

Competition Merger Brief

From Checkout Counters to Negotiation Tables: Bargaining Power in the Mars/Kellanova Deal

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Introduction

On 8 December 2025, the European Commission unconditionally approved Mars, Incorporated ('Mars') acquiring sole control of Kellanova (together with Mars, the 'Parties'; 'the Transaction') following an in-depth Phase II investigation. The Transaction was announced in August 2024 and valued Kellanova at approximately USD 36 billion.

Mars is a global manufacturer and supplier of food, nutrition, pet care and snacking products with a broad portfolio of well-known brands, such as Snickers, Twix, Wrigley, Ben's Original, and Whiskas. Its activities span multiple product categories and geographic markets, including across the EEA.

Kellanova is a global snacking company active in several categories within cereals, salty snacks, and snack bars. Its portfolio includes internationally recognised brands, such as Pringles and Kellogg's, sold across the EEA and other regions.

On the back of the results of the Phase I market investigation, the Commission identified potential concerns relating to the merged entity's portfolio breadth and the possible strengthening of its bargaining position in negotiations with retailers across different product categories, ultimately to the detriment of consumers. Therefore, in June 2025, the Commission adopted a decision to initiate an in-depth investigation.

After conducting an in-depth investigation, including extensive market outreach and the collection of quantitative and qualitative evidence, the Commission concluded that the Transaction would not significantly impede effective competition in the internal market or a substantial part of it. The Transaction was closed on 11 December 2025.

Market context

The food industry in recent years has been shaped by several developments, including increased consolidation (both by retailers

and manufacturers), substantial price increases, and the growth of private labels (i.e., retailer's own brands).

The wave of consolidation has seen major manufacturers acquiring several well-known brands. Retailers have also sought to consolidate operations primarily by seeking multinational procurement negotiations, whether individually or through buying alliances that pool their negotiations vis-à-vis manufacturers.

Amid supply chain constraints, commodity and energy price increases due to the aftermath of the Covid pandemic and Russia's war of aggression against Ukraine, inflation across Europe has been high. Fast-moving consumer goods, such as those sold by the Parties, were particularly affected. While retailers and manufacturers, including Mars and Kellanova, have

been forced to absorb some of the increased costs, shrinking their profits for some products, they have been able to pass on a significant share of these higher costs to EU households in the form of higher grocery prices. Consequently, between 2021 and 2025 prices of non-alcoholic food and beverage products have risen by as much as 33% in the EU. At the end of 2025, EU citizens continued to consider tackling inflation, rising prices and the cost of living their top economic priority. Recent years have also witnessed some growth of the share of private labels in certain product categories, as some households appear to be

In a nutshell

The Commission unconditionally cleared Mars' USD 36 billion acquisition of Kellanova following an in-depth Phase II investigation.

The investigation focused on a bargaining theory of harm, namely whether combining Mars' brands with Kellanova's salty snacks (Pringles) and cereals (Kellogg's) brands would give the merged entity excessive leverage in negotiations with retailers, potentially leading to higher consumer prices.

After an extensive market investigation including retailer feedback and analysis of granular consumer panel data covering actual purchasing behaviour, the Commission concluded that the evidence did not support these concerns.

switching in those product categories to more affordable alternatives.

Against the backdrop of the cost-of-living crisis, the Commission considered closely the impact that the Transaction would have on grocery prices paid by EU households.

Bargaining power theory of harm

Introduction

The Commission's main preliminary concern centred on the proposition that, by enlarging its product portfolio through the addition of Kellanova's very popular brands, Mars could increase its bargaining power vis-à-vis retailers, enabling it to extract higher prices during negotiations and thereby lead to higher prices for consumers.

The Commission's serious doubts in this respect rested on the interlocking preliminary findings of its Phase I investigation. Both Parties held strong positions across several product markets in multiple EEA countries, owing in part to the fact that they carried brands considered a must-have for retailers (i.e. brands that retailers need to carry because otherwise they would lose substantial sales). In addition, several retailers across the EEA had raised concerns that Mars' enlarged portfolio would leave them unable to resist higher prices for fear of losing access to some must-have products. Moreover, many consumers tend to concentrate their grocery shopping at a single supermarket and might switch stores if they could not find all or most of the Parties' products - a dynamic that would further weaken retailers' negotiating position.

In this context, the Commission's investigation focussed on three key elements: (i) the Parties' market power in individual product categories, (ii) the merged entity's ability to link negotiations across product categories, and (iii) the degree to which the merged entity can translate market power in individual categories into bargaining power across its entire product portfolio based on linked negotiations.

Market power

As a starting point to the investigated theory of harm, the Commission assessed whether the Parties have market power in individual product categories such as chocolate bars and cereals.

In addition to relying on the Parties' market shares, the Commission also looked at various other elements to assess the Parties' market power including margins, how widely the Parties' products are distributed and whether the Parties offer must-have brands.

The Commission found several clear indications of the Parties' market power in individual product markets across several EEA countries. *First*, the Parties' market shares exceed 50% in a number of markets, which is already a strong indication of market power. *Second*, the Commission found that some of the

Parties' products are highly profitable. *Third*, the Commission found that some of the Parties' products were widely distributed. *Fourth*, evidence found in the Parties' internal documents further supported that the Parties hold market power in individual product categories. *Finally*, feedback received particularly from customers (i.e. retailers) further highlighted the Parties' strong market position.

In addition, the Commission's investigation showed that retailers across a number of EEA countries consider several of the Parties' brands to be must-have¹. As an example, Kellanova's Pringles was frequently identified as a must-have brand by retailers.

Notwithstanding, the Commission also found evidence pointing to more limited market power in certain product categories. For instance, the Commission found evidence showing a decline in the demand for Kellogg's and ready-to-eat cereal in general. The Commission also recognised that, when looking at the narrowest plausible product markets, some of the Parties' products are likely to face out-of-market constraints.

Ultimately, for the purposes of this case it was not necessary to conclude on the question of market power as regardless of whether the Parties are found to have market power in individual product categories, the Transaction was not found to significantly increase the merged entity's bargaining power post-Transaction.

Linked negotiations across entire portfolio or part of it

As part of its investigation, the Commission examined whether Mars could, and in practice did, leverage the strength of certain products or brands in negotiations to secure better pricing for its broader portfolio, or parts of it.

This strategy involves linking the negotiation outcomes of one product category or brand to another to maximize leverage, enabling higher pricing, increased sales volumes, or imposition of less favourable contractual terms across multiple categories. The core mechanism of linked negotiations operates on an 'all deal or no deal' principle: if no agreement is reached in one category, the supplier may withhold agreements across its entire portfolio or a significant portion of it. Facing the threat to lose access to Mars' entire range of products (or a significant part of it), enlarged with Kellanova's brands post-transaction, retailers may be compelled to agree to Mars' terms and make concessions across the entire portfolio or significant part of it.

The Commission's investigation confirmed that in the past Mars effectively leveraged its portfolio to achieve better terms and conditions, even when negotiations were initiated on a product-by-product basis. This said, the investigation also revealed that

¹ In previous Commission decisions, 'must-have' brands have been defined as 'brands that retailers need to carry because otherwise they would lose substantial sales' - see Case M.6813 - McCain Foods Group / Lutosa Business, paragraph 57.

this strategy is at times also adopted by retailer/buying alliances. They are in some instances able to resist Mars during negotiations by linking the outcome of their negotiations with Mars across product categories.² The fact that retailers can also employ this strategy does not, however, undermine the conclusion that Mars has (and that the merged entity will continue to have) the ability to link negotiations across product categories.

Increase in bargaining power

To understand whether the merged entity could translate market power in individual product categories into bargaining power across its entire product portfolio based on linked negotiations, the Commission put forward a bargaining power-based theory of harm grounded in bargaining economics. The underlying mechanism focused on negotiations between branded manufacturers and retailers. In such negotiations, failure to reach agreement typically results in delisting (i.e. removing the branded products from the retailers' shelves), which entails losses for both parties. The party that is relatively less harmed by delisting enjoys greater bargaining power, and this relative outside option shapes the negotiated terms.

The linking of negotiations over a broader product portfolio does not, in itself, shift bargaining power. A larger portfolio simply increases the mutual costs of a breakdown, making non-agreement more painful for both sides. For a broader portfolio to tilt bargaining power in favour of the supplier, several additional conditions must be met.

First, there must be "one-stop shopping" effects. If consumers are unable to find certain essential products at a retailer, they may switch their entire shopping basket to another store. This "basket effect" implies additional lost sales for the retailer beyond the specific delisted products. Under such conditions, delisting a larger portfolio can be relatively more harmful for the retailer than for the supplier, thereby shifting bargaining power.

Second, closely linked to market power in individual categories, there must be a sufficient degree of brand loyalty. Consumers must be willing to change retailer altogether if specific branded items are unavailable.

Third, for the effect to be merger-specific, there must be meaningful overlap in consumer demand across Mars' and Kellanova's product categories. In other words, the absence of both product portfolios must make consumers substantially more likely to switch supermarkets than the absence of Mars' or Kellanova's products alone. Only if such joint switching effects

exist can the merger-generated expansion of the portfolio materially affect bargaining power.

The Commission's assessment accordingly examined, in turn, whether those conditions were met in the present case.

Concerning one-stop shopping, the Commission considered survey evidence, including from a consumer survey carried out by the Commission, as well as detailed retail shopping data from NielsenIQ. All data sources confirm that there is a significant proportion of consumers who primarily do their weekly shopping in one supermarket. This was also supported by feedback from market participants.

Both the NielsenIQ panel data and the Commission's consumer survey also showed a substantial consumer purchasing overlap between Kellanova and Mars products.

Regarding brand loyalty and indispensability, the Commission examined whether the Parties' brands were essential enough to trigger retailer switching in case of unavailability of a product, noting that even a modest degree of switching would be sufficient. In this context, the characteristics of the Parties' products were central. Survey evidence as well as the consumer survey carried out by the Commission showed that Pringles, Kellanova's key product, does not appear to be a planned purchase but is rather purchased by consumers spontaneously driven by in-store visibility. Similarly, breakfast cereals face competitive pressure and, in some segments, declining demand, limiting their "must-have" status. Moreover, both data sources demonstrate that the parties' key products are purchased infrequently by consumers relative to their regular shopping habits, which reduces the impact of unavailability of the products.

The most conclusive evidence came from the Commission's analysis of NielsenIQ panel data on actual delisting events, including a large-scale, long-term case at Edeka/Netto in Germany, where Mars and Kellanova products were removed from shelves for extended periods, including periods where the delistings overlapped. The Commission's analysis revealed that a majority of consumers did not switch retailers when these brands became unavailable. Instead, they simply stopped buying them or substituted them with alternatives, with no increase in sales at competing stores and no change in shopping frequency.

In view of the above, the Commission concluded that the Transaction would not significantly increase Mars' bargaining power by asymmetrically worsening retailers' outside options in the event of delisting of the merged entity's portfolio.

International cooperation

The Transaction required 28 regulatory approvals and clearances, which was reflecting the Parties' combined global commercial footprint.

In the USA, the Federal Trade Commission ('FTC') carried out a detailed review before granting early termination of its

² The fact that both suppliers and retailers or buying alliances can employ this strategy underscores the competitive intensity of negotiations in the sector and indicates potential bargaining power from both sides. The relationships between suppliers and retailers or buying alliances and the potential of the use of cross-category leverage by any side to distort competition is subject to scrutiny under antitrust rules.

investigation on 25 June 2025 without imposing any condition or remedy. The FTC's Bureau of Competition stated that staff had closely reviewed every aspect of the Transaction, including both specific product markets and potential portfolio effects.

The FTC's clearance reflected the materially different competitive picture on either side of the Atlantic. The FTC noted that in other countries Mars and Kellanova offer different products, face different market participants, consumer preferences, and shopping practices - and, critically, that Kellanova continues to sell breakfast cereal in markets including the EEA that it does not sell in the USA.

Conclusion

After a thorough assessment, the Commission concluded that the Transaction does not raise significant competition concerns. The investigation focused particularly on the potential for the merged entity to leverage its expanded portfolio to increase bargaining power vis-à-vis retailers. While Mars has historically

demonstrated the ability to link negotiations across product categories, the Commission found that the addition of Kellanova's brands, such as Pringles and Kellogg's, would not significantly enhance the merged entity's ability to exploit retailers or consumers. Key factors in this determination included the infrequent and impulse-driven nature of purchases for products like Pringles and the declining relevance of ready-to-eat cereals. Additionally, consumer behaviour studies indicated that while some shoppers exhibit loyalty to specific brands, the majority would not switch their primary retailer if Mars and Kellanova products were unavailable, nor would they relocate their entire shopping basket.

The outcome of the Commission's decision in this case is specific to the facts and evidence gathered during the investigation for this specific merger. The Commission may investigate similar theories of harm in future cases, and any such assessment will be based on the specifics of each case through cogent evidence and sound economic reasoning.