

Merger efficiencies

1. Mergers which could have an adverse effect on competition may also generate benefits for UK customers which could outweigh or offset any adverse effects (merger efficiencies). There are a wide range of benefits which a merger may give rise to. A merger may generate synergies which result in cost savings which can be passed on to customers. Mergers can also enhance the ability or incentive of firms to innovate, invest and undertake research and development, leading to enhanced product features or new and improved processes by increasing scale or combining complementary capabilities. This may spur rivals to respond, enhancing the process of dynamic competition.
2. As noted in paragraph 1.5 [of the Merger Assessment Guidelines], the CMA continues to learn from studies into its merger case work, and the Merger Assessment Guidelines reflect work undertaken by teams across the CMA. This section of the guidelines reflects a review carried out in 2026, in which the CMA received input from a range of stakeholders, including businesses, advisors and academics.¹ In light of the evidence received during this review, the guidance retains the CMA's previous analytical framework for efficiencies and provides greater clarity and detail on (i) situations when efficiencies can arise, (ii) the types of evidence the CMA will consider, and (iii) when and how merger firms should engage with the CMA on efficiencies.
3. As set out below, the CMA will take a case-by-case approach to assessing efficiency claims and will take them into account when they are supported by verifiable evidence. The CMA encourages firms to engage with the CMA early in the merger review process where they consider that their merger gives rise to efficiencies to ensure that the CMA has sufficient time to assess these thoroughly.

What are merger efficiencies?

4. In some instances, mergers can give rise to efficiencies. Merger efficiencies fall into two categories:
 - (a) **Rivalry-enhancing efficiencies:** Efficiencies that induce the merger firms to act as stronger competitors to their rivals—for example, by reducing their marginal costs giving them the incentive to provide lower prices, or by

¹ [CMA launches review of its approach to merger efficiencies - GOV.UK](https://gov.uk/cma-launches-review-of-its-approach-to-merger-efficiencies)

increasing their ability and incentive to innovate. Rivalry-enhancing efficiencies may prevent an SLC by offsetting any anticompetitive effects. The CMA will therefore assess the rivalry-enhancing efficiencies claims made by merger firms as part of its overall consideration of the competitive impact of the merger.

- (b) **Relevant customer benefits:** Benefits to UK customers which do not prevent an SLC, but which may nonetheless result in benefits to customers and may outweigh any adverse effects of the SLC. For example, a merger may lead to greater innovation in products where the merger firms do not compete, due to the combination of their unique assets. The CMA does not take relevant customer benefits into account in its competitive assessment, but it may take them into account both (i) when considering whether to refer a merger for a Phase 2 investigation, and (ii) when considering options to remedy competition concerns.

- 5. Rivalry-enhancing efficiencies are concerned with the question of whether a merger will lead to an SLC. They therefore must be relevant to the process of rivalry in the market in which the CMA is considering whether the merger gives rise to an SLC. Relevant customer benefits, on the other hand, can be in the market related to the SLC finding or in other markets.

Examples of situations where merger efficiencies can arise

- 6. Some non-exhaustive examples of situations where merger efficiencies can arise include the following:
 - (a) A merger may lead to lower variable costs, providing an incentive to reduce prices, for example if the merger firms are able to take advantage of economies of scale by making more efficient use of the combined production capacity of the merger firms.
 - (b) A merger may allow the merger firms to reduce input costs, eg due to larger production runs and lower delivery costs which lead to the merged firms obtaining lower prices from suppliers.
 - (c) A merger may enable lower costs of production, or improved quality, through knowledge transfers between the merging firms, for example by sharing production technologies or organisational techniques.
 - (d) A merger that combines the production of complementary products within a single firm may create incentives for the merged firm to lower prices, because the merged firm may take into account that lowering the price of one product can increase demand for the other products.

- (e) A vertical merger may provide an incentive to reduce prices due to the elimination of double marginalisation, or enhance coordination in the supply chain in ways that generate cost savings or improve quality.
- (f) A merger may lead to dynamic efficiencies which enhance rivalry if it increases the ability or incentive of the merger firms to innovate and invest in ways that bring benefits to customers. For example, a merger may increase the merger firms' ability to innovate if they possess different and complementary technologies, knowledge or organisational techniques and are able to combine them successfully.

How the CMA assesses evidence on merger efficiencies

Sources of evidence on merger efficiencies

7. Most of the information relating to the benefits resulting from a merger is held by the merger firms. The CMA is likely to place greater evidentiary weight on materials that were generated in the ordinary course of business.² Examples of such evidence include:
 - (a) Operational and financial data, eg relating to costs and margins or to R&D and investment plans, expenditure and outcomes.
 - (b) Strategy and merger rationale documents, including board papers, post-merger investment cases, business plans and roadmaps.
 - (c) Transaction materials, including synergies analysis, deal valuation and integration plans.
 - (d) The merger firms' track record in realising and passing-on similar benefits in previous mergers or other similar circumstances.
8. The CMA recognises that merger firms' internal documents may not address all aspects of the CMA's efficiencies framework. In some cases, there may therefore be scope for merger firms to supplement their evidence with bespoke analysis, eg regarding the impact of the merger on their ability and incentive to innovate, or on their incentive to pass through benefits to customers. In considering the weight to place on such evidence, the CMA will consider the extent to which it is supported by other evidence. Economic modelling, for example, should reflect commercial realities and be grounded in evidenced assumptions and parameters.

² See paragraphs 2.19 – 2.30 for details on how the CMA assesses evidence. Regarding internal documents for example, the CMA will consider a document's probative value having regard to the context, purpose and effect of the internal document, for example whether it was a document for the board or executive decision making. It will also consider the robustness of any analysis and conclusions and the extent to which the document is consistent with other evidence.

9. In addition to evidence from the merger firms, in some cases the CMA may also seek additional evidence from third parties, industry experts, sector regulators or other sources to assess potential efficiencies.

The CMA's approach to assessing the evidence on merger efficiencies

10. Cost, revenue and other synergies often form part of the rationale for mergers, and it is not uncommon for firms to make efficiency claims in merger proceedings. However, some studies have found that while horizontal mergers can generate efficiencies that are passed on to customers, in many cases – particularly in concentrated markets – efficiencies are not realised and/or are not passed through sufficiently to offset the loss of competition. Evidence on the impact of vertical mergers is more limited, but the available studies also show mixed results.³
11. The CMA will therefore take a case-by-case approach to assessing efficiency claims and will take them into account only when they are supported by verifiable evidence. The CMA will require evidence on the nature and extent of potential efficiencies, as well as the incentives of firms to realise them and pass on benefits to customers.
12. The CMA adopts a consistent approach in assessing evidence that supports the finding of competitive harms and evidence that supports claimed benefits of a merger. At Phase 1, the evidence must be sufficient to satisfy the CMA within the time available in an initial investigation that rivalry-enhancing efficiencies would prevent a realistic prospect of an SLC. At Phase 2, the CMA will assess on the basis of the evidence in the round whether, on the balance of probabilities, an SLC arises taking into account any rivalry-enhancing efficiencies.

The CMA's framework for assessing rivalry-enhancing efficiencies

13. The CMA will use the following criteria to assess whether rivalry-enhancing efficiencies mean that the merger does not result in an SLC. The merger efficiencies must:
 - (a) enhance rivalry in the supply of those products where an SLC may otherwise arise;
 - (b) be timely, likely and sufficient to prevent an SLC from arising;

³ For example, regarding horizontal mergers: Kwoka, J., Greenfield, D., and Gu, C. (2015), Chapter 6 in 'Mergers, Merger Control, and Remedies: A Retrospective Analysis of U.S. Policy'; and Ormosi, P., Mariuzzo, F., Havell, R., Fletcher, A., and Lyons, B. (2016) 'A review of merger decisions in the EU: What can we learn from ex-post evaluations?'. Regarding vertical mergers: Beck, M. and Scott Morton, F. (2021) Evaluating the Evidence on Vertical Mergers, Review of Industrial Organization, September 2021, Vol. 59, No. 2, Special Issue: The U.S. Vertical Merger Guidelines (September 2021), pp. 273-302.

- (c) be merger-specific; and
- (d) benefit customers in the UK.

Merger efficiencies must enhance rivalry

14. If merger efficiencies are to be relevant to the CMA's assessment of whether the merger gives rise to an SLC, they must enhance rivalry in a way that counteracts any adverse impact of the merger on competition in that market such that, overall, there is no SLC.
15. In assessing whether claimed merger efficiencies are likely to enhance rivalry, the CMA will consider whether they strengthen the ability and/or incentive of the merged entity to act pro-competitively for the benefit of consumers on an important parameter of competition, for example through lowering prices, increasing quality or increasing innovation.
16. The CMA will generally view reductions in the merger firms' marginal or variable costs as being more likely to result in an incentive to reduce price or make short-run improvements in quality than reductions in fixed costs. In some cases, fixed cost savings may impact the ability or incentives of the merged firm to innovate or invest, for example by raising the expected returns on investment. However, cost reductions from a reduction in output will not be considered as efficiencies.
17. Some mergers may result in efficiencies pertaining to competitive parameters other than price, for example an improvement in product quality or greater innovation. For example, a merger might bring together complementary assets which reduce the incremental costs of innovation, increase the likelihood of innovation being successful, or increase the merged entity's ability to commercialise its innovations (for example, by enabling it to more effectively distribute its innovations to customers).
18. By definition, rivalry enhancing efficiencies must enhance rivalry in the market(s) in which the CMA is considering whether the merger gives rise to an SLC. Generally, pro-competitive actions from the merged entity would be expected to stimulate a competitive response from rivals, resulting in increased rivalry which benefits customers. This response does not necessarily need to be on the same parameter of competition. For example, rivals may respond to an increase in quality from the merger firms by lowering their prices.
19. In principle, it is possible that efficiencies which in the short-term bring benefits to customers, may create competition harms in the longer term by creating an unassailable advantage for the merged entity, causing rivals to exit the market and/or inhibiting their growth. In the presence of high barriers to entry and expansion, this can be problematic if those rivals cannot then re-enter quickly and

easily in response to a subsequent deterioration of the firm's offer. For example, this may occur in highly concentrated industries with strong network effects, in which there is a risk of a market 'tipping' towards a single or a small number of suppliers. However, consistent with the CMA's experience to date, the CMA considers that the circumstances in which this concern would constitute a theory of harm as part of a merger investigation are likely to be rare in practice.

Merger efficiencies must be timely, likely and sufficient to prevent an SLC

Timeliness

20. The CMA will consider whether efficiencies are likely to arise in a timely manner in order to prevent an SLC. In assessing timeliness, the CMA recognises that different types of efficiencies may be realised over different timeframes. For example, cost savings arising from rationalising distribution capabilities may arise relatively quickly following a merger whereas efficiencies from more complex integration of production facilities or merging complementary R&D functions, while potentially delivering significant benefits, may take longer to realise.
21. In assessing the timing of potential merger efficiencies, the CMA will therefore have regard to the market-specific context, such as evidence on investment and innovation cycles in the relevant industries. This may mean, for example, that certain dynamic efficiencies (such as increased R&D productivity) may not be expected to be fully realised for a period of several years.
22. While the CMA is open to considering efficiencies which are likely to arise on a longer timeframe, it is important to apply appropriate discounting to expected future gains and to consider the interaction of the timeliness of expected efficiencies with the timing of harm arising from the merger, as discussed further below.

Likelihood

23. To assess whether the claimed merger efficiencies are likely to be realised, the CMA will consider whether the merged firm will have the ability and incentive to deliver them.
24. The assessment of ability includes considering whether there are any technical or practical barriers that could prevent the efficiencies from being achieved. This may involve, for example, assessing whether the merger firms have the necessary capabilities or expertise to deliver the claimed efficiencies, the robustness of their post-merger plans, any dependencies on third parties, and the extent to which similar efficiencies have been achieved in previous mergers.

25. The assessment of incentive involves considering whether the merged entity would find it commercially rational to realise the efficiencies. This includes considering the expected gains from the efficiencies as well as the costs, risks and complexity of implementation. The CMA may also consider any countervailing factors, such as short-term profit targets, that could affect the merged entity's incentives.
26. In some cases, the CMA may see the potential for efficiencies from the merger but may have concerns about their timeliness and/or likelihood. Where the CMA has concluded that, if realised, these efficiencies would enhance rivalry, benefit UK customers and be sufficient to prevent an SLC, it might be possible for remedies that secure those efficiencies to resolve the CMA's concerns.⁴

Sufficiency

27. The CMA will consider whether the claimed efficiencies are sufficient to offset the competitive harm which the merger would otherwise cause. The greater the expected adverse effect of a merger, the greater the expected efficiencies must be, in order to be sufficient to prevent an SLC from arising. The CMA will also consider whether the evidence shows efficiencies are likely to be passed through to customers, whether in the form of price reductions or improvements in other competitive parameters such as quality, range and/or innovation.⁵ This includes considering the impact of the merger and the lessening of competition on incentives to pass on benefits which will be closely linked to the assessment of whether the efficiencies are likely to be rivalry-enhancing.
28. In its assessment, the CMA will consider the overall impact of a merger on competition, taking into account both price and non-price factors. Whilst precise quantification is not necessary and, in many cases, is not likely to be possible, quantitative evidence can be useful in understanding the likely magnitude of both the potential adverse effects of a merger and efficiencies. For example, evidence relating to how consumers value non-price improvements (such as consumer survey evidence, or data on patterns of consumer spending) may be helpful in understanding the likely magnitude of merger benefits.
29. There may be some uncertainty about the outcome of investments and innovation efforts, including about whether these will ultimately result in products and services being made available to customers, the timeframe within which this may occur, and/or the scale of any resulting customer benefits. In such cases, the CMA may therefore also consider whether the merger is likely to strengthen the process

⁴ See Merger remedies (CMA87) paragraphs 7.17 – 7.18.

⁵ In some cases, the sources of evidence listed in paragraph 7 might be informative regarding pass-through. For example, business or investment plans generated in the ordinary course of business may include assumptions regarding future sales volumes and prices.

of dynamic competition in a timely manner, for example by increasing the ability or incentive of the merger firms to innovate.

30. The CMA will also consider how the impact of a merger may vary over different timeframes. For example, where some efficiencies take time to materialise, a merger could lead to short-term harm before longer-term benefits are realised. Such a scenario could give rise to a time-limited SLC, and the CMA would consider whether there are effective and proportionate remedies to resolve the SLC throughout its expected duration.⁶

Merger efficiencies must be merger-specific

31. The CMA will assess whether the merger efficiencies are reliant on the merger in question or whether they could realistically be brought about by other means.
32. In making its assessment, the CMA will consider what alternatives to the merger may exist. Examples of actions that may result in efficiencies without a merger might include a firm achieving scale or developing capabilities organically, investing in innovation (eg by investing in staff or R&D capability), entering into a licensing agreement, or using a buying group. In the case of vertical mergers, alternative means to achieve the reduction of double marginalisation may include contractual agreement and non-merger expansion along the supply chain.
33. The CMA will consider the feasibility of such potential alternatives, and whether it would be commercially rational for the merger firms to pursue them. This may involve considering the extent to which these alternatives would deliver the same scale of benefits, whether there are significant barriers to implementing them (including dependencies on third parties), and the relative costs and risks of these alternatives compared to the merger. For example, the merger firms may provide evidence that attempts to implement other mechanisms for achieving the efficiencies have been unsuccessful in the past.

Merger efficiencies must benefit customers in the UK

34. The CMA will consider whether, even if the merger does give rise to efficiencies, the merged entity would have the incentive to allow customers in the UK to benefit from the efficiencies. The CMA will consider the strength of competition that is likely to exist after the merger when evaluating this incentive.

⁶ Merger remedies (CMA87).

The CMA's framework for assessing relevant customer benefits

35. The Act allows relevant customer benefits to be taken into account.⁷ These benefits are defined as being lower prices, higher quality or greater choice of goods or services in any market in the UK, or greater innovation in relation to such goods or services.
36. What constitutes higher quality, greater choice or greater innovation will depend on the facts of individual cases. It might be, for example, that benefits in the form of environmental sustainability and supporting the transition to a low carbon economy are relevant customer benefits in some circumstances. A merger may lead to lower energy costs and some benefits that customers may value (such as a lower carbon footprint of the firm's products).
37. At Phase 1, the CMA may have regard to the effect of proposed undertakings in lieu (UILs) on any relevant customer benefits resulting from the merger. The CMA also has the discretion not to refer a merger for a Phase 2 investigation if it believes that the relevant customer benefits outweigh the SLC caused by the merger. At Phase 2, the CMA is permitted to have regard to relevant customer benefits in its consideration of remedies.
38. How the CMA takes relevant customer benefits into account, at both Phase 1 and Phase 2, is considered in separate guidance.⁸ The guidance notes that the CMA will consider (among other things) the timeliness, likelihood and merger specificity of relevant customer benefits.
39. A number of the same principles therefore apply when assessing rivalry-enhancing efficiencies and relevant customer benefits.⁹ For example, to assess the merger specificity of relevant customer benefits, the CMA will consider what alternative means exist to achieve the benefits and their practical feasibility; to assess likelihood, the CMA will consider the merged entity's ability and incentives to realise the benefits; and in determining whether the benefits are timely, the CMA will consider the relevant context, which will vary on a case-by-case basis.

Engaging with the CMA on merger efficiencies

40. Merger firms who wish to make efficiency claims should engage with the CMA early in the merger review process. Early engagement enables the CMA to provide feedback to the merger firms on their submissions, including aspects which may require further evidence or analysis, and on the types of evidence and analysis the

⁷ Relevant customer benefits are defined in section 30 of the Act.

⁸ Mergers: Exceptions to the duty to refer (CMA64) and Merger remedies (CMA87).

⁹ If merger firms are unsure whether their claimed efficiencies could constitute rivalry-enhancing efficiencies, relevant customer benefits, or both, they can contact the CMA case team for an informal discussion (see paragraphs 40-42 below regarding engagement with the CMA on merger efficiencies).

CMA considers could be probative. Early engagement also helps to ensure that the CMA has sufficient time to scrutinise the parties' submissions adequately, including in some cases gathering additional evidence from third parties. Where evidence is provided at a late stage, the CMA's ability to assess it is reduced, which may limit the weight that can be placed on it.

41. Where merger firms consider that efficiencies will arise from the merger, they should provide a detailed explanation of how the merger would generate such efficiencies with reference to the framework in paragraph 13 above, together with supporting internal documents, in their Merger Notice.¹⁰ The CMA may seek further information and provide feedback on the merger firms' efficiencies submissions during pre-notification and phase 1, eg through information requests, update calls, and where relevant, 'data calls' and other informal meetings.¹¹ There are also opportunities for the merger firms to engage further with the CMA during the early stages of phase 2, such as at the teach-in and initial substantive meeting.
42. For the avoidance of doubt, the submission of evidence by the merger firms that efficiencies will result from the merger in no way implies that they accept the existence of an SLC.

¹⁰ The information required in the Merger Notice regarding efficiencies is set out in the guidance note for question 23 of the CMA Merger Notice Template.

¹¹ Details on the CMA's pre-notification, phase 1 and phase 2 processes are provided in the CMA's Guidance on jurisdiction and procedure (CMA2).