



# ***Economic Analysis in Grocery Mergers***

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\*The views expressed are those of the author and do not necessarily reflect those of the Bundeskartellamt.



# Introduction

- Grocery mergers are back on top of enforcement agenda:
  - US-FTC: “Whole Foods / Wild Oats”
    - US-Court of Appeals 7/2008
  - EU: COMP/M.5047 “REWE / ADEG”
    - Art. 6(2)-Decision (Divestiture) 6/2008
  - Germany: B2-333/07 “EDEKA / Plus”
    - Clearance with Remedies (Divestiture) 6/2008
- Core Issues
  - Separate Markets or “Closeness of Competition”?
  - Assessing Competitive Constraints  
(M.5047 / B2-333/07: “Hard-Discounter” ALDI)



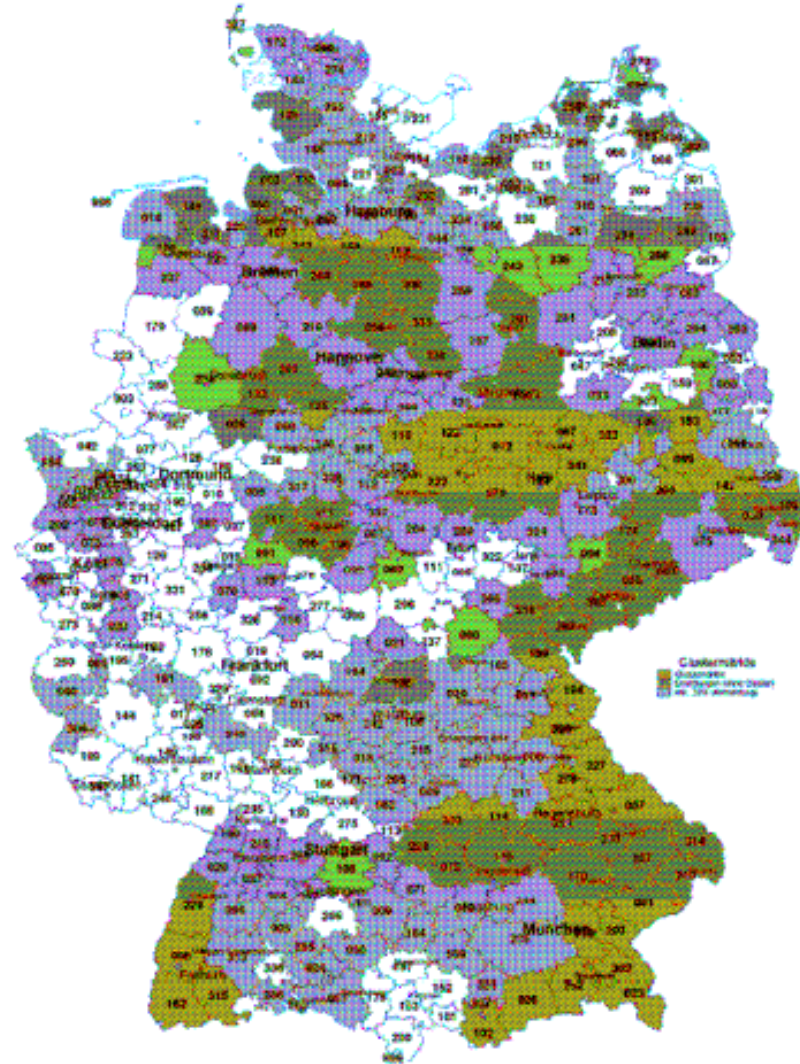
# Background of the “EDEKA”-Case



- Transaction:  
EDEKA (No. 1) acquires (joint) control over “Plus”-Brand of KT (No. 5) → ~ 3.000 stores
- Directly affected: “Soft-Discount” Grocery Retailing
- Ongoing Concentration Process
  - 1999: “Big 8” = 70%
  - 2007: “Big 5” = 90%
- Remedy: Divestiture (~400 stores)
- [http://www.bundeskartellamt.de/wDeutsch/download/pdf/Fusion/Fusion08/B2-333-07\\_Internet.pdf](http://www.bundeskartellamt.de/wDeutsch/download/pdf/Fusion/Fusion08/B2-333-07_Internet.pdf)

# A Quick View: Market Structure

	MarketShare (National)
EDEKA	25-30%
ALDI	15-20%
LIDL	15-20%
REWE	15-20%
KT	5-10%
(METRO)	5-10%



# Product Differentiation (1)

	Number of Products	% Branded Products	% Private Label	%-change 2005-07	Outlets m <sup>2</sup>
ALDI	~ 800	10-20%	80-90%	--	400-800
LIDL	~ 1.500	20-40%	60-80%	+20%	400-800 (1.500 max.)
PENNY (REWE)	* 1.500	40-50%	50-60%	+0-10%	400-800
PLUS (KT)	~2.000	40-50%	50-60%	-10%	400-800
NETTO (EDEKA)	~3.000	65-75%	25-35%	-10-20%	400-800 (1.500 max.)
REWE	15-50.000	70-80%	20-30%	--	800-1.500 1.500-5.000
EDEKA	15-50.000	80-90%	10-20%	--	800-1.500 1.500-5.000
KT	~ 15.000	90-100%	0-10%	--	800-1.500
Kaufland (LIDL)	~35.000	85-95%	5-15%	--	1.500-5000



# “ALDI”: *Deus ex machina* for effective competition?



- Conclusion (M.5047 / B2-333/07):  
Competitive constraint (→ same relevant market), but weaker than commonly perceived
- Supporting evidence (B2-333/07 “EDEKA / Plus”)
  - Standard Questionnaires
  - Market Studies
  - Internal Documents (“Complementarity”)
  - Price Monitoring Data (Differentiated Pricing Strategies)
  - Assessing Parties’ Expert Reports (→ Annex to Decision)
- Additional Analysis in M.5047 “REWE / ADEG”:
  - Entry Studies (→ FTC “Whole Foods”)
  - Merger Simulation (submitted by SPAR)



# Concluding Remarks

- Feinstein / Bernstein – Paper on “Whole Foods” (CPI):  
*“Would the Most Important Evidence Please Stand Up?”*
- Econometrics can matter – but only if ...
- Poor econometrics is worse than no econometrics  
→ Standards / Code of conduct needed