06 December 2018: Household appliances/white goods

Published on December 06, 2018

The Autorité de la concurrence hands down fines worth a total of €189 million to six household appliance manufacturers, among the largest in the sector, notably for having agreed on price increases

Background

Following evidence provided by the Directorate General for Competition Policy, Consumer Affairs and Fraud Control (DGCCRF) and further evidence (handwritten notes, slideshows, documents, tables) gathered by the *Autorité* during dawn raids carried out at the headquarters of the companies concerned, the *Autorité* is handing down fines to six household appliance manufacturers, including some of the largest in France[1], BSH, Candy Hoover, Electrolux, Indesit[2],Whirlpool, and Eberhardt Frères (distributor of the Liebherr brand) for having consulted each other during secret meetings on two occasions, between 2006 and 2009, (with a break between January 2007 and May 2008) regarding recommended retail prices (horizontal agreement). It is also fining the manufacturers for agreeing between May and September 2009 on a change in the conditions applied to kitchen installers for exhibition models.

Numerous brands are concerned:

Manufacturer	**Brands**
BSH	Bosch, Siemens, Viva, Neff
Candy Hoover	Candy, Hoover, Rosières
Eberhardt Frères	Liebherr
Electrolux	Electrolux, Arthur Martin, AEG
Indesit	Indesit, Ariston, Scholtes
Whirlpool	Whirlpool

The companies in question did not contest the facts and benefited from a reduction in the fine as part of a settlement procedure. In addition, BSH, which applied for leniency[3] and provided additional information to the *Autorité*, was granted, as a leniency applicant, an additional reduction for its contribution to the investigation.

Household appliance products concerned

The products concerned include the main large electrical household appliances, commonly known as "white goods": refrigerators, freezers, washing machines, dryers, dishwashers, cooking hobs, stoves, whether built-in or free-standing, sold in specialised retailers, neighbourhood shops, food superstores, by distance selling or through kitchen installers.

Manufacturers jointly set "price rules"

In this sector, it is common practice for manufacturers to provide distributors with "recommended retail prices" (RRP) which correspond to the price positioning they recommend for the sale of their products to consumers. Recommended retail prices, which are most often located at "psychological thresholds", are particularly important for the most popular items, including those at entry-level products. Set at amounts below round figures (such as €499 for a washing machine), and referred to as "price peaks" in the sector, these prices are of particular importance, as the quantities sold can be quite significant.

Between September 2006 and January 2007, and between late May 2008 and April 2009, the manufacturers met several times to discuss the increases to be applied to these recommended retail prices and to establish "price rules".

For example, in 2008, the agreed-upon price increase rule consisted in applying the following changes to certain products:

- for products with an RRP below €200: an increase of €20;
- for products with an RRP between €200 and €400: an increase of €30;
- for products with an RRP above €400: an increase of €50.

These price rules had a mechanical impact on the purchase prices charged by manufacturers to their distributors, since any increase in the recommended retail price lead to an increase in the base price, on the basis of which the distributor calculated the purchase price according to ratios predetermined by each manufacturer and for each product type.

The exchanges, organised at the highest level of the companies, took place during secret meetings in the sidelines of GIFAM events and in restaurants

The meetings were held in the sidelines of official meetings of the trade association GIFAM, or during secret meetings in restaurants close to the trade association's headquarters in Paris (such as Ladurée or Corona Impérial).

The consultation on price increases took place in three stages. First, company managers met to define the outlines of price increases before marketing managers then discussed their implementation. Lastly, managers met again to finalise the conditions for price increases and thus ensure better monitoring. Discussions were also conducted by telephone.

In addition to this agreement, between May and September 2009, manufacturers – except for Electrolux - also agreed on the conditions applied to kitchen installers in order to reduce the cost of contracts for the installers to display their products.

A large-scale cartel that affected the prices paid by distributors and ultimately by consumers

To the extent that wholesale prices were directly affected by changes in recommended prices, the joint fixing of RRP increases by manufacturers increased the cost for distributors. These practices were also liable to affect the prices ultimately charged to consumers. The cartel concerned a very high proportion of the market given the market shares of the cartel participants (70% in 2012) and the involvement of the best-known brands.

While the bargaining power of distributors or the rise of Asian competitors (Samsung, LG) may have mitigated the effects of the cartel, the fact remains that these practices may have curbed the overall downward trend in prevailing prices in the sector.

In calculating the sanctions imposed on the companies concerned, the *Autorité* took into account these aspects as well as the settlement requests submitted by all parties in the cartel. As part of the settlement procedure, companies that do not contest the facts receive a substantial reduction in penalties.

BSH, which also sought to benefit from the leniency procedure, was granted an additional reduction in its fine for its active cooperation in the investigation, in

particular by providing additional evidence which enabled the *Autorité* to sanction specific practices.

The *Autorité* has therefore imposed the following sanctions:

Company	**Fine imposed**
BSH	23 000 000 €
Candy Hoover	15 000 000 €
Eberhardt Frères (Liebherr)	1 000 000 €
Electrolux	48 000 000 €
Indesit (absorbed by Whirlpool after the practices)	46 000 000 €
Whirlpool	56 000 000 €
Total	**189 000 000 €**

[1] *These manufacturers accounted for about 70% of sales in France in 2012.*
[2] *Indesit Group was acquired by Whirlpool Group after the practices in question.*
[3] *The leniency procedure enables companies that currently operate, or have previously operated an agreement, to reveal the existence thereof to the Autorité, with a view to obtaining, subject to certain conditions, a full or partial exemption from financial penalties, depending on factors such as the order in which they contacted the Autorité, the added value of the contributed evidence and their cooperation with the inquiry. >* ***More information on the leniency procedure.***

> See the full text of Decision 18-D-24 of 5 December 2018 regarding practices implemented in the household appliances sector

> See our infographics

> Press contact: Chloé Duretête +33 1 55 04 01 20/ Email