APPENDIX A: Shares of supply 1
Introduction 1
Data and methodology 1
Shares of supply estimates 3
APPENDIX B: Bidding analysis 7
Introduction 7
Parties' submissions 7
Overview of the data 7
Data cleaning steps and number of observations 7
Data limitations 9
Results 9
Transport 9
Warehousing 10
APPENDIX C: Self-supply 14
Introduction 14
The prevalence of self-supply and examples of switching from outsourcing to self-supply 15
Parties' submissions on the prevalence of self-supply 15
Our assessment of the evidence on the prevalence of self-supply 15
Parties' submissions on examples of switching to self-supply 16
Our assessment of the examples of switching to self-supply 16
Modelling 18
Considerations regarding the modelling framework 18
The Parties' SSNIP model 19
Our assessment of the Parties' SSNIP model 21
APPENDIX D: Integrated modelling analysis 27
Introduction 27
The Parties' integrated modelling analysis 27
Methodology of the integrated modelling analysis 28
Results of the integrated modelling analysis 30
Our assessment of the Parties' integrated modelling analysis 33
APPENDIX E: Profit margins 39
Introduction 39
Parties' submissions 39
Our assessment 40

APPENDIX A: Shares of supply

Introduction

A.1 This Appendix outlines the methodology and sources of data used to calculate shares of supplies for Mainstream CLS, and each of transport and warehousing individually; all dedicated warehousing to Grocery customers, and each of food and non-foody dedicated warehousing individually. The analysis draws on data provided by the Parties and competitors.

A.2 In response to our initial Section 109 Notice, the Parties provided market share estimates for the supply of Mainstream CLS as a whole, covering the period 2020-2024 (see Table A.1 below). The Parties told us that over the past five years their combined share in the supply of Mainstream CLS was relatively low at between [10-20]% and [20-30]% with an increment of [5-10]% to [5-10]%.[1] They submitted that these figures are conservative as they do not reflect the competitive pressure exerted by self-supply,[2] which they estimate represents between [50-60]% and [50-60]% of Mainstream CLS over the same time period.

Table A.1: Parties' share of supply estimates by value for Mainstream CLS (2020-2024)

(%)

	2020	*2021*	*2022*	*2023*	*2024*
Wincanton	[5-10]	[5-10]	[5-10]	[5-10]	[5-10]
GXO	[5-10]	[5-10]	[10-20]	[10-20]	[10-20]
Combined	**[10-20]**	**[10-20]**	**[20-30]**	**[20-30]**	**[20-30]**
Other 3PLs	[80-90]	[80-90]	[70-80]	[70-80]	[70-80]

Source: Parties' submission (GXO's response to the CMA's s109 notice 1 dated 27 November 2024, question 2.).

A.3 As explained in Chapter 5, we have defined distinct markets for each of transport, shared warehousing, and dedicated warehousing. Below, we provide evidence on the data and methodology that we have used to calculate shares of supply for each of transport and warehousing, all warehousing for Grocery customers, and food-only dedicated warehousing.

Data and methodology

A.4 The Parties provided revenues for each of Retail and Non-Retail CLS services in 2023,[3] further split by transport and warehousing services.[4]

[1] GXO's response to the CMA's s109 notice 1 dated 27 November 2024, question 2.
[2] GXO's response to the CMA's s109 notice 1 dated 27 November 2024, question 2.
[3] GXO's response to the CMA's s109 notice 1 dated 27 November 2024, question 4; and Wincanton' response to the CMA's s109 notice 1 dated 27 November 2024, Annex 2.1.
[4] GXO data recorded [10-20]% and [0-5]% of revenue as from ancillary services in retail and non-retail respectively in 2023. For the purpose calculating warehousing and transport revenues, this has been divided evenly between both.

A.5 The CMA additionally obtained Mainstream CLS, Retail and Non-Retail CLS revenues data for 2023 from nine CLS suppliers.[5] As third parties did not provide a split between transport and warehousing, we have taken the following steps:

(a) Two competitors ([✂] and [✂]) provided data on the transport, warehousing and combined tenders above £10 million in annual value that they won between January 2020 and November 2024.[6] Based on this data, we calculated approximate revenue splits for each of Retail and Non-Retail CLS, and transport and warehousing services.

(b) For other third parties, Retail/Non-Retail and transport/warehousing allocations were applied, based on an average of the splits in the data provided by the Parties and the estimates calculated for [✂] and [✂]. These approximate revenue splits are shown in Table A.2 below.

A.6 The Parties provided estimates for the total market size for each of Mainstream, Retail and Non-Retail CLS in the UK. Estimates for the total market size for transport and warehousing were calculated based on the approach in paragraph A.5(b) above. The revenue splits that we have used are provided in the table below.

Table A.2: Estimated revenue splits for transport and warehousing

(%)

	Transport	*Warehousing*
All Mainstream CLS	[50-60]	[40-50]
Retail	[40-50]	[50-60]
Non-retail	[50-60]	[40-50]

Source: CMA estimates based on information provided by the Parties and third parties.

A.7 Due to data limitations, specific shares for many suppliers could not be individually estimated and have been grouped under 'Others'. The Parties' estimates indicate that Menzies, Turners (Soham), DX Group, and Maritime Transport may have a larger share than some of the suppliers listed in Table A.3 and Table A.4 below. However, the evidence we have gathered from third parties does not indicate that these suppliers are strong competitors in the supply of CLS. Turners was the only one of these suppliers identified by a customer as a credible alternative to either GXO or Wincanton (in response to the phase 1 questionnaire).[7] Therefore, we consider that these shares reflect the relative size of the suppliers that are the most credible competitive constraints on the Parties.

[5] Third party responses to the CMA questionnaire dated 5 September 2024, question 4. GXO's response to the CMA's s109 notice 1 dated 27 November 2024, question 3; and Wincanton' response to the CMA's s109 notice 1 dated 27 November 2024, Annex 2.1.
[6] Third party responses to the CMA's RFI dated 3 February 2025, question 1.
[7] Third party response to the CMA questionnaire dated 5 September 2024.

A.8 To calculate shares of supply for dedicated warehousing services to Grocery customers, the CMA obtained dedicated warehousing revenue information from all 3PLs currently active in this segment, namely the Parties and DHL.[8]

(a) Wincanton provided their revenue information for their FY 2024 for dedicated food warehousing by customers and currently service no non-food dedicated warehousing contracts for Grocery customers.[9]

(b) GXO provided their revenue information for their FY 2024 for dedicated food warehousing and non-food dedicated warehousing by Grocery customer.[10]

(c) DHL provided current contract information for all dedicated and shared warehousing sites for grocers.[11] For contracts covering multiple warehousing sites (including both shared and dedicated services) revenues were allocated evenly across all sites.

A.9 We note that the GXO and Wincanton's financial years cover different periods, and that during 2024 [✂] sites for Sainsbury's were transferred from GXO to Wincanton. As such, we have followed the Parties methodology for estimating revenues for the Merged Entity and removed revenues from the transferred sites from Wincanton's estimates for consistency.[12]

Shares of supply estimates

A.10 Our share of supply estimates for each of transport and warehousing are provided in Table A.3 and Table A.4 below. Shares of supply estimates for all dedicated warehousing to Grocery customers, and food-only dedicated warehousing are provided in Table A.5 and Table A.6.

A.11 Table A.3 shows that:

(a) Culina has the largest share of supply for transport CLS, followed by DHL.

(b) The Parties both have a higher share in the Retail segment than in the Non-Retail segment.

[8] We note that information provided by the Parties indicates that other 3PLs currently operate three dedicated warehouses: one by [✂] for [✂], one by [✂] for [✂], and one by [✂] for [✂] (Parties' response to the CMA's RFI of 30 May 2025, 3 June 2025, Annex 003). We understand that all these sites are either shared, or no longer in use. Specifically, [✂]; [✂] does not currently use any dedicated warehousing services provided by [✂]; and [✂] confirmed the site operated by [✂] is shared (Third party call note; and Third party response to the CMA's RFI dated 13 May 2025).
[9] GXO's Alternative Remedy Proposal, 5 March 2025, Annex ARP.001; and Parties' response to the CMA's RFI of 30 May 2025, 3 June 2025, Annex 003.
[10] GXO's response to the CMA's RFI of 16 April 2025, 17 April 2025, Question 1.
[11] Third party response to the CMA's s109 notice dated 5 March 2025, DHL, question 1.
[12] Parties' second post-MPH submission, 8 April 2025, Table 2 and footnote 7.

(c) Several other suppliers, including Culina, DHL, Unipart and XPO have higher shares than the Parties in the Non-Retail segment.

Table A.3: Transport shares of supply in 2023

(%)

Supplier	*All mainstream CLS*	*Retail*	*Non-Retail*
GXO	[5-10]	[10-20]	[5-10]
Wincanton	[5-10]	[10-20]	[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.

A.12 Table A.4 shows that:

(a) The Merger combines two of the largest suppliers of warehousing CLS in the UK, with the Merged Entity becoming the largest supplier.

(b) Both Parties have a larger share in the Retail segment than in Non-Retail, and the Merged Entity would be considerably larger than any other supplier in this segment.

(c) DHL holds the largest share in Non-Retail warehousing. GXO, Unipart and XPO all hold similar shares, and Wincanton has a slightly lower share than each of these suppliers.

A.13 While these estimates do not distinguish between shared and dedicated warehousing, we consider that the Parties would likely hold similar or higher shares in dedicated warehousing, as contract values are generally larger for dedicated warehousing and third party information indicates that a smaller set of suppliers are considered credible for dedicated warehousing operations (see chapter 6 of the Final Report).

Table A.4: Warehousing (shared and dedicated) shares of supply in 2023

(%)

Supplier	*All mainstream CLS*	*Retail*	*Non-Retail*
GXO	[10-20]	[20-30]	[10-20]
Wincanton	[5-10]	[5-10]	[5-10]
Parties combined	**[20-30]**	**[30-40]**	**[20-30]**
DHL	[20-30]	[10-20]	[30-40]
CEVA	[0-5]	[0-5]	[0-5]
Culina	[5-10]	[10-20]	[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.

A.14 Table A.5 shows that:

(a) Aside from the Parties, DHL is the only other 3PL that currently provides dedicated warehousing services for Grocery customers.

(b) GXO holds a significantly higher share of dedicated warehousing services to Grocers than both DHL and Wincanton.

(c) The Merged Entity would have [70-80]% share of all outsourced dedicated warehousing for Grocery customers by value (with a [10-20]% increment).

Table A.5: Shares of supply for all dedicated warehousing to Grocery customers (2024)

	Totals		*Shares (%)*	
Supplier	*Value (£m)*	*Number of sites*	*By value*	*By number of sites*
GXO	[✂]	[✂]	[60-70]	[50-60]
Wincanton	[✂]	[✂]	[10-20]	[10-20]
Parties Combined	[✂]	[✂]	**[70-80]**	**[60-70]**
DHL	[✂]	[✂]	[20-30]	[30-40]
Total	**[✂]**	**[✂]**	**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.

A.15 Table A.6 shows that:

(a) The Merged Entity would have a [90-100]% share of all outsourced dedicated food warehousing for Grocery customers by value (with a [10-20]% increment).

(b) GXO holds a significantly higher share of dedicated food warehousing services to Grocers than both DHL and Wincanton.

(c) DHL holds a lower share of dedicated food warehousing than both Parties by value at [5-10]%, and [✂] operates [✂] food dedicated warehouses ([✂]).[13] We consider that this is consistent with evidence received from third parties indicating DHL may be weaker in Grocery food dedicated warehousing (see paragraphs 6.61 to 6.64).

Table A.6: Shares of supply for food dedicated warehousing to Grocery customers (2024)

	Totals		*Shares (%)*	
Supplier	*Value (£m)*	*Number of sites*	*By value*	*By number of sites*
GXO	[✂]	[✂]	[70-80]	[60-70]
Wincanton	[✂]	[✂]	[10-20]	[20-30]
Parties Combined	[✂]	[✂]	**[90-100]**	**[80-90]**
DHL	[✂]	[✂]	[5-10]	[10-20]
Total	**[✂]**	**[✂]**	**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.

A.16 Table A.7 shows that:

(a) Non-food dedicated warehousing to Grocery customers is highly concentrated. There are currently only two firms present, GXO and DHL. We note that although Wincanton does not currently provide non-food dedicated warehousing to Grocery customers, we understand that Wincanton is still considered as a relevant competitor (see paragraph 6.67).

Table A.7: Shares of supply for non-food dedicated warehousing to Grocery customers (2024)

	Totals		*Shares (%)*	
Supplier	*Value (£m)*	*Number of sites*	*By value*	*By number of sites*
GXO	[✂]	[✂]	[30-40]	[30-40]
Wincanton	[✂]	[✂]	[0-5]	[0-5]
Parties Combined	[✂]	[✂]	**[30-40]**	**[30-40]**
DHL	[✂]	[✂]	[60-70]	[60-70]
Total	**[✂]**	**[✂]**	**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.
Note: Excludes RRUs.

[13] Third party response to the CMA's s109 notice dated 5 March 2025, DHL, question 1. DHL stated that [✂]. It operates [✂]. It would be [✂]. It said that [✂] (Third party call note, DHL).

APPENDIX B: Bidding analysis

Introduction

B.1 In this Appendix we discuss the analysis that we have undertaken on the bidding data submitted by the Parties. It sets out:

(a) The Parties' submissions on the bidding analysis and conclusions.

(b) An overview of the dataset, including the steps we have taken to clean the data and some limitations with it.

(c) The key results of our analysis of the data, for each of transport and warehousing.

Parties' submissions

B.2 At phase 1, the Parties submitted bidding data based on the CLS opportunities that each of GXO and Wincanton had participated in between 2019 and 2023.[14] The Parties also undertook a matching exercise to provide a list of overlapping opportunities that both Parties had bid for.[15]

B.3 The Parties submitted that their analysis of the bidding data shows that (i) there have been few instances of customers switching from GXO to Wincanton or vice versa in the last five years, (ii) GXO and Wincanton have overlapped in only a small proportion of CLS tenders, and (iii) the bidding data is consistent with what would be expected given the Parties' estimates of the respective shares of supply (ie the Parties are not uniquely close competitors).[16]

Overview of the data

Data cleaning steps and number of observations

B.4 During our phase 2 investigation, we asked the Parties to submit a revised bidding dataset, restricted to tenders with an annual value greater than £10 million, and extended to cover the period up to November 2024.[17] We have used this revised dataset for our analysis below (and in the main body of the Final Report).

[14] FMN, 5 September 2024, Annex 027 and Annex 028.
[15] FMN, 5 September 2024, Annex 051.
[16] FMN, 5 September 2024, paragraphs 560-575.
[17] GXO's response to the CMA's s109 notice 2 dated 13 December 2024, question 1; and Wincanton's response to the CMA's s109 notice 2 dated 13 December 2024, question 1.

B.5 The dataset provided by the Parties in phase 2 includes all losses, new business wins, and open opportunities or tenders across January 2020 to November 2024. The data set submitted is based on Parties' respective customer relationship management (**CRM**) systems which are updated in the ordinary course of business. It includes fields for the customer's name; whether the customer is in the Retail or Non-Retail segment; whether an opportunity was for warehousing, transport, or both; and, where known, the stage in the procurement process the Parties progressed to.

B.6 We used the Parties' matching rules as previously applied in phase 1 to identify overlapping tenders between the Parties,[18] supplemented by an updated exercise completed by the Parties.[19] We also supplemented the dataset with information obtained from seven competitors on the tenders in which they successfully participated (ie which they won) over the period.[20]

B.7 In the dataset provided by the Parties there are a total of 100 tenders for GXO, and 64 for Wincanton.[21] We took the following steps to clean the dataset:

(a) We removed all cancelled tenders.

(b) We excluded losses to self-supply where the customer was already self-supplying.[22]

(c) We removed open tenders (ie no loss recorded yet).

B.8 As a result of these steps, our final dataset consists of the following number of tenders:

(a) GXO: 82 tenders in total, of which [✂] were transport and [✂] were warehousing, and [✂] were a combination of both.

---

[18] Parties' Internal Document. As there are no unique identifiers that allow specific opportunities to be easily matched between the Parties' bidding datasets, matches were identified with reference to the customer's name, the contract close date, and the annual contract value using a combination of quantitative matching methods and manual review. In doing so, the CMA notes that the Parties identified several overlapping opportunities that were not previously included in each opportunities' dataset. These are opportunities that are recorded in each dataset as lost to the other Party, but which were not included in the other Parties' opportunities dataset.
[19] Frontier Economics combined data sets from previous submissions and removed some non-retail opportunities (Frontier Economics, Explanatory note on opportunities data and 'Tender data submission pack', 14 January 2025, Annex).
[20] We attempted to use the third-party data to update instances with a 'Not known' winner to a named competitor. We were only able to successfully do this in two instances. In the Table B.4 and Table B.5, where we analyse wins (as opposed to *losses* from each of GXO and Wincanton), we have also incorporated some additional data from [✂] and [✂] (see notes under the tables).
[21] CMA analysis of the Parties' responses to the CMA's s109 notice 2 dated 13 December 2024, question 1.
[22] This excludes [✂] and [✂] opportunities in GXO and Wincanton's data respectively. We consider that these opportunities may not reflect genuine competitive losses to self-supply and may instead be the result of customers' requirements changing (as referenced in the project close summary of two of these opportunities), or customers undertaking benchmarking exercises.

(b) Wincanton: 60 tenders in total, of which [✂] were transport, [✂] were warehousing, [✂] were a combination of both, and [✂] included neither service.[23]

Data limitations

B.9 The CMA has interpreted this data with caution as information on a bid's duration and value are estimated by the Parties. Competitors won from and lost to also represent the Parties' 'best guess', meaning the analysis may underrepresent the presence of individual alternative suppliers (or the extent of losses to self-supply). We have corrected this where possible using data from third parties, but there remain several instances in which the winner is unknown.

B.10 It is also possible that some matches may be missing. For example, if a bid has a value of £10 million in one parties' data and just less than £10 million in the other. Analysis conducted by the CMA has corrected for this up to the end of 2023 using the matches identified during phase 1,[24] but additional matches may still be present in the 2024 data.

Results

B.11 We present our analysis of the data below for each of transport and warehousing. In our analysis of the data, we have focussed on the extent to which different 3PLs successfully compete for tenders. We have focussed on losses and wins rather than *overlaps*, as we understand that the dataset is limited in its coverage of third-party participation in tenders, whereas we have more confidence in the information on the winner of each tender, particularly as we have been able to incorporate information from several third-party suppliers.

Transport

B.12 In Table B.1 we analyse the extent to which third party suppliers have successfully competed against the Parties in transport tenders over the period. We have not presented separate tables for each of Retail and Non-Retail in transport due to low sample sizes (particularly for Non-Retail).

B.13 The results in Table B.1 show that 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.

---

[23] Of these opportunities, two were for the [✂] and one for [✂], and all included [✂]. In addition, one Wincanton opportunity for '[✂]' was listed as neither transport nor warehousing, but was relabelled as a combined contract based on the recorded tender name.
[24] Parties' Internal Document.

Table B.1: All transport only losses by total value – All customers (Retail & Non-Retail)

	GXO		*Wincanton*	
Supplier	*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	**[✂]**	**100**	**[✂]**	**100**

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, question 1.
Notes: All other suppliers, where named in the dataset, are included in the category 'Other' and have a total value loss of less than [0-10]%. 'Other' includes one GXO loss to 'Mixed - fragmented across multiple customer-selected subcontractors'. Total value of contracts calculated using the annual value multiplied by the contract duration. Where there was no value recorded for the duration, the annual value was used. Opportunities with multiple winners were accounted for by including the opportunity as a loss to each supplier and splitting the total value among them. On a cautious basis, opportunities listed as lost to XPO before 6 August 2021 were reallocated to GXO. This table includes transport only opportunities and does not include combined warehousing and transport opportunities.

Warehousing

B.14 Table B.2 presents results on the winners of warehousing contracts for Retail customers. The results show that GXO lost tenders to several suppliers, with the highest value of losses being to DHL. Wincanton's losses were primarily to GXO, particularly when weighted by contract value.

B.15 We interpret the GXO results with some caution, as we note that GXO's tender data does not include a loss to Wincanton for the 2023 [✂] tender. We understand that this customer ran a single tender, and awarded separate parts of the contract to each of GXO, Wincanton and DHL. Given that Wincanton won a large proportion of this contract (which might otherwise have been awarded to GXO), we consider that there was competitive interaction between the Parties in this tender and GXO effectively 'lost' part of this tender to Wincanton.

Table B.2: Warehousing only losses by total value – Retail only

	GXO		*Wincanton*	
Supplier	*Count of lost opportunities*	*% of total value of opportunities lost*	*Count of lost opportunities*	*% of total value of opportunities lost*
GXO			[0-10]	[70-80]
Wincanton	[0-10]	[0-10]		
DHL	[0-10]	[20-30]	[0-10]	[10-20]
Culina	[0-10]	[10-20]	[0-10]	[10-20]
Bleckmann	[0-10]	[0-10]	0	0
Europool	[0-10]	[0-10]	0	0
Noatum	[0-10]	[0-10]	0	0
Yusen	[0-10]	[0-10]	0	0
Other	[0-10]	[0-10]	0	0
Not known	[0-10]	[10-20]	0	0
Self-supply	[0-10]	[10-20]	0	0
Total	**[✂]**	**100**	**[✂]**	**100**

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, question 1.
Notes: All other suppliers, where named in the dataset, are included in the category 'Other' and have a total value loss of less than [0-10]%. Total value of contracts calculated using the annual value multiplied by the contract duration. Where there was no value recorded for the duration, the annual value was used. Opportunities with multiple winners were accounted for by including the opportunity as a loss to each supplier and splitting the total value among them. On a cautious basis, opportunities listed as lost to XPO before 6 August 2021 were reallocated to GXO.

B.16 Table B.3 presents results on the winners of warehousing contracts for Non-Retail customers.

Table B.3: Warehousing only losses by total value – Non-Retail only

	GXO		*Wincanton*	
Supplier	*Count of lost opportunities*	*% of total value of opportunities lost*	*Count of lost opportunities*	*% of total value of opportunities lost*
GXO			0	
Wincanton	0			
DHL	[0-10]	[70-80]	[0-10]	[70-80]%
CEVA	[0-10]	[30-40]	0	
Howard Tenans	0		[0-10]	[20-30]%
Other	0		0	
Not known	0		0	
Self-supply	0		0	
Total	**[✂]**	**100**	**[✂]**	**100**

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, question 1.
Notes: Total value of contracts calculated using the annual value multiplied by the contract duration. Where there was no value recorded for the duration, the annual value was used. Opportunities with multiple winners were accounted for by including the opportunity as a loss to each supplier and splitting the total value among them. On a cautious basis, opportunities listed as lost to XPO before 6 August 2021 were reallocated to GXO.

B.17 The Parties' bidding data does not systematically distinguish between shared and dedicated warehousing. In Table B.4 we have therefore looked at the winner of tenders across different contract size ranges, as a proxy for whether the warehousing is shared or dedicated (as stated in the Final Report, we understand that contracts above £20 million per year would typically be for dedicated

warehousing services).[25] For contracts under £10 million we have incorporated evidence from phase 1.[26]

B.18 The table shows a greater number of 3PLs supplying contracts with a smaller value, including many suppliers for contracts under £10 million. As the size of the contracts increase, the number of winners generally falls. Where the contracts are worth more than £30 million only the Parties, DHL and Culina have won and where the contracts are over £40 million, only the Parties and DHL have won.

Table B.4: Warehousing or combined tenders won, Retail only, 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]	[0-10]	[0-10]	0	[0-10]	[0-10]
Wincanton	[10-20]	[0-10]	0	[0-10]	0	[0-10]
DHL	[0-10]	[0-10]	[0-10]	[0-10]	[0-10]	[0-10]
Culina	[0-10]	0	[0-10]	[0-10]	0	0
Arvato	[0-10]	0	0	[0-10]	0	0
Geodis	[0-10]	0	[0-10]	0	0	0
ID Logistics	[0-10]	[0-10]	0	0	0	0
Other [15 suppliers]	[10-20]	[0-10]	[0-10]	0	0	0
Self-supply	[0-10]	[0-10]	[0-10]	0	0	0
Not known	[20-30]	[0-10]	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, 5 September 2024, Annex 027 and Annex 028; and third-party responses to the CMA's RFI dated 3 February 2025, questions 1 and 2.
Notes: Includes all new retail warehousing or combined transport and warehousing opportunities won by GXO, Wincanton, [✂] and [✂]; 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 wining a maximum of two opportunities in the Parties combined data are recorded in 'Other'. Where multiple opportunities were won by [✂] for the same customer on the same win date, they have been consolidated into a single entry, combining their annual values.

B.19 Table B.5 presents a breakdown of Retail warehousing and combined opportunities won by grocery and non-grocery customers. It shows that only GXO, Wincanton, DHL and Culina have won large Grocery contracts. We understand that Culina's only win for Grocery customers was for shared warehousing services provided to Aldi.[27] The table also shows a wider range of 3PLs have won tenders for non-Grocery Retail customers.

[25] Warehousing tenders in this data were identified based on the 'Tendername' and 'Comment' data fields. As a result, some warehousing or combined contracts with a value under £10 million may be missing from this summary. This data covers the period between 2019-2023.
[26] FMN, 5 September 2024, Annex 027 and Annex 028.
[27] Third party response to the CMA's RFI dated 3 February 2025; Ecommerce platform - iForce supports Aldi during launch, 22 January 2016, last accessed by the CMA on 10 June 2025; and Aldi extends its partnership with iForce - iForce Group, 14 June 2019, last accessed by the CMA on 10 June 2025.

Table B.5: Retail warehousing and combined opportunities won for groceries and non-groceries 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]	[0-10]	[10-20]	[0-10]	[0-10]	[0-10]
Wincanton	[0-10]	[0-10]	[0-10]	[0-10]	[0-10]	0
DHL	[0-10]	[0-10]	[0-10]	[0-10]	[0-10]	[0-10]
Culina	[0-10]	[0-10]	[0-10]	[0-10]	[0-10]	[0-10]
Arvato	[0-10]	0	[0-10]	[0-10]	0	[0-10]
Geodis	[0-10]	0	[0-10]	[0-10]	0	[0-10]
Panther	[0-10]	0	[0-10]	[0-10]	0	[0-10]
Other	[0-10]	[0-10]	[0-10]	0	0	0
Not known	[0-10]	0	[0-10]	0	0	0
Self-supply	[0-10]	0	[0-10]	[0-10]	0	[0-10]

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, questions 1 and 2.
Notes: Includes all new retail warehousing or combined transport and warehousing opportunities won by GXO, Wincanton, [✂] and [✂]; 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 [✂] suppliers included in 'Other' each won [✂] opportunity. Where multiple opportunities were won by [✂] for the same customer on the same win date, they have been consolidated into a single entry, combining their annual values.

APPENDIX C: Self-supply

Introduction

C.1 This Appendix provides further analysis of the evidence we have received regarding self-supply, including an assessment of the Parties' submissions.

C.2 The Parties submitted that self-supply is a credible option for a range of customers, in particular for Grocers and other large Retail customers.[28]

C.3 The Parties supported this submission with evidence that: (i) large Retail customers already self-supply and there are many examples of switching from outsourced dedicated warehouses to self-supply; and (ii) if there were any adverse impacts of the Merger, then customers would have an incentive to switch to self-supply, as shown by the Parties' SSNIP analysis (the 'SSNIP model'). We consider each of these in turn in this Appendix.

C.4 The Parties have also submitted that the Parties achieve low margins on contracts with Grocers and other large Retail customers who are particularly well-placed to self-supply their logistics requirements if they so choose and that this is evidence of the additional competitive threat to 3PLs from self-supply.[29] We address the margin analysis in detail in Appendix E.

C.5 The Parties have also submitted analysis to assess whether the Merged Entity would have an incentive to increase prices to Grocery customers considering the combined competitive constraint of self-supply, DHL and entry and expansion.[30] We address this modelling analysis in Appendix D.

C.6 This Appendix is structured as follows:

(a) The prevalence of self-supply and examples of switching from outsourcing to self-supply:

(i) Parties' submissions on the prevalence of self-supply.

(ii) Our assessment of the prevalence of self-supply.

(iii) Parties' submissions on examples of switching to self-supply.

(iv) Our assessment of examples of switching to self-supply.

---

[28] Parties' response to the Phase 1 Decision, 2 December 2024, paragraph 1.10(f); and Parties' post-ISM proactive submission to the CMA, 5 January 2025, paragraph 1.5(a).
[29] Parties' response to the Phase 1 Decision, 2 December 2024, paragraph 7.21.
[30] Parties' response to the CMA's Interim Report, 12 March 2025, paragraphs 48-51.

(b) Modelling:

(i) Considerations regarding the modelling framework.

(ii) The Parties' SSNIP model.

(iii) Our assessment of the Parties' SSNIP model.

The prevalence of self-supply and examples of switching from outsourcing to self-supply

Parties' submissions on the prevalence of self-supply

C.7 The Parties submitted that customers self-supply a significant proportion of their logistics operations and larger customers may be better placed to self-supply.[31] The Parties provided evidence which shows that [10-20] of GXO's top 20 Retail customers self-supply at least [✂] of their dedicated warehouses,[32] and [10-20] of Wincanton's top 20 Retail customers self-supply at least one of their dedicated warehouses.[33]

Figure C.1: Logistics arrangements of GXO's top 20 Retail customers (warehouses only)

[✂]

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

Figure C.2: Logistics arrangements of Wincanton's top 20 Retail customers (warehouses only)

[✂]

Source: Parties', Issues Letter Response, 10 October 2024, Annex 005.01 (Annex E).

Our assessment of the evidence on the prevalence of self-supply

C.8 We consider that the Parties' evidence on the prevalence of self-supply shows that most of the Parties' largest Retail customers self-supply at least some of their warehousing, and this was confirmed by our third-party calls.

C.9 However, some customers indicated that their current self-supply and outsourcing mix reflects a combination of strategic, legacy and financial considerations.[34] We

[31] Frontier Economics, The competitive threat posed by insourcing and mixed sourcing – an updated submission prepared for the CMA, 14 January 2025, paragraph 4.
[32] Frontier Economics, The competitive threat posed by insourcing and mixed sourcing – an updated submission prepared for the CMA, 14 January 2025, Annex A.
[33] Issues Letter Response, 10 October 2024, Annex 005.01 (Annex E).
[34] A Grocery customer told us its decision over whether to self-supply or outsource is both a strategic and financial choice. Legacy also plays a role since the customer is used to opening its own depots and running it efficiently (Third party call note. Another Grocery customer told us that many of its warehouses are [✂] (Third party call note).

consider that most large Retail customers are able to self-supply at least some of their operations, but this does not directly address whether they have an incentive to self-supply, and ultimately whether self-supply poses a competitive constraint sufficient to remove any degradation in price and/or quality as a result of the Merger.

Parties' submissions on examples of switching to self-supply

C.10 The Parties also provided [✂] examples of switching from 3PLs to self-supply for the period 2010 to 2025.[35]

Our assessment of the examples of switching to self-supply

C.11 The evidence provided by the Parties shows that [✂] switches were for Retail customers, of which:

(a) [✂] (of [✂]) were for Retail customers where the Parties were the incumbent.

(i) [✂] (of [✂]) were for Retail customers where the Parties were the incumbent with a known contract value of £10 million or higher:[36]

(1) [✂] (of [✂]) were for Grocery customers where the Parties were the incumbent with known contract value of £10 million or higher: [✂] (2017) and [✂] (2019).[37]

(2) [✂] (of [✂]) were for non-Grocery Retail customers where the Parties were the incumbent with known contract value of £10 million or higher: [✂] (2023), [✂] (2023), [✂] (2023), [✂] (2023), [✂] (2022), [✂] (2021), [✂] (2020), [✂] (2020) and [✂] (2018).

(b) [✂] (of [✂]) were for Retail customers where the incumbent was a 3PL other than the Parties (including unknown incumbent). Five of these were for Grocery customers: [✂] (2021, DHL incumbent), [✂] (2021, EV Cargo), [✂] (2020, DHL), [✂] (2017, DHL) and [✂] (approx. ten years ago, unknown incumbent).

C.12 This evidence provided by the Parties suggests that some Grocers can and do switch from outsourcing to self-supply. However, the evidence provided by the

[35] Parties' post-ISM proactive submission, dated 5 January 2025, Annex 004.6.
[36] We understand that contracts below £10 million per year are likely to be for shared warehousing, contracts above £20 million per year are likely to be for dedicated warehousing, and that there may be some overlap within the £10-20 million range. Therefore, on a conservative basis, we exclude contracts with less than £10 million annual revenue.
[37] There were also [✂] Grocery customers where the Parties were the incumbent with unknown contract value.

Parties shows that, where the Parties were the incumbent with a known contract of £10 million or higher, there are no recent examples (in the last three years) of switches from outsourcing to self-supply for Grocery customers.[38] Furthermore, we understand that [✂] the Grocers that currently outsource ([✂] out of [✂]) do not have any examples bringing outsourced sites (with a known contract value of £10 million or higher) inhouse since 2015, such as: [✂].[39,40]

C.13 As regards the two older Grocery switches from the Parties to self-supply, we understand that at least one was due to broader strategic considerations. One of the customers told us that it [✂]. [✂].[41] We also note that the [✂] example from 2019 (for just £[✂] million per year, [✂]) was due to the customer [✂].[42]

C.14 As regards the Grocery switches from other 3PLs to self-supply, [✂] insourced its primary network logistics services, when its then-incumbent supplier, [✂], went into administration in [✂].[43] However, [✂] confirmed that it insourced a Grocery food dedicated warehouse [✂] in [✂] because of underperformance by [✂].[44] [✂].[45]

C.15 Of the non-Grocery examples provided by the Parties, we recognise that there are some instances in which the customer decided to self-supply despite a proposed solution from GXO (such as [✂]). However, several of the examples appear to reflect strategic decisions (eg [✂]). We have not so far received evidence from customers of recent examples in which a like-for-like decision was taken to switch to self-supply. This is consistent with evidence provided by a competitor, which stated that once a customer has outsourced they were generally unlikely to re-self-supply, although possible reasons to do so include (i) the customer acquiring another company and the Merged Entity having a preference for self-supply, (ii) a supply chain failure when outsourcing, and (iii) a strategic or political rationale.[46] The competitor also separately stated that the only example it can think of where a customer switched from using a 3PL provider to self-supply was M&S, although this was done through the acquisition of Gist, rather than actively bringing the activity in-house.[47]

[38] Parties' post-ISM proactive submission, dated 5 January 2025, Annex 004.6.
[39] Third party call note; and Third party responses to the CMA's RFI dated 24 March 2025 and 25 March 2025. Our analysis is based on Parties' post-ISM proactive submission, dated 5 January 2025, Annex 004.6.
[40] Our analysis is based on Parties' post-ISM proactive submission, dated 5 January 2025, Annex 004.6.
[41] Third party call note.
[42] Parties' post-ISM proactive submission, dated 5 January 2025, Annex 004.6.
[43] Third party response to the CMA's RFI dated 26 March 2025
[44] Third party response to the CMA's RFI dated 24 March 2025.
[45] Third party response to the CMA's RFI dated 25 March 2025.
[46] Third party call note.
[47] Third party response to the CMA questionnaire dated 5 September 2024, question 10.

Modelling

Considerations regarding the modelling framework

C.16 The modelling in this section captures a customer's financial considerations in any decision to self-supply, but does not capture other, strategic considerations, which some customers have told us are important to them. We do not consider that all of these other considerations can be readily quantified or modelled, but have taken them into account in our overall assessment of the strength of the constraint imposed by self-supply.

C.17 These considerations are discussed further in the Final Report and include: (i) innovation and best practice; (ii) expertise in introducing and implementing changes; (iii) risk allocation; (iv) delegation and flexibility; and (v) other benefits (such as allowing the customer to focus on its core business, labour considerations and additional funding options.

C.18 The Parties submitted that the model captures all relevant benefits because (i) innovation and best practice is captured by the efficiencies a customer may forgo if they self-supply, and (ii) delegation and flexibility is captured by the incremental cost of hiring additional senior staff. The Parties submit that the level of risk in the Grocery segment is limited due to the open book nature of contracts but has been captured, where necessary, by including the underwrite in the analysis. The Parties submit labour issues and other benefits cited in the Interim Report are immaterial and do not fundamentally affect the trade-off between cost savings a 3PL can achieve and the 3PL management fee that Grocers consider.[48]

C.19 These considerations are typically customer-specific (in terms of the weight attached to each of them), although in general, customers told us that the benefits of outsourcing are more difficult to replicate for new warehouses or when implementing change, and self-supply is a better substitute for mature operations.

C.20 The existence of these other considerations appears to be supported by the data the Parties submitted for GXO's top 13 customers which shows that several customers ([✂])[49] have a customer share of gainshare that is either: (i) zero; or (ii) less than the incremental ongoing operational costs from senior management hires. This suggests that gainshare relates to only a subset of customer benefits from outsourcing, and that there are other benefits that are not (and potentially cannot be) captured by the model. Otherwise, the model suggests that these customers ([✂]) do not have the incentive to outsource (ie because the data for

[48] Parties' response to the CMA's Interim Report, 12 March 2025, paragraph 225.
[49] We note that, when combining data for both Parties, the same applies to [✂]. Frontier Economics, Modelling Analysis – Response to the CMA questions, 28 March 2025, Annex B.

these customers suggests that the current net benefit of self-supply is greater than the current net benefit of outsourcing). This suggests that the modelling does not fully capture the factors which customers take into account when deciding whether or not to insource.

The Parties' SSNIP model

C.21 The Parties submitted that there are no material switching costs for customers to switch from an incumbent 3PL to self-supply.[50] In response to the Phase 1 Issues Letter, the Parties submitted an analysis to examine whether it would be cost effective for GXO's largest 20 Retail customers to self-supply in response to a SSNIP from 3PLs ('the SSNIP model').[51]

C.22 We have engaged with the Parties regarding their SSNIP model, and the Parties have submitted additional iterations of the model in response to our comments. There were three iterations of the SSNIP model:

(a) First submission (dated 10 October 2024): 5% price increase versus the cost of moving operations in-house for GXO's largest 20 Retail customers.[52]

(b) Second submission (dated 5 January 2025): Assessment of incentives to self-supply to avoid a SSNIP, factoring in potential foregone efficiency savings (for largest ten GXO Retail customers).[53]

(c) Third submission (dated 14 January 2025): Assessment of incentives to self-supply to avoid a SSNIP, factoring in potential foregone efficiency savings and property costs (for largest 13 GXO Retail customers).[54]

(d) Fourth submission (dated 12 March 2025) and fifth submission (dated 28 March 2025): Extended the model (addressed in Appendix D) and provided updated data to include (i) the addition of Wincanton dedicated

[50] FMN, 5 September 2024, paragraph 184. Also see self-supply section in the competitive assessment.
[51] Parties', Issues Letter Response, 10 October 2024, paragraph R.39; Parties', Issues Letter Response, 10 October 2024, Annex 005 - Frontier Economics, The competitive threat from insourcing, mixed sourcing and multi-sourcing paper; and Parties', Issues Letter Response, 10 October 2024, Annex 005.01 (Annex E).
[52] Parties' Issues Letter Response, 10 October 2024, paragraph R.39; Parties' Issues Letter Response, 10 October 2024, Annex 005 - Frontier Economics, The competitive threat from insourcing, mixed sourcing and multi-sourcing paper; and Parties' Issues Letter Response, 10 October 2024, Annex 005.01 (Annex E).
[53] Parties' post-ISM proactive submission to the CMA, 5 January 2025, Annex 004.01 – Frontier Economics proactive submission on insourcing; and Parties' post-ISM proactive submission to the CMA, 5 January 2025, Annex 004.01(a) – Annex A Insourcing submission calculations.
[54] Frontier Economics, The competitive threat posed by insourcing and mixed sourcing – an updated submission prepared for the CMA, 14 January 2025; and Frontier Economics, The competitive threat posed by insourcing and mixed sourcing – an updated submission prepared for the CMA, 14 January 2025, Annex A.

warehousing sites for Grocers; and (ii) dedicated food-only warehousing sites for GXO and Wincanton.[55]

C.23 The Parties stated that this analysis shows that the costs of switching to self-supply are [✂] lower than a 5% increase in the overall contract value (as set out in the first three submissions), and that GXO's largest Retail customers would therefore be both willing and able to self-supply all operations that they currently outsource to GXO (excluding warehouses currently outsourced to other 3PLs, such as Wincanton and DHL) if this were necessary to avoid a 3PL SSNIP.[56]

C.24 The Parties have provided detailed modelling which includes data on (as per the third submission dated 14 January 2025):

(a) Avoided cost from self-supply:

(i) GXO contract lifetime revenue for 10 largest Retail customers (NPV terms) [A1].

(ii) Property costs (rent expense, NPV terms) [A2].

(iii) SSNIP (5% of contract value excluding property costs, NPV terms) = [A] = ([A1] – [A2])*5%.

(iv) GXO management fee (NPV terms) [B].

(b) Potential foregone efficiency savings:

(i) GXO cost underwrite (NPV terms) [C].

(ii) Gainshare to customer (NPV terms) [D].

(c) Costs to self-supply additional warehousing and/or transport operations (excluding variable staff costs):

(i) One-off costs [E1].

(ii) Additional asset transfer costs (if not owning/leasing warehouses) [E2].

(iii) Estimated one-off transitional self-supply costs [E] = [E1] + [E2].

[55] Parties' response to the CMA's Interim Report, 12 March 2025, paragraphs 51 and 59-66; Parties' response to the CMA's Interim Report, 12 March 2025, Annex 1 'Frontier Economics methodology note to accompany the Modelling Analysis'; and Frontier Economics, Supplementary submission, 28 March 2025.
[56] Frontier Economics, The competitive threat posed by insourcing and mixed sourcing – an updated submission prepared for the CMA, 14 January 2025.

(iv) Incremental ongoing operational costs from senior management hires [F].

C.25 The Parties calculate the net saving to customer from self-supply (NPV terms) as [G] = [A] + [B] – [C] – [D] – [E] – [F]. The Parties find this is positive for 12 of the 13 top GXO customers. Therefore, the Parties conclude that these customers would find it profitable to switch to self-supply before accepting a 5% SSNIP on total contract value (excluding property costs).

C.26 The Parties submitted that it is appropriate to calculate a SSNIP based on total contract value as opposed to the management fee (for open book contracts).[57] First, they submit that management fee is not a comprehensive measure of the revenue received by 3PLs or the value they deliver, as 3PLs may earn additional profits through mechanisms such as gainshare or incur penalties for failing to meet targets. Second, they submit that competitive pressures have driven management fees for large customers to such low levels that customers primary consideration in their choice of 3PL is the level of cost savings 3PLs can provide. Third, they submit that, as management fees are low, a SSNIP calculated on this basis would be significantly lower than the cost of insourcing or switching to another 3PL.

Our assessment of the Parties' SSNIP model

C.27 We do not consider the Parties' SSNIP model in its current form is an appropriate approach to understanding whether the competitive constraint from self-supply is sufficient to remove any post-merger price increase. Our main concerns are: (i) we consider contract value is not the appropriate choice of price metric (as shown in Table C.1 as a 5% increase in contract value is [✂] larger than the management fee and [✂] larger than the gainshare to customer); (ii) the Parties work on the basis of a 5% price increase (which may be appropriate for market definition but is not for the competitive assessment where smaller increases may still be a concern);[58] and (iii) the Parties include 'estimated one-off transitional self-supply costs' ([E]) which we understand to be general 3PL switching costs and are not specific to self-supply.

[57] Frontier Economics, The competitive threat posed by insourcing and mixed sourcing – an updated submission prepared for the CMA, 14 January 2025, paragraph 48.
[58] A 5% increase in total contract value for example would be very large, and as noted in (i) would [✂] larger than the management fee. It is not clear why this is the appropriate threshold at which we would have concerns about the merger. Furthermore, it is not clear why the Parties would not have an incentive to consider a material increase in management fees after the merger (but less than what is implied by a 5% increase in total cost) and why this would not be of concern to the CMA.

Table C.1: Comparison of 5% increase in contract value, management fee, and gainshare, by customer

Customer	*SSNIP (5% of contract value excluding property costs, NPV terms) [A] (£)*	*GXO management fee (NPV terms [B] (%)*	*[B] / [A] (%)*	*Gainshare to customer (NPV terms) [D] (£)*	*[D] / [A] (%)*
[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
[✂]	[✂]	[✂]	[✂]	[✂]	[✂]

Source: CMA analysis of Frontier Economics, The competitive threat posed by insourcing and mixed sourcing – an updated submission prepared for the CMA, 14 January 2025, Annex A.
Notes: This table excludes [✂] because for these customers the gainshare is either zero or the gainshare is less than the incremental ongoing operational costs from senior management hires. This suggests that pre-Merger, based on this model, these customers do not have the incentive to currently be outsourcing. Red shaded cells indicate values less than 100% (ie when the GXO management fee or gainshare to customer is less than the 5% SSNIP of contract value).

C.28 Instead, we compared the net benefit of self-supply and the net benefit of outsourcing to understand:

(a) Potential post-merger price increase (assuming a given level of inhouse efficiency). See Table C.2.

(b) The critical level of inhouse efficiency a customer would need to achieve to prevent a potential post-merger price increase. See Table C.3.

C.29 We set up this alternative model as follows:[59]

(a) The net benefit of self-supply = [I1] – [I2], where:

(i) Inhouse efficiency gains (gainshare to customer weighted by an inhouse factor): [I1] = [X] * ([D]), where [X] is the percentage of outsourced efficiency gains that a customer can achieve inhouse.[60]

(ii) Incremental ongoing operational costs from senior management hires: [I2] = [F]. We understand that this is the main incremental cost of switching to in-house (ie beyond general 3PL switching costs). We considered the Parties' estimates of one-off transitional self-supply costs may not all be specific to self-supply and, on a conservative basis, we therefore excluded them. The Parties estimated these costs to be

[59] We would ideally compare the expected net benefit of self-supply and the expected net benefit of outsourcing. We do not have evidence on these expectations. In absence of this evidence, we use actual achieved values from contracts, as a proxy for these expectations.
[60] On a conservative basis we consider only gainshare to the customer and exclude underwrite. In any case, underwrite is only relevant for two customers ([✂] and [✂]). We also understand that gainshare is only a subset of customer benefits from outsourcing, and that there are other benefits (eg improved performance outside gainshare, such as meeting certain KPIs) that are currently excluded from our model.

approximately (i) £[✂] million per year for one to two insourced warehousing and transport operations; (ii) £[✂] million per year for three to five insourced operations; and (ii) £[✂] million per year for six or more insourced operations.[61] To calculate these estimates, the Parties took an upper bound by estimating the cost of the hires needed for a single customer ([✂]) to switch all operations to self-supply.[62] We consider, as submitted by the Parties,[63] that these costs likely vary from customer to customer meaning these estimates may not be representative. We have been unable to verify these costs with Grocers but consider that the cost of hiring relevant staff is relatively low.

(b) The net benefit of outsourcing = [O1] – [O2], where:

(i) Outsourcing efficiency gains (gainshare to customer): [O1] = [D].

(ii) GXO management fee (NPV terms) [O2] = (1 + [Y]) * [B], where [Y] is the potential post-merger percentage price increase. We understand, the management fee is the main incremental cost of outsourcing for the customer.

C.30 We can then compare the net benefit of self-supply and net benefit of outsourcing to estimate [Y], the potential post-merger percentage price increase (within the confines of the model).

C.31 Our hypothesis is that currently the net benefit of self-supply is less than the net benefit of outsourcing pre-merger, as customers currently outsource. Therefore pre-merger: [I1] – [I2] < [O1] – [O2]. This is the case for most customers in the data.

C.32 We can then solve the model for [Y*], where [I1] – [I2] = [O1] – [O2]. We find [Y*] = (((1-[X])*[D]) - [B] + [F]) / [B]. The value [Y*] depends on an assumed value of [X], the percentage of outsourced efficiency gains that a customer can achieve inhouse.

C.33 Table C.2 presents the values of [Y*] for different assumptions for the value of [X]. The results vary by customer, but suggest that there could be significant (>5%) increases in the management fee post-merger for most of GXO's top customers if we assume an [X] of (say) 50%. Notably, if customers can achieve [X] of 100%, then according to this model there would be no expected post-merger increase in the management fee.

[61] Frontier Economics, Supplementary submission, 28 March 2025, paragraph 24.
[62] Frontier Economics, Supplementary submission, 28 March 2025, paragraph 25.
[63] Frontier Economics, Supplementary submission, 28 March 2025, paragraph 28.

Table C.2: Potential post-merger percentage increase in management fee, by customer

(%)

Customer	*x=0%*	*x=10%*	*x=20%*	*x=30%*	*x=40%*	*x=50%*	*x=60%*	*x=70%*	*x=80%*	*x=90%*	*x=100%*
[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]

Source: CMA analysis of Frontier Economics, The competitive threat posed by insourcing and mixed sourcing – an updated submission prepared for the CMA, 14 January 2025, Annex A.
Notes: This table excludes [✂] because for these customers the gainshare is either zero or the gainshare is less than the incremental ongoing operational costs from senior management hires. This suggests that pre-merger, based on this model, these customers do not have the incentive to currently be outsourcing. If the value of [Y] is negative, we replace it with zero for presentational purposes.*

C.34 We can also set [Y] = 0 to solve the model for [X*], which is the critical value of inhouse efficiency that each customer would need to achieve to prevent any post-merger increase in the management fee using the constraint from self-supply.

C.35 If we set [Y] = 0, we can solve the model for [X*] where [I1] – [I2] = [O1] – [O2]. We find [X*] = ([D] - [B] + [F]) / [D]. We have all the data required for [X*].

C.36 Table C.3 presents the values of [X*] for each customer. The results again vary by customer, but suggest that if all customers could achieve inhouse efficiency of at least [85-95]%, then all customers would have an incentive to switch to self-supply rather than accept an increase in the management fee. The risk of a price effect is highest for [✂], which would need to achieve at least [✂]% inhouse efficiency to offset any increase in management fee post-merger, while the risk of a price effect is lowest for [✂], which would only need to achieve inhouse efficiency of [✂]%.

C.37 The Parties provided updated data in the context of the integrated modelling analysis (that we consider further in Appendix D).[64] The updated data only impacts [✂] in Table C.1, Table C.2 and Table C.3. The Parties updated [✂] data to exclude one [✂] contract and included contracts for [✂]. The Parties submit that RRU work accounts for the large majority of GXO's revenues from [✂] and thus is predominantly out of scope of the SLC.[65] Therefore, given this limited impact, we consider our overall conclusions would be unchanged if we were to update the analysis in this appendix using the Parties' updated data.

[64] Frontier Economics, Modelling Analysis – Response to the CMA questions, 28 March 2025, Annex B.
[65] Parties' response to the CMA's Interim Report, 12 March 2025, Annex 1 '[Frontier Economics methodology note to accompany the Modelling Analysis](#)', paragraph 1.7 and footnotes 6 and 7.

Table C.3: Critical value for the percentage of outsourced efficiency gains that a customer can achieve inhouse, by customer

Customer	(%) X*
[✂]	[✂]
[✂]	[✂]
[✂]	[✂]
[✂]	[✂]
[✂]	[✂]
[✂]	[✂]
[✂]	[✂]
[✂]	[✂]

Source: CMA analysis of Frontier Economics, The competitive threat posed by insourcing and mixed sourcing – an updated submission prepared for the CMA, 14 January 2025, Annex A.
Notes: This table excludes [✂] because for these customers the gainshare is either zero or the gainshare is less than the incremental ongoing operational costs from senior management hires. This suggests that pre-merger, based on this model, these customers do not have the incentive to currently be outsourcing. If the value of [Y] is negative, we replace it with zero for presentational purposes.*

C.38 The evidence from the Parties and third parties on inhouse efficiency suggests that mature operations are as efficient when self-supplied, but that there may be differences for new warehouses or when implementing changes:

(a) The Parties submitted that benchmarking evidence from customers demonstrates that self-supplied and outsourced facilities achieve similar cost efficiencies and performance levels. The Parties submitted that data and benchmarks shared by customers ([✂], [✂], [✂], [✂], and [✂]) place the Parties' outsourced warehouses – at best – [✂].[66] The Parties note that caution is warranted in interpreting this benchmarking evidence as customers would only intentionally share this information with 3PLs if and when it is in their interests to do so (ie to negotiate better 3PL performance),[67] though the Parties also note two of eight examples appear to have been shared by customers in error.[68]

(b) A Grocery customer are broadly comparable, and the customer's in-house sites are not poor performers. However, outsourced sites often excel in areas such as innovation, process efficiencies, and health and safety.[69]

(c) Another Grocery customer told us that from a warehousing point of view, it will continue to run the majority of services in-house, as it has a very capable and qualified team of people, that are capable of running the operations as efficiently as a third party.[70]

[66] Parties' response to the CMA's RFI 4 dated 16 January 2025, paragraph 1.3(a).
[67] Parties' response to the CMA's RFI 4 dated 16 January 2025, paragraph 1.3(b).
[68] Parties' response to the CMA's Interim Report, 12 March 2025, paragraph 160; and Parties' response to the CMA's RFI of 16 January 2025, 22 January 2025, paragraph 1.3.
[69] Third party call note.
[70] Third party call note.

(d) A non-Grocery customer told us 3PLs add the most value when a site is being set up and in the early stages of its operation.[71]

(e) 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. It believed GXO has brought efficiencies from its knowledge and customers would typically self-supply if they feel they have optimised their operations as much as they can (to save on the management fee).[72]

(f) A Grocery customer told us that it is fully capable of self-supplying, especially for mature operations, however it would be unlikely to self-supply something undergoing radical change or implementation of a large project.[73]

C.39 We consider that our model and submissions from the Parties' and third parties provide useful evidence of the relative efficiency of self-supplied warehouses compared to outsource warehouses and help to explain why many large customers choose to self-supply some of their dedicated warehousing. However, we note some caveats to the Parties' submissions: (i) if customers adopt best practices which are acquired through their outsourcing arrangements with from 3PLs,[74] then we would not expect a large operational difference between self-supplied and outsourced sites; (ii) as the Parties acknowledge,[75] customers would only intentionally share this information with 3PLs if and when it is in their interests to do so (eg to negotiate better 3PL terms and/or performance); and (iii) the relative efficiency (and risk) of outsourcing may vary depending on the type of warehouse, eg with several customers indicating that 3PLs add the most value when a facility is first set up and/or they are restructuring their logistics arrangements.

[71] Third party call note.
[72] Third party call note.
[73] Third party call note.
[74] A Grocery customer for example told us it can adopt best practices from outsourced sites and implement them in its insourced sites (Third party call note).
[75] Parties' response to the CMA's RFI 4 dated 16 January 2025, paragraph 1.3(b).

APPENDIX D: Integrated modelling analysis

Introduction

D.1 In this Appendix we discuss the Parties' modelling submissions in response to the Interim Report. The Parties submitted modelling analysis ('integrated modelling analysis') in response to the Interim Report's provisional conclusion that the constraint from DHL, self-supply, and potential 3PL entry or expansion are not, individually, sufficient to prevent an SLC.[76] The Parties submitted integrated modelling analysis to assess whether the Merged Entity would have an incentive to increase prices to Grocery customers considering the combined effect of these three constraints.[77]

D.2 The integrated modelling analysis builds on the CMA's modelling in the Interim Report (Appendix C) and extends it to include additional constraints from DHL and entry or expansion. The Parties submit that the threat of future entry or expansion creates a competitive constraint in the present, such that the Merged Entity would not have an incentive to increase prices or degrade services to Grocery customers.[78]

The Parties' integrated modelling analysis

D.3 We have engaged with the Parties regarding their integrated modelling analysis, and the Parties have submitted additional sensitivities of the model in response to our comments.

(a) First submission (dated 12 March 2025): Baseline model with three additional scenarios, based on data from eight GXO grocery customers.[79]

(b) Second submission (dated 20 March 2025): update in response to the CMA's comments, expanding on why Grocery customers would rationally switch to alternatives in response to the Merged Entity raising prices.[80]

(c) Third submission (dated 28 March 2025): update in response to the CMA's comments. This included: (i) incorporating the 'hard to quantify' benefits of insourcing; (ii) expanding the dataset to include four Wincanton customers

[76] Parties' response to the CMA's Interim Report, 12 March 2025, paragraph 46.
[77] Parties' response to the CMA's Interim Report, 12 March 2025, paragraphs 48-51.
[78] Parties' response to the CMA's Interim Report, 12 March 2025, paragraphs 51-52.
[79] Parties' response to the CMA's Interim Report, 12 March 2025, paragraphs 51 and 59-66; Parties' response to the CMA's Interim Report, 12 March 2025, Annex 1 'Frontier Economics methodology note to accompany the Modelling Analysis'; and Parties' response to the CMA's Interim Report, 12 March 2025, Annex 2.
[80] Parties' post-MPH submission, 28 March 2025, Annex 1, slides 30-33; and Parties' post-MPH submission, 28 March 2025, paragraphs 3.1-3.10.

contracts; and (iii) including a sensitivity with only food dedicated warehousing services.[81]

Methodology of the integrated modelling analysis

D.4 The Parties integrated modelling analysis assesses whether the Merged Entity would have an incentive to raise to prices to Grocery customers. The time horizon within which the Merged Entity assesses the cost and benefit of a price increase is assumed to be ten years; comprising of two consecutive five-year contract periods (Period 1 and Period 2). [82]

D.5 The model compares two strategies for the Merged Entity:

(a) Strategy 1: no price increase; and

(b) Strategy 2: price increase in Period 1.

D.6 At the beginning of each period the Merged Entity sets its prices. After the prices are set for each period, the Merged Entity may or may not be chosen to fulfil the contract for that period.[83]

D.7 Strategy 1 (no price increase) assumes that the Merged Entity earns the pre-merger profit margins in Period 1 and Period 2. The model assumes that under Strategy 1 there is no entry in Period 2.

D.8 Strategy 2 (price increase in Period 1) assumes that, in Period 1, the Merged Entity could increase management fees (due to the removal of Wincanton's competitive constraint following the merger) and has perfect information about each customer's switching threshold. The Merged Entity therefore sets prices at the highest feasible level without triggering switching to an alternative 3PL or self-supply (ie the price increase would be the minimum of the following two values):[84]

(a) Self-supply – The Merged Entity could not increase prices beyond the level at which customers would find it more cost-effective to self-supply services. The fee increase thresholds in Period 1 are derived from the CMA's modelling in the Interim Report (see Appendix C), which assumes different values for the proportion of outsourced efficiencies each customer could replicate internally (parameter 'x').

---

[81] Frontier Economics, Supplementary submission, 28 March 2025, paragraph 9; and Frontier Economics, Supplementary submission, 28 March 2025, Annex B.
[82] Parties' response to the CMA's Interim Report, 12 March 2025, Annex 1 'Frontier Economics methodology note to accompany the Modelling Analysis', paragraph 1.12.
[83] Parties' response to the CMA's Interim Report, 12 March 2025, Annex 1 'Frontier Economics methodology note to accompany the Modelling Analysis', paragraph 1.12.
[84] Parties' response to the CMA's Interim Report, 12 March 2025, Annex 1 'Frontier Economics methodology note to accompany the Modelling Analysis', paragraph 1.12.

(b) DHL – The Merged Entity could not increase prices beyond the level at which customers would switch to DHL. The integrated modelling analysis assumes that the Merged Entity could increase its fees by up to 50% in Period 1 without triggering customers to switch to DHL.[85]

D.9 Strategy 2 (price increase in Period 1) assumes that the price increase in Period 1 induces entry in Period 2. The model assumes that: (i) the new entrant would mean that the Merged Entity is no longer able to implement a price increase in Period 2; and (ii) with some probability a Grocery customer would switch to an alternative 3PL (either DHL or the new entrant) or self-supply in response to the Merged Entity's damaged relationship with the Grocery customer following the price increase in Period 1 (ie some Grocers would 'punish' the Merged Entity for the price increase in Period 1, by switching away in Period 2).[86]

D.10 For each Grocery customer, the model estimates the net present value (**NPV**) of profits under each strategy, summarised in Table D.1 below:

(a) Strategy 1 (no price increase): the Merged Entity earns the same annual profit in both periods, based on actual 2024 EBITDA for each of GXO's and Wincanton's Grocery customers. The Merged Entity wins the contract for the Grocery customer with 100% probability in both periods.

(b) Strategy 2 (price increase in Period 1): Profit is higher than 2024 EBITDA in Period 1 (due to the price increase) but reverts to 2024 EBITDA in Period 2. The model allows for the Merged Entity to win the contract with less than 100% probability in both periods, but particularly in Period 2.

D.11 The model compares the NPV of the two strategies to determine whether raising prices would be profitable. The model assumes the Merged Entity chooses the strategy with the highest NPV, calculated as: Merged Entity incentive = Profit Strategy 2 - Profit Strategy 1 = (C + D) - (A + B).

Table D.1: Summary of possible strategies for the Merged Entity in the integrated modelling analysis

	Period 1 (5 years)	*Period 2 (5 years)*
Strategy 1: no price increase	EBITDA [A]	EBITDA [B]
Strategy 2: price increase	EBITDA + (price increase * management fee) [C]	EBITDA * % chance of retaining contract [D]

Source: CMA analysis based on Parties' response to the CMA's Interim Report, 12 March 2025, Annex 1 'Frontier Economics methodology note to accompany the Modelling Analysis'.

[85] This assumption is informed by standard economic models which predict that for a pure '3-to-2' merger in a bidding market, equilibrium prices could increase by at most 50%. Parties' response to the CMA's Interim Report, 12 March 2025, Annex 1 'Frontier Economics methodology note to accompany the Modelling Analysis', paragraph 1.12ciB and footnote 13.
[86] Parties' post-MPH submission, 28 March 2025, Annex 1, slide 32; Frontier Economics, Supplementary submission, 28 March 2025, paragraph A.17; and Parties' post-MPH submission, 28 March 2025, paragraph 3.9.

Results of the integrated modelling analysis

D.12 We set out the main results of the Parties integrated modelling analysis Scenario A (Baseline scenario) in Table D.2 (Original – GXO contracts only – food and non-food sites – dedicated warehousing and transport), Table D.3 (Sensitivity 1 – GXO and Wincanton contracts – food and non-food sites – dedicated warehousing and transport) and Table D.4 (Sensitivity 2 – GXO and Wincanton contracts – food sites only – dedicated warehousing only).

D.13 The Parties submit that the headline conclusions in the Parties' Interim Report response remain unchanged regardless of their sensitivity analysis, such that the Merged Entity would not have an incentive to increase prices for any Grocery customers in any scenario where there is at least a 50% likelihood that customers switch to a new 3PL in Period 2.[87]

D.14 Table D.2, Table D.3 and Table D.4 require judgement as to the most likely scenario within the table (ie one must form a view as to the proportion of efficiency savings a Grocer could achieve in-house (columns) and the probability of the Merged Entity retaining the Grocer in Period 2 after a price increase in Period 1 (rows)). The Parties submit that the most likely scenarios are those in which customers are able to achieve at least 50% of 3PL efficiency savings when self-supplying, and where the Merged Entity would have less than 50% chance of retaining the Grocer in Period 2 (ie the bottom right corner of the table).[88] The Parties reach this conclusion because they consider that:

(a) Grocers can achieve at least 50% of 3PL efficiency savings inhouse as suggested by benchmarking evidence provided by Grocers that demonstrates that self-supplied sites can achieve similar efficiency levels to outsourced sites, and that Grocers concerns about self-supplying sites primarily applies to new sites or change projects.[89]

(b) The Merged Entity would have less than 50% chance of retaining each Grocery customer because: (i) it will compete against two alternatives, DHL and the new 3PL, which would have had sufficient time to build a positive track record by Period 2; and (ii) an unjustified increase in fees by the Merged Entity would damage the Merged Entity's reputation and standing with customers, placing the Merged Entity at a disadvantage relative to DHL and the new 3PL.[90]

[87] Frontier Economics, Supplementary submission, 28 March 2025, paragraph 12.
[88] Parties' post-MPH submission, 28 March 2025, Annex 1, slide 31.
[89] Parties' response to the CMA's Interim Report, 12 March 2025, paragraph 62.
[90] Parties' response to the CMA's Interim Report, 12 March 2025, paragraph 61.

D.15 The Parties additionally submitted several robustness checks to their Baseline scenario ('Scenario A') and consider that these results demonstrate that the Merged Entity would have no incentive to raise fees or degrade service quality for Grocery customers such as:[91]

(a) Scenario B: Includes [✂] by 3PLs in the outsourced efficiency gains that each customer might forego if it chooses to insource.[92]

(b) Scenario C: Reduces the probability of the Merged Entity winning contracts in Period 1 to 80% if it raises prices. The Parties submitted that this is to reflect that the Merged Entity does not have perfect information on each customer's preferences, and so may trigger customers to switch away in Period 1 if it increases prices.

(c) Scenario D: Extends Scenario C to also include additional 'hard to quantify benefits' associated with outsourcing (which the Parties assume to be as large as the management fee).

(d) Scenario E: Varies the probability of the Merged Entity winning a contract in Period 1 and Period 2, should the Merged Entity raise prices in Period 1, and excludes the constraint from insourcing.

(e) Scenario F: Varies win probabilities as in Scenario E and includes the constraint from insourcing.

D.16 Furthermore, the Parties submitted that this model is conservative because:[93]

(a) The modelling does not consider the wider long-term costs to the Merged Entity associated with triggering the entry and expansion of other 3PLs. For example, the risk of a 'domino effect' (ie the new entrant competing for and winning further contracts after Period 2).[94]

(b) The modelling assumes the Merged Entity has perfect information about each customer's willingness to pay and could raise prices to exactly the point at which each Grocer would be willing to switch to self-supply or DHL. The Parties also submitted additional analysis where the Merged Entity does not

[91] Parties' response to the CMA's Interim Report, 12 March 2025, Annex 1 'Frontier Economics methodology note to accompany the Modelling Analysis', paragraph 1.18 and Table 4; Parties' post-MPH submission, 28 March 2025, paragraphs 3.5-3.10; and Frontier Economics, Supplementary submission, 28 March 2025, paragraphs A.14-A.21.
[92] This adjustment impacts [✂], for which [✂] is included in its contracts with both GXO and Wincanton. For all other customers the value of their outsourced efficiency gains are unchanged (Frontier Economics, Modelling Analysis – Response to the CMA questions, 28 March 2025, Annex B.).
[93] Parties' response to the CMA's Interim Report, 12 March 2025, Annex 1 'Frontier Economics methodology note to accompany the Modelling Analysis', paragraph 1.17.
[94] Parties' post-MPH submission, 28 March 2025, Annex 1, slide 33; and MPH transcript, page 75.

have full visibility of customer preferences, meaning that if it increases prices, it risks overstepping the mark and losing business in Period 1.[95]

D.17 We note that the management fee is greater than the value of the gainshare for [✂] Grocers when using GXO data, [✂] Grocers when using both Parties' data, and [✂] Grocers when including only food contracts. As we set out in Appendix C, this observation raises concerns about the reliability of the modelling and its conclusions as it means these customers ([✂]) do not have an incentive to outsource (according to the model). This effectively limits the feasible price increase in Period 1 to 0% or below, meaning Strategy 2 will never be more profitable than Strategy 1. Therefore, the maximum number of Grocers for which the Merged Entity has an incentive to increase prices in Period 1 is five in Table D.2 and Table D.3, and four in Table D.4.[96]

Table D.2: Parties' Scenario A – Original – Count of the number of customers for which the Merged Entity would have an incentive to increase prices in Period 1 – GXO contracts only (food and non-food, warehousing and transport)

		Proportion of 3PL efficiency savings that customer can achieve if it insources										
		0%	*10%*	*20%*	*30%*	*40%*	*50%*	*60%*	*70%*	*80%*	*90%*	*100%*
Probability of the Merged Entity retaining the contract in Period 2	100%	5	5	5	5	4	0	0	0	0	0	0
	90%	5	5	5	3	2	0	0	0	0	0	0
	80%	5	4	3	2	0	0	0	0	0	0	0
	70%	2	2	1	0	0	0	0	0	0	0	0
	60%	1	1	1	0	0	0	0	0	0	0	0
	50%	0	0	0	0	0	0	0	0	0	0	0
	40%	0	0	0	0	0	0	0	0	0	0	0
	30%	0	0	0	0	0	0	0	0	0	0	0
	20%	0	0	0	0	0	0	0	0	0	0	0
	10%	0	0	0	0	0	0	0	0	0	0	0
	0%	0	0	0	0	0	0	0	0	0	0	0

Source: Frontier Economics, Supplementary submission, 28 March 2025, Table 1; and Frontier Economics, Modelling Analysis – Response to the CMA questions, 28 March 2025, Annex B.
Notes: This figure is based on the operations of GXO Grocery contracts.

[95] Parties' post-MPH, 28 March 2025, paragraph 3.8(a).
[96] The Parties provide food dedicated warehousing services to seven total Grocery customers.

Table D.3: Parties' Scenario A – Sensitivity 1 – Count of the number of customers for which the Merged Entity would have an incentive to increase prices in Period 1 – GXO and Wincanton contracts (food and non-food, warehousing and transport)

		Proportion of 3PL efficiency savings that customer can achieve if it insources										
		0%	*10%*	*20%*	*30%*	*40%*	*50%*	*60%*	*70%*	*80%*	*90%*	*100%*
Probability of the Merged Entity retaining the contract in Period 2	100%	5	5	5	5	3	0	0	0	0	0	0
	90%	5	5	5	3	2	0	0	0	0	0	0
	80%	5	5	2	2	0	0	0	0	0	0	0
	70%	1	1	1	0	0	0	0	0	0	0	0
	60%	1	1	1	0	0	0	0	0	0	0	0
	50%	0	0	0	0	0	0	0	0	0	0	0
	40%	0	0	0	0	0	0	0	0	0	0	0
	30%	0	0	0	0	0	0	0	0	0	0	0
	20%	0	0	0	0	0	0	0	0	0	0	0
	10%	0	0	0	0	0	0	0	0	0	0	0
	0%	0	0	0	0	0	0	0	0	0	0	0

Source: Frontier Economics, Supplementary submission, 28 March 2025, Table 1; and Frontier Economics, Modelling Analysis – Response to the CMA questions, 28 March 2025, Annex B.
Notes: This figure is based on an extended version of the model to include both GXO and Wincanton Grocery contracts.

Table D.4: Parties' Scenario A – Sensitivity 2 – Count of the number of customers for which the Merged Entity would have an incentive to increase prices in Period 1 – GXO and Wincanton (food contracts only, dedicated warehousing only)

		Proportion of 3PL efficiency savings that customer can achieve if it insources										
		0%	*10%*	*20%*	*30%*	*40%*	*50%*	*60%*	*70%*	*80%*	*90%*	*100%*
Probability of the Merged Entity retaining the contract in Period 2	100%	4	3	2	2	2	2	2	2	1	1	0
	90%	3	2	2	2	2	2	2	2	1	0	0
	80%	1	1	1	1	1	1	1	0	0	0	0
	70%	0	0	0	0	0	0	0	0	0	0	0
	60%	0	0	0	0	0	0	0	0	0	0	0
	50%	0	0	0	0	0	0	0	0	0	0	0
	40%	0	0	0	0	0	0	0	0	0	0	0
	30%	0	0	0	0	0	0	0	0	0	0	0
	20%	0	0	0	0	0	0	0	0	0	0	0
	10%	0	0	0	0	0	0	0	0	0	0	0
	0%	0	0	0	0	0	0	0	0	0	0	0

Source: Frontier Economics, Supplementary submission, 28 March 2025, Table 1; and Frontier Economics, Modelling Analysis – Response to the CMA questions, 28 March 2025, Annex B.
Notes: This figure is based on an extended version of the model to include the dedicated food warehousing operations of both GXO and Wincanton Grocery contracts.

Our assessment of the Parties' integrated modelling analysis

D.18 We consider that the integrated modelling analysis is useful to understand the competitive constraints the Merged Entity would consider and whether the Merged Entity could profitably raise prices. However, we also consider that, as set out below: (i) a Grocer's decision whether to insource or outsource is complex and multi-faceted and the model does not capture all the relevant considerations when Grocers are deciding whether or not to insource (as suggested by the data for some Grocers); (ii) the conclusions of the integrated modelling analysis change when using (at least) equally plausible assumptions; and (iii) the model relies on a

'punishment' mechanism of Grocery customers incurring a cost to switch away from the Merged Entity in Period 2 which we consider has relatively limited supporting evidence.

D.19 First, as referenced in Appendix C, paragraphs C.16 and C.17, we consider that the model captures only the financial considerations of a customer's decision to insource or outsource a particular site or group of sites. It does not account for other strategic considerations that some customers have told us are important to them. This appears to be reflected in the data. As discussed in paragraph D.17 above, [✂] Grocers in the Parties Baseline model ([✂]) 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 raises concerns about the completeness of the modelling and indicates that gainshare may reflect only a part of the value customers derive from outsourcing. While the Parties account for these factors through the inclusion of 'hard to quantify' benefits (assumed to be equal to the management fee) in robustness checks, we consider this may not capture the broader strategic factors influencing some customer's outsourcing decisions. We recognise that these factors are difficult to quantity or model and we have therefore sought to consider them qualitatively in our overall assessment.

D.20 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 50% probability of retaining the Grocery customer in Period 2, the Merged Entity has an incentive to raise prices for most Grocers in Period 1.

D.21 We recognise that we could also test other assumptions for robustness;[97] however, we focus on the above as we consider that they significantly change the conclusions of the model and are (at least) equally plausible assumptions 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 (see paragraphs D.17 and C.20).

(b) Reducing Period 2 from five years to three years is consistent with the Parties' submission that contracts typically last between three and five

[97] The model makes several assumptions: (i) the duration of Period 1; (ii) the duration of Period 2; (iii) include or exclude underwrite; (iv) include or exclude hard to quantify benefits from outsourcing; (v) apply or not constraint from self-supply and/or DHL; (vi) DHL constraint at 50% price increase; (vii) renewal probability in Period 1 and 2, for Strategy 1 and Strategy 2; (viii) discount rate; and (ix) the sites included (GXO all sites, GXO & Wincanton all sites, GXO & Wincanton in-scope sites only). Sheet "Dashboard" in Frontier Economics, Modelling Analysis – Response to the CMA questions, 28 March 2025, Annex B.

years.[98] We have reviewed the Parties' existing Grocery customer contact lengths and observe that contracts of three years or less are similarly common to contract of five years or more.[99] Despite reducing the duration of Period 2, we consider it appropriate to keep Period 1's duration of five years because the evidence suggests it would take at least five years for sufficient entry to occur (see paragraphs 7.43, 7.53 and 7.54). For example, one 3PL estimated it may take approximately five years to reach Wincanton's current market position in relation to dedicated warehousing (see paragraph 7.54(d)).

D.22 We set out the main results of the Parties integrated modelling analysis, including our robustness assumptions (ie including 'hard to quantify' benefits and reducing Period 2 from five years to three years) for their Baseline scenario in Table D.5 (Original – GXO contracts only – food and non-food sites – warehousing and transport), Table D.6 (Sensitivity 1 – GXO and Wincanton contracts – food and non-food sites –warehousing and transport) and Table D.7 (Sensitivity 2 – GXO and Wincanton contracts – food sites only – dedicated warehousing only).

D.23 The results in Table D.5, Table D.6 and Table D.7 show that in most scenarios where the Parties have at least 50% probability of retaining the Grocer in Period 2, the Merged Entity has an incentive to raise prices for most Grocers in Period 1. We consider that this demonstrates the integrated modelling results are sensitive to plausible variations in key assumptions.

D.24 We note that the total number of grocers for which the Parties provide dedicated warehousing services for is seven, and as such this is the maximum number of Grocers for which the Merged Entity has an incentive to increase prices in Period 1 in Table D.7.

[98] Parties' response to the CMA's Interim Report, 12 March 2025, Annex 1 'Frontier Economics methodology note to accompany the Modelling Analysis', paragraph 1.12(a) and footnote 11.
[99] Specifically, we find that across both Parties Grocery contracts which include dedicated warehousing services, [✂] contracts (including [✂]) are less than or equal to three years in length, and [✂] contracts are more than or equal to five years in length (CMA analysis based on GXO' response to the CMA's s109 notice 1 dated 27 November 2024, Annex 013; and Parties Phase 2 Remedies Form, 21 November 2024, Annex ARP.001).

Table D.5: Parties' Scenario A – Original – including 'hard to quantify' benefits and reducing Period 2 from five years to three years – Count of the number of customers for which the Merged Entity would have an incentive to increase prices in Period 1 – GXO contracts only (food and non-food, warehousing and transport)

		Proportion of 3PL efficiency savings that customer can achieve if it insources										
		0%	*10%*	*20%*	*30%*	*40%*	*50%*	*60%*	*70%*	*80%*	*90%*	*100%*
Probability of the Merged Entity retaining the contract in Period 2	100%	8	8	8	8	8	8	8	8	7	6	6
	90%	8	8	8	8	8	8	8	8	6	6	4
	80%	8	8	8	8	8	8	8	8	6	5	3
	70%	8	8	8	8	8	8	8	6	5	4	3
	60%	7	7	7	7	7	7	6	6	5	3	3
	50%	5	5	5	5	5	4	4	4	4	2	2
	40%	4	3	3	3	2	2	2	2	1	1	1
	30%	1	1	1	0	0	0	0	0	0	0	0
	20%	0	0	0	0	0	0	0	0	0	0	0
	10%	0	0	0	0	0	0	0	0	0	0	0
	0%	0	0	0	0	0	0	0	0	0	0	0

Source: CMA analysis of Frontier Economics, Modelling Analysis – Response to the CMA questions, 28 March 2025, Annex B.
Notes: This figure is based on the operations of GXO Grocery contracts.

Table D.6: Parties' Scenario A – Sensitivity 1 – including 'hard to quantify' benefits and reducing Period 2 from five years to three years – Count of the number of customers for which the Merged Entity would have an incentive to increase prices in Period 1 – GXO and Wincanton contracts (food and non-food, warehousing and transport)

		Proportion of 3PL efficiency savings that customer can achieve if it insources										
		0%	*10%*	*20%*	*30%*	*40%*	*50%*	*60%*	*70%*	*80%*	*90%*	*100%*
Probability of the Merged Entity retaining the contract in Period 2	100%	8	8	8	8	8	8	8	8	7	7	7
	90%	8	8	8	8	8	8	8	8	7	7	4
	80%	8	8	8	8	8	8	8	8	7	4	3
	70%	8	8	8	8	8	8	8	7	4	3	2
	60%	6	6	6	6	6	6	5	4	3	2	2
	50%	5	5	5	5	4	4	3	3	3	2	2
	40%	3	3	3	3	3	2	2	2	1	1	1
	30%	0	0	0	0	0	0	0	0	0	0	0
	20%	0	0	0	0	0	0	0	0	0	0	0
	10%	0	0	0	0	0	0	0	0	0	0	0
	0%	0	0	0	0	0	0	0	0	0	0	0

Source: CMA analysis of Frontier Economics, Modelling Analysis – Response to the CMA questions, 28 March 2025, Annex B.
Notes: This figure is based on an extended version of the model to include both GXO and Wincanton Grocery contracts.

Table D.7: Parties' Scenario A – Sensitivity 2 – including 'hard to quantify' benefits and reducing Period 2 from five years to three years – Count of the number of customers for which the Merged Entity would have an incentive to increase prices in Period 1 – GXO and Wincanton (food contracts only, dedicated warehousing only)

		Proportion of 3PL efficiency savings that customer can achieve if it insources										
		0%	*10%*	*20%*	*30%*	*40%*	*50%*	*60%*	*70%*	*80%*	*90%*	*100%*
Probability of the Merged Entity retaining the contract in Period 2	100%	7	7	7	7	7	7	6	6	6	6	5
	90%	7	7	7	7	7	6	6	6	6	5	5
	80%	7	7	7	7	7	6	6	6	5	5	3
	70%	6	6	6	6	5	5	5	5	4	2	1
	60%	5	5	5	5	4	4	4	2	1	1	1
	50%	4	4	4	4	4	3	2	2	1	1	1
	40%	3	3	3	3	2	1	1	1	1	1	1
	30%	1	1	1	1	1	0	0	0	0	0	0
	20%	0	0	0	0	0	0	0	0	0	0	0
	10%	0	0	0	0	0	0	0	0	0	0	0
	0%	0	0	0	0	0	0	0	0	0	0	0

Source: CMA analysis of Frontier Economics, Modelling Analysis – Response to the CMA questions, 28 March 2025, Annex B.
Notes: This figure is based on an extended version of the model to include the dedicated food warehousing operations of both GXO and Wincanton Grocery contracts.

D.25 Third, the model assumes that if the Merged Entity raises prices in Period 1, Grocers will respond by switching in Period 2, even if this is costly for them (ie the Grocer has to switch to the second-best alternative).[100] As discussed in Chapter 6, we consider that this may be unlikely because in Period 2, GXO or Wincanton would likely remain the best commercial option for the Grocer, as indicated by revealed preference pre-Merger. Switching would therefore impose a cost on Grocers, who are generally risk-adverse and operate on low margins (see paragraph 6.113).

D.26 On the basis of the evidence available, we are not aware of clear examples where Grocers have switched 3PLs as a form of punishment. The Parties submitted that there would be five key reasons for Grocers to switch: (i) the Merged Entity may no longer be the Grocer's preferred option (revealed preference) post-merger (eg due to leadership/operational changes); (ii) customers preferences may change between bidding rounds; (iii) Grocers would have the ability and incentive to support the entry of rival 3PLs in response to a price increase; (iv) a price increase would likely damage the Merged Entity's track record and reputation; and (v) Grocers have a broader strategic incentive to penalise 3PLs who attempt to raise prices in the short run, in order to deter such conduct in the future.[101]

[100] The Parties also submit an additional analysis where the Merged Entity does not have full visibility of customer preferences, meaning that if it increases prices, it risks overstepping the mark and losing business in Period 1. The same considerations about customers leaving the Merged Entity in Period 2, would also apply in Period 1, but would be stronger because there would be no new entrant in Period 1 (only self-supply and DHL). Parties' response to the CMA's Interim Report, 12 March 2025, Annex 1 'Frontier Economics methodology note to accompany the Modelling Analysis', paragraph 1.18; Parties' post-MPH submission, 28 March 2025, paragraphs 3.5-3.10; and Frontier Economics, Supplementary submission, 28 March 2025, paragraphs A.14-A.21.
[101] Parties' post-MPH submission, 28 March 2025, paragraph 3.4.

D.27 We consider that (i) and (ii) may be the case, but in absence of evidence to suggest why the Merged Entity would not be the Grocer's preferred option, it is reasonable to assume the pre-Merger situation would apply. We consider that (iii) (ie the new entrant) is already captured in Period 2 by the Merged Entity no longer being able to increase prices beyond the pre-Merger level. We consider that (iv) and (v) are legitimate concerns for 3PLs when setting prices and are relevant considerations, however in the examples the Parties provided of Grocer 'punishment' and switching, it is difficult to disentangle what is legitimate competition (ie a Grocer switching because they identify a stronger competitive alternative) and what is 'punishment' (ie a Grocer selecting a second-best alternative).

D.28 Overall, we consider that self-supply, DHL and the threat of future entry and expansion are relevant constraints which the Merged Entity would have regard to when setting terms and that the modelling provides useful insights into how Grocery customers would approach decisions about whether to outsource or insource in response to the Merger. However, we have identified several significant concerns regarding the modelling (such as the failure of the model to capture all aspects of decisions and the robustness of results in response to reasonable changes in assumptions). Accordingly, we have placed only limited weight on the integrated modelling analysis and more weight on the qualitative evidence from third-party calls and internal documents when assessing the combination of constraints from self-supply, DHL and the threat of future entry and expansion.

APPENDIX E: Profit margins

Introduction

E.1 This Appendix discusses the Parties' submissions regarding relative profit margins.

E.2 The Parties submitted that their profit margins in the supply of CLS are [✂] low for their largest Retail customers and [✂] for their Grocery customers. They stated that this indicates that 3PLs, including GXO and Wincanton, (i) do not hold market power over their large Retail customers and that (ii) they face competitive pressure from low switching costs to other 3PLs, and from self-supply.[102]

Parties' submissions

E.3 The Parties first provided an analysis of their average customer-level margins in Mainstream CLS in 2023 (financial year) separately for:

(a) Each Party's top-5, top-10, and top-20 Retail customers.

(b) Each Party's other Retail, and other Mainstream CLS customers.[103]

E.4 The Parties subsequently provided an analysis of each of their average relative customer-level margins in 2023 (financial year) for their Grocery customers.[104]

E.5 We have compiled these margins in Table E.1.

Table E.1: Customer-level profit margins as submitted by the Parties

		(%)
	GXO	*Wincanton*
Grocery customers (FY 2024)	[0-10]	[0-10]
Remaining non-grocery customers (FY 2024)	[0-10]	[0-10]
Top-5 retail customers (FY 2023)	[0-10]	[0-10]
All other mainstream CLS customers (FY 2023)	[0-10]	[0-10]
Top-10 retail customers (FY 2023)	[0-10]	[0-10]
All other mainstream CLS customers (FY 2023)	[0-10]	[0-10]
Top-20 retail customers (FY 2023)	[0-10]	[0-10]
All other mainstream CLS customers (FY 2023)	[0-10]	[0-10]

Source: Parties' response to the Phase 1 Decision, 2 December 2024, Annex 6; and Frontier Economics, [✂] low profit margins highlight the strong competition faced by the Parties and are inconsistent with unilateral effects theories of harm, 7 January 2025, paragraph 3(iv)-4.

[102] Frontier Economics, [✂] low profit margins highlight the strong competition faced by the Parties and are inconsistent with unilateral effects theories of harm, 7 January 2025, paragraphs 3(iv)-4.
[103] Parties' response to the Phase 1 Decision, 2 December 2024, Annex 6.
[104] Frontier Economics, [✂] low profit margins highlight the strong competition faced by the Parties and are inconsistent with unilateral effects theories of harm, 7 January 2025.

E.6 Based on these findings, the Parties stated that:[105]

(a) [✂] low margins across both Grocery and non-Grocer large retailers is consistent with all 3PLs facing intense competition;

(b) margins associated with customers in the segments of the Mainstream CLS market where the CMA has hypothesised there may be fewer effective competitors (namely large Grocers and non-Grocer retailers) are found to be [✂] than for other retailers, [✂];

(c) low margins arise from the fact that large customers both successfully negotiate [✂], and also oblige 3PLs to share [✂];

(d) the low level of margins is consistent with the competitive pressures 3PLs face from:

(i) low costs these customers incur when switching among 3PLs and the absence of any customer 'lock in'; and

(ii) low costs involved in these customers self-supplying logistics activity (ie switching to self-supply).

E.7 At our request, the Parties have also submitted certain additional customer-level margin data on 10 October 2024 and then updated this on 6 January 2025.

Our assessment

E.8 We have considered the Parties' submissions and make the following observations.

E.9 The finding of relatively low margins for Grocery contracts is consistent with the evidence we have received from some third parties, particularly competitors (see section on 'Entry and expansion' in the Final Report). However, whilst the Parties analysis shows that there are differences between relative profit margins, it does not explain the reasons for these differences. The analysis does not demonstrate that it is intense competition (including the threat of self-supply) for large Retail and Grocery customers that has led to relatively lower margins compared with other customers rather than other factors.

E.10 We note that the comparison of *average* customer-level profit margins appears to mask significant variation, even amongst Grocery customers. Using the Parties'

[105] Frontier Economics, [✂] low profit margins highlight the strong competition faced by the Parties and are inconsistent with unilateral effects theories of harm, 7 January 2025, paragraph 3.

contract-level profit margin data that we requested from the Parties,[106] we observe significant variance in relative margins. Margins for some Grocery contracts are, for example, higher than margins for some non-Grocery contracts. For instance, some of GXO's Grocery contracts ([✂]) had materially higher EBITDA margins than certain (non-Grocery) Retail contracts ([✂]). We also observe significant variation between different contracts of the same customers. For instance, a Grocer had one contract ([✂]) with GXO which has a materially higher EBITDA margin than another contract ([✂]) it also has with GXO.

E.11 Finally, a lower capital intensity of large grocery and retail contracts may lead to lower risk and a higher capital-utilisation-adjusted return which is supported by the Parties' submission that such contracts are typically of lower capital intensity.[107] In addition, the Parties told us that there is a higher prevalence of open book contracts amongst large Retail and Grocery contracts and that these contracts entail a lower risk for them.[108] On a risk-adjusted basis, therefore, the difference in margins between large and small contracts may not be as significant as the Parties suggest. We also consider that large contracts (eg for dedicated warehousing) with Grocers may confer an advantage when competing for other contracts as it is likely to signal a 3PL's ability to provide complex services on a large scale to prospective customers. Consequently, the Parties may price more keenly for those contracts in order to win other business.

E.12 Our conclusion is therefore that a simple comparison of average margins across customers provides only limited evidence regarding the extent of competition for such contracts.

[106] GXO's response to the CMA's s109 notice 2 dated 13 December 2024, Annex s109(1)-013 0 Questions 8, 12 and 13; and Wincanton's response to the CMA's s109 notice 1 dated 27 November 2024, Annex 12.1.
[107] Parties' response to the Phase 1 Decision, 2 December 2024, paragraph 6.14.
[108] FMN, 5 September 2024, paragraph 62. [✂]% ([✂]%) of the operations of GXO's (Wincanton's) top five Retail customers were handled under open-book arrangements; see: Parties' response to the Phase 1 Decision, 2 December 2024, Annex 6, page 2.