



COMESA Competition Commission

Kang'ombe House, 5th Floor

P.O. Box 30742

Lilongwe 3, Malawi

Tel: +265 1 772 466

Email- compcom@comesa.int



**Common Market for Eastern
and Southern Africa**

Case File No. CCC/MER/07/20/2021

**Decision¹ of the Eighty-First (81st) Committee Responsible for
Initial Determinations Regarding the Proposed Merger
involving Tana Furniture Limited and Furniture Palace
International Limited**

ECONOMIC SECTOR: Furniture Retail

20th February 2022

¹ In the published version of this decision, some information has been omitted pursuant to Rule 73 of the COMESA Competition Rules concerning non-disclosure of business secrets and other confidential information. Where possible, the information omitted has been replaced by ranges of figures or a general description.

Introduction and Relevant Background

1. On 19th August 2021, the COMESA Competition Commission (the “**Commission**”) received a notification involving Tana Furniture Limited (“**Tana Furniture**”), and its indirect subsidiary, Furniture For Africa (“**FFA**”) as the acquiring undertakings and Furniture Palace International Limited (“**Furniture Palace**”) as the target undertaking, pursuant to Article 24(1) of the COMESA Competition Regulations of 2004 (the “**Regulations**”).
2. Pursuant to Article 26 of the Regulations, the Commission is required to assess whether the transaction between the parties would or is likely to have the effect of substantially preventing or lessening competition or would be contrary to public interest in the Common Market.
3. Pursuant to Article 13(4) of the Regulations, there is established a Committee Responsible for Initial Determinations, referred to as the CID. The decision of the CID is set out below.

The Parties

Tana Furniture and FFA (the “acquiring undertakings”)

4. Tana Furniture is a company duly registered under the laws of Mauritius. It was further submitted that FFA is a company duly registered under the laws of Mauritius.
5. The acquiring group is active in the Common Market through the following entities:
 - a. Tana Africa Investment Managers Limited which offers investment advisory services exclusively to its related entities, Tana Africa Capital Limited and Tana Africa Capital II, in Mauritius;
 - b. Alexandria for Healthcare Investments which owns the majority interest in “Mabaret” hospitals and provides laboratory services through “Mabaret Asafra Labs” and its subsidiaries, namely Mabaret Al Asafra for Medical Services S.A.E., Mabaret Al Asafra Hospital - West S.A.E., Mabaret Al Asafra Labs S.A.E., Mabaret Al Asafra Hospital - Middle S.A.E., Al Asafra for Medical Imaging S.A.E. and Mabaret Al Asafra Ophthalmology S.A.E. in Egypt;
 - c. Olam International which is a food and agri business in Burundi, Djibouti, Democratic Republic of Congo (“**DRC**”), Eswatini, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Tunisia, Uganda, Zambia and Zimbabwe; and

- d. Kitea S.A which is a furniture retailer that sells furniture on an arms-length basis to an independently owned customer/outlet based in DRC² from its operations in Morocco.

Furniture Palace (the target undertaking)

6. Furniture Palace is a private company limited by shares duly registered in accordance with the laws of Kenya. Furniture Palace operates in the importation, distribution, sale and service provisions in all matters pertaining to general furniture, selling its products across four major categories, which relate to home furniture, office furniture, outdoor furniture and home décor. In the Common Market, Furniture Palace is active in Kenya only.

Jurisdiction of the Commission

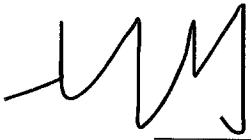
7. Article 24(1) of the Regulations requires 'notifiable mergers' to be notified to the Commission. Rule 4 of the Rules on the Determination of Merger Notification Thresholds and Method of Calculation (the "**Merger Notification Thresholds Rules**") provides that:

Any merger, where both the acquiring firm and the target firm, or either the acquiring firm or the target firm, operate in two or more Member States, shall be notifiable if:

- a) the combined annual turnover or combined value of assets, whichever is higher, in the Common Market of all parties to a merger equals or exceeds COM\$ 50 million; and*
- b) the annual turnover or value of assets, whichever is higher, in the Common Market of each of at least two of the parties to a merger equals or exceeds COM\$ 10 million,*

unless each of the parties to a merger achieves at least two-thirds of its aggregate turnover or assets in the Common Market within one and the same Member State.

8. As noted above, the merging parties have operations in more than two COMESA Member States. Further, the parties' combined turnover in the Common Market exceeds the threshold of USD 50 million and they each derive turnover of more than USD 10 million in the Common Market. In addition, the merging parties do not achieve more than two-thirds of their respective COMESA-wide turnover within one and the same Member State. The proposed transaction is therefore notifiable to the Commission within the meaning of Article 23(5)(a) of the Regulations.


² The parties submitted that whilst this customer trades under the name "Kitea", it is neither a franchisee nor subsidiary of Kitea S.A.

Details of the Merger

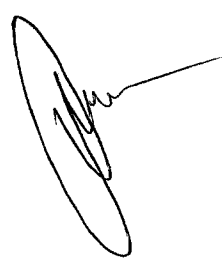
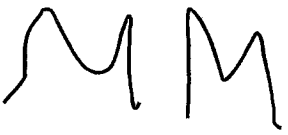
9. The notified transaction involves Tana Furniture directly acquiring a 27.95% shareholding in Furniture Palace and another 27.95% shareholding through FFA, which is a wholly owned subsidiary of Kitea, which is in turn jointly controlled by Tana Furniture. The acquisition is interdependent, in that should Tana Furniture or FFA not acquire their respective 27.95% shareholding in Furniture Palace, the other will not proceed with the acquisition. The shareholding acquired by Tana Furniture and FFA represents 55.9% of the share capital and voting rights of Furniture Palace. Tana Furniture and FFA will act in concert as it pertains to voting on decisions relating to Furniture Palace.
10. The transaction will confer sole control of Furniture Palace on Tana Furniture and FFA (acting in concert).

Competitive Assessment

Relevant Market

Relevant Product Market

11. For purposes of this competitive assessment, the CID focused on the furniture market as it observed that the acquiring group's other activities in the Common Market are distinctively different from the furniture industry, and no competitive effects could reasonably arise in those markets as a result of the transaction.
12. Kitea is a furniture retailer with a presence across 17 cities and 25 stores in Morocco. Kitea sells home furniture (living room, dining room, bedroom, baby room, storage), office furniture (office desks, conference tables, workstations and study furniture for home offices), outdoor furniture (garden and outdoor dining room) and décor furniture.
13. Kitea classifies its furniture into different lines, based on the intended use of particular products; home furniture, office furniture and outdoor furniture and home décor. Furniture Palace sells products across four major categories, which include: (i) home furniture (living room, bedroom, dining, bed linen, home office furniture), (ii) office furniture (office desks, conference tables, workstations, safes, study furniture for home offices), (iii) outdoor furniture (outdoor sofas, dining, swings, gazebos, garden potted plants and beds) which represents 7% of its sales and (iv) home décor (mirrors, vases, lighting, wall decorations, plants, tiles, sanitary ware).
14. The CID considered that within these different product lines, sub-categories can be identified. For instance, in the home furniture segment, specific furniture is required for the kitchen, dining room, the living room and bedrooms. From a demand perspective, the various type of furniture would not be reasonably viewed as substitutable to each other. From a supply perspective, on the other hand, retailers



such as Kitea tend to stock a wide range of furniture to appeal to a wider range of consumers and offer a one-stop shop experience.

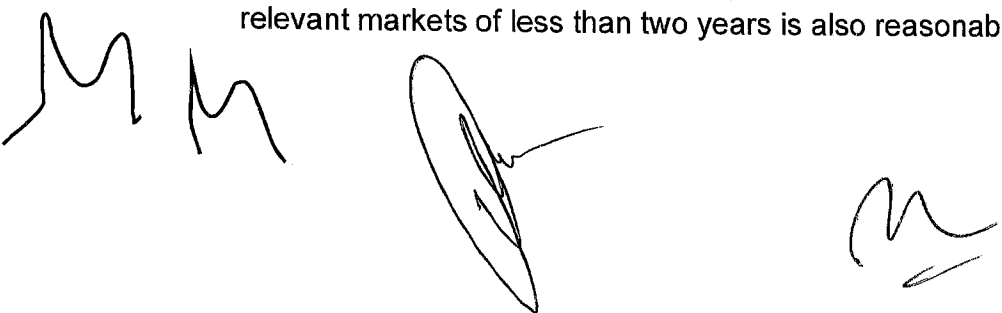
15. Retailers of furniture can be fully integrated, involved in the manufacturing of the furniture, its retail sale and after-sales services. However, each level of activity in the furniture market can be done independently and individually by firms. The CID considered that own-brand retailers and third-party retailers exert competitive pressure on each other. Further, large retailers such as Kitea face competition not only from large furniture stores, but also to some degree from smaller furniture stores which procure their supplies from wholesalers or other larger retailers.
16. In view of the foregoing, the CID defined the relevant product market as the overall market for the retail supply of furniture.

Relevant Geographic Market

17. The CID considered that the market for the retail supply of furniture to be national. Whilst from a supply side, there may be no restrictions on retailers within a Member State from importing furniture from overseas, from a demand side, end customers are unlikely to view retailers with national presence and foreign retailers as interchangeable having regard to the costs of shipping, import procedures, and time for delivery which can affect the competitiveness of the product. Having regard to the area of activity of the parties in the Common Market, the relevant markets are DRC and Kenya.
18. Without prejudice to the CID's approach in future cases, for purposes of this transaction, the CID identified the relevant markets as the **national markets for the retail supply of furniture in DRC and Kenya.**

Market Shares and Concentration

19. The CID noted from the parties' submission that the furniture market is highly fragmented and competitive. The estimated market share of Furniture Palace and its main competitors (namely Victoria Courts, Ashley Furniture Homestore, Furniture Elegance, Odds and Ends, and TACC) in the retail supply of furniture in Kenya are less than 5%.
20. The CID noted that the transaction is not capable of leading to any market share accretion in the relevant markets, given that competition is limited to national boundaries and the parties did not operate in the same geographic markets pre-merger.
21. The CID further noted that barriers to entry are not significant in the relevant markets. The presence of a number of players in the relevant market with low market shares is proof that competition therein is dynamic. The timeline for potential entry in the relevant markets of less than two years is also reasonable.



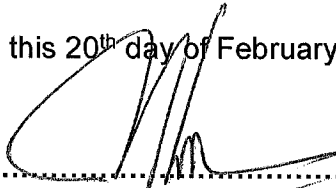
Third Party Views

22. The national competition authorities of Egypt, Eswatini, Ethiopia, Kenya, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Zambia and Zimbabwe confirmed that the transaction was unlikely to raise competition concerns due to the absence of geographical overlap in the parties' activities pre-merger.

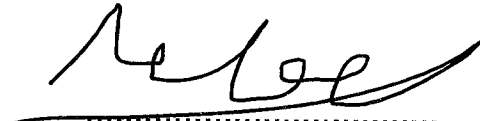
Determination

23. Based on the foregoing reasons, the CID determined that the merger is not likely to substantially prevent or lessen competition in the Common Market or a substantial part of it, nor be contrary to public interest. The CID further determined that the transaction is unlikely to negatively affect trade between Member States. The CID therefore approved this transaction.
24. This decision is adopted in accordance with Article 26 of the Regulations.

Dated this 20th day of February 2022



.....
Commissioner Deshmuk Kowlessur (Chairperson)



.....
Commissioner Mahmoud Momtaz



.....
Commissioner Islam Tagelsir Ahmed Alhasan