.

9.99 Based on the above, we conclude that GXO should first take [REDACTED], and to do so [REDACTED]. We consider that [REDACTED].

⁵⁸⁴ Parties’ response to the CMA’s IRR, 8 May 2025, paragraph 5a.

⁵⁸⁵ Parties’ response to the CMA’s IRR, 8 May 2025, paragraph 5b.

⁵⁸⁶ Parties’ response to the CMA’s IRR, 8 May 2025, paragraph 5c.

⁵⁸⁷ Parties’ response to the CMA’s IRR, 8 May 2025, paragraph 9.

⁵⁸⁸ Parties’ response to the CMA’s IRR, 8 May 2025, paragraph 10.

- 9.100 In the event that any of the Wincanton Divestment Customers do not transfer to the Divestment Purchaser, we conclude that:
- (a) GXO should be required to ensure that [REDACTED], will enable the Proposed Divestment Business to [REDACTED].
 - (b) The CMA will then undertake an assessment of the overall ‘competitive equivalence’ of the Proposed Divestment Business with the existing Wincanton dedicated warehousing, and have regard to a range of metrics, including (but not limited to): [REDACTED]. In undertaking this assessment, the CMA may request the Monitoring Trustee to [REDACTED]. Following that assessment, the CMA may require GXO [REDACTED].
- 9.101 We would require GXO to engage with the CMA as soon as it is aware that [REDACTED] to ensure that completion of the divestiture transaction will occur within the agreed timescales.
- 9.102 In its IRR response, GXO submitted that the [REDACTED], and might [REDACTED]. It further submitted that there was a significant risk that [REDACTED]. In its IRR response, GXO encouraged the CMA to include in the Final Report [REDACTED], and as a general matter, [REDACTED].⁵⁸⁹
- 9.103 We considered GXO’s submission on the potential risks in relation to the application of [REDACTED]. We noted that GXO in its submission did not propose an [REDACTED] and we consider that the risk cited by GXO [REDACTED] can be effectively mitigated through our usual practice of redacting from this ‘Remedies’ chapter information and any final undertakings or final order that is confidential or prejudicial to the effective implementation of the remedy. In relation to whether the [REDACTED] is appropriate in relation to GXO’s [REDACTED]. We consider that [REDACTED]: (a) [REDACTED] ([REDACTED]); and (b) given GXO’s potential incentive to [REDACTED]. Furthermore, given GXO’s submission that [REDACTED] (see paragraph 9.85 above), we would expect the process of obtaining customer consent to not be overly burdensome.
- 9.104 For the avoidance of doubt, [REDACTED], our assessment set out in this chapter [REDACTED].

Key staff

- 9.105 Several third parties told us that the Proposed Divestment Business would need to include certain members of Wincanton’s senior management, ie more senior roles than those which would typically TUPE to a new 3PL provider with the transfer of a specific site following a tender. Some third parties also expressed concerns regarding the retention of key staff. In particular:

⁵⁸⁹ Parties’ response to the CMA’s IRR, 8 May 2025, paragraphs 12-13.

- (a) One customer told us that it would want the divestment business to have a senior management team that had experience ideally in the grocery sector, and the [REDACTED] in particular, and with a team below them that had the qualities necessary to run a site to the level expected. It added that having a strong senior management team was key for stabilising a new 3PL at the early stage of its development. It also told us that in relation to the existing Wincanton senior management team, it was important to have those involved on the operational side, but added that in order to be successful, it would also need individuals who were commercially astute and experienced in the sector, so that they knew what to offer up as solutions in future tenders.⁵⁹⁰
- (b) One customer told us that if its contract was (hypothetically) to be transferred to the new purchaser, it would likely want guarantees that important staff, such as the site general manager and the supporting account director, were included in the divested business.⁵⁹¹
- (c) One customer told us that it would be essential to transfer the people managing the specific warehouses, and that those in more senior roles might also be required in the package. It added that essentially, this meant the Grocery Managing Director (or equivalent) and everyone below, including the site-level manager.⁵⁹²
- (d) One 3PL told us that any potential purchaser would need to have experienced leadership in place. It told us that the divestment package would therefore likely need to include the General Manager of the relevant warehouse(s), an Operations Director and possibly a Vice President.⁵⁹³ Another 3PL told us that the divestment package would need to include senior management with grocery expertise.⁵⁹⁴

9.106 GXO submitted that Wincanton's Grocery and Consumer business unit (which includes Wincanton's dedicated warehousing business) is managed by [REDACTED].⁵⁹⁵ It also submitted that should [REDACTED]. GXO would also [REDACTED].⁵⁹⁶

9.107 Regarding [REDACTED], GXO submitted that [REDACTED]. GXO proposes that [REDACTED].

9.108 GXO in its IRR response, submitted that it had identified [REDACTED]. It added that [REDACTED]. It submitted that [REDACTED].⁵⁹⁷

⁵⁹⁰ Third party call note.

⁵⁹¹ Third party call note.

⁵⁹² Third party call note.

⁵⁹³ Third party call note.

⁵⁹⁴ Third party call note.

⁵⁹⁵ GXO's Updated Alternative Remedy Proposal, 31 March 2025, paragraph 82.

⁵⁹⁶ GXO's Updated Alternative Remedy Proposal, 31 March 2025, paragraphs 82 and 100-104.

⁵⁹⁷ Parties' response to the CMA's IRR, 8 May 2025, paragraph 19.

9.109 It also submitted that [REDACTED]. [REDACTED].⁵⁹⁸

9.110 It stated that [REDACTED] were common in Mainstream CLS, and that the Parties' experience was that [REDACTED].⁵⁹⁹

Our assessment

9.111 Our assessment is that the Proposed Divestment Business should include the appropriate key staff, including specific individuals that may be identified as important by Divestment Customers. As mentioned by GXO, we note that the CMA's IEO already requires GXO to incentivise the retention of Wincanton key staff (as defined in the IEO). [REDACTED]. We also note in particular that GXO has [REDACTED]. We consider this proposal to be acceptable. On this basis, we conclude that GXO's proposed approach on this issue appears sufficient to mitigate this composition risk.

Divestment Customer non-solicitation period

9.112 GXO has proposed a non-solicitation period of [REDACTED], during which the Merged Entity [REDACTED].⁶⁰⁰

9.113 Our Merger Remedies Guidance states that the CMA may permit or require non-solicitation clauses or other measures to protect the purchaser from the merger parties for a limited period (eg up to one year) to enable the purchaser to become established as an effective competitor in the relevant market(s).⁶⁰¹

Our assessment

9.114 In the particular circumstances of this case, where the Divestment Contracts form the primary component of the Proposed Divestment Business, our view is that a non-solicitation period of [REDACTED] will be required:

(a) We consider that the duration of this non-solicitation clause should be similar to the [REDACTED] (see also the third-party evidence set out in paragraph 9.63), [REDACTED].

(b) We also note the infrequency of tenders, and consider that a period [REDACTED] is required.

9.115 We will require the Merged Entity to put in place adequate compliance procedures and safeguards (to be approved by the CMA) to ensure that the Monitoring

⁵⁹⁸ Parties' response to the CMA's IRR, 8 May 2025, paragraph 20.

⁵⁹⁹ GXO's Updated Alternative Remedy Proposal, 31 March 2025, paragraph 169.

⁶⁰⁰ GXO's Updated Alternative Remedy Proposal, 31 March 2025, paragraph 19a.

⁶⁰¹ CMA87, paragraph 5.25.

Trustee is able to monitor effectively the Merged Entity's compliance with this non-solicitation provision following completion of the divestiture transaction.

Our conclusions on composition risks

- 9.116 We have considered the composition risks associated with GXO's Divestiture Remedy Proposal. Our view is that there are material composition risks associated with GXO's Divestiture Remedy Proposal, which if left unmitigated would fall short of demonstrating that it would have sufficient scope to address the SLC. Accordingly, we conclude that GXO's Divestiture Remedy Proposal, as currently proposed by GXO, would not be an effective remedy. However, as part of our assessment, we have also identified modifications to GXO's Divestiture Remedy Proposal which, in our view, could address these risks.

Required modifications to GXO's Divestiture Remedy Proposal

- 9.117 Based on our assessment of the composition risks associated with GXO's Divestiture Remedy Proposal detailed in our assessment above, we consider that amending GXO's Divestiture Remedy Proposal in line with the modifications we have set out above will address the risks we have identified and will result in an effective remedy (we refer to this amended remedy as the **Enhanced Divestiture Remedy**).

Purchaser risks – identification and availability of a suitable purchaser

- 9.118 Having identified the appropriate scope of the divestiture package under the Enhanced Divestiture Remedy, we now consider the risks that the divestiture package under this remedy may be sold to a weak or otherwise inappropriate purchaser or that a suitable purchaser may not be available. This risk, if not properly addressed, could undermine the effectiveness of any divestiture remedy. As set out in our Merger Remedies Guidance, the identity and capability of a purchaser will be of major importance in ensuring the success of a divestiture remedy. The merger parties will therefore need to obtain the CMA's approval of the prospective purchaser.⁶⁰²
- 9.119 Given the common elements shared between GXO's Divestiture Remedy and the Enhanced Divestiture Remedy, in particular in relation to the maximum scope and perimeter of the business being divested, we consider GXO's submissions on GXO's Divestiture Remedy in relation to purchaser risks are relevant to our consideration of the purchaser risks for the Enhanced Divestiture Remedy.

⁶⁰² [CMA87](#), paragraph 5.20.

- 9.120 GXO submitted that GXO's Divestiture Remedy Proposal would not give rise to any purchaser risks due to:⁶⁰³
- (a) the comprehensive and robust nature of the Proposed Divestment Business, which would enable any Divestment Purchaser, regardless of its current level of activity or experience in the Grocery segment, to service the Divestment Contracts and compete effectively for new opportunities;
 - (b) the uniqueness of this opportunity which should attract interest from a number of 3PLs; and
 - (c) its proposal that during the CMA's purchaser suitability assessment, Divestment Customers would have the opportunity to review [X] any of the shortlisted potential purchasers.
- 9.121 As set out in our Remedies Guidance, the CMA will wish to satisfy itself (**CMA Purchaser Suitability Criteria**) that a prospective purchaser:⁶⁰⁴
- (a) is independent of the merger parties;
 - (b) has the necessary capability to compete;
 - (c) is committed to competing in the market; and
 - (d) will not create further competition or regulatory concerns.
- 9.122 In its IRR response, GXO submitted that it had entered into non-disclosure agreements (**NDAs**) with [X] prospective 3PL bidders. GXO submitted that it had also received: (a) [X]; and (b) [X] non-binding offers (**NBOs**) from [X].⁶⁰⁵ We note that [X].⁶⁰⁶
- 9.123 GXO also submitted that [X] which functioned effectively as a standalone business unit (ie the Proposed Divestment Business).⁶⁰⁷ We have also been told by [X] of the [X] 3PLs that we have spoken to, that they would potentially be interested in acquiring the Proposed Divestment Business (see paragraph 9.128 below).
- 9.124 We therefore consider that there are a range of prospective purchasers that are independent of the Parties; committed to competing in the relevant market (ie in the supply of dedicated warehousing services to Grocery customers); and would not create any further competition or regulatory concerns (based on their existing activities in the supply of dedicated warehousing to Grocery customers). On this

⁶⁰³ GXO's Updated Alternative Remedy Proposal, 31 March 2025, paragraphs 62 and 65.

⁶⁰⁴ [CMA87](#), paragraph 5.21.

⁶⁰⁵ Parties' response to the CMA's IRR, 8 May 2025, paragraph 26.

⁶⁰⁶ Parties' response to the CMA's IRR, 8 May 2025, Annex ERP.001.

⁶⁰⁷ GXO's Updated Alternative Remedy Proposal, 31 March 2025, paragraph 10.

basis, we focus below on the capability criterion of the CMA Purchaser Suitability Criteria, ie whether there is a prospective purchaser that has the necessary capabilities to compete in the relevant market.

Capability to compete

- 9.125 The potential purchaser must have access to appropriate financial resources, expertise (including managerial, operational and technical capability, which may come from the purchaser or the Proposed Divestment Business) and assets to enable the Proposed Divestment Business to be an effective competitor in the market. This access should be sufficient to enable the Proposed Divestment Business to continue to develop as an effective competitor.
- 9.126 We asked Divestment Customers about the likely availability of suitable purchasers for the Proposed Divestment Business. One Divestment Customer was of the view that there could be some potential purchasers whilst [REDACTED] Divestment Customers told us that they were unaware or unclear as to whether there were any credible purchasers. For example:
- (a) One Divestment Customer told us that there were some viable potential purchasers, although noted that it did not have great knowledge of this. It stated that DHL and Culina would likely be sound, solid and sustainable solutions. It also noted the importance of experience and that there was a steep learning curve within the UK industry in relation to non-UK 3PLs.⁶⁰⁸
 - (b) Another Divestment customer submitted that [REDACTED].⁶⁰⁹ It further explained that [REDACTED].⁶¹⁰
 - (c) A Divestment customer initially told us that in relation to the divestment of a business unit relevant to dedicated warehousing, it did not currently believe that there was a credible party in the market that could take on the service without adversely impacting this customer.⁶¹¹ In relation to the modified divestiture proposal, it told us that if divestment was proposed now, while its concerns and risks around uncertainty, lack of control, switching costs and continuity of service subsisted, there were nevertheless some ways in which that risk could be mitigated.⁶¹²
- 9.127 There were mixed views from other customers on the availability of credible purchasers. Two customers indicated that there were credible or appropriate purchasers and named some of them.⁶¹³ However, one customer told us that the

⁶⁰⁸ Third party call note.

⁶⁰⁹ Third party letter to the CMA.

⁶¹⁰ Third party email to the CMA.

⁶¹¹ Third party response to the CMA's invitation to comment on remedies.

⁶¹² Third party email to the CMA.

⁶¹³ Third party call note; and Third party call note.

divestiture remedy might be a positive remedy, but finding a willing buyer of the divested Wincanton business might be a challenge.⁶¹⁴ It suggested some possible purchasers noting that they might not have the expertise to run the dedicated warehousing contracts since many of the assets were owned by the customer and the value that was being sold was primarily just the contract.⁶¹⁵

- 9.128 In relation to purchaser availability, several 3PLs told us that they could potentially be interested in acquiring the divestiture package in particular circumstances (eg if the acquisition aligned with its business strategy) or subject to further information (eg financial information, sale price, etc).⁶¹⁶ Another 3PL told us that there would be a number of interested potential purchasers including [REDACTED]. It also told us that there might be some potential interest from European 3PLs.⁶¹⁷
- 9.129 We also noted the points raised by the Divestment Customers and other third parties in relation to the relevant capabilities of a potential purchaser, in particular that significant experience within the dedicated warehousing business would be necessary to ensure the successful operation of the Proposed Divestment Business. However, we consider that this requirement could be satisfied provided the strong management team and key staff that make up the Wincanton grocery business are transferred as part of the Proposed Divestment Business (and are appropriately incentivised to do so and to remain with the Proposed Divestment Business).
- 9.130 We also note that the Divestment Contracts contain termination rights linked to the financial viability of the counterparty 3PL. We consider that the capability criterion of the CMA Purchaser Suitability Criteria will appropriately ensure that a suitable purchaser has access to (among other things) appropriate financial resources, to be an effective competitor in the market, such that the risk of early contract termination on the basis of 3PL financial viability will likely be low.
- 9.131 GXO has proposed further assurances in relation to assessing purchaser suitability. First, GXO submitted that it would [REDACTED]. Secondly, GXO submitted that it would [REDACTED]. In this regard, GXO further noted that [REDACTED].⁶¹⁸

Our assessment on purchaser risks

- 9.132 As we noted above, GXO has already entered into NDAs with [REDACTED] prospective 3PL bidders, received [REDACTED] NBOs and [REDACTED] of these 3PL bidders have expressed an interest to us. Further, these are the 3PL bidders who have been mentioned by some customers and competitors as being credible purchasers. In any case, we

⁶¹⁴ Third party call note.

⁶¹⁵ Third party call note.

⁶¹⁶ Third party call note; Third party call note; Third party call note; and Third party call note.

⁶¹⁷ Third party call note.

⁶¹⁸ GXO's Updated Alternative Remedy Proposal, 31 March 2025, paragraphs 169b and 169c.

would note that the Merger Remedies Guidance states that ‘substantial uncertainty as to whether a suitable purchaser will emerge will generally not be sufficient for the CMA to conclude that any form of divestiture remedy is not feasible’, and that ‘it is normally possible to implement divestiture remedies, despite such uncertainties, given flexibility in the disposal price’.⁶¹⁹

- 9.133 As detailed above, we note that while some of the Divestment Customers raised some concerns, the majority of all customers suggested possible purchasers, as did other 3PLs. On that basis, we conclude that the risk a suitable 3PL purchaser will not emerge is low. We also consider that GXO’s proposal to [X] will contribute to mitigating purchaser risks, in particular to minimise the risk that a purchaser approved by the CMA [X]. In this regard, GXO should [X].

Asset risks – ensuring an effective divestiture process

- 9.134 We turn now to procedural safeguards to ensure an effective divestiture process. An effective divestiture process will protect the competitive potential of the divestiture package before disposal and will enable a suitable purchaser to be secured in an acceptable timescale. The process should also allow prospective purchasers to make an appropriately informed acquisition decision.⁶²⁰

GXO’s views on ensuring an effective divestiture process

- 9.135 Given the common elements shared between GXO’s Divestiture Remedy and the Enhanced Divestiture Remedy, we consider GXO’s submissions on asset risks in relation to GXO’s Divestiture Remedy to be relevant to our consideration of the asset risks for the Enhanced Divestiture Remedy.
- 9.136 GXO submitted that GXO’s Divestiture Remedy Proposal would not give rise to asset risks, as there were significant reputational and financial incentives to ensure the attractiveness of the Proposed Divestment Business was maintained.⁶²¹
- 9.137 GXO also submitted that it was confident that GXO’s Divestiture Remedy Proposal could be completed within the CMA’s six-month remedy implementation timeline given the steps it had taken to design the divestiture process to align with industry-standard business transfer process, which would include [X].⁶²²
- 9.138 GXO submitted that it was under significant pressure to integrate the Wincanton business it would retain and realise gains for the Merged Entity and its customers. Therefore, GXO submitted that it had proposed a timely and effective divestiture

⁶¹⁹ [CMA87](#), paragraph 3.51.

⁶²⁰ [CMA87](#), paragraph 5.33.

⁶²¹ GXO’s Updated Alternative Remedy Proposal, 31 March 2025, paragraph 11.

⁶²² GXO’s Updated Alternative Remedy Proposal, 31 March 2025, paragraph 68.

process, which minimised divestiture risks that could be completed within the CMA's standard remedy implementation timeline.⁶²³

- 9.139 GXO submitted that due to the easily identifiable perimeter of the Proposed Divestment Business, it planned to run a streamlined sales process for the Proposed Divestment Business.⁶²⁴ It submitted that it did not expect any significant issues from due diligence, statutory or regulatory consents, or third-party consents or obligations that would delay the divestiture of the Proposed Divestment Business within the standard remedies implementation timeline.⁶²⁵

Our assessment

- 9.140 We consider the following procedural safeguards in turn, which may be required to minimise the risks associated with this divestiture:
- (a) timescale to complete the divestiture;
 - (b) Monitoring Trustee; and
 - (c) Divestiture Trustee.

Timescale to complete the divestiture

- 9.141 Evidence from third parties indicates that it could be possible to complete Grocery Customer contract consent and transfers in a matter of a few months.⁶²⁶ GXO has also submitted that divestiture could be completed within six months (see paragraph 9.137 above), and we note that it has already initiated a formal divestiture process.

Our assessment

- 9.142 On the basis set out above, we find no compelling reason for the Initial Divestiture Period to depart from our standard six months.⁶²⁷ Under the Enhanced Divestiture Remedy, GXO will be required to submit an updated timetable for the CMA's approval within a week following acceptance of any final undertakings or the making of a final order, setting out how it intends to fulfil its remedy obligations

⁶²³ GXO's Updated Alternative Remedy Proposal, 31 March 2025, paragraph 155.

⁶²⁴ GXO's Updated Alternative Remedy Proposal, 31 March 2025, paragraph 162.

⁶²⁵ GXO's Updated Alternative Remedy Proposal, 31 March 2025, paragraph 11.

⁶²⁶ For example, in relation to how long a consent for a customer contract transfer would take, one 3PL told us that for a simple transfer where warehouses stayed the same, then three to four months was possible as the 3PL could agree commercials in parallel with engaging in people (Third party call note).

⁶²⁷ The **Initial Divestiture Period** runs from the acceptance of any final undertakings or the making of any final order to the legal completion of the divestiture transaction.

within the Initial Divestiture Period. The Initial Divestiture Period may be extended by the CMA where this is necessary to achieve an effective disposal.⁶²⁸

Monitoring Trustee

- 9.143 The Enhanced Divestiture Remedy involves a business to be carved out from the wider Wincanton business, while [REDACTED]. We therefore consider that there are aspects of the implementation of the Enhanced Divestiture Remedy which will require Monitoring Trustee involvement, including:
- (a) ensuring that GXO takes [REDACTED]; supporting in assessing and evaluating the [REDACTED] to achieve 'competitive equivalence' of the Proposed Divestment Business;
 - (b) ensuring that GXO takes [REDACTED];
 - (c) monitoring the [REDACTED] proposed by GXO [REDACTED]; and
 - (d) acting as a contact point for Divestment Customers to raise concerns in relation to the conduct of GXO and/or potential Divestment Purchasers during the divestiture process, which could undermine the objectives and implementation of the Enhanced Divestiture Remedy.
- 9.144 We would also require the Monitoring Trustee to continue to monitor the Merged Entity's compliance with the non-solicitation requirement in relation to Divestment Customers for a period of [REDACTED] from the date of completion of the divestiture transaction.
- 9.145 Where a Monitoring Trustee has not already been appointed during a phase 2 investigation, and if remedies are required, a Monitoring Trustee will normally be appointed following the acceptance of the final undertakings or the making of a final order to monitor the merger parties' compliance with the final undertakings or final order. In this case, however, given that GXO has already commenced a formal divestiture process and the CMA has granted a derogation from the IEO for GXO to engage with Divestment Customers on any particular concerns they may have in relation to GXO's Divestiture Remedy Proposal, we consider that some of the aspects of the Enhanced Divestiture Remedy which will require a Monitoring Trustee (as noted above) are already underway.

Our assessment

- 9.146 In our IRR, we provisionally concluded that it would be necessary for a Monitoring Trustee to be appointed by the Parties before the Final Report, and invited the

⁶²⁸ [CMA87](#), paragraph 5.41.

Parties to make a proposal on the timing of the appointment of a Monitoring Trustee as soon as possible and prior to our Final Report. Subsequently, GXO has engaged constructively with us on the appointment of a Monitoring Trustee and the CMA issued Monitoring Trustee directions and GXO appointed a Monitoring Trustee which we approved.⁶²⁹

- 9.147 In line with the CMA's normal practice, the Parties' asset maintenance and hold-separate undertakings under the IEO (including any derogations from the IEO granted by the CMA) will be transferred to any final undertakings or final order, and the Parties' compliance with them will be monitored by the Monitoring Trustee.
- 9.148 As set out in our Merger Remedies Guidance, the appointment of a 'hold-separate' manager, or management team, may also be required to manage the assets/business to be divested, in order to maintain their competitiveness and separation from the retained assets.⁶³⁰ However, at this stage, we have seen no evidence to require the appointment of an independent hold-separate manager with executive powers to operate the Proposed Divestiture Business separately from the acquired Wincanton business.⁶³¹ However, should the circumstances change, we will consider whether it would be appropriate to exercise our power to appoint a hold-separate manager. The final undertakings or final order will contain a provision to enable this appointment if necessary.

Divestiture Trustee

- 9.149 The Merger Remedies Guidance provides that if the merger parties cannot procure divestiture to a suitable purchaser within the Initial Divestiture Period, then, unless this period is extended by the CMA, the CMA may require the merger parties to appoint an independent Divestiture Trustee to dispose of the package within a specified period (the **Trustee Divestiture Period**). The divestiture will be at the best available price in the circumstances, but subject to prior approval by the CMA of the purchaser and the divestiture arrangements.⁶³²
- 9.150 We currently have no evidence that would lead us to believe that GXO would not achieve an effective disposal within the Initial Divestiture Period. We therefore do not propose to appoint a Divestiture Trustee at the outset of the divestiture process. However, we also recognise that GXO may have conflicting incentives in relation to achieving an effective and prompt divestiture, and that the ability to appoint a Divestiture Trustee is an important means by which the CMA is able to bring the implementation of this remedy to a conclusion. Therefore, we will consider whether it would be appropriate to exercise our power to appoint a

⁶²⁹ See: [CMA website](#).

⁶³⁰ [CMA87](#), paragraph 5.36.

⁶³¹ The 'hold-separate manager's role is a day-to-day management role in the target business, reporting to the CMA rather than the acquiring firm. This role is distinct from that of a monitoring trustee' ([CMA87](#), paragraph 4.13).

⁶³² [CMA87](#), paragraph 5.43.

Divestiture Trustee to take control of the divestiture process from GXO in any one or more of the following situations:⁶³³

- (a) GXO fails to complete the divestiture process within the Initial Divestiture Period;
- (b) the CMA reasonably believes that there is a risk that the divestiture process would be delayed or fail to complete within the Initial Divestiture Period;
- (c) GXO is not engaging constructively with the divestiture process; or
- (d) there is a material deterioration in the divestiture package during the divestiture process.

9.151 If a Divestiture Trustee is appointed, the Divestiture Trustee will be required to complete the divestiture remedy at no minimum price and within a further period (ie the Trustee Divestiture Period) to be determined by the CMA based on the relevant circumstances applicable at that time.⁶³⁴ The final undertakings or final order will contain a provision to enable this appointment if necessary.

Our conclusions on asset risks

9.152 Based on our assessment above, we conclude that:

- (a) the Initial Divestiture Period should be six months;
- (b) the Monitoring Trustee shall be responsible for the monitoring of the divestiture process and the Parties' asset maintenance obligations;
- (c) the CMA will consider whether it would be appropriate to exercise its power to appoint a hold-separate manager; and
- (d) the CMA will consider whether it would be appropriate to exercise its power to appoint a Divestiture Trustee. If a Divestiture Trustee is appointed, the Divestiture Trustee will be required to complete the divestiture remedy at no minimum price and within the Trustee Divestiture Period.

Our conclusions on the effectiveness of a divestiture remedy

9.153 As mentioned above in paragraph 9.4, the effectiveness of a remedy is assessed by reference to its: (a) impact on the SLC and its resulting adverse effects; (b) duration and timing; (c) practicality; and (d) risk profile.⁶³⁵

⁶³³ [CMA87](#), paragraphs 5.43 and 5.44.

⁶³⁴ [CMA87](#), paragraph 5.43.

⁶³⁵ [CMA87](#), paragraph 3.5.

- 9.154 First, in relation to the impact of the Enhanced Divestiture Remedy on the SLC, the divestiture package comprises the full overlap of the Parties' activities in dedicated warehousing to Grocery customers in the UK. We therefore consider that the Enhanced Divestiture Remedy would restore the pre-Merger dynamic process of rivalry between firms.
- 9.155 In relation to duration and timing, based on our assessment above, we consider that the Enhanced Divestiture Remedy could be completed in a timely manner, such that following completion, the remedy would have an immediate and lasting impact on the SLC.
- 9.156 In terms of its practicality, we consider that the Enhanced Divestiture Remedy is a practical remedy as it would address the SLC and require limited ongoing monitoring (ie limited to monitoring compliance with the non-solicitation provision).
- 9.157 Finally, in terms of its risk profile, we have considered the composition, purchaser and asset risks associated with the Enhanced Divestiture Remedy, and consider that we have put in place appropriate risk mitigation mechanisms to address the key risks we have identified such that the Enhanced Divestiture Remedy presents an acceptable risk profile.
- 9.158 We therefore conclude that the Enhanced Divestiture Remedy as described above, would provide an effective remedy for the SLC we have identified. We consider that there is likely to be interest from potentially suitable 3PL purchasers in acquiring the Proposed Divestment Business and that the divestiture can be concluded successfully in a timely manner.

Effectiveness of GXO's Hybrid Remedy Proposal

- 9.159 This section sets out: (a) a brief description of GXO's Hybrid Remedy Proposal; (b) the views of GXO and third parties on its overall effectiveness; (c) our assessment of the remedy's effectiveness; and (d) our conclusions on effectiveness.

Description of GXO's Hybrid Remedy Proposal

- 9.160 GXO's Hybrid Remedy Proposal comprises two components:⁶³⁶
- (a) a Sponsorship Component, which is the primary remedy to be implemented by the final undertakings acceptance date; and

⁶³⁶ GXO's Hybrid Remedy Proposal, 31 March 2025, paragraphs 4a and 4b.

- (b) a Carve-Out Component, which is a fallback remedy to be implemented if the Sponsorship Component is not implemented. GXO's Carve-Out Component would be identical to GXO's Divestiture Remedy Proposal).

- 9.161 As we have already considered the effectiveness of the Carve-Out Component (ie GXO's Divestiture Remedy Proposal) as part of our assessment of a divestiture remedy, this section focuses on the effectiveness of the Sponsorship Component.
- 9.162 Under the Sponsorship Component, GXO would offer a sum of £[X] million (the **Sponsorship Fund**) to the first of Wincanton's [X] dedicated Grocery warehousing customers, ie [X] (the **Eligible Grocers**), that could meet the terms of the Sponsorship Component and sponsor the entry of a successful 3PL. GXO submitted that the Sponsorship Fund would cover the costs of transferring to a new 3PL as well as any risk that might arise in doing so.⁶³⁷
- 9.163 GXO submitted that the sum of £[X] million for the Sponsorship Fund would be sufficient to incentivise one of the Eligible Grocers to sponsor a new 3PL, without presenting a wider distortion risk to the market (as it only reflected the costs or risk that an Eligible Grocer would likely incur in sponsoring entry). GXO also submitted that it would be willing to [X].⁶³⁸
- 9.164 In terms of conditions for access, GXO submitted that the award of the Sponsorship Fund would be contingent on being the first Eligible Grocer to, within a four-week period following the CMA's final report (the **Initial Deadline**):⁶³⁹
- (a) select a 3PL from a CMA-approved shortlist (the **Selected Eligible 3PL**), which would include only those 3PLs who already had sufficient staff with Grocery experience and wider credibility in the CLS industry. GXO submitted that it considered that [X] would be eligible 3PLs (the **Eligible 3PLs**); identify at least [X] sizeable, dedicated Grocery warehousing sites to award to the Selected Eligible 3PL, with a combined value of at least £[X] million. GXO submitted that while it considered that awarding one material site to a new 3PL would be sufficient to remedy the SLC, GXO would require the award of at least [X] sites, with a combined value of at least £[X] million, to ensure the success of the remedy;
 - (b) agree to a term sheet with the Selected Eligible 3PL to service the identified sites, conditional on CMA approval. GXO submitted that this term sheet must evidence the intention to comply with all CMA-approved conditions and include a minimum contract duration of three years (or a duration to be determined by the CMA); and

⁶³⁷ GXO's Hybrid Remedy Proposal, 31 March 2025, paragraph 22.

⁶³⁸ GXO's Hybrid Remedy Proposal, 31 March 2025, paragraph 2.

⁶³⁹ GXO's Hybrid Remedy Proposal, 31 March 2025, paragraph 22.

- (c) submit the term sheet to the CMA or Monitoring Trustee, who would be given the opportunity to approve the Eligible Grocer and Selected Eligible 3PL pairing.

9.165 In terms of the mechanics of the process after approval, GXO submitted that:

- (a) after approval, the first Eligible Grocer would be determined the 'winner' of the Sponsorship Fund, however if the first Eligible Grocer's submission was not approved, the winning position would pass to the next Eligible Grocer which received approval (the **Pioneer**);⁶⁴⁰
- (b) based on the CMA's preference, GXO would also be willing to amend the Initial Deadline process such that:⁶⁴¹
 - (i) all Eligible Grocers would submit their bids to the CMA or Monitoring Trustee for approval; and
 - (ii) following receipt of approval, GXO or the CMA would select the 'winner'; and
- (c) following the Initial Deadline, the Pioneer would be given a further four weeks to sign a full agreement subject to CMA approval (the **Sponsorship Agreement**) for the Selected Eligible 3PL to operate the identified sites (the **Second Deadline**), with a timeline for fully operationalising this agreement within seven months of signing the Sponsorship Agreement, subject to the CMA's acceptance of final undertakings or making a final order. GXO submitted that providing the Pioneer flexibility to manage the timing for operationalisation would allow the Pioneer to manage the onboarding process according to its own risk appetite, and provided the opportunity for the Pioneer to accommodate, if necessary, the seasonal 'peak' period for Grocery logistics needs.⁶⁴²

9.166 GXO submitted that the Selected Eligible 3PL could start operating the awarded sites as soon as two months following the CMA's final report which would allow the Selected Eligible 3PL to build its credibility and bid for new dedicated Grocery warehousing contracts within the remainder of the two-year SLC timeframe.⁶⁴³

⁶⁴⁰ GXO's Hybrid Remedy Proposal, 31 March 2025, paragraph 22d.

⁶⁴¹ GXO's Hybrid Remedy Proposal, 31 March 2025, paragraph 23.

⁶⁴² GXO's Hybrid Remedy Proposal, 31 March 2025, paragraph 24.

⁶⁴³ GXO's Hybrid Remedy Proposal, 31 March 2025, paragraph 25.

GXO's views on the overall effectiveness of GXO's Hybrid Remedy Proposal

- 9.167 GXO submitted that it considered the Hybrid Remedy Proposal was an effective solution which enabled customer autonomy and provided significant timing advantages over a structural solution.⁶⁴⁴
- 9.168 GXO submitted that the evidence gathered by the CMA, plus the CMA findings in the Interim Report indicated that sufficient entry and expansion would occur in little more than the two-year timeframe of its assessment, and within the average three-to-five-year contract tender cycle through one Eligible Grocer sponsoring the entry by one established UK 3PL in an adjacent sector or an international 3PL with grocery experience.⁶⁴⁵
- 9.169 GXO submitted that the Sponsorship Component remedy directly addressed the short-term SLC, by addressing the barriers to successful new entry or expansion into dedicated warehousing, within a two-month time period. It submitted that this remedy worked 'with the grain of competition' by removing obstacles to competition through promoting a new 3PL entrant and restoring the pre-Merger competitive structure in a manner which maximised customer autonomy and choice.⁶⁴⁶
- 9.170 GXO submitted that the Hybrid Remedy Proposal would benefit the Parties and end-consumers through the shortened timescale for implementation if the Sponsorship Component was taken up (as compared to a structural solution either under the Carve-Out Component of this Hybrid Remedy Proposal or under GXO's Divestiture Remedy Proposal).⁶⁴⁷
- 9.171 In terms of the specific benefits of the Hybrid Remedy Proposal, GXO submitted that it:⁶⁴⁸
- (a) provided the Eligible Grocers with the flexibility and autonomy to sponsor a 3PL of their choosing. It added that this would mitigate the customer transfer risk;
 - (b) provided one 'winning' Eligible Grocer a considerable financial sum as an incentive, to compensate for the risk associated with, and any costs arising from, sponsoring a 3PL;
 - (c) ensured that the Eligible Grocer awarded at least [X] sufficiently sizeable sites (with a combined value of at least £[X] million) to its chosen 3PL; and

⁶⁴⁴ GXO's Hybrid Remedy Proposal, 31 March 2025, paragraph 6.

⁶⁴⁵ GXO's Hybrid Remedy Proposal, 31 March 2025, paragraph 31.

⁶⁴⁶ GXO's Hybrid Remedy Proposal, 31 March 2025, paragraph 34.

⁶⁴⁷ GXO's Hybrid Remedy Proposal, 31 March 2025, paragraph 37.

⁶⁴⁸ GXO's Hybrid Remedy Proposal, 31 March 2025, paragraph 5.

(d) would be implemented quickly with signed contractual documentation achieved within eight weeks following the final report as opposed to the implementation of a divestiture process.

- 9.172 GXO submitted that, in its view, this remedy would re-establish the pre-Merger market structure, by introducing another 3PL into the dedicated Grocery warehousing segment and enabling it to build credibility and track record within the two-year SLC timeframe.⁶⁴⁹
- 9.173 GXO submitted that the Sponsorship Component of the Hybrid Remedy Proposal was sufficiently well-specified to provide a timely and effective remedy to the SLC. GXO also noted that if the conditions of the Sponsorship Component were not met within the required timeline, the Hybrid Remedy Proposal included a fallback solution through the Carve-out Component, which could be implemented within the CMA's standard remedies implementation timeline (ie within six months from the acceptance of final undertakings).⁶⁵⁰
- 9.174 GXO submitted that the Sponsorship Fund provided the Eligible Grocers with the opportunity to use their own skill and judgement to identify their preferred 3PL(s). It also submitted that, in its view, the Grocery customers would have the ability to manage the time, pace and size of contracts for the 3PL, which would help them manage any associated risk with using a new 3PL.⁶⁵¹
- 9.175 GXO submitted that the Sponsorship Fund would enable a Grocery customer to hire a team with the right level of seniority with the experience, track record and reputation in dedicated Grocery warehousing. It submitted that there was a ready recruitment market for Grocery logistics talent (including from incumbent providers and insourced teams), and that these individuals would hold the relevant knowhow and experience in building customer relationships to overcome barriers to expansion related to track record and reputation.⁶⁵²
- 9.176 GXO also submitted that Sponsorship Component was less costly than GXO's Divestiture Remedy Proposal in two respects: (a) it preserved significant relevant customer benefits (**RCBs**) and benefits to consumers and the market, as a direct consequence of the remedial solution; and (b) it resulted in benefits arising from the more timely implementation of the remedy (ie finalised well within 12 weeks of the final report, and operationalised soon after).⁶⁵³

⁶⁴⁹ GXO's Hybrid Remedy Proposal, 31 March 2025, paragraph 59.

⁶⁵⁰ GXO's Hybrid Remedy Proposal, 31 March 2025, paragraph 59.

⁶⁵¹ GXO's Hybrid Remedy Proposal, 31 March 2025, paragraph 61.

⁶⁵² GXO's Hybrid Remedy Proposal, 31 March 2025, paragraphs 63 and 64.

⁶⁵³ GXO's Hybrid Remedy Proposal, 31 March 2025, paragraph 86.

Third parties' views on the effectiveness of GXO's Hybrid Remedy Proposal

- 9.177 We summarise the views from third parties on the overall effectiveness of GXO's Sponsorship Component below.
- 9.178 As mentioned in paragraphs 9.8 and 9.9 above, we consulted third parties first on GXO's initial behavioural remedy proposal (the **Initial 3PL Sponsorship Proposal**) as part of our ITCR consultation process, and then subsequently on GXO's Sponsorship Component after we received GXO's Hybrid Remedy Proposal.
- 9.179 The Hybrid Remedy Proposal contained a number of material modifications to GXO's Initial 3PL Sponsorship Proposal. In brief, and by way of background information, GXO's Initial 3PL Sponsorship Proposal comprised two main components:⁶⁵⁴
- (a) a sponsorship component, whereby GXO would offer a £[X] million sponsorship fund to each of the Parties' [X] dedicated warehousing Grocery customers 'to ensure that they were able to provide a new 3PL with the means to obtain the experience required to [X] tender credibly to supply all or part of each Grocery Customer's dedicated warehousing contract needs'; and
 - (b) a contract term guarantees component for the Parties' existing Grocery customers and for Grocery customers who do not have existing contracts with either Parties eg price freezes and maintenance of existing contract terms for up to [X] for the Parties' existing Grocery customers.
- 9.180 Given that GXO's Hybrid Remedy Proposal (or more specifically, its Sponsorship Component) represents a modified version of its Initial 3PL Sponsorship Proposal, we have placed more weight on the third-party views we have received on GXO's Hybrid Remedy Proposal. However, we have still taken into account third-party views on the Initial 3PL Sponsorship Proposal where appropriate to do so, eg where views were provided on elements that were common to both proposals. When setting out third-party views below, we have indicated which proposal the third party was providing its views on.
- 9.181 As previously mentioned in paragraph 9.42 above, in considering the evidence from third parties, we have had regard to the incentives of the party giving that evidence.

⁶⁵⁴ GXO's 3PL Sponsorship Remedy Proposal, 5 March 2025, paragraph 4.

Views of customers

- 9.182 Overall, most customers were not supportive of sponsored entry to create a credible new entrant under either of GXO's proposals (ie the Initial 3PL Sponsorship Proposal or the Sponsorship Component of GXO's Hybrid Remedy Proposal).
- 9.183 One customer submitted that the Hybrid Remedy Proposal would not result in the emergence of a credible and sustainable alternative for its business. It told us that, in its view, to the extent the remedy had any prospect of success, it would distort downstream competition in the grocery market. It submitted that the one customer who was able to meet the criteria in the timescales would be able to craft bespoke terms that suited its business with the 3PL, and that these terms were not likely to suit other customers or serve the wider market.⁶⁵⁵ It also noted that it was not familiar with the capabilities of the list of proposed 3PLs named in the Hybrid Remedy Proposal and did not know if they could perform in a credible way. It added that this would require a lot of support and would involve a lot of uncertainty, time, resource and costs for the customer's business.⁶⁵⁶
- 9.184 Another customer told us that it was of the view that GXO's initial behavioural remedy (ie the Initial 3PL Sponsorship Proposal) was 'all risk and no reward' for the customer, with the £[redacted] million sponsorship fund not being enough to compensate for the risks. It told us that the Sponsorship Component of the Hybrid Remedy Proposal was broadly still the same principle as the initial proposal but with a larger financial incentive for a grocer.⁶⁵⁷ It told us that the £[redacted] million was worth considering, but that it still would not compensate for all costs.⁶⁵⁸ It told us that the Hybrid Remedy Proposal would be beneficial for market dynamics, because a new entrant with minimum contract value of £[redacted] million for a contract term of [redacted] years would be able to expand and become a player in the market.⁶⁵⁹ However, it questioned a number of aspects of the Hybrid Remedy Proposal, including what would happen to Wincanton's existing customers that were not selected to sponsor the new 3PL,⁶⁶⁰ and challenges with the proposed timeline for implementing the remedy which was shorter than an ordinary procurement process.⁶⁶¹
- 9.185 Another customer noted that it did not consider the sponsorship fund in GXO's Initial 3PL Sponsorship Proposal could be applied to create a credible new 3PL and that it was unaware of any third parties that had the credibility and expertise to address its warehousing needs. Nonetheless, it expressed a preference for a

⁶⁵⁵ Third party email to the CMA.

⁶⁵⁶ Third party call note.

⁶⁵⁷ Third party call note.

⁶⁵⁸ Third party call note.

⁶⁵⁹ Third party call note.

⁶⁶⁰ Third party call note.

⁶⁶¹ Third party call note.

remedy that minimised disruption to its service and stated that this remedy would be a prompter and more effective resolution than a divestment to the SLC.⁶⁶² It explained that this was on the basis of the sponsorship fund being used to offset change costs should it need to move to insourcing its dedicated warehousing operations.⁶⁶³ According to the customer, the prospect of this would pose a greater competitive threat to the behaviour of incumbent players compared to a potential new entrant.⁶⁶⁴ It indicated that GXO's Hybrid Remedy Proposal did not change its view.⁶⁶⁵

- 9.186 Another customer submitted that the Hybrid Remedy Proposal would lead to a lessening of competition. It noted that the new 3PL entrant in the Hybrid Remedy Proposal would be smaller in terms of skill and scale compared to the divested Wincanton grocery entity. In this customer's view, the Eligible Grocer that eventually sponsored the new entrant would also hold a significant position of power over a relatively small 3PL which could result in the 3PL being unable to service smaller grocers (like the customer) at the same price or service standard. It also submitted that the two unsuccessful Eligible Grocers would likely move to GXO, which would result in the reduction of competition. This customer submitted that the only option that avoided a reduction in competition would be a divestment.⁶⁶⁶
- 9.187 Another customer told us that a structural remedy was superior to the Hybrid Remedy Proposal in addressing the SLC.⁶⁶⁷
- 9.188 Another customer told us that it was concerned that the Hybrid Remedy Proposal would not be effective, as it would not provide any certainty that a new 3PL could become a viable player with sufficient scale to properly compete in the market in the long term.⁶⁶⁸
- 9.189 In relation to GXO's initial remedy proposal, one customer told us that it considered that GXO's proposed fund to sponsor a new entrant, which hypothetically could be an amount of £2 million, appeared to be a sufficient amount of money to cover switching costs. It further stated that if it was unhappy with the terms it had negotiated with its existing dedicated warehouse supplier (GXO), it would be interested in using the fund to sponsor a new entrant if it saw it fit to do so.⁶⁶⁹ Subsequently, in relation to GXO's modified remedy proposals, it

⁶⁶² Third party letter to the CMA.

⁶⁶³ The CMA considers that this customer may have misunderstood the purpose of GXO's sponsorship fund, which is to support successful entry and expansion by a 3PL into dedicated Grocery warehousing services in the UK.

⁶⁶⁴ Third party letter to the CMA.

⁶⁶⁵ Third party email to the CMA.

⁶⁶⁶ Third party email to the CMA.

⁶⁶⁷ Third party email to the CMA.

⁶⁶⁸ Third party email to the CMA.

⁶⁶⁹ Third party call note.

told us that it had considered both modified proposals and that it did not have any material objections or concerns to raise.⁶⁷⁰

Views of 3PLs

- 9.190 Eligible 3PLs were generally of the view that the Hybrid Remedy Proposal would not be effective in creating a credible 3PL entrant and would entail a range of risks, including regarding the number of sites included to support viable entry and to recreate Wincanton's competitive position, the length of the contract, and the availability of a sponsorship fund to the Eligible 3PL. In particular:
- (a) A 3PL told us that the Hybrid Remedy Proposal was not a 'slam dunk' remedy as there were too many variables at play.⁶⁷¹ It noted that it could work for some players and reduce barriers to entry. However, it told us that this depended on how much of the £[§] million would go to the 3PL and noted that under the proposal, there was no obligation for the Eligible Grocer to pass on any of the fund to the 3PL.⁶⁷² This 3PL also highlighted other risks. It noted that it would be hard to make a decision to participate in the proposal without knowing who the Eligible Grocer was and expressed concerns about the financial health of one of the Eligible Grocers. It told us that there was a risk that unattractive sites formed part of the remedy.⁶⁷³ It considered the three-year contract term to be too short for an entrant to grow in the sector and there was a risk that the contract would revert back to GXO after three years, during which time, GXO would have grown substantially as it had the resources to be more commercially aggressive.⁶⁷⁴ This 3PL told us that the management fee would need to be above the current market rate which would reflect a disproportionate effort on its part. It stated that it would not want to take on the same risk profile as 3PLs who were currently in this market.⁶⁷⁵ The 3PL also noted the importance of a 3PL obtaining a larger number of sites. It told us that with the divestiture remedy, a 3PL would obtain the critical mass to enable it to recreate the competition that Wincanton provided.⁶⁷⁶
 - (b) Another 3PL told us that it doubted that the Hybrid Remedy Proposal would restore competition to pre-Merger levels. It also stated that a 3PL with two sites could not claim to be a credible supplier.⁶⁷⁷ In relation to the provision of dedicated warehousing services, it noted that its concerns were not monetary in nature (ie the size of the fund), but were about operational ability such as

⁶⁷⁰ Third party email to the CMA.

⁶⁷¹ Third party call note.

⁶⁷² Third party call note.

⁶⁷³ Third party call note.

⁶⁷⁴ Third party call note.

⁶⁷⁵ Third party call note.

⁶⁷⁶ Third party call note.

⁶⁷⁷ Third party call note.

expertise, knowledge and experience to demonstrate the ability to execute.⁶⁷⁸ This 3PL also told us that it was unclear what the sponsorship fund was for. It also noted the duration of the contract would be a problem and that the requirements imposed by grocers in their contracts were very stringent and required a lot of learning by doing and that it would take time to achieve the required level of operational excellence.⁶⁷⁹

- (c) Another 3PL told us that the Hybrid Remedy Proposal did not help overcome the track record barrier, and that in its view, the size of the sponsorship fund was not significant enough to create competition in the market, even for a new entrant who would need to build credibility and a reputation in the market. It told us that [X] sites worth £[X] million represented a tiny portion of the grocery market compared to GXO's and Wincanton's revenues.⁶⁸⁰ It also stated that it was unclear how the £[X] million was calculated, what specifically it would be used for, and why the fund was not going directly to the 3PL. This 3PL also raised concerns that a Grocer could simply use it to improve its bottom line.⁶⁸¹ The 3PL noted that it could be challenging for a grocer to select and agree commercial terms with a 3PL in eight weeks.⁶⁸²
- (d) Another 3PL submitted that it had concerns whether setting up a 3PL with only two sites would give enough credibility for that 3PL to become established in the Grocery market. It added that GXO would also keep two of Wincanton's three Grocery customers which raised material concern. This 3PL noted that the onus of implementing the remedy was on the customer and expressed a concern that the customer would not want to dedicate the time and resource to do this, meaning the remedy would be ineffective. The 3PL also had concerns that the fund would only be made available once the sites were operationalised. It submitted that this would mean no funds would be available for the 3PL to fund set up, recruitment or other costs of expanding into the dedicated grocery warehousing market. Moreover, this 3PL also stated that there would need to be more comfort given that the fund would be made available to the extent necessary for it to be able to establish itself in the Grocery segment, otherwise there is too much uncertainty that the funds would not be forthcoming for this to be a proposal that the 3PL would wish to dedicate resources to pursuing.⁶⁸³

⁶⁷⁸ Third party call note.

⁶⁷⁹ Third party call note.

⁶⁸⁰ Third party call note.

⁶⁸¹ Third party call note.

⁶⁸² Third party call note.

⁶⁸³ Third party email to the CMA.

9.191 We also received views from other 3PLs. While these views were received in relation to GXO's Initial 3PL Sponsorship Proposal, they may also have a read across to common elements within GXO's Hybrid Remedy Proposal:

- (a) A 3PL told us that it would have concerns over the possible impact that a sponsorship fund might have on competition if it led to the artificial imposition of a new entrant on terms set by Grocers. It also told us that it might disincentivise the competitor from remaining in the Grocery sector and it could have the effect of lessening competition rather than increasing it.⁶⁸⁴
- (b) Another 3PL submitted that the divestiture remedy proposal was the only certain method of maintaining competition and ensuring that knowledge and experience was retained within a separate business. It submitted that by contrast, it was hard to assess whether a sponsorship remedy proposal would fundamentally change the competitive landscape for customers and whether it would create a genuine alternative.⁶⁸⁵
- (c) Another 3PL submitted that it did not feel the Initial 3PL Sponsorship Remedy Proposal, if implemented, would remedy, mitigate or prevent the SLC because for example, the remedy would not provide the 3PL with adequate, on-the-job training required to become an experienced 3PL to the standard required by Grocers.⁶⁸⁶

Our assessment

9.192 The Sponsorship Component of GXO's Hybrid Remedy Proposal involves GXO awarding to an Eligible Grocer £[REDACTED] million to identify an Eligible 3PL and sponsor their entry, including by transferring to them [REDACTED] sites for a minimum term of [REDACTED] years, with the expectation that this will enable the Eligible 3PL to expand and replicate the constraint provided by Wincanton within two years (and well within the three-to-five year contract tender cycle). In the event the Sponsorship Component is not implemented, GXO's Divestiture Remedy Proposal would be implemented as a fallback.

9.193 At the outset, we note that to accept the Hybrid Remedy Proposal, the CMA would need to have a high degree of certainty that the Sponsorship Component could be implemented (otherwise it may simply delay GXO's Divestiture Remedy Proposal being implemented) and be an effective remedy. We do not currently consider this to be the case, for the reasons set out below.

⁶⁸⁴ Third party call note.

⁶⁸⁵ Third party response to the CMA's invitation to comment on remedies.

⁶⁸⁶ Third party response to the CMA's invitation to comment on remedies.

Lack of certainty that the Sponsorship Component can be implemented

- 9.194 We currently consider there is significant uncertainty that the Sponsorship Component can be implemented. In particular, there is significant uncertainty as to whether an Eligible 3PL would be sponsored at all, in which case it will only delay the implementation of a fuller divestiture remedy.
- 9.195 In this regard we note that all Eligible 3PLs raised concerns regarding the overall effectiveness of the Hybrid Remedy Proposal, and fundamental aspects of its design, such as the availability of the Sponsorship Fund to the Eligible 3PL; the number of sites included; and the length of the contract (as summarised at paragraph 9.190 above). While some Eligible 3PLs may have incentives to prefer a remedy that involves a larger package of assets or benefits, we note that at least some of the concerns raised by Eligible 3PLs have also been raised by customers, such as in relation to the number of sites necessary to support viable entry and to recreate Wincanton's competitive position.
- 9.196 Furthermore, Eligible Grocers overall have not indicated strong support in favour of the remedy. As noted above, [X].
- 9.197 We also note the Hybrid Remedy Proposal implicitly accepts a degree of uncertainty in the ability of an Eligible Grocer and 3PL to reach an agreement in the timescales proposed, given that it includes GXO's Divestiture Remedy Proposal as a backstop.

Effectiveness of the Sponsorship Component

- 9.198 As noted in relation to GXO's Divestiture Remedy Proposal, the CMA's starting position is to identify a remedy that would restore the competitive constraint lost by a merger.
- 9.199 As discussed in relation to GXO's Divestiture Remedy Proposal, we consider that track record is relevant to the competitive constraint. Also, while track record is a relative concept which develops over time with the increased customer base and the growing number of contracts, the most comprehensive and straightforward way of replicating Wincanton's track record, and to have a high degree of certainty in that regard, is to ensure that the remedy business is of equivalent scope to Wincanton's existing business.
- 9.200 While the Sponsorship Component may to some extent support entry and expansion by a 3PL, we do not consider that the sponsored 3PL, with only two of Wincanton's existing customer sites, will be able to effectively replace the constraint lost by Wincanton, within a reasonable time period or at all. The sponsored 3PL will also face the additional challenge of having to compete against

a strengthened Merged Entity which would retain Wincanton's remaining four customer sites.

The ability of the Sponsorship Component to address Eligible Grocers' concerns

- 9.201 In addition to the concerns noted above, we are also not persuaded that the Sponsorship Component affords Eligible Grocers significantly greater autonomy compared to a divestiture remedy. To the contrary, it may be less effective at addressing all Eligible Grocers' concerns which could further impact the effectiveness of the remedy:
- (a) While the Sponsorship Component provides a single Grocer the autonomy to select a 3PL of its choosing and receive a Sponsorship Fund to support its entry and expansion, we note that none of the Eligible Grocers have expressed to the CMA a strong preference for one 3PL over another. In fact, all Eligible Grocers have noted that they are unaware of the capabilities of the proposed Eligible 3PLs. One Eligible Grocer also noted that the short timescales to the Sponsorship Component to an extent cut across the benefit of being able to choose the 3PL.⁶⁸⁷
 - (b) Only one Grocer is ultimately able to participate in the Sponsorship Component. Whichever 3PL is chosen by the winning Grocer may not be the first choice (or indeed any choice) for other Grocers. One Grocer has also raised concerns that this could give rise to market distortion risks if the participating Grocer uses the sponsorship fund to prioritise its own interests over those of other Grocers more broadly. Indeed, we are aware that at least one of the Eligible Grocers does not consider that the Sponsorship Fund can be applied to create a credible new 3PL and believes it would be better directed at offsetting its own costs of insourcing.
 - (c) In contrast to the Sponsorship Component, the Enhanced Divestiture Remedy provides all [X] of Wincanton's customers the opportunity to air their views and concerns in relation to the Divestment Purchaser, including [X].

Additional risks associated with the Sponsorship Component

- 9.202 We have also identified a number of additional risks associated with the Sponsorship Component which further impair its effectiveness:
- (a) **Design issues.** GXO proposes that the winner of the Sponsorship Fund will be the first Eligible Grocer to submit a term sheet to the CMA that meets all

⁶⁸⁷ Third party call note.

CMA-approved conditions. However, the most appropriate and well-thought-out Eligible Grocer – 3PL pairing may not necessarily be the first pairing that is able to provide a term sheet to the CMA. GXO has also offered in the alternative that the CMA selects the winner. However, this is subject to further issues, including what criteria the CMA uses to select the winner and whether it will be furnished with sufficient information to robustly do so, how quickly the CMA would be able to reach a decision, and the risk of disputes between competing participants in relation to the CMA's decision.

- (b) **Monitoring and enforcement and distortion risks.** We currently have concerns that the Sponsorship Component could give rise to market distortions, in particular if the winning Grocer uses the Sponsorship Fund and shapes its interactions with the 3PL to best suit its own interests (as discussed at paragraph (b) above). It may also be challenging for the CMA to anticipate and seek to prevent any potential distortions or inappropriate use of the Sponsorship Fund in advance (whether through the setting of the pre-approved conditions for Eligible Grocer's term sheets, or through its approval of the winning term sheet and any resulting Sponsorship Agreement). This is likely to therefore require close monitoring of the Eligible Grocer's performance of the Sponsorship Agreement for the three-year duration of the agreement. In addition, the CMA's ability to monitor and enforce performance of the Sponsorship Agreement is likely to be limited given that the agreement will be between two third parties neither of whom will be subject to enforceable commitments as part of any final undertakings.

Our conclusions on the effectiveness of GXO's Hybrid Remedy Proposal

- 9.203 In view of the above, we conclude that the Hybrid Remedy Proposal would not be an effective remedy to the SLC and resulting adverse effects we have identified. There is significant uncertainty as to whether the Sponsorship Component will result in any Eligible 3PL being sponsored at all, in which case it will only delay the fallback divestiture remedy. Even if an Eligible 3PL can be sponsored, there is significant uncertainty that it will be able to effectively replicate the constraint currently provided by Wincanton. We are also of the view that the Sponsorship Component will be less suitable at addressing all Eligible Grocers' needs (in contrast to a divestiture remedy) and that it will raise design issues and monitoring and enforcement and distortion risks, all of which will further impact its effectiveness.

Our conclusions on effective remedies

- 9.204 Based on our assessment above, it is our view that the Enhanced Divestiture Remedy (as described above) would be an effective remedy to the SLC we have

identified. It is also our view that GXO's Hybrid Remedy Proposal would not be an effective remedy to the SLC.

Proportionality

Proportionality assessment framework

- 9.205 In order to be reasonable and proportionate, the CMA will seek to select the least costly remedy, or package of remedies, that it considers will be effective. In addition, the CMA will seek to ensure that no remedy is disproportionate in relation to the SLC and its adverse effects.⁶⁸⁸
- 9.206 For the purpose of identifying the least costly effective remedy, when considering relevant costs, the CMA's considerations may include (but are not limited to):⁶⁸⁹
- (a) distortions in market outcomes;
 - (b) ongoing compliance and monitoring costs incurred by the merger parties, third parties, or the CMA; and
 - (c) the loss of any RCBs that may arise from the merger which are foregone as a result of the remedy.
- 9.207 The CMA will generally attribute less significance to the costs of a remedy that will be incurred by the merger parties than the costs that will be imposed by a remedy on third parties, the CMA or other monitoring agencies.⁶⁹⁰ The merger parties have the choice of whether or not to enter into a merger agreement, and on what terms. It is for the merger parties to assess whether there is a risk that the merger may be subject to an SLC finding and prohibited or a divestiture ordered – any costs for the merger parties resulting from this outcome are, in essence, avoidable.
- 9.208 Having considered the least costly effective remedy, the CMA will then consider whether such a remedy would be proportionate to the SLC and its adverse effects. In doing so, the CMA will compare the level of harm which is likely to arise from the SLC with the relevant costs of the proposed remedy.⁶⁹¹
- 9.209 We first consider the loss of any RCBs that may arise from the Merger which may be foregone as a result of the Enhanced Divestiture Remedy.⁶⁹²

⁶⁸⁸ [CMA87](#), paragraph 3.6.

⁶⁸⁹ [CMA87](#), paragraph 3.10.

⁶⁹⁰ [CMA87](#), paragraph 3.8.

⁶⁹¹ [CMA87](#), paragraph 3.6.

⁶⁹² In the sections below we have not considered GXO's submissions regarding RCBs in relation to its Hybrid Remedy Proposal given that we have already concluded above that this remedy would not be effective. Nonetheless, for completeness, we note that GXO claimed that the Hybrid Remedy Proposal would preserve a larger amount of benefits

Relevant Customer Benefits (RCBs)

9.210 In deciding the question of remedies, the CMA may, in particular, have regard to the effect of any remedial action on any RCBs in relation to the creation of the relevant merger situation.⁶⁹³ An effective remedy may be disproportionate if, for example, it prevents customers from securing substantial benefits arising from the merger. Insofar as these benefits constitute RCBs, the statutory framework allows us to take them into account.⁶⁹⁴

Framework for assessing RCBs

9.211 RCBs are defined by the Act as benefits to relevant customers⁶⁹⁵ in the form of: (a) 'lower prices, higher quality or greater choice of goods or services in any market in the United Kingdom (whether or not in the market(s) in which the SLC has, or may have, occurred, or may occur); or (b) greater innovation in relation to such goods or services'.⁶⁹⁶ The Act provides that, in relation to a completed merger, a benefit is only an RCB if it has accrued, or may be expected to accrue within a reasonable period, as a result of the merger, and it was, or is, unlikely to accrue without the merger 'or a similar lessening of competition'.⁶⁹⁷

9.212 RCBs that will be foregone due to the implementation of a particular remedy may be considered as costs of that remedy⁶⁹⁸ and may be taken into account in our assessment of the proportionality of a remedy. It is possible that, in unusual circumstances, any effective remedy will result in disproportionate costs that far exceed the scale of the SLC or a disproportionate loss of RCBs. In such circumstances, the CMA will select the effective remedy that minimises the level of costs or loss of RCBs.⁶⁹⁹

9.213 The CMA may modify a remedy to ensure retention of RCBs or it may change its remedy selection. For instance, it may decide to implement an alternative effective

in Mainstream CLS than GXO's Divestiture Remedy Proposal (GXO's Hybrid Remedy Proposal, 31 March 2025, paragraph 83). GXO did not, however, substantiate this claim, noting that the exact scope and tangible benefits to customers remained subject to further exploration. GXO also submitted that the Sponsorship Component would result in RCBs (including benefits in the A&D CLS market) arising more speedily from the more timely implementation of the remedy (GXO's Hybrid Remedy Proposal, 31 March 2025, paragraph 86). However, we note that to the extent RCBs arise from the Merger, there is also scope for them to arise speedily by the CMA granting GXO permission to integrate with the retained Wincanton business, subject to any appropriate safeguards such that it does not undermine the implementation of a divestiture remedy.

⁶⁹³ Sections [35\(5\)](#) and [41\(5\)](#) of the Act; see also [CMA87](#), paragraph 3.15.

⁶⁹⁴ Sections [30](#) and [35\(5\)](#) of the Act.

⁶⁹⁵ For these purposes, relevant customers are direct and indirect customers (including future customers) of the merger parties at any point in the chain of production and distribution; they are therefore not limited to final consumers (section [30\(4\)](#) of the Act; see also [CMA87](#), paragraph 3.18).

⁶⁹⁶ Section [30\(1\)\(a\)](#) of the Act, see also [CMA87](#), paragraph 3.17.

⁶⁹⁷ Section [30\(2\)](#) of the Act, see also [CMA87](#), paragraphs 3.19 and 3.24.

⁶⁹⁸ [CMA87](#), paragraph 3.16.

⁶⁹⁹ [CMA87](#), paragraph 3.53.

remedy which retains RCBs, or in rare cases it may decide that no remedy is appropriate.⁷⁰⁰

- 9.214 The burden of proof of whether RCBs arise from a merger is on the merger parties. The merger parties will be expected to provide convincing evidence regarding the nature and scale of RCBs that they claim to result from the merger and to demonstrate that these fall within the Act's definition of such benefits.⁷⁰¹

GXO's views

- 9.215 In this section, we set out GXO's submissions in respect of RCBs relating to GXO's Divestiture Remedy Proposal.
- 9.216 GXO submitted that GXO's Divestiture Remedy Proposal was a targeted, proportionate and attractive structural remedy that would comprehensively address the SLC and any adverse effects (should the CMA ultimately conclude it could not accept GXO's Hybrid Remedy Proposal).⁷⁰² In addition, GXO submitted that by including only the dedicated warehousing business of Grocery customers, GXO's Divestiture Remedy Proposal would not only definitively solve the SLC finding, but also preserve the benefits arising from the Merger, in terms of increased investment, growth and innovation, in all areas of the Merged Entity where the CMA had not found an SLC.⁷⁰³
- 9.217 GXO's submission covered its claimed RCBs in Aerospace and Defence (**A&D**) CLS and Mainstream CLS:
- (a) **Claimed RCBs in A&D CLS:** GXO submitted that GXO's Divestiture Remedy Proposal would preserve RCBs in the A&D CLS market as the Parties would be able to combine their complementary capabilities in a way that unlocked their ability to compete for a variety of contracts for UK A&D customers.⁷⁰⁴
 - (b) **Claimed RCBs in Mainstream CLS:** GXO submitted that the Merger would also preserve customer benefits in Mainstream CLS (which includes Grocery) as it would allow the Merged Entity to become a more effective and efficient competitor for Mainstream CLS customers through a range of cost savings and other efficiencies, including customer-specific cost savings where customers had open-book arrangements with GXO.⁷⁰⁵ However, GXO submitted that GXO's Divestiture Remedy Proposal would remove

⁷⁰⁰ [CMA87](#), paragraph 3.16.

⁷⁰¹ [CMA87](#), paragraph 3.20.

⁷⁰² GXO's Alternative Remedy Proposal, Phase 2 Remedies Form, 31 March 2025, paragraphs 13 and 32.

⁷⁰³ GXO's Alternative Remedy Proposal, Phase 2 Remedies Form, 31 March 2025, paragraph 34.

⁷⁰⁴ GXO's Updated Alternative Remedy Proposal, 31 March 2025, paragraph 197; and GXO's Hybrid Remedy Proposal, Phase 2 Remedies Form, 31 March 2025, paragraph 83.

⁷⁰⁵ GXO's Updated Alternative Remedy Proposal, 31 March 2025, paragraphs 83 and 198(b); and GXO's Hybrid Remedy Proposal, Phase 2 Remedies Form, 31 March 2025, paragraph 83.

opportunities to realise these benefits where, as a result of the divestment, some complementary GXO and Wincanton operations for the same customer would no longer be brought together (although even after the divestment, several remaining joint Mainstream CLS customers would expect to benefit from the above-mentioned cost savings).⁷⁰⁶

Our assessment of RCBs

- 9.218 RCBs that will be foregone due to the implementation of a particular remedy may be considered as costs of that remedy.
- 9.219 In relation to GXO's claimed RCBs in A&D, we have already identified an effective remedy in the form of the Enhanced Divestiture Remedy, which would not involve the divestiture of any of the Parties' UK A&D business segments. Accordingly, we do not consider it necessary to reach a view on whether the claimed RCBs in A&D CLS are RCBs for the purposes of the Act, as any claimed benefits in relation to A&D will be preserved as they are not affected by the Enhanced Divestiture Remedy.
- 9.220 In relation to GXO's claimed RCBs in Mainstream CLS, we note that these benefits appear to relate solely to cost savings and are expected to arise mostly for shared Wincanton and GXO dedicated warehousing customers. Our guidance makes it clear in this context to qualify as an RCB, the prospective cost reductions must be expected to result in lower prices (or better quality, service, choice or innovation) than if the merger did not take place.⁷⁰⁷ However, questions remain around the nature, scale and timeliness (ie within a reasonable time period) of these claimed RCBs in dedicated warehousing as GXO did not provide details of the scale of these cost-savings, nor when these claimed benefits may be expected to occur. In this regard, we note that GXO has submitted that the exact scope and tangible benefits to Mainstream CLS customers remain subject to further exploration.⁷⁰⁸
- 9.221 Based on the above, in our view, the Parties have not provided convincing evidence regarding the nature and scale of RCBs in relation to dedicated warehousing services, and have not demonstrated that these fall within the Act's definition. In any case, as we have set out above, we consider that a large proportion of any claimed benefits in Mainstream CLS will likely be preserved under the Enhanced Divestiture Remedy,⁷⁰⁹ noting also GXO's submission that

⁷⁰⁶ GXO's Updated Alternative Remedy Proposal, 31 March 2025, paragraph 199.

⁷⁰⁷ [CMA87](#), paragraph 3.22.

⁷⁰⁸ GXO's Hybrid Remedy Proposal, Phase 2 Remedies Form, 31 March 2025, paragraph 83.

⁷⁰⁹ GXO's Updated Alternative Remedy Proposal, 31 March 2025, paragraphs 83 and 198(b); and GXO's Hybrid Remedy Proposal, Phase 2 Remedies Form, 31 March 2025, paragraph 83.

several joint Mainstream CLS customers will still benefit from them under GXO's Divestiture Remedy Proposal.⁷¹⁰

Our conclusions on RCBs

- 9.222 Based on our assessment above, we conclude that there are no RCBs that should be taken into account in our remedy assessment.

Assessment of the least costly effective remedy

- 9.223 In this case, we have identified one effective remedy, in the form of the Enhanced Divestiture Remedy. As such, we are not faced with a choice of equally effective remedies.
- 9.224 We have considered the relevant costs associated with the Enhanced Divestiture Remedy. As set out in paragraph 9.206 above, relevant costs may include distortions in market outcomes; ongoing compliance and monitoring costs; and the loss of RCBs:
- (a) In relation to whether the Enhanced Divestiture Remedy gives rise to distortions in market outcomes, we consider that it does not cause distortions in outcomes due to its targeted scope to address the SLC.⁷¹¹ In relation to ongoing monitoring costs, the Enhanced Divestiture Remedy will not require material ongoing monitoring (limited largely to monitoring compliance with the non-solicitation provision).
 - (b) In paragraph 9.222 above, we concluded that there are no RCBs we should take into account.
- 9.225 As such, we have found that there are no relevant costs we need to take into account in relation to the Enhanced Divestiture Remedy.
- 9.226 We acknowledge that the Parties may incur costs as a result of the Enhanced Divestiture Remedy. However, in accordance with our Merger Remedies Guidance these are not relevant costs and we do not attribute material weight to these costs.⁷¹² Further, we have found no other effective remedy which would give rise to lower relevant costs for the Parties.
- 9.227 Based on the above, we conclude that the Enhanced Divestiture Remedy is the least costly effective remedy.

⁷¹⁰ GXO's Updated Alternative Remedy Proposal, 31 March 2025, paragraph 199.

⁷¹¹ GXO's Updated Alternative Remedy Proposal, 31 March 2025, paragraphs 13 and 32.

⁷¹² [CMA87](#), paragraph 3.8.

Proportionate to the SLC and its adverse effects

- 9.228 We now turn our proportionality assessment to whether the Enhanced Divestiture Remedy would be disproportionate in relation to the SLC and its resulting adverse effects. In doing so, we compare the extent of harm associated with the SLC with the relevant costs of the Enhanced Divestiture Remedy.⁷¹³
- 9.229 As set out in Chapter 6, we have found an SLC in the supply of dedicated warehousing to Grocery customers in the UK. In Chapter 7, we also concluded that entry or expansion would not be timely or sufficient to prevent the SLC from arising and that there are no countervailing factors arising from entry and/or expansion or Merger efficiencies that could offset the effect of the SLC. We have concluded that the SLC will result in adverse effects, eg in the form of higher prices, less choice for Grocery customers or other worsening in the offerings of 3PLs.
- 9.230 We have concluded that the Enhanced Divestiture Remedy is the least costly effective remedy to the SLC and its adverse effects. We have compared the extent of harm associated with the SLC with the relevant costs of the least costly effective remedy. We found there were no relevant costs arising from the Enhanced Divestiture Remedy we need to take into account. We therefore consider that the Enhanced Divestiture Remedy is not a disproportionate remedy to the SLC and its resulting adverse effects.

Our conclusions on proportionality

- 9.231 On the basis of the above assessment, we conclude that the Enhanced Divestiture Remedy is the least costly, effective remedy and is not disproportionate in relation to the SLC and its adverse effects that we have identified.

Implementation considerations

- 9.232 The CMA has the choice of implementing any final remedy decision either by accepting final undertakings if the merger parties wish to offer them, or by making a final order.⁷¹⁴ Either the final undertakings or the final order must be implemented within 12 weeks of publication of the final report (or if extended once, by up to six weeks),⁷¹⁵ including the period for any formal public consultation on the draft undertakings (minimum 15 days) or order (minimum 30 days) as specified in [Schedule 10](#) of the Act.

⁷¹³ [CMA87](#), paragraph 3.6.

⁷¹⁴ [Section 82](#) (final undertakings) and [section 84](#) (final order) of the Act.

⁷¹⁵ [CMA87](#), paragraph 4.68. An extension may be made if the CMA considers there are 'special reasons' for doing so ([section 41A\(2\)](#) of the Act).

9.233 As set out in the Merger Remedies Guidance, the merger parties will generally be prohibited from subsequently purchasing assets or shareholdings sold as part of a divestiture package or acquiring material influence over them. The CMA will normally limit this prohibition to a period of ten years.⁷¹⁶ GXO has also proposed ten years on the prohibition on reacquisition (see paragraph 9.34(b) above). We find no compelling reason to depart from the Merger Remedies Guidance in this case by seeking a shorter or longer prohibition period.

Enforcement

9.234 Under the Act,⁷¹⁷ compliance with a final undertaking or final order may be enforced by civil proceedings brought by the CMA for an injunction or for an interdict or for any other appropriate relief or remedy. The Digital Markets, Competition and Consumers Act 2024 (**DMCCA2024**), expands the enforcement powers available to the CMA in relation to final undertakings and final orders.⁷¹⁸ This includes the ability to impose financial penalties in respect of a failure to comply with a remedy undertaking or order without reasonable excuse. The part of the DMCCA2024 containing these new penalty powers commenced on 1 January 2025.

Decision on remedies

9.235 Based on our assessment above, we conclude that the Enhanced Divestiture Remedy (as described in this chapter) represents an effective and proportionate remedy to the SLC and resulting adverse effects identified in this Final Report.

⁷¹⁶ [CMA87](#), paragraph 5.10.

⁷¹⁷ [Section 94](#) of the Act.

⁷¹⁸ New [sections 94AA](#) and [94AB](#) of the Act introduced by [section 143](#) and [schedule 11, paragraph 11](#) of the DMCCA2024.