February 27, 2019

Federal Trade Commission
600 Pennsylvania Avenue NW
Washington, DC 20580

Re: In the Matter of Staples/Essendant, Inc., File No. 1810180

Our organizations are members of Advocates for Independent Business (AIB), a coalition of 10 national associations that collectively represent tens of thousands of independent businesses across the country. Together, our member businesses employ hundreds of thousands of people, serve millions of customers, and are an important source of economic vitality in their communities.

We write today to comment on the Federal Trade Commission’s recent approval of the merger between Staples and Essendant. We believe this merger should not have been approved. It imperils independent office supply dealers (including those represented by one of our member organizations), harms competition and consumers, and furthers a dangerous pattern of approving vertical mergers that allow large corporations to foreclose their smaller competitors.

Independent office supply dealers rely on just two wholesalers. This merger gives control of one of those wholesalers to one of their biggest competitors, Staples. That creates a fundamental conflict of interest that behavioral conditions cannot resolve.

Essendant is privy to sensitive information about independent office supply dealers, including customer information; details of their contract bids, including pricing; and other data that Staples can now easily use to gain an unfair advantage. In addition, Staples will now be able to raise Essendant’s prices to dealers, a strategy for steering business customers from independent dealers to its own commercial division. The FTC’s contention that dealers can simply shift to the other remaining wholesaler shows the agency’s disregard for the costs and difficulty of switching, the inability of S.P. Richards to absorb many dealers, and the competitive consequences of consigning dealers to a monopoly supplier.
Further, Staples is owned by private equity firm Sycamore Partners, which is notorious for buying retail firms in order to sell off their most valuable pieces — a potential competitive impact of this merger that the FTC’s analysis did not consider.

This merger is part of a pattern at the FTC of approving vertical mergers that allow large corporations to foreclose their smaller rivals. We agree with Commissioner Rebecca Kelly Slaughter that “the current approach to vertical integration has led to substantial under-enforcement.” We also concur with her view that the FTC too often adopts behavioral remedies when it should block a harmful vertical merger outright. In this case, and others, the behavioral remedies imposed by the FTC are insufficient to prevent anticompetitive conduct given the strong incentives to engage in such conduct.

As we stated above, we believe the FTC is erring in approving this merger. We urge the agency to aggressively police the firewall between Staples and Essendant. We also urge the FTC to monitor and review the impacts of this merger and be prepared to intervene should Sycamore engage in behavior that harms competition. Finally, we urge the FTC to review its approach to vertical mergers and adopt stringent guidelines for reviewing these deals.

Sincerely,

Undersigned Advocates for Independent Business Members:

Mike Tucker  
President and CEO, Independent Office Products & Furniture Dealers Association

Oren Teicher  
CEO, American Booksellers Association

Mark Simon  
Executive Director, Brixy, Inc.

Terry Schalow  
Executive Director, Running Industry Association, Inc.

Kimberly Mosley  
President, American Specialty Toy Retailing Association