

Anticipated acquisition by Scientific Games Corporation of Barcrest Group Limited and Cyberview Technology CZ S.R.O.

ME/5032/11

The OFT's decision on reference under section 33(1) given on 27 July 2011.  
Full text of decision published 11 August 2011

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**Please note that the square brackets indicate figures or text which have been deleted or replaced in ranges at the request of the parties or third parties for reasons of commercial confidentiality.**

## **PARTIES**

1. **Scientific Games Corporation** (SG) is a U.S.A-based, provider of gaming solutions to lottery and gaming organisations worldwide. SG's UK subsidiaries, Global Draw Limited ('Global Draw') and Games Media Limited ('Games Media'), develop and supply gaming and amusement machines and gaming content in the UK. More specifically, Global Draw supplies gaming machines, server based gaming systems and gaming content to licensed betting offices<sup>1</sup> primarily in the UK, while Games Media supplies the same products to licensed UK pub retailers.
2. In the financial year 2010, SG realised worldwide revenues of approximately £571 million, of which approximately£[ ] million were generated from sales in the UK. Global Draw had revenues of approximately £[ ] million, while Games Media's revenues were approximately £[ ] million for the same year.
3. **Barcrest Group** (Barcrest) and **Cyberview Czech** (Cyberview) consist of a number of companies which are indirect wholly-owned subsidiaries of International Game Technology, Inc. ('IGT'), a U.S.A-based designer, manufacturer, and seller of gaming machines worldwide.

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<sup>1</sup> LBOs

4. Barcrest is a UK-based supplier of game content, platforms and server-based gaming systems for the land-based and remote gaming markets in the UK and certain continental European countries (mainly Czech Republic, Italy, Netherlands, and Spain). Cyberview supplies Barcrest's video content and systems products into the Czech Republic.
5. In the 2010 financial year, Barcrest and Cyberview generated total worldwide revenues of approximately £ [ ] million, all of which were realised from sales in Europe. Their revenues in the UK for the same financial year were approximately £ [ ] million.

## **TRANSACTION**

6. SG agreed, on 27 April 2011, to acquire all of the issued shares of Barcrest and Cyberview from IGT-UK Group Limited and Cyberview International, Inc. subject to OFT clearance.
7. SG consider the proposed transaction will enable it to gain access to market segments in Europe where it is not currently active and accelerate SG's entry into the UK's bingo and arcade segment.
8. The parties notified the transaction on 1 June 2011; therefore the administrative deadline for a decision is 27 July 2011.

## **JURISDICTION**

9. As a result of this transaction enterprises, SG, Barcrest and Cyberview, will cease to be distinct. The parties overlap in the supply of gaming machines to LBOs and the share of supply test in section 23 of the Enterprise Act 2002 (the Act) is met. The OFT therefore believes that it is or may be the case that arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation.

## BACKGROUND

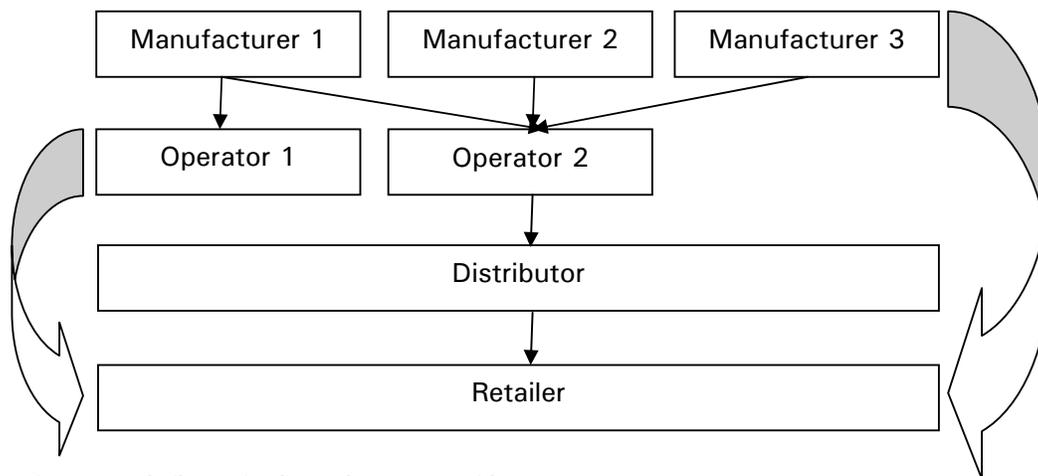
10. The OFT has previously considered two gaming machine mergers: Danoptra/IGG<sup>2</sup> and Gamestec/Rank.<sup>3</sup> In both cases the OFT concluded that the relevant product market was the supply of all types of amusement and gaming machines to all retail customer sectors in the UK. In the current case, the parties overlap specifically in the manufacture and supply of gaming machines.

### Supply chain and business models

#### Business models

11. The following figure shows some of the options available to suppliers of gaming machines for their routes to market.

**Figure 1: The gaming machine supply chain**



Note: the arrows indicate the flow of games machines

12. Gaming machines may be analogue or digital, also known as server based. Manufacturers of analogue machines, such as Barcrest, take generic base cabinets and add electronics, glass and artwork, etc. Digital machines are mostly manufactured in China and Taiwan, and are typically 90 per cent complete when they arrive in the UK. The UK 'manufacturer' then adds software, artwork, and any specifications requested by the customer.

<sup>2</sup> [www.of.gov.uk/OFTwork/mergers/Mergers\\_Cases/2008/Danoptra](http://www.of.gov.uk/OFTwork/mergers/Mergers_Cases/2008/Danoptra)

<sup>3</sup> [www.of.gov.uk/OFTwork/mergers/Mergers\\_Cases/2004/gamestec](http://www.of.gov.uk/OFTwork/mergers/Mergers_Cases/2004/gamestec)

13. The parties advised that historically it has been industry practice to have sale or return transactions. In these instances the 'risk' stays with the manufacturing company, and not with the distributor. This practice is used mainly for new or test products and allows the distributor to test product performance before committing to purchase. The parties and third parties have advised that successfully tested machines are then generally built to order, further limiting the risk borne by the supplier and the customer.
14. Operators are suppliers who source gaming machines and/or content from other manufacturers/developers, which they then supply by way of rental (or sometimes resale) to retail venues, together with installation, maintenance and support. The parties gave Sceptre Leisure, Claremont Automatics, Kossway Automatics Limited, and the The Independent Operators Association (IOA)<sup>4</sup> as examples of such operators.
15. Distributors play a more limited role in the UK gaming machine industry. These intermediaries act as a middleman between the smaller companies offering the supply, service and operations of machines or independent licence holders and the manufacturers. The distributor places one large order with the manufacturer and then goes on to place machines with individual businesses. The parties gave Crown Leisure, AMG Leisure, and MDM Leisure as examples of intermediaries active as distributors of gaming machines.

#### Pricing strategy

16. The OFT identified three main types of pricing strategy during its investigation:
  - the supplier rents the machine to the retailer
  - the retailer and the supplier share revenues, and
  - the supplier **sells** machines to distributors who then contract (via, say, a rental or revenue share agreement) with retailers.

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<sup>4</sup> IOA is a nationwide group of around 20 owner-managed operating companies. These operators have come together through the IOA to enable them to jointly supply on a nationwide basis and therefore be able to compete effectively with national and regional suppliers.

17. The preceding sections demonstrate that there are several business models that firms in the gaming industry may adopt including combinations of routes to market and pricing strategies. Moreover, firms may place greater or lesser emphasis on sales of analogue and digital machines.

## **FRAME OF REFERENCE**

### **Product Frame**

18. The parties overlap in the manufacture and supply of gaming machines; and the design and supply of digital games content. For gaming machines, previous cases have considered a very general frame of reference, namely the supply of gaming machines to all customers. Albeit those previous cases did not pertain to the manufacturing level of the supply chain.

19. However, third parties confirmed to the OFT that the conditions of competition have not changed significantly since the OFT's most recent investigation into this sector,<sup>5</sup> namely that:

- Many suppliers can provide digital and analogue machines.
- Many suppliers can provide machines capable of supplying AWP, SWP, SBG, and FOBT games.<sup>6</sup>
- Gaming licences cover all kinds of gaming machines.

20. There is evidence from third parties that, on the demand side, some kinds of customers would not consider digital and analogue machines to be substitutes. The reluctance to switch appears largely to be related to end-users preferences for reel-based analogue games. On the supply side, however, most machine manufacturers and suppliers are able to supply both machine types. We understand, however, that there have been a number of new entrants who are focusing exclusively on the supply of analogue machines.

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<sup>5</sup> Case No ME/3766/08.

<sup>6</sup> Amusement with Prizes (AWP), eg fruit or slot machines; Skills with Prizes (SWP); SBG Platforms - server based gaming platforms that permit the easy introduction of new gaming content to consumers; and Fixed Odds Betting Terminal (FOBT) used mainly in licensed betting offices.

21. All gaming machines, where winning is based on chance, are regulated in the UK under the 2005 Gambling Act. The Gambling Act distinguishes between different categories of gaming machine, and by extension games content, on the basis of, among other things, the maximum allowable stake and prize, and the period between play cycles.<sup>7</sup>
22. In terms of gaming content, there is some divergence between analogue and digital machines. For digital machines, new games can be downloaded using an internet connection. For analogue machines, a more mature technology, a new game can only be installed by returning the machine to the manufacturer or other supplier and having some parts of the machine (for example, the glass) replaced. The parties advise that, as digital machines gain greater penetration, there will be greater disintegration between machine supplier and game content supplier. This is because there are common operating systems used in digital games machines which allow third parties to develop games for machines. The parties provided examples of customers using machines from one supplier and games content from another.
23. The OFT has not found any evidence to depart from its analysis in the earlier cases. Therefore, in light of all of the information provided by SG, third parties, the past OFT precedents, and the fact that the transaction does not raise concerns at any level in the supply chain, this transaction will initially be assessed on the basis of the supply of all types of gaming machines to all retail customers. Where appropriate, however, the lens has been narrowed to consider issues for particular types of customer or different machine types (analogue and digital), or different levels in the supply chain.

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<sup>7</sup> • Category A and B1 machines, which will only be permitted in the highly-regulated environment of casinos;  
• Category B2 machines, will be permitted in licensed betting offices;  
• Category B3 machines will be permitted in licensed bingo halls and adult gaming centres;  
• Category B3A machines will be permitted in members' clubs and miners' welfare institutes;  
• Category B4 machines will be permitted in members' clubs, commercial clubs and miners' welfare institutes;  
• Category C machines will be permitted in pubs and the adult-only areas of family entertainment centres (arcades); and  
• Category D machines, which will be the only class of gaming machine that can be used by children and young people, will be permitted in family entertainment centres (arcades).

24. In terms of gaming content, there appear to be limited barriers to games designers supplying games for different retailer types. We did not, however, need to conclude on whether distinctions should be made based on the supply of games content to different retailer types.

### **Geographic frame**

25. The parties' submitted that, consistent with previous OFT decisions; the appropriate geographic frame is the UK. The parties reach this view based on the fact that suppliers can ship to any part of the UK, the IOA allows even smaller competitors to sell nationally, and that digital machines can be updated remotely.

26. The OFT found no evidence to depart from its analysis in the earlier cases. Therefore, in light of the OFT's past conclusions and in the absence of any evidence to the contrary, this transaction will be considered on the basis of the supply of gaming and amusement machines in the UK.

## **COMPETITIVE ASSESSMENT**

### **Gaming machines**

Market shares – supply to all retailers

27. The most direct overlaps between the parties are the supply of gaming machines to LBOs and pubs. The parties explained that in these sectors, machines tended not to be sold to retailers, instead suppliers, manufacturers and operator-suppliers, either rent the machine to the retailer or enter into revenue-sharing agreements.

28. [ ]. [ ]. [ ].

29. [ ]. In particular, Barcrest entered into a strategic agreement with SG<sup>8</sup> for the supply of games content. The following table shows the parties' market share based on machines operated by the parties (on behalf of all retailers) and the installed base.

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<sup>8</sup> More specifically, the strategic agreement is with Global Draw, a Scientific Games subsidiary.

**Table 1: Market shares for gaming machines (by number of machines operated) and installed bases**

	Number of machines operated	Market share	Installed base <sup>9</sup>	Market share
Scientific Games	[ ]	[5-15]%	[ ]	[5-15]%
Barcrest	[ ]	[0-10]%	[ ]	[15-25]%
<b>Combined</b>	[ ]	<b>[5-15]%</b>	[ ]	<b>[20-30]%</b>
Danoptra	[ ]	[10-20]%		
IOA	[ ]	[5-15]%		
Inspired Gaming	[ ]	[5-15]%		
Sceptre Lesiure	[ ]	[5-15]%		
Claremont Automatics	[ ]	[0-10]%		
Kossway	[ ]	[0-10]%		
Other	[ ]	[45-55]%		
Total	[ ]	100%		

Source: Parties' estimates

30. Even on the more cautious installed based basis, the parties' combined market share of [20-30] per cent, increment [five-15] per cent is not at a level that would typically give cause for concern.

#### Closeness of competition

31. The parties argue that they are not close competitors for the following reasons:

- The parties have different business models. Whereas SG supplies gaming machines directly to retailers, Barcrest only supplies gaming machines directly to retailers in the bingo/arcade segment (in which Scientific Games is not active), in all other segments Barcrest supplies to retailers via distributors and operator-suppliers. Any constraint is therefore likely to be indirect.
- Whereas SG supplies digital games, Barcrest mainly supplies analogue games. The parties advised that Barcrest supplies a digital machine to

<sup>9</sup> These figures are different to the number of operated because Barcrest also sells machines to distributors for on sale to retailers.

bingo/arcade customers and a hybrid analogue/digital machine which some retailers have trialed.

32. In addition, the OFT notes that the parties operate different revenue models. [ ]. [ ]. [ ].<sup>10</sup> The parties therefore use different approaches to supplying end customers.
33. Taken together, the above three distinctions tend to indicate that the parties are not close competitors.
34. Third parties advised that the parties are not particularly close competitors, with most third parties identifying Danoptra's Bell Fruit as Barcrest's closest competitor because both firms manufacture reel based analogue machines.

**Table 2: The parties' and competitors' routes to market for games machines**

Company	Manufacturer	Operator	Distributor
Barcrest	✓		
Scientific Games		✓	
Danoptra / Gamestec / Bell Fruit	✓	✓	✓
Astra / Novomatic	✓		
IOA		✓	
Sceptre Leisure		✓	
Kossway		✓	
Project Coin Machines	✓		
Claremont Automatics		✓	
Inspired Gaming	✓	✓	
AMG Leisure *			✓
Crown Leisure *			✓
MDM Leisure *			✓

<sup>10</sup> [ ].

Empire Games Limited	✓		
CMS Gaming	✓		
Games Warehouse	✓		
Abbey Entertainment		✓	
InTouch Games Limited	✓		
Electrocoin	✓		✓

\*Crown Leisure, AMG Leisure, and MDM Leisure are just active as distributors of gaming machines. In addition, there are a number of smaller distributors supplying gaming machines in the UK. Such distributors include: Data Leisure, Leeds Leisure, Wessex Coin, Coin Direct, and JNC sales.

Source: Parties

35. The table above shows the parties' and competitors' business models, and tends to confirm the parties' assertion that they are not particularly close competitors. We now consider the parties sales in the narrower overlaps of sales to pubs and sales to LBOs.

#### Games machine supply to pubs

36. In 2010, Barcrest sold [ ] new games machines to third party operators and distributors in the UK pub sector. While SG does not make product sales, in the same year, it operated around [ ] machines in the pub sector. Of the total number of machines operated by machine suppliers, SG had a share of just [0-10] per cent. This reflects SG's focus on the supply of digital machines which do not have strong penetration in the pub market.

37. Third party customers in the pub sector were concerned that SG might have the incentive to close Barcrest's analogue machines business in order to expedite the transition to digital machines by its pub customers. In effect this is a standard unilateral effects theory of harm with an infinite price rise in Barcrest's analogue machines.

38. Unlike in other segments, there has been relatively limited penetration of pubs by digital games.<sup>11</sup> One pub company commented '(t)he cash box is

<sup>11</sup> For example, the bingo/arcade machines segment is mostly digitised whereas the LBO segment is 100 per cent digitised.

telling us that our core players prefer to play reel based analogue machines and not digital'. Customers were concerned that, as SG is not active in the supply of analogue reel based games (but are a leading digital machines supplier); post-merger it will stop producing analogue machines and would seek to transfer customers to digital machines. As a consequence, Danoptra would then be the only supplier available of analogue reel-based machines. Moreover, there would be no ongoing support available to provide spare parts etc for the installed base of Barcrest machines.

39. Unilateral effects may arise because a price increase becomes less costly when the products of the two merging firms are brought together. Without the merger, it is costly for one of the merger firms to raise its prices because it will lose the profit on diverted sales as a result. The cost is composed of two elements:

- the profit on lost sales from customers who switch to the products of the other merger firm and
- the profit on lost sales from customers who switch to the products of firms other than the other merger firm.

40. After the merger it is no longer as costly for the merged firm to raise the price of any of the products: it will recoup the profit on recaptured sales from those customers who would have switched to the products of the other merger firm.<sup>12</sup> The merged firms also earn an increased profit from sales to customers that are retained at the higher price level.

41. In the current theory of harm, this lost profit is not earned: since discontinuation is equivalent to an infinite price rise with all sales of Barcrest's analogue reel based machines being lost. The OFT has used the data available to conduct a simple break even analysis to see if it is likely that the profit will be recouped. There are two different data sources,<sup>13</sup> but analysis using both indicates that a total discontinuation is likely to be unprofitable in the short-run. [ ].

42. Based on evidence received from publicans, this magnitude of retained sales is not consistent with the current share of machines in pub

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<sup>12</sup> *Mergers Assessment Guidelines*, paragraph 5.4.7.

<sup>13</sup> SG's analysis of the transaction and Barcrest's own internal analysis.

companies' estates which are digital. Moreover, information in market research made available to the OFT by a third party confirms that pub customers are significantly less keen on digital games machines. This would tend to indicate that a unilateral withdrawal by closing Barcrest's analogue gaming division would likely be unprofitable for SG.

43. [ ]. [ ].

44. This shows that unilateral withdrawal from the supply of analogue games would likely be an unprofitable strategy for SG. Moreover, since Barcrest is able pre-merger to supply digital games machines and games, it is not clear that the merger changes Barcrest's ability or incentive to withdraw from the supply of analogue games.

#### Games machine supply to LBOs

45. The parties also overlap in the supply of machines to LBOs. Scientific Games is the largest supplier of gaming machines to LBOs. [ ]. [ ]. Even taking a cautious approach and using Barcrest's installed base of customers, although the combined market share is [60-70] per cent, the increment arising from the merger is just [0-10] per cent [ ]. Therefore, although the parties have a high combined market share of [60-70] per cent, by installed base, the increment from the merger is not at a level that would typically give the OFT cause for concern.

46. Third parties were generally unconcerned in respect of the supply of gaming machines to LBOs.

#### Conclusion

47. In conclusion, the parties do not appear to be close competitors in the supply of gaming machines either to pubs or to LBOs. Although pub customers raised concerns about the future of analogue machines which Barcrest manufactures and SG do not, a unilateral discontinuation of Barcrest's analogue machines business would not appear to be a profitable strategy. In addition, the merger does not appear to significantly alter Barcrest's ability or incentive to exit the analogue business. [ ]. The LBO customers responding to our information request did not raise concerns in relation to gaming machines.

## **Gaming content**

### Horizontal effect

48. There are no available market reports showing shares of supplying the gaming market. The parties, however, estimate that their total sales to third parties would not be greater than [0-10] per cent of all sales of gaming content to third parties. This estimate was confirmed by a competitor to the parties.
49. The parties put forward three other points which, they suggest, leads to the conclusion that there should be no competition concerns in relation to the supply of gaming content:
- [ ] per cent of Barcrest's sales to third parties of gaming content is to Global Draw, a SG firm
  - most gaming machine suppliers have their own in-house supply of games content, and
  - the market for games content is fragmented and barriers to entry are low.
50. Third parties supported the contention that the games content market was fragmented, with one LBO identifying 17 firms, including Danoptra's Bell Fruit and Novomatic's Astra that could supply it with gaming content. Several customers also told us that they regularly trial new games in parts of their estate.
51. On this basis, there appears to be no realistic prospect of a substantial lessening of competition in the supply of gaming content to retail customers.

## **VERTICAL ISSUES**

52. One competitor, raised concerns in relation to gaming content. This third party stated that in addition to developing its own gaming content, it had a number of UK and international suppliers. However, it submitted that some third parties' games are so successful that it was important to be able to licence the game in order to win custom. One such 'must have' game is Barcrest's *Rainbow Riches* game. As a result of the merger, the third party

concludes that the parties will have the ability and incentive to foreclose competitors, and that LBOs will have only one supplier available that can fulfill their demand.

53. Pre-merger Barcrest has been able to supply machines and content to LBOs. [ ]. Nonetheless, the question of whether the merger changes the ability and incentives for the merging parties to totally or partially foreclose competitors is considered below.

#### Ability

54. The ability of a firm to foreclose competitors is likely to be higher if the input is very important and the firm has a high degree of market power in the input market. We have a number of reasons to believe that this is not the case for Barcrest:

- One third party told us that B3 games (see footnote 7) make up approximately 25 per cent of the cash box. Of this 25 per cent, [ ] per cent will result from *Rainbow Riches*. Therefore *Rainbow Riches* is only a small part of the overall cash box and therefore not particularly suggestive of market power.
- The third party advised that it purchases games from 28 content suppliers, indicating that supply is fragmented.
- The third party submitted that at least part of *Rainbow Riches*' popularity could be attributed to it being widely available. This implies that it would not be a rational strategy to limit the game's penetration.
- The third party could not rule out that LBOs would, in any case, use their buyer power to act on behalf of machine suppliers' to persuade the merging parties to supply competitors with *Rainbow Riches*.

#### Incentive

55. The OFT was told by a third party that, if the parties were to totally foreclose the sale of *Rainbow Riches*, it would stop purchasing the other games that it currently purchases from the parties. The losses on sales owing to the foreclosure strategy are therefore not only related to *Rainbow*

*Riches*, but also to the wider Barcrest content portfolio. One LBO told the OFT that the inability to supply *Rainbow Riches* might make a competitor to the parties less attractive, however, the LBO advised this would not automatically cause the supplier to be delisted. This implies that competitors would discontinue purchasing games other than *Rainbow Riches* from the parties and that overall demand for the parties' would be reduced as a result of a total foreclosure strategy.

#### Effect

56. The effect in the downstream market is likely to be greater, the greater the ability of the downstream firms to pass-through any price increase. In relation to partial foreclosure, given the level of buyer power suggested by third parties, the extent to which any price increase could be passed through is likely to be low (see the section on buyer power below).
57. Taken in the round, given that Barcrest could have pursued this strategy pre-merger and that the total revenue likely to be lost from competitors discontinuing purchasing other games that they purchase from the parties is likely to be higher than just the loss of sales of *Rainbow Riches*, the OFT has concluded that this is not a credible theory of harm.

### **BUYER POWER**

58. In the Gamestec/Rank decision, the OFT concluded that there was buyer power in this market. In Danoptra/Inspire Gaming, although the OFT did not need to conclude on buyer power, it received no evidence to depart from this point of view.
59. The parties have submitted that LBOs and pubcos have significant buyer power because of their size and the ease with which they can switch supplier. Third parties confirmed this point of view.

### **BARRIERS TO ENTRY**

60. The parties have submitted that barriers to entry are low given that suppliers can outsource machine production; games can be purchased from third party content suppliers; and the clarity of current regulations.

61. A third party competitor commented that barriers to entry and expansion are relatively low since:
- there are international suppliers active in other markets that could enter, especially as international standards are not very different to the UK
  - the fee for a gaming licence is relatively low
  - entry can be achieved by first targeting smaller retailers and then spring boarding to larger retailers, and
  - the advent of digital machines mean that cabinet production can be outsourced and games can be purchased from third party suppliers.
62. Large retailers (pubcos and the chain LBOs) told us that they regularly trial new games and machines on samples of their estates. Potentially lowering the barriers to entry for a new firm.
63. In terms of games content, a third party competitor advised that the key ingredient is an innovative concept. Often content suppliers and machine suppliers will collaborate to develop games. Third parties were also able to identify several new entrants to the supply of gaming content.<sup>14</sup>
64. The OFT notes that according to Gambling Commission Industry Statistics 2009/2010<sup>15</sup> the number of holders of licences to manufacture gaming machines increasing by 11 per cent between 31 March 2009 and 31 March 2010. This, with the evidence put forward by the parties and third parties would suggest that barriers to entry and expansion are low; however, it has not been necessary to reach a conclusion given that there is no realistic prospect of a substantial lessening of competition in this market.

### **THIRD PARTY VIEWS**

65. Where applicable third party comments have been included above.

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<sup>14</sup> Including, Blueprint, Psiclone, Reflex and Max Gaming

<sup>15</sup> [www.gamblingcommission.gov.uk/gh-about\\_us/annual\\_report\\_and\\_accounts.aspx](http://www.gamblingcommission.gov.uk/gh-about_us/annual_report_and_accounts.aspx)  
Gambling Commission - Industry statistics 2009/10.

66. There were two main concerns expressed by third parties, firstly that SG would close the analogue business of Barcrest, and secondly that SG would foreclose on competitors by not allowing them to licence the perceived 'must have' game *Rainbow Riches*. These concerns have been addressed at paragraphs 37 to 44 and paragraphs 53 to 57 above.

## **ASSESSMENT**

67. The parties overlap in the supply of gaming machines and games content.

68. In line with its earlier decisions, the OFT considered the transaction on the basis of the supply, as operator, of all types of amusement and gaming machines to all retail customer sectors in the UK. Under this frame of reference the merged entity has an estimated combined market share of the installed base of [20-30] per cent, increment [five-15] per cent.

69. In the supply of gaming machines to pubs, the parties are not particularly close competitors, since SG supplies digital machines and Barcrest analogue. Third party concerns were raised over SG's intentions with regard to Barcrest's analogue machines. However, on the data available to it the OFT has concluded that a unilateral withdrawal from the supply of analogue games would likely be an unprofitable strategy for SG. [ ].

70. In the supply of machines to LBOs, [ ], while the combined market share of the installed base will be around [60-70] per cent, the increment is only [0-10] per cent.

71. In the market for the supply of gaming content, the parties estimated that their total sales to third parties would not be greater than [0-10] per cent of all sales of gaming content to third parties. An estimate confirmed by a competitor. The main concern arising from the supply of gaming content was the potential foreclosure following the merger of a perceived 'must have' game *Rainbow Riches*. However, given that Barcrest could have pursued this strategy pre-merger and that competitors would discontinue buying other games from the merged entity, with the resulting loss of revenue likely to be significantly higher than just the value of the lost sales from *Rainbow Riches*, the OFT has concluded that this is not a credible theory of harm.

72. Consequently, the OFT does not believe that it is or may be the case that the merger may be expected to result in a substantial lessening of competition within a market or markets in the United Kingdom.

## **DECISION**

73. This merger will therefore **not be referred** to the Competition Commission under section 33(1) of the Act.