Takeover of Smartbox by Wonderbox: The Autorité de la concurrence opens an in-depth review

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Background

On 24 March 2023, after a pre-notification phase, the Wonderbox Group notified the *Autorité de la concurrence* of its plan to acquire the Smartbox Group.

As part of the phase 1 review of the case, and following initial consultations with market stakeholders, the *Autorité* considered that the proposed transaction, which brings together the two main providers of gift boxes and other gift vouchers for tourism and leisure activities in France, requires the opening of an in-depth examination (phase 2).

Parties to the transaction

The acquirer, Wonderbox, a simplified joint stock company, is exclusively controlled by the W Group, which, together with its subsidiaries, forms the Wonderbox Group. The group is mainly active in the gift voucher sector in Europe and North America, particularly in the publishing and marketing of gift boxes and other gift vouchers offering access to a range of tourism and leisure experiences. More than 8,000 experience providers (hotels, restaurants, spas, etc.) are reference listed on its gift vouchers. These experience boxes and gift vouchers are marketed under the Wonderbox, Vivabox, Cultur'in The City and Tick'nBox brands. The Wonderbox Group has developed other activities in parallel, offering multi-brand gift cards under the Ma Carte Beauté, Ma Carte

Mode and Supercard brands. It also operates an online leisure activity booking platform called Funbooker.

The target, the simplified joint stock company Topco, together with its various subsidiaries, forms the Smartbox Group. Smartbox is mainly active in the gift voucher sector in Europe, particularly in the publishing and marketing of gift boxes and other gift vouchers offering access to a range of tourism and leisure experiences that can be redeemed with more than 8,000 experience and Smartbox partners. These boxes and other experience gift vouchers are marketed under the Smartbox, Euphorie and Dakotabox brands. Smartbox also offers a multi-brand gift card, HappyCard, for works councils and other intermediary organisations, and operates an online booking platform, Weekendesk, for short stays.

The products of the parties to the transaction are marketed to intermediary organisations (companies, local and regional public authorities, and works councils) and to consumers, who can purchase them in physical shops, *via* large retail chains or online.

The *Autorité* conducted a market test with 18,000 stakeholders

The *Autorité* has already conducted a series of in-depth investigations to question the stakeholders in the sector about the operation of the markets concerned. In particular, the operators presented by the notifying party as competitors were invited to respond to a market test. The *Autorité* also conducted a market test with more than 18,000 experience providers that are or have been reference listed on Wonderbox and Smartbox gift vouchers.

Lastly, the notifying party produced a survey of gift box buyers, administered by Ifop in February 2021 at its request.

The transaction requires the opening of an in-depth review

At the end of the first phase of the transaction review (known as "phase 1"), the *Autorité* considered that the transaction must be the subject of an in-depth review, known as "phase 2".

The information gathered during the investigation does not confirm the notifying party's analysis, according to which, in substance, the material definition of the market should be reconsidered in various respects and the transaction would be unlikely to generate anticompetitive effects, in particular in the main market concerned, i.e. the market for gift boxes and other experience vouchers, in the BtoC distribution channel.

- The markets for the gift vouchers sector are *two-sided* markets in which the parties to the transaction act as interfaces between two types of stakeholders. For gift boxes and other experience vouchers, the first side, known as "partners", corresponds to the relationship between the issuers' offer of reference listing services for these gift vouchers and the demand from experience providers for this type of reference listing.
- On the other side, called "end customers", issuers market their gift boxes and other experience vouchers to intermediary organisations (works councils, etc.) and to consumers.

The interface role played by the issuers of gift vouchers is crucial to the functioning of the markets concerned. In this respect, the products and services of operators that do not act as interfaces, i.e. gift vouchers self-issued by experience providers or white-label gift voucher solutions such as those marketed by Secretbox or Mybeezbox, appear to be insufficiently substitutable to be integrated into the relevant markets.

As a result, after the transaction, the new entity would have market shares of at least 70% in the main market for gift boxes and other experience vouchers in the BtoC distribution channel, the exact physical delimitation of which has been left open at this stage, and the degree of concentration would be significantly increased. The transaction would lead to the merger of the two main issuers of gift boxes and other experience vouchers in the BtoC distribution channel.

As part of the in-depth investigation, the *Autorité* will examine in particular the question of the definition of relevant markets. To assess the effects of the transaction, the *Autorité* will examine in particular the importance of cross-network effects and the possible impact of the multi-homing strategies of the

partners on the parties' incentive to increase their prices for example. It will also continue its consultation process with market stakeholders, through interviews or new market tests.

Provisional timetable

The opening of a phase 2 review does not prejudge the existence of any distortions of competition or the outcome of the investigation of the transaction.

The law states that the investigation of a merger is in principle carried out within 65 workdays from the opening of phase 2, but this period may be extended if necessary, particularly if commitments have to be negotiated.

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