



Commission for the Supervision of
Business Competition Republic of
Indonesia

REMEDIES IN MERGER CASE (ACQUISITION OF WYETH HOLDING COMPANY LIMITED BY NESTLE S.A)

OUTLINE

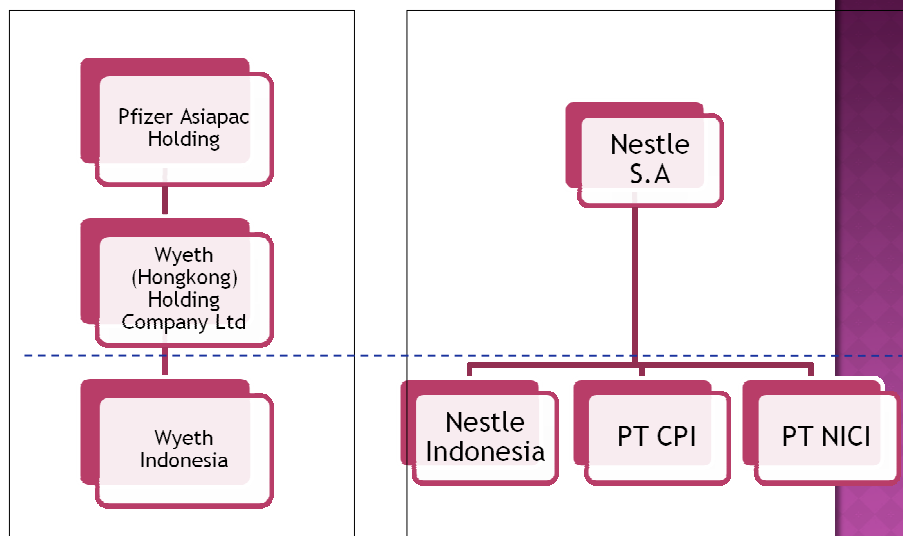
- ◉ Overview
- ◉ Merger Review
- ◉ Conclusion
- ◉ Remedies

OVERVIEW

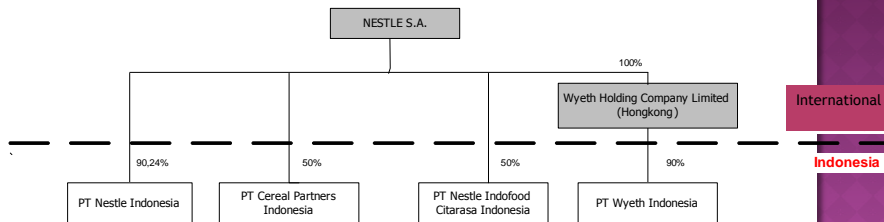
The Parties:

- ◉ Buyer : Nestle S.A (Switzerland)
Product → Health and Nutrition product
- ◉ Target : Wyeth (Hongkong) Holding Company Ltd
Product → Nutrition product

BEFORE ACQUISITION



AFTER ACQUISITION



MARKET OVERVIEW (SIMILAR PRODUCT OF NESTLE AND WYETH)

Market Target (age)	Wyeth Product	Nestle Product
0-6 month	- S-26 Gold - S-26 - S-26 LBW - Bonna 1	- Lactogen 1 - Lactogen Klasik 1 - NAN 1 - NAN HA 1
6-12 month	- S-26 Promil Gold - S-26 Promil - Bonna 2	- Lactogen 2 - Lactogen Klasik 2 - NAN2 - NAN HA 2
0 - 12 month	- Nursoy - S-26 PDF	<i>none</i>
1 - 3 year	- S-26 Procal Gold - S-26 Procal - Bonnakid 3	- Lactogen 3 - NAN HA 3 - Dancow 1 +
3 - 7 year	- S-26 Promise Gold - S-26 Promise	(3-5 tahun) Dancow 3 +
3 - 12 year	- Bonnakid 4	(di atas 5 tahun) Dancow 5 +

MERGER REVIEW

- ◉ Market concentration
- ◉ Barrier to Entry
- ◉ Anti competitive behaviour
- ◉ Efficiency
- ◉ Bankruptcy

RELEVANT MARKET

Based on market condition in Indonesia and nutrition needed for baby growth , infant formula can be divided into 3 market :

- Infant formula for baby 0-6 month of age
- Infant formula for baby 7-12 month of age
- Follow up formula for 1 year old baby or more

There are no restriction in geographical trade caused by company policy, transportation cost, tariff, or any regulation in product distribution. So the Geographical relevant market is INDONESIA

MARKET CONCENTRATION

Company	Market Share 2012		
	Infant Formula for 0-6 month (%)	Infant Formula for 7-12 month (%)	Follow up formula for 1 year old or more (%)
Danone, Groupe	56.78	59.79	39.30
Nestle SA	18.18	16.47	31.61
Morinaga & Co Ltd	8.63	8.19	8.20
Royal Friesland Campina NV	5.61	6.67	11.69
Pfizer Inc/Wyeth	4.60	3.91	4.37
Mead Johnson Nutrition Co	3.66	1.76	3.48
Fonterra Co-operative Group	1.23	0.76	1.01
Bristol-Myers Squibb Co	-	0.00	-
Royal Friesland Foods NV	-	-	-
Friesland Coberco Dairy Foods Holding NV	-	-	-
Royal Numico NV	-	-	-
Abbott Laboratories Inc	0.18	0.14	0.10
Mirota KSM	1.09	2.29	0.06
Indolakto	-	-	0.12
Dutch Lady	-	-	0.02
Dumex	0.04	-	0.05
Lain-lain	0.01	0.01	-
Total	100.00	100.00	100.00

HHI (MARKET CONCENTRATION)

	0-6 month	7-12 month	< 1 year
Before	3697	3982	2780
After	3865	4111	3056
Delta HHI	167	129	276

BARRIER TO ENTRY

- a. Absolute restriction
Regulation for 0-6 month infant formula product → no advertisement, to promote government program on exclusive breastfeeding for baby 0-6 month of age.
- b. Structural restriction
High R&D cost for infant formula 0-6 month product
- c. No restriction found in 7-12 month product and 1 year or more follow up formula product

ANTI COMPETITIVE BEHAVIOUR

- ◉ Potential consumer loss caused by unilateral behaviour
 - a) The dominant player in 0-6 month product is Danone. Market share of NI and WI After acquisition is still below the dominant player. So the opportunity for abuse of dominant position after acquisition is small.
 - b) In 1 year or more product, Danone is not the dominant player. NI and WI (after acquisition) become significant competitor for Danone.

ANTI COMPETITIVE BEHAVIOUR

- ◉ Potential consumer loss caused by collusive behaviour
- a) In 0-6 month product, market concentration is increase after acquisition. In this condition, there is possibility that collusive behaviour would occur
- b) In 1 year or more product, market concentration is increase after acquisition. Collusive behaviour is easily to be done in concentrated market.

EFFICIENCY

There are no further information about company policy and control to both Nestle Indonesia and Wyeth Indonesia. So it is still not concluded whether the acquisition can increase efficiency or not

BANKRUPTCY

- ◉ Based on data, there are no proof that acquisition is done for bankruptcy reason, but it is done to expand market, increase product range and increase market power.
- ◉ Based on Wyeth (Hongkong) Holding Company financial report, there are no indication of bankruptcy

Bankruptcy is not the reason to do acquisition

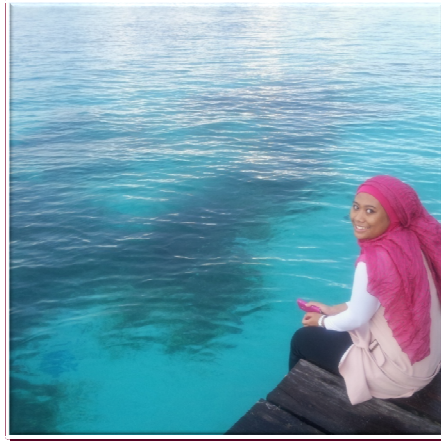
CONCLUSION

- ◉ Infant formula for 0-6 month product and follow up formula for 1 year or more product are the products that needed to paid attention to after acquisition
- ◉ Market concentration is increase significantly after acquisition on 0-6 month product and 1 year or more product
- ◉ Even there are some restriction in 0-6 month product, it is still possible for new entry to penetrate the market
- ◉ The dominant player for 0-6 month product is another player (Danone), so it is very small possibility that abusive behaviour would occur
- ◉ In 1 year product, Nestle (after acquisition) will become significant competitor for Danone. It will create better competition

- ◉ Acquisition has increase the market concentration on 0-6 month product. There are also several restriction for new entry. Collusive behaviour is potentially to happen in this condition
- ◉ Acquisition also increased the market power in 1 year or more product, but potential collusive behaviour is small to happen because there are no restriction to entry the market and also there are several new entry to the market.

REMEDIES

- ◉ There are very small potential that monopoly practices will occur after acquisition
- ◉ KPPU need to monitor NI and WI behaviour in infant formula market for 0-6 month product and follow up formula for 1 year or more product.
- ◉ Nestle Indonesia and Wyeth Indonesia need to report their monthly sale volume and price for three years in every 6 month (June and December)



THANK YOU

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