8.3.13 We also understand from Loadhog that customers do not switch between suppliers of PLPs on a regular basis, though glass manufacturers may consider other alternatives every 3-4 years.

## 8.4 Cartonplast/ Demes: conclusions from the ex-post analysis

8.4.1 In this Phase I decision, the OFT concluded that entry by PLS – a firm that supplied rental PLPs to the can industry – was likely to be timely and sufficient to prevent a realistic prospect of an SLC. The OFT's decision above was further corroborated by the competitive constraint posed by Loadhog, an existing competitor and a proposal by PLP24 to enter the market, though it placed relatively little weight on this.

8.4.2 In contrast with the OFT's conclusions, the evidence we received from Loadhog suggests that entry by PLS and PLP24 did not materialise.

8.4.3 Consistently with what the OFT noted during the merger case, the evidence we received from Loadhog suggests that its business has grown since the merger. The OFT, however, did not investigate in as much detail the potential impact of Loadhog's expansion on the merger parties, and focussed instead on the specific example of a named potential entrant (PLS).

8.4.4 In this case, there is very little other information available to test Loadhog's views, nor evidence on how outcomes, and prices more specifically, have developed since the merger to provide some evidence on how competitive constraints may have evolved. Loadhog did tell us, however, that in its view, prices have not increased since the time of the merger.

# 9 NBTY/ Julian Graves

## 9.1 Summary of the CC's decision

9.1.1 In September 2008, NBTY (owner of Holland & Barrett) acquired the entire share capital of Julian Graves. Both Holland & Barrett and Julian Graves supplied nuts, seeds and dried fruit (NSF), among other things. In March 2009, the completed transaction was referred to Phase II, at the end of which – in August 2009 – the CC cleared the merger unconditionally.

9.1.2 In relation to product market definition, the merger parties were found to overlap in the supply of NSF, and the CC decided to include in the relevant product market all supermarkets and other retailers, including independent health food stores, that sell a sufficiently large range of such products at similar prices.[189] The CC assessed the

[189] Final Report, para. 5.61.

geographic dimension of the relevant market at the local level as it noted that the ability of consumers to switch between various suppliers of NSF was limited to a local area.[190,191]

9.1.3 At the time of the merger, Holland & Barrett had 535 stores across the UK.[192,193] The CC assessed the number of competing fascia in the overlap markets, and found no competition concerns in all but 17 of them.[194]For these 17 overlap markets, the CC found that:

- The reduction in the number of retailers in the 17 locations above would not be sufficient for the parties to raise prices or decrease their range on a national basis.[195]
- It would be unlikely that the merger parties would find it profitable to raise price substantially or to reduce the range or quality of their offering in any local market. In particular, the CC considered that barriers to entry by specialist retailers were low, and that there had been some entry by small specialist retailers. In addition, the CC considered a number of other factors, including the existence of other retailers selling a narrower range of NSF, the negative impact that a deterioration in quality or service would have on the merger parties' business, and the conditions under which the competitive constraint provided by supermarkets was likely to be greater.[196]

9.1.4 On this basis, the CC cleared the merger unconditionally.

## 9.2 Research questions and evidence gathering

9.2.1 In light of the CC's conclusions above, our ex-post evaluation assessed the extent to which the CC's conclusions on entry and expansion materialised. In particular, we examined whether:

- Small scale entry on a local level occurred in recent years after the merger, as referenced by the CC? We also sought to understand the rationale for any such entry, or the reasons for a lack of entry where it failed to materialise.
- Entry and/or expansion by stores not selling NSF, and/or expansion by suppliers or online suppliers into the NSF market occurred after the merger? Should such entry have occurred, we sought to try to understand the rationale behind it (e.g., whether that was driven by product innovation or changes in consumer preferences).

9.2.2 To conduct our assessment we have collected a range of evidence. We have reviewed the evidence contained in the documents gathered by the CC at the time of the merger. We reviewed industry reports from Mintel, and conducted a range of desktop research. We conducted an in-depth interview with Tesco, specifically in relation to their NSF

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[190] Final Report, para. 5.62 and 7.4.
[191] The CC, however, did not conclude on the precise size of the local area as it was of the view that the latter would depend on the nature of the store (i.e., large retailers vs smaller independent health stores) and the geography of the area (i.e., rural vs urban areas). See Final Report, para. 5.63, 5.65 and 5.66.
[192] Based on data provided by the CMA as part of the case file. See 'Q17.xsl'.
[193] Final Report, para. 2.9.
[194] Final Report, para. 14 and 15.
[195] Final Report, para. 14.
[196] Final Report, para. 15.

offering. Finally, we gathered quantitative data on prices, obtaining publicly available information on a number of market players' prices.

9.2.3 It is worth noting that, in addition to Tesco, we sought to gather further evidence from a broad range of stakeholders, including the merger parties and other supermarkets, but were not successful. However, we believe that the evidence we gathered during our in-depth interview with Tesco, coupled with the industry reports, the quantitative evidence we gathered and other desktop research, allowed us to answer most of the research questions set out above.

## 9.3 Findings on entry and exit post-merger

9.3.1 As discussed in paragraph 9.1.3, the CC concluded that barriers to entry for specialist retailers were low, and there had been some entry by small specialist retailers. The CC also noted that existing retailers selling other products and online stores were unlikely to expand their range of NSF and pose a greater competitive constraint on the merger parties.

### *Entry of small scale specialists in local areas*

9.3.2 According to the CC, barriers to entry by specialist retailers were low, and there had been some entry by small specialist retailers.

9.3.3 The CC's conclusion above was based on its finding that an independent retailer could easily source small quantities of NSF – on similar terms as offered to Holland & Barrett and Julian Graves – and that it was not costly to establish a few small stores or market stalls.[197] The CC also noted instances of recent entry in the form of small retail outlets. Hence, it concluded that it would be relatively easy for these recent new entrants to expand their businesses into new locations, or for other new entrants to begin selling NSF on a similar basis in different locations.[198]

9.3.4 A review of the documents gathered by the CC at the time of merger shows that the CC received evidence from the [✂].

9.3.5 We assessed the extent to which health food stores opened since the merger in the overlap catchment areas. Our analysis indicates that, of the 17 overlap areas examined, only two small health food shops appear to have opened, one in Lewes and the other in Ely.

9.3.6 In conclusion, as noted in the paragraph above, we found no significant evidence of small scale entry at a local level. The CC's conclusions in this context pertained to low barriers to entry only rather than specific instances of entry, and we have not done an assessment of barriers to entry for small scale entry at a local level.

[197] Final Report, para. 6.5.
[198] *Ibid.*

### *Entry and/or expansion by other retailers*

9.3.7 According to the CC, existing retailers selling NSF and other products and online stores were unlikely to expand their range of NSF and pose a greater competitive constraint on the merger parties.

9.3.8 This conclusion was based on the finding that existing retailers of NSF did not monitor the price and range of NSF available at the merger parties' stores and had no expansion plans in this segment. The CC was also of the view that entry into the market by existing sellers currently selling other products was unlikely, owing to the lack of growth in consumer demand for NSF and the availability of NSF in all large supermarkets. Online sale of NSF was also, in the CC's view, unlikely given the large postage costs involved in comparison to the relatively low value of the product.

9.3.9 A review of the documents gathered by the CC at the time of merger shows that the CC received some evidence to suggest that the supermarkets might expand or pose a greater competitive constraint on the merger parties. For example, [✂].

9.3.10 We understand that Tesco has significantly increased its range and sale of NSF products. Tesco also told us that it understood that this was also the case for the other supermarket retailers, including discounters.[199] This increase, in Tesco's view, has been driven in part by a surge in demand for NSF products. Legislation that prohibits the sale of unhealthy products near the consumer check out area has led many retailers to stock these areas with NSF products, which has contributed to the growth in sales of NSF by the supermarkets.

9.3.11 Tesco also told us that online sales by supermarkets have increased. In particular, the proportion of NSF sold by Tesco through online channels has approximately doubled since the merger.

9.3.12 In summary, it appears that since the merger, existing supermarket retailers of NSF have expanded their range, and that online sales have also increased. However, our analysis is based on the current offering of the supermarkets, and it is unclear how quickly after the merger this expansion took place.

## 9.4 Findings on outcomes post-merger

9.4.1 As discussed in section 9.3, the CC concluded that in most local areas, existing competitive constraints were sufficient to constrain the merger parties, but that in 17 local areas the CC also relied, amongst other things, on low barriers to entry at the local level by specialist retailers. As set out in the previous section, specialist local entry that the CC deemed likely and timely to occur did not materialise. However, the lack of such entry is not inconsistent with the CC's conclusion that barriers to such entry are low. One way to further test this conclusion, therefore, would be to test how the merger impacted outcomes for consumers (e.g., prices). If prices remained constant, or fell, as a result of the merger, this might be consistent with barriers to entry being low (even if entry did not occur).

[199] Tesco also told us that Asda is not performing as well as Aldi and Lidl in NSF.

9.4.2 In light of the above, we conducted a quantitative analysis to examine how price outcomes have changed since the merger, and have attempted to isolate the impact of the merger in prices.

9.4.3 Retail prices for NSF are set at the national level by Holland & Barrett and by supermarket retailers (and this was also the case at the time of the merger). We have therefore analysed how national prices have changed since the merger. As explained further below, we have not performed a full econometric analysis, and we are not able to conclude firmly on the extent to which the merger caused a change in prices since it was cleared. We note, however, that even if we found that prices at Holland & Barrett changed as a result of the merger, this does not necessarily allow us to draw conclusions about the CC's predictions on barriers to entry in this case. As noted above, Holland & Barrett at the time of the merger had 562 stores, of which a "*large number*" overlapped with Julian Graves. The CC concluded that only 17 raised concerns, given the constraint on Holland & Barrett from other retailers, including supermarkets, in other local areas. If we were to find, for example, that prices at Holland & Barrett increased as a result of the merger, in principle it could be because a lack of entry in these 17 local areas gave Holland & Barrett an incentive to raise prices at the national level. However, it is potentially more likely that any increase in prices as a result of the merger is not because of effects in these 17 local areas – but rather because there were in fact a larger number of local areas where competition declined as a result of the merger. In other words, that the constraint from the other general retailers, including the supermarkets, was weaker than predicted by the CC.

9.4.4 This analysis of prices, therefore, might provide more evidence on the extent to which the CC's findings on market definition and competitive constraints were accurate, than it does about the CC's conclusions on entry.

9.4.5 Nevertheless, we considered the pricing data available to carry out this exercise. As part of its assessment of the NBTY/ Julian Graves transaction, the CC received evidence from the merger parties on prices at the time of the merger review for a sample of products sold by the merger parties and a number of other supermarket retailers, including by Tesco and Waitrose.[200,201] We have gathered data on current prices[202] for those products where prices were available for both of Holland & Barrett and Tesco, the majority of which were also available for Waitrose, at the time of the merger. Full details of how we have assembled this data, and the analysis conducted are set out in Appendix 6.

9.4.6 For each product, we calculate the percentage price difference between current prices and the prices the parties submitted to the CC at the time of the merger review. First, we focus solely on Holland & Barrett.

9.4.7 This analysis indicates that, since the merger, prices at Holland & Barrett have increased for all the products in our sub-sample. We note, however, that price changes could be driven by a range of factors unrelated to the merger. Such other factors can mask the

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[200] The data submitted by the merger parties also included prices at Sainsbury's and Julian Graves. However, we decided to use prices for Tesco and Waitrose.
[201] It is worth stressing that we did not receive information from the CMA as to how the merger parties gathered these data. In particular, we do not know on what basis the products were chosen by the parties. As such, it is unclear whether this is a representative sample. Similarly, it is not clear whether prices reflect in-store as opposed to online prices, or whether prices incorporate any temporary discount. Therefore, the results of our analysis would need to be treated with caution.
[202] Current prices have been collected online and no discounts have been considered.

effect of the merger on prices, and therefore simply looking at how prices have evolved at Holland & Barrett following the acquisition of Julian Graves does not allow for any conclusions on the impact of this transaction on prices.

9.4.8 To attempt to isolate the effects of the merger on prices, we then compared the price changes for the products we are analysing at Holland & Barrett with the price changes for the same products[203] at Tesco and, separately, at Waitrose.[204] The idea is that by comparing price changes at Holland & Barrett with price changes at the comparator stores, we might strip out the effect of factors other than the merger on prices, and thus better isolate the effect of the merger on prices. This rests on an assumption that at Holland & Barrett, Tesco and Waitrose similar factors – other than the impact of the merger – drive changes in price over time, for the products we are assessing (e.g., commodity prices, trends in consumer demand).

9.4.9 Our results indicate that prices at Holland & Barrett have increased more than prices at Tesco and Waitrose for 17 out of 21 and 13 out of 18 products respectively. Tables 9 and 10 below show the results of our analysis. Although not shown in the tables below, for almost all of these products, this means that Holland & Barrett is becoming more expensive than Waitrose and Tesco (rather than Holland & Barrett's prices converging with those of the supermarkets, if they were lower than the supermarkets' prices at the time of the merger).

[203] We have recorded all brands of the same product and all package sizes. Of these brands, we have then selected those items that were most comparable in package size within the same provider. Finally, we standardised the package size across providers in order to compare prices across providers.
[204] We have also conducted our analysis combining Tesco and Waitrose together.

**Table 9 – Analysis of national prices comparing Holland & Barrett with Tesco**

| Holland & Barrett | | Tesco | | |
|---|---|---|---|---|
| **Product** | **% price change** | **Product** | **% price change** | **% point difference** |
| Brown Rice | 125.04 | Whole Grain Rice | 111.81 | 13.24 |
| Soup mix | 20.08 | Soup and Broth Mix | 58.89 | -38.81 |
| Dried fruit salad | 87.35 | Wholefood Dried Fruit Selection | 5.05 | 82.29 |
| Pitted dates | 57.39 | Wholefood Stoned Dates | 197.52 | -140.14 |
| Apricots | 223.15 | Wholefood Blanched Apricots | 63.97 | 159.18 |
| Pecans | 87.26 | Pecan Nuts | 24.47 | 62.79 |
| Cashews | 124.05 | Cashew Nuts | 2.16 | 121.89 |
| Californian pistachios | 215.37 | Pistachio Nuts | -12.64 | 228.01 |
| Brazil nuts | 59.70 | Brazil Nuts | 19.74 | 39.96 |
| Walnuts | 94.90 | Walnut Halves | 43.53 | 51.37 |
| Pumpkin seeds | 205.06 | Pumpkin Seeds | 25.44 | 179.61 |
| Granovita Organic Quinoa | 138.70 | Quinoa | 41.64 | 97.05 |
| Whole almonds | 92.26 | Whole Sweet Almonds | -8.17 | 100.42 |
| Mixed nuts & raisins | 95.46 | Wholefood Fruit & Nut Mix | 6.06 | 89.40 |
| Bulgar wheat | 35.16 | Bulgar Wheat | 43.44 | -8.28 |
| Chick Peas | 125.88 | Chick Peas | 49.68 | 76.20 |
| Red kidney beans | NA | Red Kidney Beans | 34.14 | NA |
| Whole green lentils | 116.81 | Lentilles Vertes | 37.70 | 79.10 |
| Split Red Lentils | 166.70 | Red Split Lentils | 67.03 | 99.67 |
| Cous Cous | 35.95 | Cous Cous | -23.34 | 59.28 |
| Golden linseed | 23.26 | Golden Linseed | -67.28 | 90.54 |
| Soya mince | 46.49 | Wholefood Soya Mince | 72.36 | -25.87 |
| Pinto beans | NA | Wholefood Pinto Beans | 16.04 | NA |

**Source:** KPMG elaboration of 2009 prices provided by the CMA as part of the case file, and current online prices.
**Notes:** [1] Instances where the percentage price increase at Holland & Barrett is higher than the percentage price change at Tesco are reported in red. [2] Instances where prices have decreased since the merger was cleared by the CC are reported in green.

**Table 10 – Analysis of national prices comparing Holland & Barrett with Waitrose**

| Holland & Barrett | | Waitrose | | |
|---|---|---|---|---|
| **Product** | **% price change** | **Product** | **% price change** | **% point difference** |
| Brown Rice | 125.04 | Uncle Ben's Whole Grain Rice | 120.49 | 4.55 |
| Soup mix | 20.08 | Telma Soup Mix Tub | 10.00 | 10.07 |
| Dried fruit salad | 87.35 | Tropical Medley Dried Fruit | 178.17 | -90.83 |
| Pitted dates | 57.39 | Sun Dried Stoned Dates | 83.84 | -26.45 |
| Apricots | 223.15 | - | NA | NA |
| Pecans | 87.26 | Pecan Nuts | 84.88 | 2.38 |
| Cashews | 124.05 | Cashew Nuts | 65.10 | 58.95 |
| Californian pistachios | 215.37 | Roasted Pistachio Nuts | 28.41 | 186.97 |
| Brazil nuts | 59.70 | Brazil Nuts | 91.41 | -31.70 |
| Walnuts | 94.90 | Walnut Pieces | 82.71 | 12.19 |
| Pumpkin seeds | 205.06 | Pumpkin Seeds | 42.71 | 162.35 |
| Granovita Organic Quinoa | 138.70 | Granovita Organic Quinoa | 140.09 | -1.39 |
| Whole almonds | 92.26 | - | NA | NA |
| Mixed nuts & raisins | 95.46 | Fruit & Nut Selection | 22.23 | 73.23 |
| Bulgar wheat | 35.16 | Bulghur Wheat | 31.72 | 3.45 |
| Chick Peas | 125.88 | Chick Peas | 31.72 | 94.16 |
| Red kidney beans | NA | Red Kidney Beans | 11.00 | NA |
| Whole green lentils | 116.81 | - | NA | NA |
| Split Red Lentils | 166.70 | Split Red Lentils | 23.61 | 143.09 |
| Cous Cous | 35.95 | Cous Cous | -9.65 | 45.59 |
| Golden linseed | 23.26 | Linusit Gold Golden Linseed | -65.04 | 88.30 |
| Soya mince | 46.49 | Realeat Vege Mince | 75.62 | -29.13 |
| Pinto beans | NA | - | NA | NA |

**Source:** KPMG elaboration of 2009 prices provided by the CMA as part of the case file, and current online prices
**Notes:** [1] Instances where the percentage price increase at Holland & Barrett is higher than the percentage price change at Waitrose are reported in red. [2] Instances where prices have decreased since the merger was cleared by the CC are reported in green.

9.4.10 We recognise that this analysis is not a full econometric analysis and does not control for all relevant factors, e.g., differences in costs, which might drive different price changes at Holland & Barrett compared to Tesco / Waitrose.

9.4.11 In our view, overall, the pattern in Holland & Barrett's pricing, coupled with the evidence received from Tesco that supermarket ranges have increased, casts some doubt on the degree to which Holland & Barrett competes with supermarkets.

9.4.12 It is worth noting that these findings are largely consistent with the results of the CC's econometric analysis, conducted at the time of the merger review. That analysis examined the effect of different potential NSF competitors opening new stores in the vicinity of an incumbent Holland & Barrett store. The CC found that Julian Graves appeared to be Holland & Barrett's closest competitor, particularly when the stores were located sufficiently close together, and that while supermarkets also posed a competitive constraint, this was to a lesser extent than Julian Graves.[205]

[205] Final Report, para. 8.

9.4.13 Our results are also consistent with further anecdotal evidence we gathered from Tesco. In particular, Tesco told us that it has recently partnered up with a number of different retailers, including Holland & Barrett, to fill the empty space in larger stores. The addition of these concession stores, according to Tesco, constitutes a complementary and non-cannibalistic product offering to Tesco's existing range.

## 9.5 NBTY/ Julian Graves: conclusions from the ex-post analysis

9.5.1 In this case, the CC cleared this transaction unconditionally at Phase II, not requiring divestments in any of the local markets affected by the transaction. While in the large majority of these overlap local markets, this decision was based on the strength of competition that the CC believed was provided by existing competitors, in a minority, the CC was of the view that existing competitive constraints were not sufficient to constraint the merger parties following the transaction.

9.5.2 In these local areas, the CC cleared this transaction partly on the basis of a view that barriers to small scale local entry were low, and that this could be expected to constrain the merger parties. We note that, at the time of the merger, the evidence received by the CC was [✂] in relation to the ease of entry by small scale local suppliers, and the CC did not do a detailed assessment of potential barriers at a local level.

9.5.3 We have found very limited examples of small scale local entry having occurred in any local markets. We recognise that this in itself is not necessarily inconsistent with the CC's conclusion – if barriers to entry are low, entry need not actually occur in order to constrain the merger parties.

9.5.4 In order to test the CC's conclusions further, we therefore assessed how prices developed since the merger. While this analysis needs to be treated with caution, the evidence suggests that prices at Holland & Barrett have increased more than other stores since the merger.

9.5.5 At the same time, we have received evidence that supermarkets in particular have significantly expanded their sales of NSF, and that online sales have increased.

9.5.6 Taken together, this evidence is suggestive of Holland & Barrett competing less closely with the supermarkets than the CC had found.

9.5.7 It is not clear when this potential divergence in prices occurred, and therefore it is difficult to draw conclusions on the extent to which this has implications for the CC's conclusion at the time of the merger that supermarkets compete with Holland & Barrett. However, we note that the CC's econometric analysis, conducted as part of the merger assessment, did suggest that the supermarkets posed a weaker competitive constraint than the other merger party.[206]

[206] Final Report, para. 5.51.

# B. Conclusions from the ex-post analysis

# 10 Findings on the Authorities' decisions

## 10.1 Introduction

10.1.1 In the previous section we set out our analysis of the eight merger cases we have reviewed. In this section, we summarise our findings from our review of the Authorities' decisions across these cases. These findings form the basis for the recommendations for future cases, which we set out in section 11.

10.1.2 We recognise that our review has the benefit of hindsight, something which is obviously not available to decision-makers at the time of the case. In addition, we recognise that the Authorities have fixed timescales in order to gather evidence and make decisions. In the report, we look at whether predictions that were made by the Authorities were realised, but this is not the same as assessing whether the decisions or the decision-making process was correct. Our review is aimed at facilitating a consideration of these issues, and ultimately providing recommendations for future cases (in the next section).

10.1.3 As set out in section 1.2, as well as assessing the accuracy of the Authorities' predictions, we also assess whether this varied across Phase I and Phase II cases, whether the market developments could have been better foreseen; and any information on why predictions made by the Authorities about entry or expansion were not realised.

## 10.2 Were the Authorities' predictions on entry and expansion realised?

10.2.1 In a number of the cases reviewed, the Authorities made specific predictions that entry or expansion would be timely, likely and sufficient to prevent an SLC.

10.2.2 As set out in paragraph 1.2.8, in some cases the Authorities' decisions were not based principally or solely on the expectation of entry or expansion actually materialising. In these cases, an observation that entry did not occur might be consistent with the Authorities' decision, if the Authorities' decision was based largely, for example, on a view that barriers to entry or expansion were low rather than relying more heavily on specific examples of entry and expansion. We take into account these differences in considering the accuracy of the Authorities' predictions in this section.

10.2.3 In our conclusions below, we refer to evidence we have collected on how prices have developed in certain markets since the mergers were cleared by the Authorities. As set out above[207], these analyses need to be treated with caution as they do not control for all relevant factors that may have influenced how prices have developed since the Authorities' decisions. They do not, therefore, allow for firm conclusions to be drawn about the impact of each merger on prices. Rather, they should be seen as an indicator

[207] In sections 9.4, 7.4, 6.4, 5.5, 3.4, and 2.4.

of how prices have developed, and used in conjunction with the range of other evidence gathered.

10.2.4 In a number of merger decisions we reviewed, the evidence that we have gathered suggests that the Authorities' predictions of likely, timely and sufficient entry and/ or expansion were realised:

- In Sheffield City Taxi/ Mercury Taxis, the expansion of Uber occurred in the year following the merger, as the CMA had predicted, and the evidence shows that SCT's prices have not risen since the merger (and in some cases have declined).
- In WRI/ Hostelbookers, the evidence shows that Booking.com and Expedia have expanded their offerings in approximately the three years since the merger was cleared, as predicted by the OFT. Booking fees to final consumers of the merger parties have been removed since the merger was cleared, while prices to hostel owners have increased. Overall, netting off these two effects, the evidence does not suggest that prices have increased materially since the merger.
- In CooperVision/ Sauflon, while there is limited evidence about the particular niche market in question, interviews with stakeholders (in particular the merger parties) suggest that entry has occurred in a timely manner as predicted by the CMA. The broader evidence base is consistent with this view, and there is no evidence that prices in this market have changed in any way that is out of line with markets unaffected by the merger.

10.2.5 In a number of other cases, it appears that sufficient and timely entry or expansion did not occur as predicted by the Authorities. The degree to which market developments differ from the Authorities' predictions varies across cases – in some cases, the divergence from the Authorities' predictions is less clear cut than in others. We summarise our conclusions on these cases in the following paragraphs.

10.2.6 There is one clear example of no entry having occurred, in clear contrast to the CC's predictions. Namely, in the Cineworld / City Screen case, predicted entry was a significant factor in the CC's unconditional clearance in Brighton at Phase II, but none materialised. Prices have risen materially in Brighton since the merger, including in comparison to price changes in other local areas. We recognise, however, that since a full analysis of all factors that might have influenced prices has not been completed, it is not possible to draw a firm conclusion on the extent to which these prices increased as a result of the merger.

10.2.7 In one other local market (Southampton) in the Cineworld/ City Screen decision, the CC put significant weight on entry as part of its decision. In this case, entry materialised, but approximately nine months after the CC's estimated time frame.

10.2.8 In Zipcar/ Streetcar, the CC concluded that new entry and expansion would be sufficient to constrain the prices and prevent any deterioration in service levels within a few years following the merger. This was based on evidence of entry plans by new operators, as well as a view that despite there being barriers to entry or expansion, these could be overcome. We found that while several firms appear to have entered this market, most of those firms appear to have subsequently exited – in contrast to the CC's prediction that they would be able to expand. More recently (four years after the merger) one operator appears to have had relatively more success ([✂]), entering and expanding with an innovative product. We found that prices for Zipcar have increased since the merger, while prices at one other car club operator have declined.

10.2.9 In NBTY / Julian Graves, the CC's decision to clear the merger unconditionally in all local areas was based, in part, on an expectation that barriers to entry or barriers to expansion were low for small scale independent retailers, rather than on specific examples of planned entry. In this case, nevertheless, entry or expansion of small scale independent retailers does not appear to have occurred following the merger. By contrast, expansion of the supermarkets' range of NSF has occurred. We found evidence that prices at Holland & Barrett have increased than at other retailers since the merger, which may suggest that the supermarkets posed less of a competitive constraint than the CC had thought.

10.2.10 In Cartonplast / Demes, the named entrant predicted by the OFT did not enter, but an alternative supplier appears to have expanded with an innovative product and anecdotal evidence suggests this has constrained the merger parties. In this case, the OFT did not investigate in as much detail the potential impact of expansion on the merger parties, and focussed instead on the specific example of named potential entrants. In this regard it is also worth noting that Gett failed to expand following the Sheffield City Taxis/ Mercury Taxis decision, contrary to the CMA's prediction. However, Uber's expansion appears to have been very significant and posed an effective constraint on the merger parties to prevent an SLC, as predicted by the CMA.

10.2.11 In Ballyclare/ LHD, unlike in all the other cases reviewed, we are unable to conclude on whether or not the OFT's predictions were realised. Specifically, in Ballyclare/ LHD, the CMA concluded that expansion by Hunter would have been timely, likely, and sufficient to prevent an SLC. We find that Hunter has bid against the merger parties but has not won any contracts. Overall, we are unable to conclude on whether the presence of Hunter as an additional bidder has constrained the merger parties.

10.2.12 We also sought to assess whether any entry or expansion occurred that was of a different form to that predicted by the Authorities, including whether competition developed among a broader set of competitors than anticipated by the Authorities. We have not done a full assessment of this issue, but have a few observations:

- In WRI/ Hostelbookers, there is some evidence that competition may have begun to take place amongst a broader group of suppliers, operating across what the OFT defined as separate relevant markets. Specifically, while we have not conducted a full or robust assessment of competition, there is some evidence that online hostel-booking services might compete with aggregators of different types of accommodation (in particular Airbnb), and similarly there is some evidence that hostels might compete with a broader range of accommodation types.
- It is possible that a similar phenomenon took place in the car club market, assessed as part of our review of the Zipcar/ Streetcar merger. In that market, the growth in car sharing services that was predicted and reported by the CC, appears not to have materialised. We have not done any analysis to test this hypothesis, but one possible explanation for this is customers being served by a broader range of transport options than might have been predicted by the CC's market definition – such as Uber for short journeys and traditional car hire for longer ones.

- By contrast, in the NSF market, assessed as part of our review of the NBTY/ Julian Graves decision, we found that while the supermarkets expanded their range of NSF these retailers don't appear to exert as strong a competitive constraint on Holland & Barret, a more specialist provider, as the CC had envisaged. In this case, competition may occur among a narrower set of providers than the CC predicted.

## 10.3 Was there a difference across Phase I and Phase II decisions?

10.3.1 The CMA has a different legal test for its decision-making in Phase I compared to Phase II decisions. Namely, in Phase I the CMA intervenes if there is a realistic prospect of an SLC, while in Phase II cases, the CMA intervenes if it expects an SLC on the balance of probabilities.

10.3.2 This implies that where the CMA cites entry or expansion as a reason for clearing a merger in Phase I, it should (all else being equal) have received clear, compelling evidence on this entry/ expansion being timely, likely and sufficient, whereas for Phase II, less compelling evidence may have been sufficient for a clearance.

10.3.3 We have therefore analysed the extent to which the Authorities' predictions were realised across Phase I versus Phase II cases.

10.3.4 We have found that in all of the three Phase II decisions we have reviewed (Cineworld/ City Screen, NBTY/ Julian Graves and Zipcar/ Streetcar), the CC's predictions have to some extent failed to materialise, as set out in paragraphs 10.2.6 - 10.2.9.

10.3.5 By contrast, in the Phase I decisions, the CMA / OFT's predictions on entry and expansion either appear to have been largely accurate (WRI/ Hostelbookers.com, CooperVision / Sauflon, Sheffield City Taxi/ Mercury Taxis) or, while the specific named entrants identified by the CMA/ OFT did not enter, other firms appear to have expanded to compete with the merger parties (Cartonplast/ Demes). The possible exception is Ballyclare/ LHD, but as noted above, we have not been able to conclude on the extent to which Hunter poses a significant competitive constraint on the merger parties.

10.3.6 Overall, therefore, the fact that the CMA/ OFT's predictions were more often realised in its Phase I decisions is consistent with the different legal tests relevant at each phase. It is difficult to draw general conclusions about Phase II decision-making from only the three cases we have reviewed. In all three of the Phase II cases we reviewed, however, entry did not occur in the way the CC predicted and there is some evidence to suggest prices have increased as a result of the merger though we cannot draw a firm conclusion in this respect. The consistency in our findings on the Phase II cases might suggest that some lessons can be learned.

## 10.4 Where the Authorities' predictions were not realised, was this 'foreseeable'?

10.4.1 Here, we evaluate, for those cases where the Authorities' predictions were not fully realised, whether this might have been anticipated by the Authorities at the time of the merger. As set out in paragraph 1.2.5, it is more instructive for drawing lessons for future analysis to understand where the Authorities might have foreseen that the market would develop in a way that was different from its predictions, compared to those cases where market developments appear to have been unpredictable.

10.4.2 There are cases where evidence was available to the Authorities which suggested a degree of uncertainty around the specific examples of entry that the Authorities predicted:

- In Cineworld/ City Screen, in several of the local markets considered, evidence was provided to the CC which recognised the uncertainty surrounding potential new entry, in particular, as a result of uncertainties around the planning process and new developments getting off the ground. This included the Brighton and Southampton local markets, where the CC put more weight on the likelihood of new entry in order to clear the merger (compared to other local markets).
- In Cartonplast/ Demes, [✂].
- In Ballyclare/ LHD, we have not been able to conclude on whether or not the CMA's predictions were accurate as set out in paragraph 4.4.3 above. [✂].
- In NBTY/ Julian Graves, the CC did not undertake a detailed assessment of the likelihood of entry by small scale local suppliers. [✂].
- In Zipcar/ Streetcar, the CC received evidence on factors that might make it difficult for a small scale entrant to expand, and even agreed that these factors were likely to be barriers to entry or expansion. However, the CC ultimately concluded that these barriers could be overcome, based largely on the evidence about future market growth.

10.4.3 We recognise that there is always likely to be some degree of uncertainty around entry or expansion, and the Authorities need to reach an expectation in the face of such uncertainty. In some of these cases, it is not clear exactly how this uncertainty was factored in to the Authorities' decision. In particular, in several cases, the evidence on the existence of uncertainty is reported by the Authorities in their decision, though there is no specific explanation of how an expectation of entry or expansion was reached in the face of such uncertainty (Cineworld/ City Screen (Brighton and Southampton), NBTY/ Julian Graves, Ballyclare/ LHD). In some other cases, the Authorities more clearly set out that they recognised such uncertainty but, nevertheless, formed an expectation that entry or expansion would occur (Cartonplast/ Demes and Zipcar/ Streetcar).

10.4.4 In some other cases, our review suggests the CMA/ CC might have sought to gather further evidence at the time of the case, which might have allowed it to better predict certain outcomes. Specifically:

- In Sheffield City Taxis/ Mercury Taxis, the CMA could have gathered evidence on ongoing or future regulatory changes in the market affected by the merger, as well as the evidence it did gather in relation to ongoing or recent regulatory changes implemented in other similar/ influential local areas (e.g., London). Gathering such evidence would have allowed the CMA to take into account the potential negative impact of such change on Uber's expansion in particular.
- In Zipcar/ Streetcar, the CC could have gathered evidence on the contractual terms imposed by each London borough, including single operator provisions. Gathering this evidence might have given the CC a clearer view that such local policies could act as a significant barrier.

## 10.5 Where the Authorities' predictions were not realised, are there patterns in why that was the case?

10.5.1 Our review has also considered the evidence on the reasons why the entry or expansion predicted by the Authorities did not occur. One pattern that emerges is the influence that local policy or regulation can have on the ease or likelihood of entry or expansion:

- In Cineworld/ City Screen, we observed that failure to obtain (or delays in obtaining) planning permission appeared to be an important factor behind a lack of entry in Brighton, and a cause of significant delays to entry in Southampton. In Clapham, by contrast, the potential new entrant had already obtained planning permission at the time of the merger, and this entry did occur on a timely basis.
- In Zipcar/ Streetcar, we also received evidence that local policy made it difficult to obtain car parking spaces, and that this was a key reason behind a failure of new entrants to expand and their subsequent exit from the market.
- We note that local regulatory issues were also relevant in Sheffield City Taxis/ Mercury Taxis. In this case, local regulation was proposed following the merger, which we were told by participants would have significantly negatively impacted the expansion of Uber. While in this case, regulation was not pursued (following, amongst other things, CMA intervention), it highlights the potential for similar issues to impact the ease of entry into taxi markets in other local areas.

10.5.2 There is some evidence that the CC's approach to the treatment of local regulation and planning permission was not always consistent across local areas in the Cineworld/ City Screen decision. Specifically, in Cambridge, an SLC was found and divestments required, while in Brighton the transaction was cleared unconditionally. In its assessment of Cambridge, the CC noted a potential new development, but put significant weight on the uncertainty surrounding the feasibility of this development, and the CC was also uncertain that demand could support a new cinema. In Brighton, by contrast, while some uncertainty around the new development was flagged to the CC, more weight was put on this potential new entry, alongside evidence that demand would support new entry.

10.5.3 A related point is the ability of potential entrants to accurately gauge the impact local regulation and policy might have on their ability to enter or expand successfully. Some of the evidence we have reviewed may indicate a tendency by entrants to provide a description of the market which over-estimates their likely success in some of these cases where local regulation / policy was important. For example:

- In Sheffield City Taxis/ Mercury Taxis, the CMA received evidence from Gett suggesting that [✂].
- In Zipcar/ Streetcar, Greenwheels told the CC that it had bid for on-street parking in the [✂] told the CC it was highly likely to allocate on-street parking to Greenwheels when the council next made more spaces available). Greenwheels also told the CC that [✂].
- In Cineworld/ City Screen, and in particular in relation to Brighton, the CC received evidence from the developer of the cinema that was expected to enter the market,

which noted its confidence in obtaining planning permission to develop the site, and attached a 65 per cent probability to the cinema to be built.[208]

10.5.4 We note that this is not a general trend, and in some cases potential entrants expressed more uncertainty about the impact local regulation and policy would have on their ability and incentive to enter or expand, for example.

# 11 Recommendations

## 11.1 Introduction

11.1.1 In the previous section, we summarised the findings from our ex-post assessment of the Authorities' merger decisions. Here, we build on those findings to draw out some recommendations for future merger assessments.

11.1.2 In this study, we have reviewed only a relatively small number of decisions, and so drawing any general recommendations necessarily requires caution. We explain in this section the limitations of any conclusions we make, and aim to identify recommendations that are both helpful in addressing the issues identified and yet not dependent on any specific finding or on the facts relative to a specific decision. However, where our conclusions are particularly dependent on only one or two cases, we highlight that clearly below.

11.1.3 Some of these recommendations may be easier to implement or more applicable to Phase II, rather than Phase I cases, given the differences in timescales and ability to gather evidence at these different Phases.[209] We have not sought to tailor specific recommendations for Phase I or Phase II cases, but this is likely to be something that the CMA will need to develop in more detail, as it considers the results of this study and the recommendations.

## 11.2 Recommendations on assessing likely forms of entry or expansion

11.2.1 There are various ways to categorise the characteristics of new entry or expansion – for example, de novo entry versus expansion from existing firms, or entry with differentiated versus similar products to existing suppliers.

11.2.2 Across the cases we have reviewed in this study, we have seen entry and expansion with a number of different features and characteristics. We have sought to identify the characteristics of entry or expansion that have appeared most frequently in the cases we reviewed, as this may be informative of the sorts of characteristics that of entry or expansion that may appear in other cases.

[208] Final Report, para. 6.73.
[209] We also note that the CMA's powers to gather information in Phase I have changed compared to its powers in the OFT Phase I decisions we reviewed, which might already have had an impact on evidence gathering. This is not an issue we have considered or reviewed in our ex-post study.

11.2.3 We have identified the following occurring in a number of the cases we reviewed: i) entry by suppliers that already operate in closely related markets; ii) entry or expansion by suppliers with new or innovative products. These two sets of characteristics are not mutually exclusive. By contrast, we have not observed any examples of de novo entry by suppliers who offer very similar products to existing firms in the market.

11.2.4 In this section, we set out some recommendations in relation to the assessment of entry or expansion with the characteristics we observe most frequently. These recommendations are drawn from our assessment of how successfully the Authorities were able to analyse these forms of entry in the decisions we have reviewed.

### *Entry or expansion by existing suppliers in closely related markets*

11.2.5 We have seen examples of entry from existing suppliers in closely-related markets, where firms have started supplying in the particular market under review. This appears to have been the case in CooperVision/ Sauflon (where existing suppliers of DD lenses have expanded to serve the DD multifocal lens market) and WRI/ Hostelbookers (where online hotel-booking services have expanded their coverage in the online hostel-booking market). (Though we note that Ballyclare/ LHD may be an exception to this pattern). In these cases, the CMA / OFT used certain categories of evidence which appears to have helped in accurately predicting entry/ expansion.

11.2.6 Recommendation 1: Overall, the CMA/ OFT appears to have correctly predicted these specific examples of entry/ expansion from closely related markets. We recommend that the CMA continue to seek evidence on the factors which make such entry or expansion more likely. Specific examples of evidence that was particularly important in predicting entry of this form could be maintained, and circulated internally or built into an internal checklist, to help maintain consistency across cases. In particular, the following factors appeared to be important predictors of sufficient and timely entry or expansion in one or other of these cases:

- Costs that might be required for firms in closely related markets to expand or enter. This included an assessment of whether there are reasons to think costs would be relatively low for firms in closely related markets, such as firms already having developed the relevant technology, which required minimal modifications to adapt for the specific market in question.[210]
- Consumer preferences and demand patterns which might support entry from closely related markets.[211]
- Evidence that competitors in closely related markets have already shown some commitment to entering or repositioning their offering. For example, alternative suppliers already appearing in online search results for hostels showing that they were likely to have invested in PPC advertising in this market (in WRI/ Hostelbookers),[212] or internal documents showing trial sales and the success of sales during launch periods (Coopervision/ Sauflon).[213]

[210] WRI/ Hostelbookers Final Report, para. 109.
[211] WRI/ Hostelbookers Final Report, para. 105.
[212] Final report, para. 106.
[213] Final Report, para. 131.

- Evidence that existing competitors are already actively monitoring the threat from suppliers in closely related markets.[214]

11.2.7 It is also worth noting that in WRI/ Hostelbookers, there is some evidence that competition appears to have developed across the boundaries of the market which had been identified by the OFT. This is consistent with entry into online hostel booking having occurred from existing suppliers of other booking services, as well competition possibly now occurring between providers who offer different types of accommodation. This may suggest that in some markets – such as this one – the competitive process may be characterised by more frequent or easier "product repositioning". Where barriers to entry are particularly low and economies of scope significant, a full consideration of supply side substitution becomes more important as part of the competitive assessment.

11.2.8 We note that in some other cases where entry or expansion did not occur in line with the CMA's predictions, the Authorities did not have a similar evidence base to that set out under Recommendation 1 (for example, in NBTY/ Julian Graves, in relation to small scale entry by independent retailers). Therefore, assessing these factors on a more consistent basis would seem to be helpful. However, it is also possible that even in spite of there being similar evidence to that listed under Recommendation 1, entry or expansion may nevertheless fail to materialise (for example, in Cartonplast/ Demes). This could be for a variety of reasons, including that existing competitors were sufficient to maintain competition, such that there was less profitable opportunity for entry. This highlights that gathering the evidence set out under Recommendation 1 is not a sufficient condition for correctly predicting entry, but rather appears to be one important component.

### *Entry or expansion with new or innovative products*

11.2.9 We have seen several examples of entry / expansion occurring with new or innovative products or services:

- In Sheffield City Taxis/ Mercury Taxis, Uber entered the market and subsequently expanded, with an innovative app-based service, compared to the traditional taxi operating model of Sheffield City Taxis (and Hackney Cabs).
- In Cartonplast/ Demes, a provider with an innovative, patent-protected product, has expanded.
- In Zipcar/ Streetcar, the more successful entry that has occurred has been by a provider (DriveNow) with an innovative product.

11.2.10 The extent to which the Authorities were able to correctly predict this entry, or put weight on evidence indicating this would happen varied across these cases. There is evidently a difficulty in predicting the likelihood, timeliness and effects of entry with products that are different from those already in the market – and successful innovation is inherently difficult to predict. However, our review suggests that this is an aspect that could helpfully be analysed closely in future cases.

11.2.11 Recommendation 2: There is some evidence from our review that the Authorities could have sought to understand in more detail the likely success of existing competitors with

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[214] E.g., paragraphs 106 and 108, WRI decision; paragraphs 125 – 126, CooperVision decision.

innovative products, when assessing how successful their expansion might be. We, therefore, recommend that the CMA assesses such entry in a more systematic way across cases, and performs a fuller assessment of the potential for such entry or expansion where this appears to be a possibility. Similar factors as assessed in those cases discussed in the previous recommendation are likely to be relevant – costs, consumer preferences, and specific evidence of innovative entry having gained a foothold in the market – and we found that in some of the cases we reviewed where expansion by innovative providers was relevant, these factors were not assessed in detail. In addition, specifically in relation to innovation, looking consistently across cases at evidence on factors such as patterns of innovation and product take-up of innovative products in other geographic markets and identifying the innovation pipeline for potential new entrants, might also help the CMA to assess the likelihood of entry or expansion by innovative providers.

11.2.12 For Phase II decisions, it may even be helpful to formalise the process of assessing the propensity for innovation to occur and pose a competitive constraint. In particular, while the CMA Merger Guidelines refer to gathering of evidence on the effect of technological change and innovation on barriers to entry,[215] they do not set out the evidence that might be gathered to assess the extent to which firms with innovative products might successfully enter the market.

## 11.3 Lessons and recommendations on the treatment of the likelihood of expansion compared to entry

11.3.1 Our review has highlighted the importance of expansion of existing competitors – not only entry of new ones – in a number of cases. In this section, we set out a number of recommendations about the assessment of expansion, as opposed to entry.

11.3.2 Our review suggests that there are some inconsistencies in the degree to which the Authorities conducted a full assessment of the likely degree of expansion, as opposed to entry. Specifically:

- In Cartonplast/ Demes, the OFT's focus was on planned entry, whereas expansion has materialised following the decision.
- In Zipcar/ Streetcar, the CC's assessment of whether certain barriers would limit expansion appeared to be inadequate, and there is limited information or evidence provided to support the CC's view that small scale new entrants could expand (despite the existence of advantages to scale and density.[216] Our review found that there were barriers to firms being able to build a sustainable network and expand, and that as a result a number of new entrants subsequently exited or have remained at a small scale.
- In WRI/ Hostelworld, on the other hand, the OFT gathered a range of evidence on the potential for expansion from existing suppliers, as set out in paragraph 11.2.6.

[215] CMA Merger Guidelines, para. 12.2.4.
[216] Final Report, para. 7.55.

# Appendixes

# 1 CooperVision/ Sauflon

## 1.1 Analysis of market entry and expansion

1.1.1 We have gathered data from Euromonitor International on the UK contact lens market.

1.1.2 Table 1.1 presents information on the retail value of daily disposable (DD) lenses between 2011 and 2016, split between different conditions and different materials of lenses. 2014 has been highlighted as that is the year in which the CooperVision/ Sauflon merger was approved.

**Table 1.1– Background on the market of interest**

| DD Lenses by Condition, Retail Value, £ million | | | | | | |
|---|---|---|---|---|---|---|
| **DD Lenses by Condition** | **2011** | **2012** | **2013** | **2014** | **2015** | **2016** |
| Spherical | 210.1 | 214.6 | 221.2 | 226.9 | 232.9 | 244.1 |
| Toric | 100 | 103.8 | 110.6 | 117.2 | 126.3 | 133.6 |
| Multifocal | 23.3 | 27.7 | 30.8 | 34 | 35.5 | 36 |
| **Total** | ***333.5*** | ***346.1*** | ***362.6*** | ***378.1*** | ***394.7*** | ***413.7*** |

**Source**: ©Euromonitor International
**Notes:** 2014 data have been highlighted to flag the year when the merger occurred.

1.1.3 Table 1.2 provides information on the retail value and volume of DD lenses sold in the UK, between 2011 and 2016, as well as the percentage change in the pre- and post-merger periods.

**Table 1.2 – Sales, by volume and value, of UK DD lenses**

| Sales of DD Contact Lenses: Volume and Value 2011-2016 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **2011** | **2012** | **2013** | **2014** | **2015** | **2016** | **% change (2011-2014)** | **% change (2014-2016)** |
| Daily Disposable lenses (DD) ('000 units) | 458,387.1 | 474,809.8 | 487,488.3 | 502,305.5 | 523,904.7 | 547,480.4 | 9.6 | 9.0 |
| Daily Disposable lenses (DD) (GBP million) | 333.5 | 346.1 | 362.6 | 378.1 | 394.7 | 413.7 | 13.4 | 9.4 |

**Source**: ©Euromonitor International
**Notes:** 2014 data have been highlighted to flag the year when the merger occurred.

1.1.4 Table 1.3 presents company-level shares of UK DD lenses by retail value for 2010 to 2015.

# 3 Cineworld/ City Screen: analysis of price outcomes

## 3.1 Introduction

3.1.1 We have sought to test how prices have changed since the merger in both SLC and non-SLC areas, seeking, if possible, to understand how the merger itself might have impacted prices.

3.1.2 This appendix proceeds as follows:

- First, we set out an overview of the methodology we use, and the analyses conducted.
- Second, we describe in more detail the methodology for our analysis with comparator local areas.
- Third, we describe in detail how we have gathered the data we have used to conduct our analysis.
- Finally, we present the results of our analysis.

## 3.2 Methodology overview

3.2.1 In the Final Report, the CC reported the pre-merger prices charged by the cinemas located in the overlap areas, both SLC and non-SLC, listed above.[218] The CMA also provided us with pre-merger prices for a large number of cinemas in other local areas across the UK. We have collected current prices for the cinemas currently trading in the local overlap areas above, as well as for most of the cinemas included in the dataset provided by the CMA.

### *Comparison 1: price changes in SLC vs non-SLC areas*

3.2.2 In Appendix 2, we listed those local overlap areas where the CC conducted a more in-depth assessment at Phase II, which we grouped into SLC and non-SLC areas. We compared the price changes for cinemas in the SLC areas with the price changes for cinemas in the non-SLC areas as per the definition set out in Appendix 2.

3.2.3 We estimate the pre- and post-merger price for each cinema in each of the SLC areas (i.e., Aberdeen, Bury St Edmunds and Cambridge) in 2013 and in 2017. For each area, we then calculate the unweighted average price across cinemas to obtain an average price for each area, one for 2013 and one for 2017. We then calculate, for each area, the percentage change in average prices between 2013 and 2017. Finally, we calculate an unweighted average of the percentage price changes across the three areas. The same steps are taken for the non-SLC areas. In the case of Brighton, this would be:

[218] See, for example, Final Report, Appending G, Table 8, which shows the average 'adult standard ticket price' for the various cinema exhibitors trading in Brighton at the time of the merger.

$$\% \, price \, change \, for \, Brighton = \frac{(unweighted \, average \, price \, in \, 2017) - (unweighted \, average \, price \, in \, 2013)}{unweighted \, average \, price \, in \, 2013}$$

3.2.4 Finally, we calculate the difference between the average for the SLC and the non-SLC areas.

### *Comparison 2: price changes using 'comparator' local areas*

3.2.5 We note that price changes in the overlap areas, both SLC and non-SLC, could be driven by a range of factors unrelated to the merger, and these may mask or overwhelm the impact of the merger on prices. To attempt to isolate the effects of the merger on prices, we compared the price changes in each of the SLC and non-SLC areas to comparator local areas that were unaffected by the merger but where there may have been similar local factors affecting price changes.

3.2.6 Having selected comparator local areas (two per overlap area), we calculate the percentage change in prices in the comparator local areas, and compare this to the percentage change in prices in the corresponding overlap areas.

3.2.7 The idea is that prices in comparator local areas might be subject to similar changes as the overlap areas, with the main difference between these areas being the impact of the merger. By comparing the price change in each overlap local area with the price change in each comparator group, therefore, the analysis might be more informative of the impact of the merger on prices.

3.2.8 In the next section we set out in more detail how we have selected comparator local areas and conducted this analysis.

### *Exclusions*

3.2.9 We have excluded the overlap areas of Clapham, Greenwich, and Stratford from the analyses.

3.2.10 While the CC defined 20-minute drive-time catchment areas,[219] it recognised in its Final Report that travel patterns in London may differ from those outside of London as customers rely more on means of transport other than the car to go to the cinema. As such, drive-time isochrones may be less appropriate in London than in other parts of the UK.[220] As a result, there is a risk that cinemas outside the CC's catchment area may nevertheless pose a competitive constraint on the cinemas of interest in Clapham, Greenwich, and Stratford.

3.2.11 In the case of Clapham, for example, our methodology for identifying comparator areas based on demographic characteristics, described in paragraph 3.3.4, did not yield any suitable comparator areas that were clearly outside of a potential catchment area.

3.2.12 Finally, we note that the CC's filtering process did not capture Clapham and Stratford as areas to be shortlisted for further analysis. The reason why the CC decided to add them

[219] Final Report, paras. 5.16 and 5.21.
[220] Final Report, para. 5.17.

back into its shortlist is because Clapham and Stratford had been shortlisted by the OFT for a more in-depth investigation during the Phase I case because of the results of its survey. As such, the CC considered it to be prudent to carry out further analysis on these areas.[221]

## 3.3 Methodology for analysis with comparator local areas

3.3.1 As set out above, we are seeking to better isolate the effects of the merger on price outcomes by attempting to remove the impact on prices of a range of other factors not specific to the merger. In order to do this, we have selected a number of comparator areas.

### *Identifying comparator areas*

3.3.2 We require comparator areas where the CC did not identify an overlap between the merger parties in the Cineworld/ City Screen merger.

3.3.3 For each SLC and each non-SLC area, we select a number of 'comparator' local areas. Ideal comparators would be identical to the overlap area in every way bar the fact that the latter has been affected by the merger. We have identified local areas that are similar to each local overlap area on the basis of demographic characteristics and geography.

3.3.4 Table 3.1 below sets out the two different sets of comparator areas for each overlap area. The first set ("Specification 1") consists of areas that we have selected based on similarities with the corresponding overlap area in a number of demographic characteristics. Specifically, for a given overlap area, we have chosen comparator areas where the unemployment rate[222], median hourly wage[223], and proportion of the population under the age of 35[224] were within 10 per cent of the value in the overlap area, for the most up to date demographic information available. We chose these demographic factors since these were some of the explanatory variables used by the CC to conduct its price-concentration analysis during the merger case.[225] We then separately ranked the resulting set of candidate comparator local areas by how close population[226] and population density[227] were to that of the corresponding overlap area (again using the most recent

[221] Final Report, para. 6.49.
[222] Nomisweb data query on unemployment rate, 16-64-years-olds, by district/unitary authority. July 2015 – June 2016 data was used to conduct our analysis. This was the most up-to-date data available when the analysis was performed. See: https://www.nomisweb.co.uk/query/construct/summary.asp?mode=construct&version=0&dataset=17 To download the data, the following filters need to be applied: i) for geography, select "All" in the drop-down menu for "local authorities: district / unitary (prior to April 2015)"; ii) for date select "12 months to Jun" and "2016"; and iii) for variables select "Unemployment rate – aged 16-64".
[223] ONS annual survey of hours and earnings, 2016 yearly data, Table 7.5a, worksheet 'Full-Time'. Version updated on 26th October 2016 was used to conduct our analysis. See: https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/placeofworkbylocalauthorityashetable7
[224] ONS population estimates by single year of age and sex for local authorities in the UK, mid-2015 data, Table MYE2, worksheet 'Persons UK'. Version updated on 23rd June 2016 was used to conduct our analysis. See: https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/datasets/populationestimatesforukenglandandwalesscotlandandnorthernireland
[225] Final Report, Appendix C, para. 17.
[226] *Ibid* 7.
[227] ONS population estimates and population density for the UK, mid-2015 data, Table MYE5, worksheet 'Population density', column AG. Version updated on 23 June 2016 was used to conduct our analysis. See:

information available), and chose the two comparator areas for which the sum of the two ranks was lowest.[228,229] We recognise that some of these comparators might, on the face of it, look quite different from the relevant overlap area (for example, Stoke on Trent and Bolton in relation to Brighton[230]), and for that reason have conducted the analysis using a second set of comparators, as set out in the next paragraph.

3.3.5 The second set of comparator local areas ("Specification 2") consists of areas that are geographically 'similar' to treatment areas. We have not selected these comparators using demographic characteristics.

**Table 3.1- Areas for analysis**

| Overlap local area | SLC finding | Specification 1 (Demographics) | Specification 2 (Geography) |
|---|---|---|---|
| Aberdeen | Yes | Bath, Exeter | Dundee, Inverness |
| Cambridge | Yes | Reading, Slough | Oxford, Norwich |
| Bury St Edmund's | Yes | Taunton, Norwich | Ipswich, Norwich |
| Brighton | No | Bolton, Stoke-on-Trent | Portsmouth, Guildford |
| Edinburgh | No | Cardiff, Derby | Glasgow, Stirling |
| Southampton | No | Portsmouth, Enfield | Portsmouth, Bournemouth |

**Source:** KPMG Analysis.

### *Calculating price differences across overlap and comparator areas*

3.3.6 In order to estimate price differences, the following steps have been taken:

- First, we compute the 2013 and 2017 unweighted average prices across cinemas within each overlap area and, separately, within each pair of comparator areas. For example, in the case of Aberdeen in 2013 we have pooled all price data points for all the cinemas and movies in Aberdeen, and calculated the average in 2013 and in 2017. For the comparator areas (e.g., Bath and Exeter in Specification 1), we have pooled all price data points for all cinemas and all movies across the two areas and calculated a single average price for 2013 and a single average price for 2017.
- Second, we calculate the price change between 2013 and 2017, separately for each local overlap area and each corresponding set of comparator areas. In the case of Aberdeen, for example, this has been computed as follows:

https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/datasets/populationestimatesforukenglandandwalesscotlandandnorthernireland

[228] For example, the exercise for the overlap area Aberdeen resulted in the candidate comparator areas: Bath, Exeter, Harrow, Rushmoor, Gloucester, Portsmouth, Stevenage, and Croydon. We then selected Bath and Exeter as they were closest to Aberdeen based on the combined population number and density ranking.

[229] We note that Oxford and Bath are overlap areas as per the CMA's 30-minute catchment area sensitivity during Phase I (OFT Final Report, Table 2, page 11), but were not overlap areas using the CMA's preferred 20-minute drive-time catchment area.

[230] These areas were chosen because in relation to the demographic characteristics we have used, they are the closest proxy for Brighton. However, in some instances the demographics have changed over time in a different way in Brighton to these other comparator areas – for example, while unemployment rates have declined at a similar rate across those three areas, Brighton's population has grown more quickly.

$$\%\,price\ change\ for\ Aberdeen = \frac{(unweighted\ average\ price\ in\ 2017) - (unweighted\ average\ price\ in\ 2013)}{unweighted\ average\ price\ in\ 2013}$$

- Third, we have computed the difference between the percentage price change in each overlap area with its comparator areas. We have repeated this exercise for each combination of local overlap area and set of comparator areas. For example, for Aberdeen under Specification 1 we have computed the following:

$$\begin{aligned} &Difference\ in\ percentage\ price\ change\ for\ Aberdeen\ versus\ 'Specification\ 1'\ comparators \\ &= (\%\,price\ change\ for\ Aberdeen) \\ &- (\%\,price\ change\ across\ Bath\ and\ Exeter) \end{aligned}$$

  This would leave us with six (unweighted) average differences in price – three for the SLC areas and three for the non-SLC areas, for each specification.

- Fourth, we have computed the unweighted average of the results obtained in step three above, first across the difference in percentage price change for the SCL areas versus their respective comparators and, separately across the non-SLC areas versus their respective comparators.

- Finally, we have subtracted the latter (i.e., unweighted average for non-SLC areas) from the former (i.e., unweighted average for SLC areas).

## 3.4 Data

3.4.1 In this section we describe the data we have collected.

### _Ticket pricing data_

3.4.2 Our analyses require data on ticket prices for the local overlap areas and for our chosen comparator areas, in 2013 and 2017.

3.4.3 For 2013, we use information from the CC's Final Report and supporting case file. For 2017, we gathered information from cinema operators' websites. Table [[3.2]] sets out the process followed for local overlap areas and for comparator areas for each of 2013 and 2017. The CC reported "adult standard ticket prices" in its Final Report.[231] Since adult standard ticket prices can differ depending on when the movie is shown (Monday to Thursday vs Friday to Sunday), time (before vs after 5.00pm), and movie type (2D vs 3D), we used the price tracking databased provided by the CMA[232] to check what prices the CC presented in its Final Report. By comparing some of the prices from the Final Report with the price tracking database, we concluded that the CC used ticket prices for 2D movies shown at peak time. When gathering current prices, we have therefore focused on adult ticket prices for 2D films at peak time to facilitate a like-for-like comparison.

[231] See, for example, Appendix G to the Final Report, Table 8.
[232] 02B - Price tracking database.xlsx

**Table 3.2 - Collection of price data**

| Year | Overlap areas | Comparator areas |
| --- | --- | --- |
| 2013 | For each area, we have recorded the prices listed in Appendix G to the CC Final Report.[233] As noted above, these appear to be adult prices at peak time for 2D movies. | The CMA provided us with a price tracking database[234] containing 2013 prices at a large number of cinemas in the UK in sheet "Competitor". We have used the fields "Location", "EDI Location" and "Display Name" to identify cinemas located in the comparator areas, and used the field "Peak" within the category "Adult" to record prices consistently with prices for the overlap areas. |
| 2017 | We have collected prices for the same cinemas for which we have 2013 prices. In Bournemouth, one Odeon cinema ("ABC Bournemouth") closed in 2015 and a new cinema of the same chain opened in the same area. We have therefore recorded the price of the new cinema in 2017. For each cinema, we have collected the online prices for two 2D films, where available, of an adult ticket after 5.00pm on the weekend of 21-22 January 2017. We have recorded any additional booking fees separately.[235] Our baseline analysis uses prices that include these additional booking fees, while our sensitivities exclude these fees.[236] | |

**Source:** KPMG Analysis.

3.4.4 To try to take some account of general cost changes that might have faced cinema operators, 2013 prices were adjusted for inflation using the CPI for recreational goods from November 2013 (the date of the decision) and December 2016, sourced from the Office for National Statistics.

3.4.5 Following discussions with the CMA, it is our understanding that some of the 2013 prices contain additional fees such as online booking fees, though there is no information indicating where these fees have been included or excluded. The prices used in our baseline analysis include additional booking fees. We also performed a sensitivity analysis assuming that 2013 prices excluded additional booking fees, and therefore excluding them from 2017 prices as well.

3.4.6 There are some additional limitations to the 2013 data. Specifically, there is no information on how the average price per cinema has been constructed – for example, how many different prices for different films, and which films have been included. It is also unclear whether the workbook is an exhaustive list of all cinemas in the areas that are included.

### *Selecting films for 2017 prices*

3.4.7 Some cinemas charge different prices for different films. Following discussions with the CMA, we have collected two prices per cinema, where available, so as to reduce the chance that particularly popular films (which might command higher prices) skew the

[233] Specifically, we recorded the values in column "Adult standard ticket price £" that were within 20 minute drive-time, listed in Tables 1, 8, 15, 22, 38, and 49.
[234] 02B - Price tracking database.xlsx
[235] Although the majority of the exhibitors charge a booking fee in addition to the ticket price, we note that some exhibitors distinguish between booking and processing/transaction fees (e.g., Shortwave Cinema). For simplicity, we will refer to such fees as 'additional booking fees'.
[236] Following discussions with the CMA on 20th December 2016, we understand that the 2013 prices are likely to be inclusive of any additional booking fees. The CMA looked into 2013 prices for Cineworld Brighton and Odeon's terms and conditions in place in 2013, and indicated that these appear to include additional booking fees.

results. We have therefore selected one price for a "popular" film, and one price for a "less popular" film.

3.4.8 We identified the popularity of films using the BFI's box office ranking for the weekend of 13-15 January 2017[237] – the weekend before the data gathering exercise was conducted – and created two lists (see Table 3.3). List 1 contains "popular" films (i.e. the top three by box office revenues), and List 2 contains "less popular" films (i.e. the fourth to eighth-ranked). We then recorded the price for the highest ranked film from each list that was being shown at each cinema. Table 3.3 further details the amount of data points we collected for each film across the overlap and both comparator area lists, i.e. how often we recorded a price for each film according to our methodology.[238,239]

**Table 3.3 – Data points per film**

| List 1 | Number of data points | List 2 | Number of data points |
|---|---|---|---|
| La La Land | 93 | Assassin's Creed | 48 |
| Rogue One: A Star Wars Story | 5 | Passengers | 13 |
| Moana | 0 | Manchester by the Sea | 21 |
| | | Live by Night | 2 |
| | | Fantastic Beasts and Where to Find Them | 0 |

**Source:** KPMG Analysis.

## 3.5 Results

3.5.1 In this section we present our baseline and sensitivity results, using the demographic and geographic comparators. For each scenario, we report the results of:

- Comparison 1, which compares the average price changes in the SLC and non-SLC areas; and
- Comparison 2, which compares the price difference between the SLC areas and their respective comparator local areas, averaged across areas, with the price difference between the non-SLC area and their respective comparator local areas, again averaged across areas.

[237] http://www.bfi.org.uk/education-research/film-industry-statistics-research/weekend-box-office-figures
[238] In very few instances, a cinema did not show any of the films listed in Table 3.3. In these instances, we recorded the following films (frequencies in parentheses): Jackie (2), Lion (1), T2 Trainspotting (2), XXX: Return of Xander Cage (1). These were the highest-ranked available films outside the top eight.
[239] We note the underlying assumption that the BFI's box office ranking for the weekend of 13-15 January 2017 is reflective of the ranking of films' prices on the weekend of 21-22 January 2017. This is broadly the case for the films that feature in the analysis: La La Land remains in first position by a large margin. Rogue One: A Star Wars Story drops to 5th, but remains higher than Assassin's Creed (9th), Passengers (10th), Manchester by the Sea (7th) and Live by Night (unranked). Jackie, Lion, T2 Trainspotting, and XXX: Return of Xander Cage move to 6th, 4th, 77th and 3rd, respectively. Due to the very low number of data points (six) we have collected for these three films, this is unlikely to impact the analysis.

3.5.2 We note that the results for Comparison 2 when averaged across local areas are sensitive to the comparator areas chosen to conduct the analysis, namely whether these areas are selected using demographic or geographic characteristics. This appears to be the case regardless of whether booking fees are included or excluded. Similarly, these results are sensitive to the inclusion or exclusion of booking fees.

3.5.3 Some individual local areas are, however, less sensitive to these different specifications. In particular, in Brighton, prices have increased by more than the comparator local areas regardless of which comparator areas chosen, and regardless of whether or not booking fees are included.

3.5.4 Overlap areas in which the CMA found an SLC are highlighted in red.

### *Baseline*

3.5.5 The baseline results use prices that include additional booking fees. We present results for both specifications in terms of comparator areas (i.e., demographic-based and geography based).

**Table 3.4 – Demographics-based comparator areas, including additional booking fees**

| Overlap area | Comparator areas | Price change 2013-2017 | | Percentage point difference |
|---|---|---|---|---|
| | | Overlap area | Comparator area | |
| Aberdeen | Bath, Exeter | 29 | 39 | -10 |
| Brighton | Bolton, Stoke-on-Trent | 32 | 13 | 19 |
| Bury St Edmund's | Taunton, Norwich | 31 | 33 | -2 |
| Cambridge | Reading, Slough | 27 | 29 | -1 |
| Edinburgh | Cardiff, Derby | 22 | 23 | -1 |
| Southampton | Portsmouth, Enfield | 25 | 24 | 1 |
| Average price change | | 28 | 27 | 1 |
| Average for Non-SLC areas | | 26 | 20 | 6 |
| Average for SLC areas | | 29 | 33 | -4 |
| Difference between SLC and non-SLC areas | | -3 | - | 11 |

**Source:** KPMG analysis.
**Notes:** [1] Small sample sizes do not allow for reliable statistical testing of differences. [2] The analysis for the Southampton area does not include the ticket prices of Showcase Cinema de Lux Southampton as it opened on 10 February 2017, so shortly after this analysis was performed. [3] 2013 prices have been adjusted for inflation using the CPI for recreational goods from November 2013 (the date of the decision) and December 2016, sourced from the Office for National Statistics. [4] Any discrepancies in totals/ averages above are due to rounding.

**Table 3.5 – Region-based comparator areas, including additional booking fees**

| Overlap area | Comparator areas | Price change 2013-2017 | | Percentage point difference |
|---|---|---|---|---|
| | | Overlap area | Comparator area | |
| Aberdeen | Dundee, Inverness | 29 | 18 | 11 |
| Brighton | Guildford, Portsmouth | 32 | 26 | 6 |
| Bury St Edmund's | Ipswich, Norwich | 31 | 33 | -2 |
| Cambridge | Oxford, Norwich | 27 | 25 | 2 |
| Edinburgh | Glasgow, Stirling | 22 | 20 | 3 |
| Southampton | Portsmouth, Bournemouth | 25 | 21 | 4 |
| Average price change | | 28 | 24 | 4 |
| Average for Non-SLC areas | | 26 | 22 | 4 |
| Average for SLC areas | | 29 | 25 | 4 |
| Difference between SLC and non-SLC areas | | -3 | - | 0 |

**Source:** KPMG analysis.
**Notes:** [1] Small sample sizes do not allow for reliable statistical testing of differences. [2] The analysis for the Southampton area does not include the tickets' prices of Showcase Cinema de Lux Southampton as it opened on 10 February 2017, so shortly after this analysis was performed. [3] 2013 prices have been adjusted for inflation using the CPI for recreational goods from November 2013 (the date of the decision) and December 2016, sourced from the Office for National Statistics.

### *Sensitivity*

3.5.6 The sensitivity results exclude additional booking fees from the price. We present results for both specifications in terms of comparator areas.

**Table 3.6 – Demographics-based comparator areas, excluding additional booking fees**

| Overlap area | Comparator areas | Price change 2013-2017 | | Percentage point difference |
|---|---|---|---|---|
| | | Overlap area | Comparator area | |
| Aberdeen | Bath, Exeter | 24 | 29 | -5 |
| Brighton | Bolton, Stoke-on-Trent | 23 | 9 | 13 |
| Bury St Edmund's | Taunton, Norwich | 31 | 26 | 5 |
| Cambridge | Reading, Slough | 19 | 20 | -1 |
| Edinburgh | Cardiff, Derby | 16 | 16 | 0 |
| Southampton | Portsmouth, Enfield | 18 | 21 | -3 |
| Average price change | | 22 | 20 | 2 |
| Average for Non-SLC areas | | 19 | 16 | 3 |
| Average for SLC areas | | 25 | 25 | 0 |
| Difference between SLC and non-SLC areas | | -6 | - | 4 |

**Source:** KPMG analysis.
**Notes:** [1] Small sample sizes do not allow for reliable statistical testing of differences. [2] The analysis for the Southampton area does not include the tickets' prices of Showcase Cinema de Lux Southampton as it opened on 10 February 2017, so shortly after this analysis was performed. [3] 2013 prices have been adjusted for inflation using the CPI for recreational goods from November 2013 (the date of the decision) and December 2016, sourced from the Office for National Statistics. [4] Any discrepancies in totals/ averages above are due to rounding.

**Table 3.7 – Region-based comparator areas, excluding additional booking fees**

| Overlap area | Comparator areas | Price change 2013-2017 | | Percentage point difference |
|---|---|---|---|---|
| | | Overlap area | Comparator area | |
| Aberdeen | Dundee, Inverness | 24 | 12 | 13 |
| Brighton | Guildford, Portsmouth | 23 | 22 | 1 |
| Bury St Edmund's | Ipswich, Norwich | 31 | 24 | 7 |
| Cambridge | Oxford, Norwich | 19 | 18 | 1 |
| Edinburgh | Glasgow, Stirling | 16 | 13 | 3 |
| Southampton | Portsmouth, Bournemouth | 18 | 17 | 2 |
| Average price change | | 22 | 18 | 4 |
| Average for Non-SLC areas | | 19 | 17 | 2 |
| Average for SLC areas | | 25 | 18 | 7 |
| Difference between SLC and non-SLC areas | | -6 | - | -5 |

**Source:** KPMG analysis.
**Notes:** [1] Small sample sizes do not allow for reliable statistical testing of differences. [2] The analysis for the Southampton area does not include the tickets' prices of Showcase Cinema de Lux Southampton as it opened on 10 February 2017, so shortly after this analysis was performed. [3] 2013 prices have been adjusted for inflation using the CPI for recreational goods from November 2013 (the date of the decision) and December 2016, sourced from the Office for National Statistics.

# 4 WRI/ Hostelbookers

## 4.1 Analysis of market coverage

4.1.1 We collected data on the number of hostels listed for various holiday destinations for a certain fixed time period on the following websites: the three brands owned by Hostelworld Group (Hostelworld.com, Hostelbookers.com, and Hostels.com), Booking.com, Expedia, Laterooms.com, Hihostels.com, Budgetplaces.com and Hotels.com. The logic behind this analysis is to compare the market coverage of other OTAs, including Booking.com and Expedia, with that of Hostelworld Group.

4.1.2 We considered nine destinations: Barcelona, Stockholm, Paris, New York, San Francisco, Granada, Toulouse, Bologna, and Cork. These destinations were not chosen according to any particular set of criteria but we generally aimed to get a range of sizes of destinations.

4.1.3 We then recorded the number of available hostels listed on each online booking platform's website for a trip occurring between 1$^{st}$ – 4$^{th}$ July 2017. The results of our analysis are presented in Table 4.1 below. We have compared only the number of hostels listed, and not sought to compare other aspects, such as whether different room types are offered for each hostel on each website.

**Table 4.1 – Market coverage of OTAs, 1st – 4th July, 2017**

| Booking platform | Hostels listed on accommodation services websites | | | | | | | | | | | | | | | | | | Simple Average Market Coverage Index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Barcelona | | Stockholm | | Paris | | New York | | San Francisco | | Granada | | Toulouse | | Bologna | | Cork | | |
| | Number | Ratio with respect to HW | Number | Ratio with respect to HW | Number | Ratio with respect to HW | Number | Ratio with respect to HW | Number | Ratio with respect to HW | Number | Ratio with respect to HW | Number | Ratio with respect to HW | Number | Ratio with respect to HW | Number | Ratio with respect to HW | |
| Hostelworld.com (HW) | 78 | 1.00 | 24 | 1.00 | 32 | 1.00 | 19 | 1.00 | 9 | 1.00 | 14 | 1.00 | 1 | 1.00 | 1 | 1.00 | 4 | 1.00 | 1.0 |
| Hostelbookers.com | 76 | 0.97 | 24 | 1.00 | 31 | 0.97 | 19 | 1.00 | 9 | 1.00 | 14 | 1.00 | 1 | 1.00 | 1 | 1.00 | 4 | 1.00 | 1.0 |
| Hostels.com | 79 | 1.01 | 24 | 1.00 | 32 | 1.00 | 19 | 1.00 | 9 | 1.00 | 14 | 1.00 | 1 | 1.00 | 1 | 1.00 | 4 | 1.00 | 1.0 |
| Booking.com | 77 | 0.99 | 23 | 0.96 | 24 | 0.75 | 15 | 0.79 | 14 | 1.56 | 10 | 0.71 | 0 | 0.00 | 1 | 1.00 | 1 | 0.25 | 0.8 |
| Expedia.co.uk | 52 | 0.67 | 29 | 1.21 | 24 | 0.75 | 30 | 1.58 | 12 | 1.33 | 9 | 0.64 | 2 | 2.00 | 3 | 3.00 | 1 | 0.25 | 1.3 |
| Laterooms.com | 73 | 0.94 | 17 | 0.71 | 15 | 0.47 | 25 | 1.32 | 15 | 1.67 | 19 | 1.36 | 2 | 2.00 | 1 | 1.00 | 1 | 0.25 | 1.1 |
| Hihostels.com | 8 | 0.10 | 4 | 0.17 | 3 | 0.09 | 1 | 0.05 | 3 | 0.33 | 1 | 0.07 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 0.1 |
| Budgetplaces.com | 77 | 0.99 | 23 | 0.96 | 24 | 0.75 | 15 | 0.79 | 14 | 1.56 | 10 | 0.71 | 0 | 0.00 | 1 | 1.00 | 1 | 0.25 | 0.8 |
| Hotels.com | 57 | 0.72 | 20 | 0.83 | 20 | 0.63 | 12 | 0.63 | 9 | 1.00 | 14 | 1.00 | 0 | 0.00 | 1 | 1.00 | - * | -* | 0.6 |

**Source:** KPMG elaboration of data collected from Hostelworld.com, Hostelbookers.com, Hostels.com, Booking.com, Expedia.co.uk, Laterooms.com, Hihostels.com, Budgetplaces.com, and Hostels.com. Data gathering process carried out on 30th January 2017.
**Notes:** [1] * No filter available for hostels. [2] Brands owned by Hostelworld Group are highlighted in green, Booking.com and Expedia.co.uk are both highlighted in purple given the weight that the OFT put on their entry/ expansion. Other online travel agencies ("OTAs") are highlighted in yellow.

4.1.4 For ease of comparison, we constructed an index that measures the number of hostels listed on each online booking platform for a given location relative to the number of hostels listed for the same location by Hostelworld.com – Hostelworld Group's core brand. For example, Table 4.1 above shows that we found that 77 hostels were available on Booking.com for Barcelona for the above-mentioned period, compared to 78 hostels listed on Hostelworld.com for the same destination and period of time. To construct our index, we took the ratio between 77 and 78 (i.e., 0.99). Values of the index larger than 1.0 indicate instances where the online booking platform has a higher number of listed hostels than Hostelworld.com.

4.1.5 To further simplify the comparison between different online booking platforms, we have taken the simple average of the index for each platform across the nine locations listed above. Results are reported in Table 4.2 below.

**Table 4.2 – Simple average market coverage index across destinations, by online booking platform**

| Online booking platform | Simple Average Market Coverage Index |
|---|---|
| Hostelworld.com | 1.0 |
| Hostelbookers.com | 1.0 |
| Hostels.com | 1.0 |
| Booking.com | 0.8 |
| Expedia.co.uk | 1.3 |
| Laterooms.com | 1.1 |
| Hihostels.com | 0.1 |
| Budgetplaces.com | 0.8 |
| Hotels.com | 0.6 |

**Source:** KPMG analysis of publicly available information available on the online booking platforms above.

## 4.2 Analysis of prices pre- and post-merger

4.2.1 We have sought to assess whether the fees charged by Hostelworld Group to end users and hostel owners have increased after the WRI/ Hostelbookers merger.

4.2.2 We have gathered from Hostelworld Group information on the level of booking and commission fees charged to end users and hostel owners respectively, both at the time of our ex-post merger evaluation and at the time of the OFT's merger case. We have therefore sought to understand whether booking and commission fees charged by Hostelworld Group have increased after the merger.

4.2.3 Table 4.3 presents how booking and commission fees have changed since the WRI/ Hostelbookers merger.

**Table 4.3 – Analysis of Hostelworld Group's booking and commission fees before and after the merger**

| Booking Platform | Booking Fees | | Commission Fees | |
|---|---|---|---|---|
| | Pre-merger | Present | Pre-merger | Present |
| **Hostelworld.com** | Flat fee of USD$2.00/£1.00/EUR 1.50 depending on currency chosen | Gradually phased out | 10% commission fee | Gradually increased to 12% in March 2014 (15% for new properties between June 2013 and September 2014)<br><br>"Elevate" product whereby hostel owners can chose to pay a higher commission fee in lieu of better positioning of their hostel in the search results |
| **Hostelbookers.com** | No booking fee charged | | 10% commission fee | Same as Hostelworld.com except that the "Elevate" product was not introduced for the Hostelbookers.com platform until January 2015 |
| **Hostels.com** | USD$2.00 – waived if customer signs up for SmartSavers membership | | 10% commission fee | Same as Hostelworld.com [✂] |

**Source**: In-depth interview between KPMG and Hostelworld Group.

4.2.4 We have calculated the value of a booking necessary to offset the savings that an end user would make due to the reduction in booking fees (or the lost revenue for Hostelworld.com) and the additional cost that a hostel owner that was already advertising its property on Hostelworld.com at the time of the merger would incur due the increase in commission fees (or the increase in revenue for Hostelworld.com). We found that a total booking size of £50 would imply that the price changes described above are revenue neutral. In the case of a total booking size of £30, Hostelworld Group would make £0.4 (or 1.3 per cent of the booking size) less than it used to at the time of the merger. Conversely, in the case of a total booking size of £70, it would make £0.4 more compared to pre-merger revenue (or 0.6 per cent of the booking size).

# 5 Zipcar/ Streetcar

## 5.1 Analysis of prices pre- and post-merger

5.1.1 We have sought to assess how prices have changed since the Zipcar/ Streetcar merger. We compared annual membership fees and the lowest hourly and daily rates (lowest weekday and weekend hourly rates) for Zipcar and Enterprise Car Club (previously City Car Club) before and after the merger. The current fees were obtained from the operators' websites, while prices at the time of the merger are based on the analysis done by the CC during the case to conduct a price comparison analysis presented in the Final Report.[240,241]

5.1.2 We had only limited information on how rates had been recorded by the CC at the time of the merger case, and in particular whether these refer to the same type of products (or "plans") for which current prices have been recorded. In addition, the exact same plan as the CC used at the time of the merger may not be currently available.[242] Finally, as the CC noted at the time of the merger, the comparison between Zipcar and Enterprise Car Club is also complicated by the fact that their vehicle charges vary according to the model of car, time of week and whether hourly or daily rental is considered.[243] What is included in the prices also differs between Zipcar and Enterprise Car Club.

5.1.3 To attempt to conduct a like-for-like comparison, we have selected rates for the 'lowest' plan currently available on Zipcar and Enterprise Car Club websites, which appear to be quite similar to what the CC recorded at the time of the merger. In particular, for Zipcar we used rates associated to the plan including Ford Fiesta and Toyota Yaris Hybrid, which appears to be the cheapest plan,[244] whereas for Enterprise Car Club we used rates for the 'small vehicle type' category. In the case of Zipcar, the plan we selected includes 60 miles of fuel per day, the congestion charge, and insurance. According to the data received by the CC, these services were also offered by Zipcar at the time of the merger. Table 5.1 sets out the results.

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[240] We note that, at the time of the merger, the CC compared prices for four operators, namely Zipcar, Streetcar, Connect by Hertz, and City Car Club. As Streetcar ceased to exist as a result of the merger with Zipcar, and Hertz only offers car club services to corporate customers (via its Hertz 24/7 service), we could only use data on Zipcar and City Car Club (now operating under the Enterprise Car Club brand) to conduct our price comparison.

[241] Final Report, Appendix H, Tables 5 and 8.

[242] We understand that the CC used the 'lowest' rates available at the time. For Zipcar, the CC appeared to have used the rates for VW Polo. We note that this vehicle is not currently available on Zipcar or Enterprise Car Club.

[243] Final Report, Appendix H, para. 19.

[244] We note that Zipcar currently offers a pay-per-mile plan whereby users can use the same car models as above, namely Ford Fiesta and Toyota Yaris Hybrid. When considering annual membership fee, and hourly and daily fees, this plan appears to be cheaper than the one we used to conduct our analysis, although it does not allow customers to use cars for 24 hours or longer during weekends and no petrol allowance is included – petrol is charged at 29p per mile starting from the first mile.

**Table 5.1 – Prices for Zipcar and Enterprise Car Club pre- and post-merger**

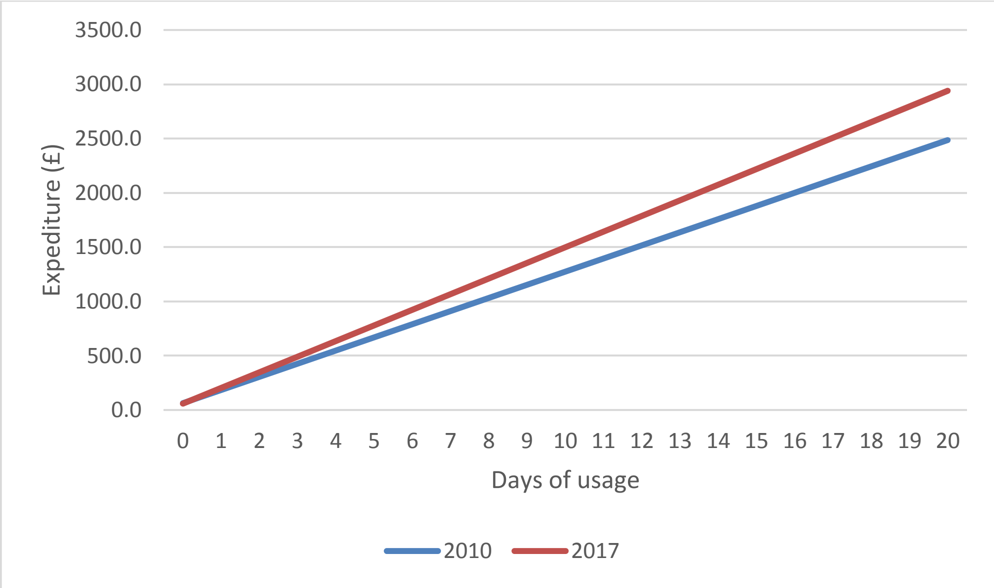
| Car club operator | Annual membership fee (£) | Lowest hourly weekday rate (£) | Lowest hourly weekend rate (£) | Lowest daily weekday rate (£) | Lowest daily weekend rate (£) | Included in the service |
|---|---|---|---|---|---|---|
| **Zipcar** | **Decreased** from £63.90 to £59.50 | **Increased** from £5.00 to £6.00 | **Increased** from £6.30 to £7.50 | **Increased** from £37.00 to £54.00 | **Increased** from £57.50 to £65.00 | **2010**: Congestion charge, insurance, 60 miles worth of petrol **2017**: London congestion charge, insurance, 24/7 breakdown assistance, includes 60 miles, and fuel charged at £0.25 per mile |
| **Enterprise Car Club** | **Decreased** from £63.90 to £60.00 | **Decreased** from £6.30 to £4.95 | **Decreased** from £6.30 to £4.95 | **Decreased** from £63.20 to £39.95 | **Decreased** from £63.20 to £39.95 | **2010**: Half of congestion charge, insurance, fuel charged at £0.19 per mile **2017**: Insurance (a damage waiver excess of £750), mileage rates starting from £0.21 per mile, breakdown cover and 24/7 Clubhouse support |

**Sources:** KPMG analysis of rates gathered by the OFT at the time of the merger review and current rates available on http://www.zipcar.co.uk/check-rates/london and https://www.enterprisecarclub.co.uk/locations/south-east-england/london/
**Notes:** 2010 rates have been adjusted for inflation using CPI (Other vehicle services) sourced from the Office for National Statistics.

5.1.4 Table 5.1 above shows that, with the exception of the annual membership fee – which has decreased for both car club operators – hourly and daily rates (both weekday and weekend) for Zipcar have increased since the merger, while prices for Enterprise Car Club have decreased. For example, if we considered hourly weekday rates, we found that customers who used the service for less than around 4.6 hours a year are made better off by this change, whilst those with heavier usage are made worse off. When considering hourly weekend rates, the tipping point would be 3.7 hours a year. Similarly, in relation to daily weekday and daily weekend rates, we calculated that customers that used the services for around 0.3 and 0.6 days respectively per year would be better off, and those with heavy usage would be worse off.

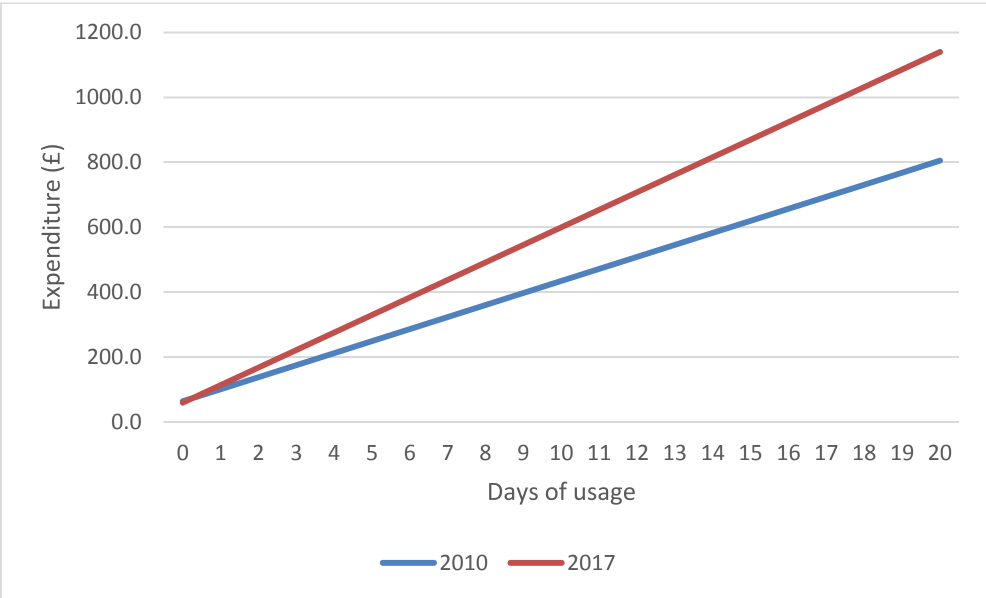
5.1.5 To illustrate the findings above, suppose that people used Zipcar only during weekdays, and rates are charged hour by hour. Figure 5.1 below shows the divergence between the price that users would pay now compared to what they paid at the time of the merger. As noted above, 4.6 hours of usage would make people indifferent between what they used to pay at the time of the merger and what they would currently pay. Figure 5.2, instead, assumes that people used Zipcar only during weekends, and rates are charged day by day. As noted above, 0.6 days of usage would make people indifferent between what they used to pay at the time of the merger and what they would currently pay. Regardless of when people use the vehicle and the rates they are charged, both figures show that the longer people use the vehicle, the worse off they would be compared to the pre-merger situation.

**Figure 5.1 – Comparison between pre- and post-merger expenditure for Zipcar users, assuming that a vehicle is hired during weekdays, and hourly rate is charged**




**Source:** KPMG Analysis.

**Figure 5.2 – Comparison between pre- and post-merger expenditure for Zipcar users, assuming that a vehicle is hired during weekend days, and daily rate is charged**




**Source:** KPMG Analysis.

5.1.6 We do not have evidence on current frequency of usage of Zipcar services by their customers. According to the data submitted by the merger parties at the time of the decision,[245] 48 per cent of Zipcar users hire vehicles for more than 4 hours in one session. If we assumed that usage has not changed since the merger, this would suggest that a

[245] Final Report, Appendix H, Table 9.

substantial proportion of Zipcar users would be worse off compared to what they used to pay before the merger.

# 6 NBTY/ Julian Graves

## 6.1 Analysis of prices pre- and post-merger

6.1.1 We have sought to assess how prices for NSF have changed since the NBTY/ Julian Graves merger.

6.1.2 This appendix proceeds as follows:

- First, we set out an overview of the methodology we use, and the analysis conducted.
- Second, we describe in detail how we have gathered the data we have used to conduct our analysis and how we have constructed prices.
- Finally, we present the results of our analysis.

## 6.2 Methodology

6.2.1 The CMA provided us with data submitted by the merger parties during the case on pre-merger prices charged by the merger parties and a number of supermarket competitors for a sample of NSF products. We then gathered data on current prices for the merger parties and two supermarket competitors for some of the NSF products included in that sample. The set of products for which we have gathered current prices are defined as the "sample products" (by definition, pre-merger prices were also available for these products).

*Comparison 1: price changes before and after the merger at Holland & Barrett*

6.2.2 We compared the percentage price change at Holland & Barrett before and after the merger for each sample product.

$$\%\, price\ change\ for\ a\ product\ at\ H\&B = \frac{(price\ charged\ by\ H\&B\ in\ 2017) - (price\ charged\ by\ H\&B\ in\ 2009)}{price\ charged\ by\ H\&B\ in\ 2009}$$

*Comparison 2: price changes before and after the merger using 'comparator' supermarkets*

6.2.3 We note that price changes at Holland & Barrett could be driven by a range of factors unrelated to the merger, and these may mask or overwhelm the impact of the merger on prices. To try to isolate the effects of the merger on prices charged by Holland & Barrett, we compared, for each sample product, the percentage price change since the merger at Holland & Barrett, with the percentage price change since the merger at the comparator supermarkets.

6.2.4 Specifically, we have chosen Tesco and Waitrose as comparators. Prices were available for these two supermarkets from the time of the merger, from a submission made by the merger parties. The merger parties submitted prices also for Sainsbury's (and Julian Graves, which is no longer in the market), but to keep the exercise more manageable we focussed on only two comparators.

6.2.5 Tesco and Waitrose can be considered as relevant comparator supermarkets to the extent that the prices at Tesco and Waitrose are not impacted by prices at Holland & Barrett, and therefore not in principle influenced by the NBTY/ Julian Graves merger. This is supported by the conclusions that the CC drew in its Final Report. In particular the CC found that "*most other retailers of NSF (even those retailers selling a wide range) did not monitor the prices or ranges of NSF at H&B and JG*".[246] Nevertheless, we note that this evidence is from around eight years ago and some of the competitive constraints might have changed since then. In addition, Tesco and Waitrose are relevant comparators to the extent that their prices change as a result of some of the same factors that influence prices at Holland & Barrett, with the exception of the impact of the merger – for example, costs of raw materials. We recognise, however, that prices at Tesco and Waitrose are likely to be driven by some different factors than those at Holland & Barrett, and more generally we recognise that this analysis is not a full econometric analysis and does not control for all relevant factors which might drive different price changes for NSF.

6.2.6 The analysis is conducted at the product level, using the sample of products for which prices were submitted by the merger parties during the merger case ("overlapping products"). We explain how prices were derived for each product in paragraphs 6.3.3 to 6.3.11 below.

6.2.7 In order to estimate price differences, the following steps have been taken:

- First, for each sample product we record the 2009 price (submitted at the time of the merger) and the 2017 price (found on retailers' websites) at Holland & Barrett, Tesco, and Waitrose. Details on how prices have been constructed and recorded are set out in paragraphs 6.3.3 to 6.3.11.
- Second, we compute the percentage price change between 2009 and 2017 for each sample product, at each of the three retailers under analysis.
- Finally, we calculate the difference between the percentage price change for a product at Holland & Barrett and the percentage price change for the same product at a comparator supermarket.

6.2.8 We compare price changes at Holland & Barrett to prices changes at Tesco and Waitrose individually, as well as prices across those two comparator supermarkets combined. To calculate the price for Tesco and Waitrose combined, we calculate the unweighted average product price at these supermarket retailers, separately for 2009 and 2017.

[246] Final Report, para. 6.3.

## 6.3 Data

6.3.1 As the CC noted at the time of the merger, the merger parties and most of the supermarket set prices nationally.[247] The prices provided to the CC by the merger parties were therefore the national prices, and for the purpose of collecting current prices, we used online national prices available on the supermarkets websites.

6.3.2 Our analysis requires data on product-level prices for Holland & Barrett, Tesco, and Waitrose, in 2009 and 2017. In this section, we outline the sources and approach for collecting and preparing these data to facilitate a like-for-like comparison.

### *2009 data*

6.3.3 The CMA provided us with a spreadsheet[248] containing product names, package sizes and 2009 prices for products and brands sold at five retailers: Holland & Barrett, Julian Graves, Tesco, Sainsbury's, and Waitrose. We understand this spreadsheet had been submitted by the merger parties during the case. We do not know on what basis the products were chosen by the parties. As such, it is unclear whether this is a representative sample.

6.3.4 Using the spreadsheet above, we selected the 23 unique overlapping products between Holland & Barrett and Tesco, and the 19 unique overlapping products between Holland & Barrett and Waitrose.[249] These are presented in Table 6.1 below. Some products came in various package sizes,[250] and were recorded by the merger parties with multiple prices.

[247] Final Report, para. 5.62.
[248] JG Annex 14(i) Price Range Review – Tesco.xlsx.
[249] The dataset originally contained 24 products. However, our review of the data found that "Brown linseed" at Holland & Barrett had been matched, erroneously, with "Wholefood pumpkin seed oil" at Tesco. We have dropped this product, and have therefore only considered 23 products in our analysis.
[250] E.g., a 500g bag, 1kg bag, etc.

**Table 6.1 – List of pair–wise overlapping products between Holland & Barrett and Tesco, Waitrose**

| Product | Available at Tesco | Available at Waitrose |
|---|---|---|
| Brown Rice | ✓ | ✓ |
| Soup mix | ✓ | ✓ |
| Dried fruit salad | ✓ | ✓ |
| Pitted dates | ✓ | ✓ |
| Apricots | ✓ | × |
| Pecans | ✓ | ✓ |
| Cashews | ✓ | ✓ |
| Californian pistachios | ✓ | ✓ |
| Brazil nuts | ✓ | ✓ |
| Walnuts | ✓ | ✓ |
| Pumpkin seeds | ✓ | ✓ |
| Granovita Organic Quinoa | ✓ | ✓ |
| Whole almonds | ✓ | × |
| Mixed nuts & raisins | ✓ | ✓ |
| Bulgar wheat | ✓ | ✓ |
| Chick Peas | ✓ | ✓ |
| Red kidney beans | ✓ | ✓ |
| Whole green lentils | ✓ | × |
| Split Red Lentils | ✓ | ✓ |
| Couscous | ✓ | ✓ |
| Golden linseed | ✓ | ✓ |
| Brown Linseed | × | × |
| Soya mince | ✓ | ✓ |
| Pinto Beans | ✓ | × |

**Source**: Data contained in the sheet "JG Annex 14(i) Price Range Review – Tesco.xlsx" received from the CMA.

## *2017 Data*

6.3.5 To conduct our analysis, we have collected prices and package sizes for the same 23 overlapping products for which the merger parties provided 2009 data. As defined above, these are our "sample products".

### *Obtaining comparable prices*

6.3.6 The long timeframe of our analysis – eight years since the merger was cleared by the CC – means that many of the products observed during the case are now in different package sizes or may be offered by different branded manufacturers.

6.3.7 Where possible, we have matched together a brand and package size in 2009 with the same brand and package size in 2017. However, in many cases it was not possible to obtain an exact match in relation to the package size and/or the brand.

6.3.8 Our analysis corrects for the above issues as follows:

- Where a brand has ceased to be offered at the retailer, but a substitute brand is offered instead (with the same package size), then this substitute product has been used in the comparison.
- Where the same brand (or adequate substitute brand) was found, but the package size has changed, we have adjusted the 2017 price for the relative difference in package size. For example, if a 100g package size product was recorded in 2009 but only a 150g package product is available in 2017, we record two thirds (corresponding to

100g / 150g) of the price of the 2017 product, to adjust for this difference in size. Where multiple package sizes were available in 2017, we have used the package size closest to the 2009 package size to minimise bias from non-linear pricing.[251] In a small number of instances, a product had one brand in 2009, but can be matched to multiple brands in 2017. In these instances, we calculate the percentage price change between the 2009 branded product and each branded product individually, then take the unweighted average of these percentages.

- Where there were multiple package sizes in 2009 (e.g., 500g, 1kg), but a reduced number in 2017 (e.g., 500g only), we have discarded the unmatched package sizes.

6.3.9 Finally, we note that in a few instances the products sold by the supermarkets at the time of the merger appear not to be available anymore (e.g., red kidney beans and pinto beans for Holland & Barrett). We recorded these instances as "N/A" in our results below.

6.3.10 We have also adjusted the 2009 prices for inflation, using the CPI for food[252] from August 2009 (the date of the decision) and December 2016.

6.3.11 On the basis of the information submitted by the parties, it is unclear whether 2009 data reflected list prices (as opposed to promotional prices). When collecting 2017 prices, we use online national prices available on the supermarkets' websites, and disregard any promotional pricing in place at the time.

## 6.4 Results

6.4.1 The baseline results compare pair-wise price changes between Holland & Barrett and Tesco (see Table 6.2), and Holland & Barrett and Waitrose (see Table 6.3).

6.4.2 Our results indicate that prices at Holland & Barrett have increased more than prices at Tesco and Waitrose for 17 out of 21 and 13 out of 18 products respectively.

6.4.3 We were also interested in whether prices at Holland & Barrett were more expensive than prices at Tesco or Waitrose, and whether they were becoming relatively more expensive since the merger (since if Holland & Barrett's prices were lower than those at Tesco and Waitrose at the time of the merger, the fact that their prices have gone up by more might reflect more of an adjustment to bring prices more in line with competitors). This depends not only on the percentage change in prices since the merger, but also on whether Holland & Barrett's prices were more or less expensive than prices at Tesco and Waitrose at the time of the merger.

6.4.4 We found that prices at Holland & Barrett have become even more expensive for 18 products, compared to Tesco, and for 12 products, compared to Waitrose, since the merger. This result is generally confirmed, both when Tesco and Waitrose are kept separate and compared with Holland & Barrett, as well as when prices are averaged across them (see Table 6.4) below.

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[251] For example: assume that in 2009 the CC's record for Brown Rice listed a pack size of 500g, but that in 2017 the pack sizes are 400g (£2) and 1kg (£4.75). In this case, we have taken the 400g pack size as the closest for comparison, but have scaled up the 2017 price to match a 500g pack, i.e. $\frac{500g}{400g} * £2$.

[252] ONS Consumer Price Inflation time series dataset, ID: MM23, 17 January 2017.

### Table 6.2 – Analysis of national price outcomes comparing Holland & Barrett with Tesco

| Holland & Barrett | | Tesco | | | |
|---|---|---|---|---|---|
| **Product** | **% price change 2009-2017** | **Product** | **% price change 2009-2017** | **% difference in price change** | **Holland & Barrett's prices diverging (i.e. becoming more expensive) than Tesco (Y/N)** |
| Brown Rice | 125 | Whole Grain Rice | 112 | 13 | Y |
| Soup mix | 20 | Soup and Broth Mix | 59 | -39 | N |
| Dried fruit salad | 87 | Wholefood Dried Fruit Selection | 5 | 82 | Y |
| Pitted dates | 57 | Wholefood Stoned Dates | 198 | -140 | N |
| Apricots | 223 | Wholefood Blanched Apricots | 64 | 159 | Y |
| Pecans | 87 | Pecan Nuts | 24 | 63 | Y |
| Cashews | 124 | Cashew Nuts | 2 | 122 | Y |
| Californian pistachios | 215 | Pistachio Nuts | -13 | 228 | Y |
| Brazil nuts | 60 | Brazil Nuts | 20 | 40 | Y |
| Walnuts | 95 | Walnut Halves | 44 | 51 | Y |
| Pumpkin seeds | 205 | Pumpkin Seeds | 25 | 180 | Y |
| Granovita Organic Quinoa | 139 | Quinoa | 42 | 97 | Y |
| Whole almonds | 92 | Whole Sweet Almonds | -8 | 100 | Y |
| Mixed nuts & raisins | 95 | Wholefood Fruit & Nut Mix | 6 | 89 | Y |
| Bulgar wheat | 35 | Bulgar Wheat | 43 | -8 | Y |
| Chick Peas | 126 | Chick Peas | 50 | 76 | Y |
| Red kidney beans | NA | Red Kidney Beans | 34 | NA | NA |
| Whole green lentils | 117 | Lentilles Vertes | 38 | 79 | Y |
| Split Red Lentils | 167 | Red Split Lentils | 67 | 100 | Y |
| Cous Cous | 36 | Cous Cous | -23 | 59 | Y |
| Golden linseed | 23 | Golden Linseed | -67 | 91 | Y |
| Soya mince | 46 | Wholefood Soya Mince | 72 | -26 | N |
| Pinto beans | NA | Wholefood Pinto Beans | 16 | NA | NA |

**Source:** KPMG elaboration of 2009 prices provided by the CMA as part of the case file, and current online prices.
**Notes:** [1] Instances where the percentage price increase at Holland & Barrett is higher than the percentage price change at Tesco are reported in red. [2] Instances where prices have decreased since the merger was cleared by the CC are reported in green.

**Table 6.3 – Analysis of national price outcomes comparing Holland & Barrett with Waitrose**

| Holland & Barrett | | Waitrose | | | |
|---|---|---|---|---|---|
| **Product** | **% price change 2009-2017** | **Product** | **% price change 2009-2017** | **% difference in price change** | **Holland & Barrett's prices diverging (i.e. becoming more expensive) than Waitrose (Y/N)** |
| Brown Rice | 125 | Uncle Ben's Whole Grain Rice | 120 | 5 | N |
| Soup mix | 20 | Telma Soup Mix Tub | 10 | 10 | N |
| Dried fruit salad | 87 | Tropical Medley Dried Fruit | 178 | -91 | N |
| Pitted dates | 57 | Sun Dried Stoned Dates | 84 | -26 | N |
| Apricots | 223 | - | NA | NA | NA |
| Pecans | 87 | Pecan Nuts | 85 | 2 | Y |
| Cashews | 124 | Cashew Nuts | 65 | 59 | Y |
| Californian pistachios | 215 | Roasted Pistachio Nuts | 28 | 187 | Y |
| Brazil nuts | 60 | Brazil Nuts | 91 | -32 | N |
| Walnuts | 95 | Walnut Pieces | 83 | 12 | Y |
| Pumpkin seeds | 205 | Pumpkin Seeds | 43 | 162 | Y |
| Granovita Organic Quinoa | 139 | Granovita Organic Quinoa | 140 | -1 | Y |
| Whole almonds | 92 | - | NA | NA | NA |
| Mixed nuts & raisins | 95 | Fruit & Nut Selection | 22 | 73 | Y |
| Bulgar wheat | 35 | Bulghur Wheat | 32 | 3 | Y |
| Chick Peas | 126 | Chick Peas | 32 | 94 | Y |
| Red kidney beans | NA | Red Kidney Beans | 11 | NA | NA |
| Whole green lentils | 117 | - | NA | NA | NA |
| Split Red Lentils | 167 | Split Red Lentils | 24 | 143 | Y |
| Cous Cous | 36 | Cous Cous | -10 | 46 | Y |
| Golden linseed | 23 | Linusit Gold Golden Linseed | -65 | 88 | Y |
| Soya mince | 46 | Realeat Vege Mince | 76 | -29 | N |
| Pinto beans | NA | - | NA | NA | NA |

**Source:** KPMG elaboration of 2009 prices provided by the CMA as part of the case file, and current online prices
**Notes:** [1] Instances where the percentage price increase at Holland & Barrett is higher than the percentage price change at Waitrose are reported in red. [2] Instances where prices have decreased since the merger was cleared by the CC are reported in green.

6.4.5 In addition to treating Tesco and Waitrose separately, we have also computed the simple average of the price changes for each product at these two supermarkets, and compared these with the price changes at Holland & Barrett. Results are reported in Table 6.4 below.

### Table 6.4 – Analysis of price outcomes comparing Holland & Barrett with Tesco and Waitrose combined

| Holland & Barrett | | Tesco & Waitrose Combined | |
|---|---|---|---|
| **Product** | **% price change 2009 - 2017** | **% price change 2009 - 2017** | **% difference in price change** |
| Brown Rice | 125 | 118 | 7 |
| Soup mix | 20 | 20 | 0 |
| Dried fruit salad | 87 | 34 | 54 |
| Pitted dates | 57 | 128 | -71 |
| Apricots | 223 | NA | NA |
| Pecans | 87 | 53 | 34 |
| Cashews | 124 | 29 | 95 |
| Californian pistachios | 215 | -2 | 217 |
| Brazil nuts | 60 | 57 | 3 |
| Walnuts | 95 | 59 | 36 |
| Pumpkin seeds | 205 | 31 | 174 |
| Granovita Organic Quinoa | 139 | 98 | 41 |
| Whole almonds | 92 | NA | NA |
| Mixed nuts & raisins | 95 | 9 | 86 |
| Bulgar wheat | 35 | 37 | -2 |
| Chick Peas | 126 | 40 | 86 |
| Red kidney beans | NA | 28 | NA |
| Whole green lentils | 117 | NA | NA |
| Split Red Lentils | 167 | 47 | 120 |
| Cous Cous | 36 | -16 | 52 |
| Golden linseed | 23 | -67 | 90 |
| Soya mince | 46 | 75 | -28 |
| Pinto beans | NA | NA | NA |

**Source**: KPMG analysis.

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