

The Hungarian Competition Authority authorised the acquisition of Extreme Digital by eMAG

The Gazdasági Versenyhivatal (the Hungarian Competition Authority, GVH) determined that the acquisition of Dante International Kft. (eMAG) over Extreme Digital Zrt. (edigital.hu) would not result in a significant lessening of competition on the market of the online sale of consumer electronics.

According to the notification addressed to the GVH, Dante International Kft., which operates the eMAG.hu online store, intended to acquire control over Extreme Digital Zrt., which operates the edigital.hu online store and 16 retail outlets in the country.

Due to the very high turnovers of the online stores of the parties to the transaction – especially in relation to the sale of consumer electronics – the GVH ordered a full investigation to assess the potential harmful effects of the acquisition. In addition to analysing the data submitted by the parties, the GVH also consulted with competitors, suppliers and market research firms.

The proceeding of the GVH has now closed. The authority concluded that on the market of consumer electronics, the online and traditional (bricks and mortar) market segments are not separate but actually form a single market. This is supported by the fact that market players using both online and offline trading methods typically set uniform prices and conditions nationwide, moreover Hungarian consumers attach great importance to the ability to visit the physical versions of online stores. The definition of the market as a single market was also supported by the majority of market players interviewed by the GVH, as well as by a market study undertaken by a market research institute. The combined market share of the parties on the market was found to be less than 20% and, therefore, according to the practice of the GVH no negative effects justifying regulatory intervention could be identified (see Notice 7/2017 of the GVH).

The GVH was also of the opinion that the transaction would be unlikely to have harmful effects even if the investigation were to be limited to the online retail segment of consumer electronics, i.e. prices are unlikely to increase. In support of this conclusion, the GVH referred to the transparency of market prices, the price sensitivity of online consumers, the competitive pressure generated by the remaining competitors, and the contestability of the market. Furthermore, the GVH did not find the market players' raised concerns realistic, according to which they claimed that the higher purchase volumes of the post-acquisition entity would enable the latter to exclude competitors, as the new entity would not be in a dominant position in relation to its suppliers. In addition

to this, the remaining competitors and the potential market entrants would also block this outcome.

Case number: **VJ/14/2019.**

Budapest, 17 October 2019

Hungarian Competition Authority

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