



## **DETERMINATION OF MERGER NOTIFICATION M/08/014 – BWG/MANGAN'S**

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### **Section 21 of the Competition Act 2002**

#### **Proposed acquisition by BWG Foods Limited of Mangan Bros. Group Limited**

**Dated 02/05/08**

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### **Introduction**

1. On 11 April 2008, the Competition Authority ("the Authority"), in accordance with section 18(1)(a) of the Competition Act, 2002 ("the Act") was notified, on a mandatory basis, of a proposal whereby BWG Foods Limited, a wholly-owned subsidiary of BWG Holdings Limited ("BWG") would acquire 100% of the share capital of Mangan Bros. Group Limited ("Mangan's").

### **The Undertakings Involved**

#### ***The Acquirer***

2. BWG is a food retail and wholesale distribution company operating in the Republic of Ireland and the United Kingdom. At the retail level, BWG:
  - owns and operates the Spar franchise in the State (the Spar, Eurospar and Spar Express brands). It also owns the XL Stop & Shop brand,
  - has the right to license the Mace brand in certain parts of the State. The Mace stores affiliated to BWG are in Leinster, Munster (except Clare and parts of Limerick city), Monaghan and parts of Cavan, and,
  - has an exclusive partnership agreement with Maxol regarding Mace forecourt retail operations.
3. Newhill Limited, ("Newhill"), a BWG subsidiary, owns the freehold or leasehold interest in a number of retail premises, which are all licensed to independent franchises who operate the stores under the Spar, Eurospar and Mace brands. At the end of 2007, the total number of BWG-affiliated stores was as follows: [...] (for Spar, Spar Express and Eurospar), [...] (for Mace), and [...] (for XL Stop & Shop).
4. BWG is also involved in wholesale food and grocery distribution to its affiliated stores and to stores operated by independent retailers. It is also involved in the wholesale distribution of food and beverages to food service customers and to the licensed trade. BWG operates 6 distribution centres and also operates a chain of 25 wholesale cash and carry outlets under the "Value Centre" brand throughout Ireland.

5. For the year ended 31 December 2007, BWG generated worldwide turnover of c. €[..]. During the same period, BWG generated turnover of c. €[..] in the State.

### **The Target**

6. Mangan's is the trading company in a family-owned grocery retailing and wholesaling group, operating primarily in the west and south-west of Ireland. At the retail level, the group:
  - has the right to license the Mace brand in certain parts of the State, specifically, in Connacht, Donegal, Clare and parts of Limerick City and Cavan. These areas do not overlap with the BWG areas. It also has the right to license the Vivo and Xpress Stop brands in the State.
  - owns the freehold or leasehold interest in [...] retail premises, which are all licensed to independent franchisees who operate the stores under the Mace and Vivo brands.
7. At the end of 2007, the total number of Mangan-affiliated stores was as follows: [...] (Mace), [...] (Vivo), and [...] (Xpress Stop).
8. Mangan's is also involved in wholesale food and grocery distribution to its affiliated stores and to stores operated by independent retailers. It is also involved in the wholesale distribution of food and beverages to food service customers and to the licensed trade. It operates cash and carry outlets in counties Mayo, Offaly, Tipperary, Donegal, Galway, Clare and Cork, and a cash and carry/distribution centre in Collooney, Co. Sligo.
9. For the year ended 31 December 2006, Mangan's generated worldwide turnover of c. €[..]. During the same period, Mangan's generated turnover of c. €[..] in the State.

### **Third Party Views/Submissions**

10. No third party submissions were received.

### **Analysis**

11. As described above, the activities of the parties overlap in two specific areas: (1) grocery retailing via affiliated symbol retailers, and (2) the operation of cash and carry outlets and the provision of wholesale distribution services (including "central billing" services).

### **Retail Level**

#### *Relevant Product and Geographic Markets*

12. Relying on the approach adopted by the UK Competition Commission following its recent market investigation of the UK grocery sector (as set out in its 2007 *Provisional Findings Report*),<sup>1</sup> the parties submitted that the relevant product market for the purpose of assessing the competitive effects of the proposed transaction at the retail level must

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<sup>1</sup> Competition Commission, *The Supply of Groceries in the UK Market Investigation: Provisional Findings Report*, 31 October 2007.

be broader than the so-called “top-up” or “convenience shopping” segment.

13. In respect of the relevant geographic market, the parties submitted that demand-side substitution by customers, the key to market definition in grocery retailing, can only take place within a local framework. Thus, notwithstanding that certain aspects of the retail offer (e.g., promotions) may be set uniformly on a national or centralised basis, the parties submitted that the relevant geographic market for grocery retailing is local.
14. The parties submitted that the key findings underpinning the market definition analysis set out in the Competition Commission’s *Provisional Findings Report* are equally true for the Irish market.<sup>2</sup> In this regard, the parties also referred to the Authority’s *Grocery Monitor: Report No. 1* (“*Grocery Report No. 1*”).<sup>3</sup>
15. *Grocery Report No. 1* describes competition in the various areas outlined above, but does not attempt to define product or geographic markets. Likewise, in the context of assessing the impact on competition of this merger, the Authority does not consider it necessary to conclude on the relevant markets but rather to investigate the impact of the merger on local areas where the merged entity is likely to face competition from two or fewer fascia post merger.

#### *Identified Local Areas of Horizontal Overlap*

16. In certain local retail areas where stores affiliated to Mangan’s operate, a symbol store affiliated to BWG (i.e., operating under the Spar, Eurospar, Spar Express or XL Stop & Shop fascia) is also present. In the merger notification, the parties undertook a review of the areas where retail stores affiliated to each of the undertakings involved overlap, and identified those local areas where post merger the merged entity would face competition from two or fewer competing fascia.<sup>4</sup> As regards the delineation of these areas, the parties submitted that the catchment area measured by drive times is at least 15-20 minutes, particularly in rural areas. The approach the parties used was to set out in respect of each of the six retail overlap areas details of all the competing fascias: (i) within the relevant town/village, (ii) within a ten mile radius of the town/village, and (iii) within a twenty mile radius of the town/village.
17. The result of this exercise showed that there were seven local areas where post merger the merged entity would face competition from two or fewer competing fascia: Lisdoonvarna, Ballintra, Derrybeg, Dunmore, Swinford, Strandhill, and Mohill.

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<sup>2</sup> In the UK, evidence of a fall in the percentage of shoppers doing weekly one-stop shops from 70% to 59% between 2000 and 2007, as well as evidence that consumer shopping frequency may have increased over the same period, was considered sufficient to cause the Competition Commission to re-evaluate retail market definitions away from the traditional “shopping mission” approach. According to the Shopper Trends survey cited in the Competition Authority’s *Grocery Report No. 1*, only 50% of shoppers in Ireland do a substantial weekly “main shop” (see paragraph 6.6).

<sup>3</sup> Competition Authority, *A Description of the Structure and Operation of Grocery Retailing and Wholesaling in Ireland: 2001 to 2006, Grocery Monitor: Report No. 1* (published 9 April 2008).

<sup>4</sup> The implicit assumption is that local areas with 3 or more competing fascia post merger offer sufficient competition to constrain the retail stores affiliated to the merged entity in those areas.

18. The Authority discussed with the parties and sought further evidence concerning the current competitive characteristics of each local area and the competitive conditions that would exist in each area post merger. Upon further analysis, it transpired that post merger, the merged entity would face competition from three competing fascia in Swinford. Therefore, this area is not considered further below.
19. In respect of the current competitive situation at the retail level, the Authority's investigation revealed:
- Neither BWG nor Mangan's controls the prices at which any of its affiliated retailers sell products. All of the retail outlets affiliated to the merging parties are independently operated by independent franchisees who own, lease or license the premises from which they operate.
  - In rural areas, travel to another town is necessary for at least two core essential shopping items, car fuel and fresh meat.
  - In respect of the areas listed in paragraph 17 above (excluding Swinford), only one site is owned by Newhill, that is, the [...] store in [...]. However, it is independently operated. The competitive situation in [...] is discussed below.
  - All six areas considered below are small towns or villages situated in relatively sparsely populated rural areas. In all cases, the population of the relevant town or village is less than 1,600.<sup>5</sup> In most cases, the population is considerably less than 1,000. In all of these areas, the car is invariably used on shopping trips (including trips either to larger or smaller retail outlets for either "top-up" or "weekly" shopping).

There is ease of switching between retail symbol stores. Table 1 provides details of Mace retail outlets which were 'lost' [...] in 2007.<sup>6</sup> This suggests that barriers to switching between symbols by independent operators in the retail grocery sector are surmountable. The parties' standard-form agreement with affiliated outlets is, in general, terminable on short notice by either side. [...]

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<sup>5</sup> All population figures are based on the Central Statistics Office Ireland census figures for 2006, available at <http://www.cso.ie/census/Census2006Results.htm>

<sup>6</sup> Switching by retail operators is also confirmed by the Authority's *Grocery Report No.1*, see Table 32, page 113.

**Table 1**  
**Mace Customers Lost in 2007**

<b>MACE Customer</b>	<b>Details</b>
[..]	Changed to Spar
[..]	Changed to Spar
[..]	Changed to Spar
[..]	Changed to Spar
[..]	Changed to Spar
[..]	Changed to Spar
[..]	Changed to Centra
[..]	Changed to Centra
[..]	Changed to Centra
[..]	Changed to Daybreak
[..]	Changed to Daybreak
[..]	Changed to independent
[..]	Ceased trading

Source: the undertakings involved

- Expansion by existing competitors would be timely, likely and sufficient as demonstrated by the current and recent expansion activities by symbol groups. For example, in February 2008, Centra (part of the Musgrave group) announced a €65 million expansion plan to open 44 new Centra shops this year alone. In addition, Londis recently launched ADM Investments, a subsidiary charged with acquiring green field sites for new stores. The parties submitted that Tesco is currently seeking sites for use as small supermarkets or convenience stores and is believed to have held discussions with Xtra-vision in this regard.<sup>7</sup>

20. Specifically, the competitive conditions in respect of each of the towns listed in paragraph 17 above (except Swinford) are discussed in turn below.

**(i) Lisdoonvarna**

21. Lisdoonvarna (see Map 1 below) is a small village with a population of 767 people<sup>8</sup> in west County Clare. Lisdoonvarna lies six miles from Ennistymon<sup>9</sup> and eight miles from Lahinch. In Ennistymon, there are four stores that are not affiliated to the merging parties. In Lahinch, there are three such stores, including a Centra. Lisdoonvarna is effectively a single street where the main retail outlets - a Mace (Mangan's) and a Spar (BWG), are located. Although post merger there is no competitor to the merged entity in the town, it is unlikely that the merger will result in a substantial lessening of competition ("SLC") due to the following:

- There is no forecourt garage in Lisdoonvarna. None of the retail grocery outlets offer red meat or fish. Thus for two core essential shopping items, car fuel and fresh meat, travel to another town is essential. As stated earlier, the nearest towns are Ennistymon (the major centre of local employment) and Lahinch. In both Ennistymon and Lahinch, a number of petrol forecourts also sell

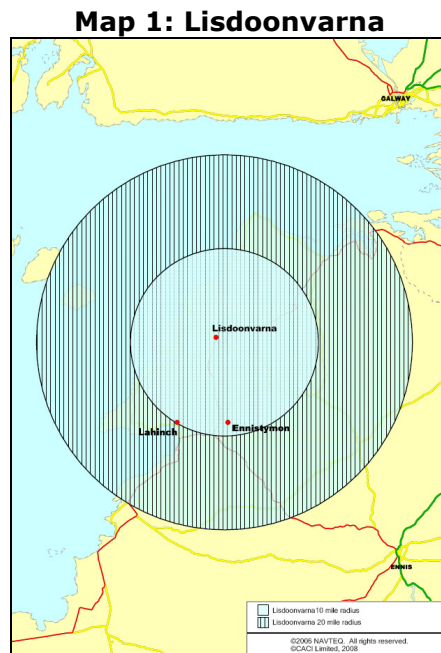
<sup>7</sup> Irish Times, "Xtra-vision held talks with Tesco on disposing of stores", 27 February 2008.

<sup>8</sup> 2006 Census

<sup>9</sup> Ennistymon is the main centre of commerce in the region and is also the main local shopping area.

groceries and other products in competition with the outlets in Lisdoonvarna.

- The constraining effect of the retail outlets in Ennistymon is enhanced by the fact that Ennistymon is the regional centre of commerce (where many people in the area work) and it provides a far wider selection of shops.
- The parties estimate that the total weekly grocery expenditure by consumers in the Lisdoonvarna local catchment area is around €[..].<sup>10</sup> The parties estimate that together they account for c. €[..]<sup>11</sup> which represents less than [5-15]% of the share of the weekly grocery expenditure in the Lisdoonvarna local catchment area. Other competitors in this local catchment area include SuperValu with an estimated weekly turnover of between €[.] and €[.]. This represents between c. [30-40]% of the share of the weekly grocery expenditure in the Lisdoonvarna local catchment area.
- Information supplied by the parties states that [..].



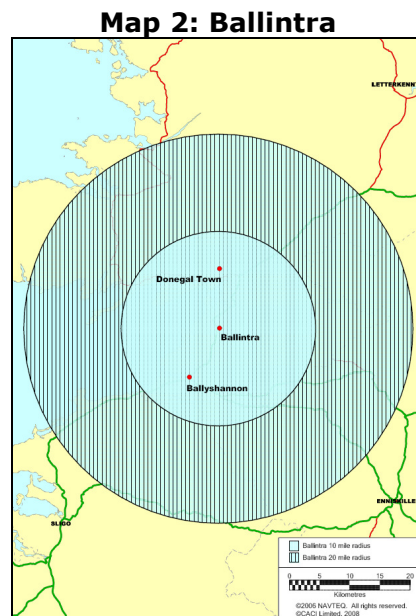
Source: the undertakings involved and the Authority

<sup>10</sup> The parties derived the spend figure from the national aggregate retail turnover of all retail operators in the grocery sector (vertically-integrated retailers, affiliated retailers and independent retailers), estimated to be €14.6 billion for 2006. This figure was taken from the Grocery Report No. 1. The national population enumerated on census night 23 April 2006 was 4,234,925 persons, giving an annual grocery expenditure per capita of €3,447.50, or €66.30 per week. To allow for inflation and increase in grocery prices, the parties increased this figure by 5%, to give an estimated spend per capita per week of €69.60 for 2008. It is on this basis, and using official population figures for each area, based on an analysis of population data at the District Electoral Division (“DED”) level from the 2006 Census, that the total spend in each local area was estimated.

<sup>11</sup> The Spar outlet generates weekly turnover of c. €[.] ([.] sq ft) and the Mace outlet generates weekly turnover of c. €[.] ([.] sq ft).

## **(ii) Ballintra**

22. Ballintra (see Map 2) is a small village in South Donegal with an estimated population of 211 people. It is situated six miles from Ballyshannon and two miles from Donegal town. Both Ballyshannon and Donegal town are significantly more important centres of commerce and are far larger local employment centres.
23. Ballintra has two retail grocery stores, one Spar (BWG) and one Xpress Stop (Mangan's). The village comprises one main street where both outlets are situated. Although post merger there will be no competitor to the merged entity in the town it is unlikely that the merger will result in SLC due to the following:
- There is no fuel offering in Ballintra, nor does either of the retail grocery outlets offer fresh food (including red meat). Thus for two core essentials (car fuel and fresh food), travel to another town is essential. As stated earlier the nearest towns are Ballyshannon and Donegal town.
  - There are several large stores in Donegal town, including SuperValu and Lidl. Further, both Tesco and Dunnes Stores have applied for planning permission for new stores in Donegal town. The parties submitted that at least one of these multiples is likely to secure planning permission and open a new store in Donegal town within the next two years.<sup>12</sup>
  - The parties estimate that the total weekly grocery expenditure by consumers in the Ballintra local catchment area is around €[...] with the total combined turnover of the merging outlets in Ballintra amounting to less than [0-10]% of overall weekly spend in the area.<sup>13</sup>



Source: the undertakings involved and the Authority

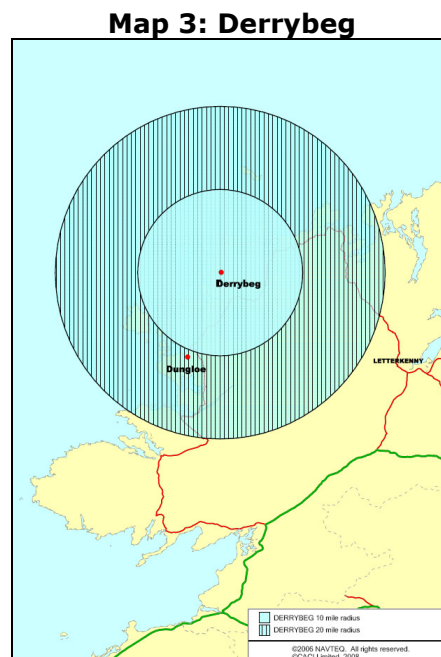
<sup>12</sup> Tesco's commitment to open an outlet in Ballybofey, Co. Donegal, is reported in the Donegal News 2007, "Tesco to try again for Twin Towns Store", August 24.

<sup>13</sup> The Spar outlet generates weekly turnover of c. €[...] ([...] sq ft) and the Xpress Stop generates weekly turnover of c. €[...] ([...] sq ft). The parties estimated that [25-35]% of these turnovers represent sales of mobile top-ups.

### **(iii) Derrybeg**

24. Derrybeg (see Map 3) in County Donegal is a townland in the parish of Gweedore in an isolated part of West Donegal with a population of 1,359. The parties estimate that the population of Derrybeg village itself is, at most, 500. There are three retail grocery stores in Derrybeg - one Spar (BWG), one Mace (Mangan's) and one independent forecourt-grocery store operator, which recently re-branded as a Cost-cutter. The Spar store is located beside the independent forecourt-grocery store operator. The Mace store, which is attached to a service station, is located approximately one mile away from the village centre. Post merger it is unlikely that the merger will result in SLC due to the following:

- The relatively isolated location of Derrybeg means that the local population travels what would be considered relatively large distances for many purposes including shopping, sport, entertainment, and socialising.
- There are several large stores in larger surrounding towns which operate as a competitive constraint on the parties' stores in Derrybeg. These include the SuperValu and Aldi stores in Dungloe (which is around 12 miles from Derrybeg). In addition, there are several large stores (including two Dunnes Stores outlets, as well as Tesco, Lidl and SuperValu outlets) in Letterkenny, which is approximately 40 miles from Derrybeg.
- The parties estimate that the total weekly grocery expenditure by consumers in the Derrybeg local catchment area is €[...]<sup>14</sup> with the total combined turnover of the merging parties' affiliated outlets in Derrybeg being [5-15]% of the total spend in the area.



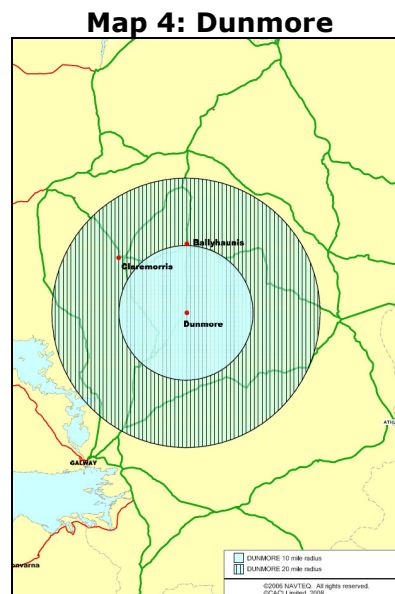
<sup>14</sup> Supra note 10.



#### **(iv) Dunmore**

25. Dunmore (see Map 4) is a village in north Co. Galway with a population of 614. There are three retail grocery stores in Dunmore - one Spar (BWG), one Mace (Mangan's) and one Daybreak store. The Mace store is a forecourt store attached to a service station. The Daybreak store also has a fuel offering. Post merger it is unlikely that the merger will result in an SLC due to the following:

- There is a newly refurbished SuperValu store in Glencamaddy, located around eight miles from Dunmore. That store has an estimated turnover of €[...] per week. In addition, there are several large stores (including SuperValu and Lidl) in Tuam, which is also situated around eight miles from Dunmore.
- The parties believe that either Tesco or Dunnes Stores is very likely to secure planning permission and open a new store in Tuam within the next two years.<sup>15</sup>
- In November 2007, Tesco opened a new 24-hour retail store and filling station in Claremorris. Claremorris is around 16 miles from Dunmore. Since the opening of the Tesco store in Claremorris, the parties informed the Authority that retailers in all of the surrounding towns have experienced decreases in their turnover.
- The parties estimate that the total weekly grocery expenditure by consumers in the Dunmore local catchment area is c. €[...]<sup>16</sup>. The combined turnover of the parties' outlets in Dunmore account for c. [5-15]% of the total weekly grocery spend in that area<sup>17</sup>.



Source: the undertakings involved and the Authority

<sup>15</sup> An application by Tesco for a new store in Tuam was rejected in 2007, although the parties submit that it is understood that Tesco remains committed to opening a store in Tuam and that Tuam is the largest town in Ireland not to have either a Dunnes Stores or Tesco outlet. Royal Rock Limited has applied for planning permission to develop a large supermarket and shopping mall complex on a 17 hectare site on the outskirts of Tuam. According to a report in the Tuam Herald of 24 April 2008, "the development is strongly tipped to provide a home for Dunnes Stores which has been speculated as eager to establish a large outlet in North Galway".

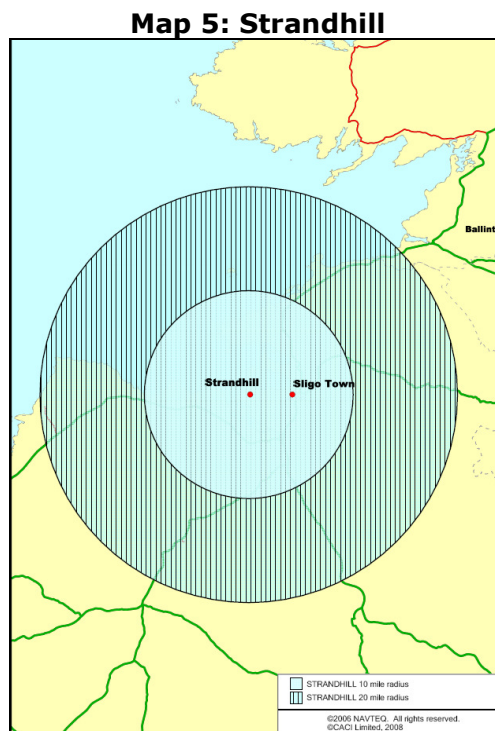
<sup>16</sup> Supra note 10.

<sup>17</sup> The Spar generates weekly turnover of €[...] ([...] sq ft) and Mace generates turnover of c. €[...] ([...] sq ft).

**(v) Strandhill**

26. Strandhill, Co. Sligo, (see Map 5), with a population of approximately 1,413, is a small seaside resort village located 5 miles from Sligo town. There are three retail grocery stores in Strandhill - one Spar (BWG), one Mace forecourt store (Mangan's) and one non-branded, independent store. The Spar store and the independent store are located in the village itself, while the Mace forecourt is situated around one mile from the village on the road to Sligo town. Post merger it is unlikely that the merger will result in SLC due to the following:

- There are several large stores in Sligo town, which is the main commercial and employment centre in the region. These stores include a Tesco, two Dunnes Stores outlets and a Lidl. The parties submit that each of these operate as a competitive constraint on the parties' stores in Strandhill.
- The parties estimate that the total weekly grocery expenditure by consumers in the Strandhill local catchment area is approximately €[...]<sup>18</sup> with the combined turnover of the parties' outlets in Strandhill amounting to c. [0-10]% of the total spend in the area<sup>19</sup>.



Source: the undertakings involved and the Authority

<sup>18</sup> Supra note 10.

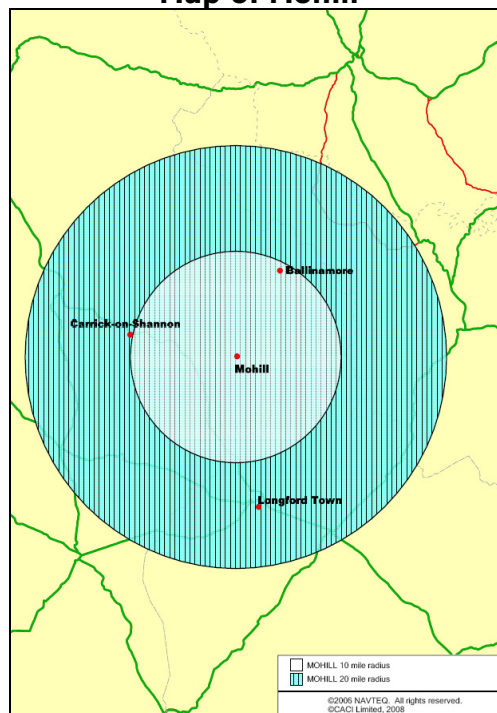
<sup>19</sup> The Spar generates weekly turnover of c. €[...] ([...] sq ft); the Mace store generates weekly turnover of c. €[...] ([...] sq ft); and an independent store generates weekly turnover of c. €[...] ([...] sq ft).

**(vi) Mohill**

27. Mohill, Co. Leitrim, (see Map 6) with a population of 931 is situated in South Leitrim approximately 10 miles from Carrick-on-Shannon. There are four retail grocery outlets in Mohill - one Eurospar (BWG), one Mace forecourt store (Mangan's), one Centra and one non-branded independent store. Post merger it is unlikely that the merger will result in SLC due to the following:

- [...] the Eurospar store in Mohill [...] is independently operated. The Mace is independently owned and operated. Therefore, the stores will still be in competition with each other at the retail level.
- There is a Tesco store in Carrick-on-Shannon (which is situated around 9 miles from Mohill). Since the opening of that Tesco store in 2005, BWG's Spar in Mohill, located nearly 10 miles from Carrick-on-Shannon, has seen a decrease in its turnover [...]. BWG attributes this decline in turnover to competition from the Tesco outlet in Carrick-on-Shannon.
- The parties estimate that the total weekly grocery spend by consumers in the Mohill local catchment area is around €[...]<sup>20</sup> and the total combined turnover of the merging outlets in Mohill would be c. [0-10]% of the total spend in the area<sup>21</sup>.

**Map 6: Mohill**



Source: the undertakings involved and the Authority

<sup>20</sup> Supra note 10.

<sup>21</sup> The Eurospar generates weekly turnover of c. €[...] ([...] sq ft) and the Mace store generates turnover of c. €[...] ([...] sq ft).

## **Wholesale Level**

### *Relevant Product and Geographic Markets*

28. The parties submitted that the wholesale market is made up of three sectors: (i) retail, (ii) foodservice and (iii) licensed trade, and that each sector is supplied with product from a variety of different sources. Thus, cash and carry wholesalers face competition not just from other cash and carry outlets in the same geographic area, but also, to varying degrees from large nationwide delivered wholesale operators, nationwide delivered foodservice operators, manufacturers and brand owners (e.g., in the drinks sector), large regional delivered wholesale operators and large regional cash and carry operators.
29. The parties submitted that the relevant market for the purpose of assessing this merger should exclude direct sales by branded suppliers and manufacturers and sales by symbol groups via their retail distribution networks<sup>22</sup>. Using this categorisation, BWG estimates that Musgraves is the market leader with [30-40]%, while its own share of supply of the Irish grocery wholesaling market is c. [10-20]% and that Mangan's is c. [0-10]%. Thus, the combined entity will have a total share of supply of c. [15-25]%.
30. *Grocery Report No. 1* contains a comprehensive analysis and discussion of the grocery goods wholesale sector. *Grocery Report No. 1* identified three categories of operators at the wholesale level of the grocery supply chain: wholesaler-franchisors, cash and carry wholesalers and buying groups.
31. The Authority does not consider it necessary to conclude on the relevant wholesale markets in this case. In the analysis below, the characteristics of the wholesaling sector in the State are discussed. The impact of the merger on wholesale supply in the State is then considered.

### *Characteristics of the Wholesale Sector in the State*

32. *Grocery Report No. 1* found the following:
  - The wholesale grocery sector appears to be concentrated, in the sense that only a few operators account for a large share of turnover. As of year-end 2006, of the €3.6 billion turnover generated from the sale of grocery goods to affiliated retailers, independent retailers and other customers of the six wholesaler-franchisors in the State, almost 80% was attributable to the two largest wholesaler-franchisors, namely Musgraves (c. 55%) and BWG (c. 20%). Moreover, shares of turnover have remained remarkably stable over the period since 2001, despite expansion by all players.
  - The number of independent wholesalers is already limited. The wholesalers that supply the affiliated retailers are, by and large, the same wholesalers that supply independent retailers.

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<sup>22</sup> Musgrave service 740 affiliated retail ("AR") stores; Londis service 349 AR stores; Barrys service 217 AR stores; Mangan's service 254 AR stores; and, BWG service 697 AR stores. With the exception of BWG the other symbol groups use a single distribution centre. BWG currently use three centres but is proposing to move to a single centre in line with industry practice.

- Using the data from *Grocery Report No.1*, Table 2 below shows that the proposed transaction involves the acquisition of the 6<sup>th</sup> ranked player by the 2<sup>nd</sup> ranked player by share of turnover.

**Table 2**

**Grocery Goods Wholesaling Turnover as a Proportion of Aggregate Turnover by Wholesaler-Franchisor, the State, 2006**

Wholesaler	Turnover Share Rank	Turnover Share Bands (%)
ADM Londis	4	5-10
Barry Group	5	5-10
BWG Foods	2	20-25
Mangan Wholesale	6	0-5
Musgrave	1	55-60
Gala Wholesalers*	3	5-10
Other Stonehouse Members	7	5-10

\* 'Gala Wholesalers' are Stonehouse members serving retailers affiliated to the Gala fascias. Data for Gala Wholesalers are based on 14 of 25 distribution centres of Gala Wholesalers and central billing figures are not included. 'Other Stonehouse Members' are Stonehouse members excluding the Barry Group and Mangan Wholesale and the Gala Wholesalers.

Source: Competition Authority, 2007, *Grocery Report No. 1*, Table 6, page 38.

*Impact on the Wholesale Sector in the State*

33. The proposed transaction is not likely to raise SLC concerns in the national wholesale sector in the State due to the following:
- Regardless of which categorisation of the wholesale market is applied (i.e. whether that proposed by the parties or that used in *Grocery Report No. 1*), the proposed transaction will lead to an accretion in market share of no more than [0-10]%.
    - There is no evidence to suggest that the merger is likely to result in either unilateral or coordinated effects. Post merger: (i) Musgraves will still be the largest player in the sector, both in terms of market share and the amount of warehousing floor space, and (ii) there is a large asymmetry in the market shares of the players in the sector as shown in Table 2. Thus the merged entity is likely to have the incentive to grow its share and a number of sizeable competitors will remain in the market.
  - In particular:
    - The wholesale market in Ireland is made up of three sectors: (i) retail; (ii) foodservice; and (iii) the licensed trade. Each of these three sectors is supplied with products from a variety of different sources, including from local cash-and-carry wholesalers, from national (including the two undertakings involved) and regional wholesalers, and direct from branded suppliers and manufacturers.

- Wholesalers face competition not just from outlets in the same geographical area, but also from:
  - Large nationwide delivered wholesale operators e.g. Musgrave Wholesale Services division; ADM Londis; and the Barry Group.
  - Large nationwide delivered foodservice operators e.g. Musgrave Foodservices; Pallas Foods; Crossgar Foodservice; and, O’Kane Foodservice.
  - Manufacturers and brand owners, e.g., Diageo, Irish Distillers, M&J Gleeson, Britvic (formerly C&C Wholesale) and Edward Dillon, Cuisine De France, Kerry Foods and Glanbia.
  - Large regional delivered wholesale operators, e.g., Union Foods (operating out of Sligo with delivery routes including Sligo, Leitrim, Roscommon, Mayo, Longford, and Donegal). Similarly, O’Hanrahans operating out of Limerick services the entire west of Ireland.
  - Large national and regional cash-and-carry operators, e.g., 4 Aces, which operates from Portlaoise, Co Laois; and, Gilmartins, which has five cash-and-carry outlets in Cavan, Carrick-on-Shannon, Castlerea, Claremorris, and Roscommon.

### **Ancillary Restraints**

34. Clause 8 of the Share Purchase Agreement contains various restrictions on the vendors from competing in the Republic of Ireland in the wholesale trade or any part thereof as conducted by the Mangan Companies (as defined), for a period of [...] years from the completion date. The parties have satisfied the Authority that the restraints are directly related and necessary to the implementation of the proposed transaction, in order to protect the value of the assets and goodwill transferred.

**Determination**

The Competition Authority, in accordance with section 21(2)(a) of the Competition Act 2002, has determined that, in its opinion, the result of the proposed acquisition by BWG Foods Limited of Mangan Bros. Group Limited will not be to substantially lessen competition in markets for goods and services in the State and, accordingly, that the acquisition may be put into effect

**For the Competition Authority**

Dr. Paul K. Gorecki  
Member of the Competition Authority