The Assessment of Retailer Mergers

Substantial local complexity?

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At Phase 1 SLC = substantial local complexity?

Proportion of 135 cases referred or UILs (1 April 2010 to 31 March 2019)

- Only national markets 36%
- Retailer / Wholesaler / Service provider mergers 37%
- Other local / regional markets 22%
- Markets wider than the UK 5%

NB: Local mergers may also raise regional-national issues if some dimensions of competition are standard across multiple local areas or some customers procure regionally/nationally.
Local catchment areas and filtering

**Step 1:** Define the catchment area
- Catchment area = typically 80%
- Customer data drive times
- Where are the parties’ stores located and how many overlap?
- If significant overlaps exist – filtering required to focus on those areas with competition concerns

**Step 2:** Identify the effective competitor set
- CMA considers:
  - Internal documents (which rivals are tracked/matched?)
  - Store characteristics (which rivals have similar offerings or prices?)
  - Views of rivals
  - Econometric analysis (entry/exit impacts – Phase 2)

**Step 3:** Define the measure of concentration
This could involve:
- Counting stores or fascia
- Calculating revenue-based market shares (above 35-40%?)
- Applying different weights to specific retailers

Objective – proxy for high diversion:
- Store or fascia counts most common at Phase 1
- Weighted share of shops (number/distance) in a number of recent Phase 2 cases
Case study – Sainsbury’s

GUPPI – What is it?

OR

GUPPI_{12} = D_{12} \frac{M_2 P_2}{P_1}

OR

Characteristics:

• Always positive

• Measurement: diversion ratios (surveys/extrapolation); gross margins (halo effect?); relative prices (baskets)

The right GUPPI threshold for a SLC to be expected?

• Sainsbury’s/Asda - matter of judgment and a case specific approach

• Before efficiencies: 1.5% for fuel, online and supermarkets, 2% for convenience. Increased by proven groceries efficiency offset of 1.25%

• Very low GUPPI threshold for national groceries SLCs?

• Low market local shares will be an SLC