

Case summary

19 February 2020

Bundeskartellamt prohibits proposed merger between Loomis and Ziemann

Sector: Cash handling services

File no: B9-80/19

Date of Decision: 17 December 2019

The Bundeskartellamt has prohibited the acquisition of all shares of Germany's second-largest cash handling service, Schallstadt-based Ziemann Sicherheit Holding GmbH, by Loomis AB, an internationally active Swedish cash handling service. The project would have considerably impeded effective competition in several very concentrated regional markets for cash handling services. After the merger, Loomis/Ziemann and Prosegur would have basically been the only two companies active on the affected markets. The remaining competitors would have been regionally active small and medium-sized companies with only very small market shares that are not considered potential suppliers by a large number of the customers affected by the merger. Due to the reduction of the number of key competitors from three to two, there would have been a risk of higher costs for direct customers of these services— mostly in the areas of trade and banking— which would have indirectly resulted in higher costs for all consumers. The commitments offered by the companies were not suitable to eliminate the Bundeskartellamt's competition concerns.

The product market affected by the planned merger is the market for cash handling services. It includes the transport of coins and banknotes to and from customers, cash processing in a Cash Center and the refilling and maintenance of ATMs including repairs and security, which are commissioned by banks. However, it is not appropriate to further subdivide the product market into customer groups (trade, banks, public sector) because the clear majority of cash handlers offer their services to all customer groups. The product market does not include security and guard services or the transport and logistics of valuables, which is third-party business.

Geographically, the markets are defined as regional. As most of the customers operate exclusively locally or regionally, their demand for cash handling services continues to be met by regionally active companies, which supports the definition of regional markets. Even customers who operate Germany-wide mostly commission either several regionally active cash handlers or companies like Prosegur and the parties to the merger that operate a cross-regional service network.

The supply side of the market also has a clear regional focus. Providers of cash handling services are only able to offer their services within a certain radius of their location for cost reasons and due to working time regulations. Nationwide cash handling services can thus only be provided by companies that have several locations over the country.

The Bundeskartellamt's investigations have confirmed the geographic market definition according to the radius around a location in which the target company achieves the largest part of its turnover, which had been established in previous proceedings. Based on supply streams the Bundeskartellamt defined separate geographic markets for Bremen, Bielefeld/Munster, Bochum, Cologne, Koblenz and other areas and examined in detail the conditions of competition in these market areas.

However, in defining regional markets the Bundeskartellamt did not exclude the competition situation in neighbouring geographical markets from the competitive assessment of the merger project as in some cases the sales areas overlap depending on the tour planning and the geographic locations of the cash handling companies. The investigations have shown that the competition situation would narrow down the number of key market players from three to two irrespective of the exact geographic market definition. To confirm this result analyses of the service provision based on both the postcode and the location radius were carried out. The competitive situation was also analysed across all of the regions affected by the merger in west and north-west Germany. In this context the cash handlers' competitive position is clearly influenced by both regional and supra-regional structural criteria.

The supply of cash handling services is highly concentrated in the various regions of Germany and shaped by a small group of suppliers that are either active on many regional markets or even nationwide. The Spanish company Prosegur with its 31 subsidiaries all over Germany refers to itself as Germany's market leader. The Swedish Loomis Group only entered the German market by acquiring the cash and valuables handling business of Kötter Security in 2018. It mainly offers cash handling services in west and north-west Germany. Ziemann also offer cash handling services in many regions of Germany. These three companies together achieve about 80 percent of the total turnover achieved with cash handling services in Germany. The remaining 20 percent of the total turnover are achieved by more than 30 smaller cash handling service providers which focus on different regions in Germany.

Loomis' acquisition of Ziemann, which is the subject of this case summary, is part of a continuous consolidation process¹ and would be the second step of Loomis' market entry into Germany that would add significant sales volumes as it would add locations and customers almost all over Germany to its existing resources and expand its geographic scope.

The Bundeskartellamt's assessment is that Loomis' acquisition of Ziemann would eliminate the latter as an independent provider of cash handling services, which would considerably worsen market structures in the already very concentrated five regional markets of Bremen, Bielefeld/Munster, Bochum, Cologne and Koblenz. The authority's investigations have shown that the merger would significantly impede effective competition by changing the conditions of competition and the overall situation on the market for cash handling services, both on the regional and supra-regional levels. The merger would cause considerable unilateral effects. The Bundeskartellamt did not base its prohibition decision on the Koblenz market as the minor market clause applies here².

The merger would not only eliminate an important competitor in the affected markets, it would also weaken competitive pressure on Germany's market leader and close competitor Prosegur, because the latter would lose a serious competitor and its customers would have one significant option less to choose from. The affected markets would see the number of key suppliers reduced from three to two. After the merger the two leading suppliers would cover approximately 80 percent of the market volume. The combined market share lead of these companies over their regional competitors in the affected regional markets is between nearly 60 to over 85 percent. Their regional competitors are not able to effectively limit Loomis/Ziemann's and Prosegur's competitive scope of action.

The investigations have shown that customers already have very few options to switch providers, even without the merger, and that the business relationships are very stable. There is little or no competition on prices or terms and conditions. In addition, customers often make no effort to discipline the market leader through strategic procurement behaviour.

The Bundeskartellamt estimates that the post-merger incentives for price increases or other deteriorations in supply would be high during the merger control forecast period, particularly as there were considerable price increases even before the merger. These anti-competitive effects can be

¹ i.a. Prosegur/Brink's, B4-18/13, [Decision of 18 July 2013](#) (available in German only) and Ziemann/Unicorn, B4-44/13, [Decision of 18. July 2013](#) (available in German only).

² Within the meaning of Section 36(1) sentence 2 no. 2 German Competition Act, GWB

expected regardless of whether Loomis became the market leader in the affected regional markets after the merger or merely closed the gap on market leader Prosegur. It is to be expected that post-merger the scope of competitive action of the two leading providers of cash handling services, Loomis/Ziemann and Prosegur, would not be sufficiently controlled by the remaining small and medium-sized competitors in the market. Rather, the Bundeskartellamt's assessment is that the merger would have increased the two leading providers' opportunities for ousting their remaining smaller competitors from the market.

Loomis and Ziemann repeatedly offered commitments in response to the Bundeskartellamt's statement of objections which involved selling customer contracts and the pertaining infrastructure in the respective regional markets to not more than one independent competitor each. According to the final version of their commitments the volume of these customer contracts would have balanced the growth resulting from the acquisition to a large extent in terms of figures. This would in theory have given the competitor acquiring the contracts the potential to outweigh the decreased competitive pressure. However, it was not sufficiently likely that the affected customers would actually and permanently switch to the corresponding acquirer of their contracts. Market tests have shown that customers and competitors shared a mostly critical view of the commitments and confirmed the Bundeskartellamt's concerns. Their statements raised the concern that a significant part of the surveyed customers would generally not be willing to switch to another cash handling service. Many of those customers generally willing to switch their service provider said they would switch at most to the market leader Prosegur. However, the Bundeskartellamt assessed that customers switching to Prosegur would be just as detrimental for competition. For this reason, the commitments offered would not have been sufficient to prevent the significant impediment to effective competition that was to be expected as a consequence of the merger.

Joint parties to the proceeding were the competitor Prosegur and the German association of savings banks, Deutscher Sparkassen- und Giroverband. The joint parties agreed on several occasions to an extension of the examination period, in particular to assess the commitments offered and to carry out the necessary market tests.

The merger project ultimately had to be prohibited for the above reasons. Neither the parties to the merger nor the joint parties to the proceeding have objected to the decision. The decision is thus final.