

Completed acquisition by State Bidco Limited of Hi-Life Diners Club Limited

Decision on relevant merger situation and substantial lessening of competition

ME/6634-16

The CMA's decision on reference under section 22(1) of the Enterprise Act 2002 given on 3 November 2016. Full text of the decision published on 14 November 2016.

Please note that $[\infty]$ indicates figures or text which have been deleted or replaced in ranges at the request of the parties for reasons of commercial confidentiality.

SUMMARY

- On 21 June 2016, Bridgepoint Group Limited (Bridgepoint), through State Bidco Limited, a subsidiary of Bridgepoint's affiliated entity Dining Club Group Limited, acquired Hi-Life Diners Club Limited (Hi-Life) (the Merger). Dining Club Group Limited and State Bidco Limited (Dining Club Group) and Hi-Life are together referred to as the Parties.
- 2. The Competition and Markets Authority (**CMA**) believes that it is or may be the case that the Parties' enterprises have ceased to be distinct and that the share of supply test is met. The four-month period for a decision, as extended, has not yet expired. The CMA therefore believes that it is or may be the case that a relevant merger situation has been created.
- 3. The Parties overlap in the supply of subscription-based memberships for discounted restaurant dining (**discount dining cards**) to consumers and business customers in the UK.
- 4. With regard to consumers, although the Parties' business models and product characteristics are similar to each other, the evidence available to the CMA indicates that other sources of restaurant discounts may be regarded as alternatives. With regard to business customers, which purchase discount dining cards as a means of providing benefits to their employees, members or

customers, the evidence available to the CMA indicates that there is a range of alternatives, not limited to restaurant discounts. The CMA therefore believes that, for each customer type, the frame of reference in which the Parties operate is wider than their overlapping products, although it has not been necessary to conclude on the exact composition of products within each frame of reference.

- 5. The CMA has assessed the impact of the Merger in:
 - (a) a frame of reference wider than the supply of subscription-based memberships for discounted restaurant dining to consumers (including other discount restaurant offers, such as vouchers accessible through voucher websites or directly from restaurants) in the UK; and
 - (b) a frame of reference wider than the supply of subscription-based memberships for discounted restaurant dining to business customers (including alternative benefit options such as cinema discounts, membership for entrance to historic sites and discounts on days out) in the UK.
- 6. The CMA investigated whether the Merger gives rise to horizontal unilateral effects. In each of the frames of reference identified the CMA assessed the closeness of competition between the Parties and the constraints remaining. In doing so, the CMA considered evidence from internal documents, third parties and past customer surveys. On the basis of this evidence, the CMA believes that Hi-Life does not pose a significant constraint on Dining Club Group and that there are many alternative options available to both consumers and business customers to the products of the Parties.
- 7. The CMA believes that these constraints, taken together, are sufficient to ensure that the Merger does not give rise to a realistic prospect of a substantial lessening of competition (**SLC**) as a result of horizontal unilateral effects.
- 8. The Merger will therefore **not be referred** under section 22(1) of the Enterprise Act 2002 (the **Act**).

ASSESSMENT

Parties

Dining Club Group provides discount dining cards through two brands:
 Tastecard and Gourmet Society. Tastecard also offers an enhanced membership which includes non-dining discounts, such as discounts for days

- out and cinema tickets. Similar discounts are included in Gourmet Society's standard subscription.
- 10. Dining Club Group is majority owned by Bridgepoint Group Limited [see endnote 1]. Other than the activities carried out by Dining Club Group, Bridgepoint has no activities that overlap with Hi-Life. The turnover of Dining Club Group in the annualised period ended 2015 was £[≫] million in the UK.
- 11. Hi-Life provides discount dining cards, with an enhanced membership which includes a wider selection of 'high-end' restaurants as well as limited offers for discounted entrance to public attractions. Hi-Life also offers the content of its restaurant database to third parties. The turnover of Hi-Life in the financial year ended 2015 was £[≫] in the UK.

Transaction

12. By means of a share purchase agreement dated 21 June 2016 State Bidco Limited has bought the entire issued share capital of Hi-Life.

Jurisdiction

- 13. As a result of the Merger, the enterprises of Dining Club Group and Hi-Life have ceased to be distinct.
- 14. The Parties overlap in the supply of discount dining cards to consumers and business customers. Dining Club Group estimates that the Parties' combined share of supply of discount dining cards to consumers is [90-100]% by turnover (increment [0–5]%) and [90–100]%-[90–100]% by number of members (increment [0–5]%-[0–5]%). The CMA therefore believes that the share of supply test in section 23 of the Act is met.
- 15. The Merger completed on 21 June 2016 and was first made public on 22 June 2016. The four month deadline for a decision under section 24 of the Act is 15 November 2016 following an extension under section 25(2) of the Act.
- 16. The CMA therefore believes that it is or may be the case that a relevant merger situation has been created.
- 17. The initial period for consideration of the Merger under section 34ZA(3) of the Act started on 21 September 2016 and the statutory 40 working day deadline for a decision is therefore 15 November 2016.

18. The CMA opened an own-initiative investigation into the Merger by sending an Enquiry Letter to Bridgepoint Group Limited on 2 August 2016.1

Counterfactual

- 19. The CMA assesses a merger's impact relative to the situation that would prevail absent the merger (ie the counterfactual). For completed mergers the CMA generally adopts the pre-merger conditions of competition as the counterfactual against which to assess the impact of the merger. However, the CMA will assess the merger against an alternative counterfactual where. based on the evidence available to it, it believes that, in the absence of the merger, the prospect of these conditions continuing is not realistic, or there is a realistic prospect of a counterfactual that is more competitive than these conditions.2
- 20. In the present case, there is no evidence supporting a different counterfactual. Dining Club Group submitted that the prevailing conditions of competition represent the appropriate counterfactual and third parties have not put forward any arguments in this respect.
- 21. Therefore, the CMA believes the pre-merger conditions of competition to be the relevant counterfactual in this case.
- 22. The CMA has considered Dining Club Group's submissions regarding [%] and the possible impact on Hi-Life's ability to compete with Dining Club Group in its competitive assessment.

Frame of reference

23. Market definition provides a framework for assessing the competitive effects of a merger and involves an element of judgement. The boundaries of the market do not determine the outcome of the analysis of the competitive effects of the merger, as it is recognised that there can be constraints on merger parties from outside the relevant market, segmentation within the relevant market, or other ways in which some constraints are more important than others. The CMA will take these factors into account in its competitive assessment.3

¹ See Mergers: Guidance on the CMA's jurisdiction and procedure (CMA2), January 2014, paragraphs 6.9-6.19 and 6.59-60.

² Merger Assessment Guidelines (OFT1254/CC2), September 2010, from paragraph 4.3.5. The Merger Assessment Guidelines have been adopted by the CMA (see Mergers: Guidance on the CMA's jurisdiction and procedure (CMA2), January 2014, Annex D).

³ Merger Assessment Guidelines, paragraph 5.2.2.

Background

- 24. The Parties overlap in the supply of discount dining cards to consumers and to businesses in the UK, offering a set of predictable discounts at a range of restaurants. Consumers can purchase the cards directly from the Parties; while business customers can either offer the Parties' cards to their employees, members or customers, or act as intermediaries for companies wishing to offer their employees, members or customers this benefit.
- 25. The CMA notes that the Parties' products are two sided: on the one side consumers and business customers; and on the other side restaurants, as through their memberships the Parties offer promotion services. In order to be successful in selling their cards to potential subscribers, the Parties need to create an attractive network of restaurants. In this way, there may be indirect network effects, with the value of the product for each group being affected by the number or type of customers in the other group.⁴
- 26. However, the CMA also notes that the Parties earn revenue entirely from the subscription fees charged on the consumer and business customer side of the market, and not at all from the restaurant side of the market.⁵ Restaurants are generally not exclusive and thus do not have cards competing for their business. Furthermore, signing up sufficient restaurants is a vital part of the Parties' proposition to customers. For these reasons, the CMA believes that any harm as a result of the Merger is more likely to arise, and to a more significant degree, in relation to consumers or businesses customers rather than restaurants.
- 27. Therefore, while the CMA has been mindful of possible network effects in determining the appropriate frame of reference and for the purposes of its competitive assessment more generally, the CMA has focused on the supply of discount dining cards to consumers and business customers rather than the impact on restaurant promotion services.

Product scope

28. The CMA's approach to product frame of reference is to start with a narrow frame of reference based on the products where the Parties overlap and then to see whether it can be widened on the basis of demand-side considerations.⁶ The narrowest product frames of reference based on the Parties' products would be:

⁴ Merger Assessment Guidelines, paragraph 5.2.20.

⁵ They do not charge a commission or other fee to the restaurants.

⁶ Merger Assessment Guidelines from paragraph 5.2.3.

- (a) the supply of discount dining cards to consumers (B2C); and
- (b) the supply of discount dining cards to businesses (B2B).

Recent precedent

- 29. The CMA has recently considered the supply of discount dining cards to consumers and businesses in the completed acquisition of Taste Marketing Limited by Didix International B.V. (**Didix/Taste**).⁷ In that decision the CMA did not conclude on the appropriate frame of reference.
- 30. In assessing the appropriate frame of reference and for the purposes of the competitive assessment in relation to the supply to consumers of discount dining cards in Didix/Taste, the CMA considered evidence from: (i) the merging parties; (ii) third parties; (iii) consumer surveys; (iv) pricing changes; and (v) customer switching rates ('churn'). On the basis of this evidence, the CMA concluded that other discounts for restaurant dining would sufficiently constrain the merging parties post-merger to ensure that there was no realistic prospect that the merger would result in an SLC to consumers.
- 31. In assessing the supply of discount dining cards to business customers in Didix/Taste, the CMA considered the evidence from (i) the merging parties and (ii) third parties. On the basis of this evidence, the CMA concluded that other types of benefits which business customers could offer to their customers, members or employees (eg gift cards, gifts, pre-paid vouchers, film subscriptions, magazine subscriptions or insurance) would sufficiently constrain the merging parties post-merger to ensure that there was no realistic prospect that the merger would result in an SLC to business customers.
- 32. In the present case the CMA considered whether, on the evidence available, the broader constraints identified in each of the markets in Didix/Taste continued to apply, such that it would be appropriate to assess the impact of the Merger in frames of reference which included these alternative products.

B2C

33. Dining Club Group submitted that it operates in a market that is broader than the supply of discount dining cards to consumers, and which includes

⁷ ME/6491-14 CMA decision of 28 January 2015 completed acquisition of Taste Marketing Limited by Didix International B.V.

- websites providing restaurant vouchers, restaurants providing discounts directly, reward or loyalty schemes, and discount clubs.
- 34. To assess the appropriate B2C frame of reference, the CMA considered: (i) internal documents of Dining Club Group; (ii) evidence from past consumer surveys; and (iii) the views of third parties, as set out below.

Internal documents

35. Dining Club Group provided the CMA with a number of internal documents, which were produced for the purposes of a sales memorandum to Bridgepoint. These documents describe other types of restaurant discounts (including loyalty card schemes, restaurant offers or voucher and deal websites) and set out their relative advantages or disadvantages for consumers. The CMA notes that the analysis focuses on the relative drawbacks of the other restaurant discounts compared with the Dining Club Group's products, though the CMA recognises that the documents were prepared for the purposes of marketing the Dining Club Group. Overall, the CMA believes that these documents indicate that other restaurant discounts constrain the Parties to some extent.

Consumer survey

36. As discussed further in the competitive assessment below, the CMA has analysed customer survey data which was collected in the Didix/Taste case but re-submitted by Dining Club Group in the present case. This survey data is recent and the CMA found no indication of any significant change in the relevant supply dynamics to make the results less reliable. The results indicated that the majority of customers surveyed would, in the event of not renewing their subscription to Tastecard or Gourmet Society, be prepared to use alternative sources of restaurant discounts other than a discount dining card. Indeed, such alternative sources of restaurant discounts were viewed as more likely alternatives than subscribing to another discount dining card.⁸

⁸ The survey asked customers of Tastecard and Gourmet Society that had recently renewed their membership, which provider of restaurant/leisure discounts they had used in the last two years; and, if the membership with Tastecard/Gourmet Society had not been renewed, what they would have been most likely to do instead (ie stop eating out, eat out without a discount, or find another means of obtaining a discount). If customers indicated that they would have found another means of obtaining a discount, they were asked to indicate where they would have obtained such a discount.

Third parties

37. Third parties told the CMA that restaurant discounts from many different sources, such as voucher and deal websites and loyalty card schemes, could be considered as alternatives to the Parties' products.

Conclusion on product frame of reference for B2C

38. On the basis of this evidence, and as discussed more fully in the competitive assessment below, the CMA believes that there are a number of alternative restaurant discount options to the Parties' offerings which constrain the Parties. These alternatives include websites which provide restaurant vouchers, restaurants which provide discounts directly, reward or loyalty schemes which reward with discount vouchers, and discount clubs. The CMA therefore believes that the appropriate frame of reference within which it should assess the impact of the Merger on consumers is wider than the supply of discount dining cards to consumers. Given the range of alternative offerings, the CMA has not found it necessary to conclude on the exact scope of the frame of reference in terms of all the restaurant discount offerings that constrain the Parties. However, the CMA has recognised that the strength of the competitive constraint provided by different offerings may vary and this has been taken into account in the competitive assessment.

B2B

- 39. Dining Club Group submitted that it operates in a market that is broader than the supply of discount dining cards to business customers, and which includes other offerings that may be considered valuable by the employees, members or end customers of the businesses purchasing their cards, such as film subscriptions, cinema tickets, days out, etc.
- 40. To assess the appropriate B2B frame of reference, the CMA considered:(i) internal documents of Dining Club Group; and (ii) the views of third parties, as set out below.

Internal documents

41. Dining Club Group provided the CMA with the internal documents mentioned above. These documents do not analyse the Dining Club Group's B2B business in detail. However, a number of alternative benefits to the Dining Club Group's offering are mentioned (including lifestyle discounts and

⁹ See paragraph 35.

insurance products). Overall, the CMA believes that these documents provide some indication that other benefit options constrain the Parties to some extent.

Third parties

42. Business customers told the CMA that they have a variety of valuable benefit options that they can provide to their employees, members or customers, including film subscriptions, entry to historic places, discounts on days out and cinema tickets.

Conclusion on product frame of reference for B2B

43. On the basis of this evidence, and as discussed more fully in the competitive assessment below, the CMA believes that there are a number of alternative benefit options to the Parties offerings, which constrain the Parties. These alternatives include film subscriptions, entry to historic places, discounts on days out and cinema tickets. The CMA therefore believes that the appropriate frame of reference within which it should assess the impact of the Merger on business customers is wider than the supply of discount dining cards to businesses. Given the range of alternative possible benefits, the CMA has not found it necessary to conclude on the exact scope of the frame of reference in terms of all the alternative benefits that constrain the Parties. However, the CMA has recognised that the strength of the competitive constraint provided by different benefits may vary and this has been taken into account in the competitive assessment.

Geographic scope

44. Dining Club Group submitted that the market is national in scope. The CMA saw no evidence to suggest that a sub-national or international market is appropriate. The CMA has therefore considered the impact of the Merger on the basis of a UK-wide geographic frame of reference.

Conclusion on frame of reference

- 45. For the reasons set out above, the CMA has considered the impact of the Merger in:
 - a frame of reference wider than the supply of discount dining cards to consumers (including websites that provide restaurant vouchers, restaurants providing discounts directly, reward or loyalty schemes that reward with discount vouchers and discount clubs) in the UK (B2C frame of reference); and

 a frame of reference wider than the supply of discount dining cards to businesses (including film subscriptions, entry to historic places, discounts on days out and cinema tickets) in the UK (B2B frame of reference).

Competitive assessment – Horizontal unilateral effects

- 46. Horizontal unilateral effects may arise when one firm merges with a competitor that previously provided a competitive constraint, allowing the merged firm profitably to raise prices or degrade quality on its own and without needing to coordinate with its rivals. Horizontal unilateral effects are more likely when the merging parties are close competitors.
- 47. The CMA assessed whether it is or may be the case that the Merger has resulted, or may be expected to result, in an SLC in relation to horizontal unilateral effects. In reaching its conclusions, the CMA considered for each frame of reference the Parties' share of supply, the extent to which the Parties competed closely pre-Merger and whether there would be sufficient competitive constraint remaining post-Merger.

B₂C

Shares of supply

48. Although the CMA believes that the appropriate B2C frame of reference is wider than the supply of discount dining cards to consumers, it is not possible to estimate meaningful shares of supply on this broad market because of the variety of different offerings. Therefore, the CMA sets out in Table 1 Dining Club Group's estimates of the Parties' shares of supply of discount dining cards to consumers but notes that it puts little weight on this evidence. The CMA notes that, based on the Parties revenue from consumers, the increment to share of supply arising from the Merger is about [0–5]%.

¹⁰ *Merger Assessment Guidelines*, from paragraph 5.4.1.

Table 1: Share of supply of discount dining cards for consumers 11

Share of supply by turnover			
	Dining Club Group	Hi-Life	Total
Revenue ¹²	£[%]	£[%]	£[%]
Share of supply	[90–100]%	[0–5]%	[90–100]%
Share of Supply by number of members			
	Dining Club Group	Hi-Life	Total
Members ¹³	[%]	[%]	[%]–[%]
Share of supply	[90–100]%	[0–5]%	[90–100]%

Source: Averages based on Dining Club Group's estimates.

Closeness of competition

- 49. Dining Club Group submitted that the Parties have a similar offering as they both provide discount dining cards which allow consumers to obtain discounts for restaurant dining in the UK, but said that their customers differ due to their different preference for certain characteristics of the products.
- 50. For the purposes of assessing the closeness of competition between the Parties, the CMA considered: (i) the nature and differences in the Parties' offerings; (ii) internal documents provided by Dining Club Group; (iii) third party views; and (iv) evidence from past customer surveys.

Parties' offerings

- 51. Both Parties provide subscription-based memberships to obtain discounts for restaurant dining in the UK. However, the Parties' offerings are differentiated in several respects:
 - (a) The Parties differ in the range and number of restaurants in which their products are accepted. Dining Club Group's cards are accepted in around 7,000 restaurants each¹⁴, while Hi-Life is accepted in 3,500 restaurants.
 - (b) The Parties advertise similar prices for their products (Tastecard is advertised for £79.99, and Gourmet Society and Hi-Life for £69.99) and both offer free trial periods, but Dining Club Group's average membership

¹¹ Included in the remainder are other discount cards such as Phantom card and Time out card.

¹² Using figures for LTM to June 2016.

¹³ Using figures for LTM to June 2016.

¹⁴ In total the Dining Club Group has approximately [%] restaurants in its network.

- fee charged after the trial period (for Tastecard and Gourmet Society combined) is around £[≫], while Hi-Life's average fee is £[≫].
- (c) Dining Club Group subscribes members on an auto-renewal membership, while Hi-Life's members sign up for one year and have to actively renew their membership thereafter.
- (d) Although both Parties offer an enhanced membership option, the added benefits differ significantly. Dining Club Group's enhanced offer, 'Tastecard+' offers discounts for activities other than dining out, while Hi-Life's enhanced offer predominantly allows for discounts at higher end restaurants.
- 52. The CMA also notes the apparent popularity of Dining Club Group's cards, which represent [90–100]% of all dining cards held by consumers (see Table 1), and the small share of supply of Hi-Life. The CMA has seen no evidence to indicate that Hi-Life has been increasing, or may be expected to increase, its share of supply significantly in the near future.

Internal documents

53. Internal documents provided by Dining Club Group to the CMA support the observations on product differentiation above. These documents indicate that Hi-Life has a much more limited coverage of restaurants, offers a more limited range of cuisines, and is accepted by fewer national chains than either Gourmet Society or Tastecard. In addition, the CMA notes that Dining Club Group does not appear to monitor or review the relative performance of Hi-Life with any greater scrutiny than it does other restaurant discount options.

Third party views

54. Third parties noted that Hi-Life was the main alternative discount dining card to Dining Club Group but highlighted the differences in the Parties' offerings, in particular in their respective regional coverage and the number of restaurants in their network.

Customer surveys

55. In December 2014 the merging parties in Didix/Taste each carried out a customer survey of their members who had recently renewed their subscription. The Parties re-submitted this evidence for the purposes of the current case.

- 56. The CMA considered the results of this survey, in particular to consider the extent to which Gourmet Society and Tastecard customers considered Hi-Life as an alternative.
- 57. The survey indicated that there would be limited switching between Tastecard and Gourmet Society. It also indicated that switching from either card to Hi-Life would be even more limited. Of [≫] responses, only [≫] mentioned Hi-Life as an alternative provider. This suggests that Hi-Life is not a close competitor of Dining Club Group. Indeed, the survey found that Tastecard and Gourmet Society are significantly more constrained by other discount dining options.
- 58. For the purposes of the current case, the CMA believes that it can put weight on the results of this survey as it is recent and the CMA has seen no evidence to suggest that the constraint from Hi-Life will have changed significantly since that time. Moreover, the CMA notes that the results are consistent with the other evidence discussed above.
 - Conclusion on closeness of competition
- 59. Overall, the CMA believes that this evidence indicates that Hi-Life was a relatively weak competitive constraint on the Dining Club Group pre-Merger.

Competitive constraints

- 60. Dining Club Group submitted that it faces significant competitive constraints from other suppliers of discount dining products, including:
 - (a) 'deal-of-the-day' schemes;
 - (b) restaurants' own websites which offer discounts or special offers;
 - (c) discount vouchers;
 - (d) reward or loyalty card schemes;
 - (e) discount clubs;
 - (f) a discount card or voucher booklet for restaurants in a particular city using a local scheme; and
 - (g) local/national press promotions or coupons.
- 61. In order to determine the extent of the competitive constraint exerted by these other discount dining options, the CMA considered evidence from: (i) third

parties; (ii) customer surveys; and (iii) other evidence relating to the impact of price changes and customer churn.

Third party views

62. The CMA sought the views of other suppliers of restaurant discounts. Most third party respondents said that consumers have the possibility of obtaining restaurant discounts through many means, and would use these other options if the prices of the Parties' products were to increase.

Customer surveys

- 63. The surveys in Didix/Taste asked customers who had recently renewed their subscriptions about alternatives to Tastecard and Gourmet Society, such as direct discounts from restaurants and loyalty schemes. The data suggested that customers would switch to some of these other options in significantly larger numbers than they would switch from either Gourmet Society or Tastecard to Hi-Life.¹⁵ The survey also found that, if they had not renewed their subscription to Tastecard or Gourmet Society, large numbers of customers would either have stopped eating out or eaten out without using a discount.
- 64. This evidence suggests that other discount dining options pose a strong competitive constraint on the Parties, and stronger than Hi-Life imposes on Dining Club Group.

Other evidence

- 65. In Didix/Taste, the CMA concluded that evidence of high rates of customer churn, 16 when considered together with the findings of the customer surveys, suggested that customers were switching to other discount dining options and not significantly switching between the merging parties' products.
- 66. In the present case, the CMA has considered evidence from price changes or times when different offers were available for one of the Parties' cards to identify any effects on subscriptions. After the merger of Gourmet Society and Tastecard, Dining Club Group carried out an experiment to offer different subscription prices to different trial customers of Tastecard. The result was that the conversion rate (ie renewing the subscription after the initial discount period) was significantly lower at the higher price point than at the standard

¹⁵ See paragraph 55 above.

¹⁶ Churn rates referred to the percentage of first year annual membership customers not renewing their membership.

- price point. Further, there was no evidence that this led to customers of Tastecard moving to Gourmet Society.
- 67. This evidence is consistent with the evidence from the customer surveys in Didix/Taste and supports the CMA's conclusions in this case that wider options provide the main constraint on the pricing of discount dining cards.
 - Conclusion on competitive constraints
- 68. Overall, the CMA believes that this evidence indicates that the parties are constrained by other dining discount options.

Conclusion on B2C

69. As set out above, the CMA believes that the Parties are not close competitors and are constrained by other options for obtaining dining discounts.

Accordingly, the CMA believes that the Merger does not give rise to a realistic prospect of an SLC in relation to the B2C frame of reference.

B₂B

Shares of supply

70. Although the CMA believes that the appropriate B2B frame of reference is wider than the supply of discount dining cards to business customers, it is not possible to estimate meaningful shares of supply on this broad market because of the variety of different offerings. The CMA notes that, as with B2C, the Parties' combined share of supply of discount dining cards to business customers would be close to 100%, but it puts little weight on this evidence. The CMA notes that, based on the Parties revenue from business customers, the increment to share of supply arising from the Merger is about [0–5]%. 17

Closeness of competition

71. The Parties both provide discount dining cards to business customers. However, the CMA found that, although both parties negotiate prices individually with each customer, Gourmet Society and Tastecard are in general significantly more expensive than Hi-Life. Evidence from third parties also indicated that the Parties were not close competitors for business customers. In particular:

 $^{^{17}}$ On a narrow market with Dining Club Group generating £[\gg] million on B2B and Hi-Life generating £[\gg] million and thus a narrow market of £[\gg] million the increment would be [0–5]%.

- (a) Dining Club Group's customers highlighted the limited restaurant coverage of Hi-Life compared with that of Dining Club Group as a differentiating factor.
- (b) Gourmet Society's offering extends beyond restaurant discounts, eg to include discounts for days out. This was highlighted as a feature that some customers valued but is not offered by Hi-Life.
- (c) Customers which together account for the majority of Gourmet Society's and Tastecard's B2B revenue said that they would not switch to Hi-Life for reasons which included Hi-Life's limited brand awareness.

Competitive constraints

- 72. The business customers which responded to the CMA all said that they offered their customers, members or employees a variety of benefit options, including discounted cinema tickets, memberships for entry to historic sites and magazine subscriptions.
- 73. Business customers said that they offer a discount dining benefit as one of several benefits. They noted that their range of options might be reduced as a result of the Merger but said that, if the Parties worsened their terms or increased their prices, they would either substitute to a different benefit (such as membership for entry to historic sites or discounted cinema tickets) or simply offer one less benefit.

Conclusion on B2B

74. On the basis of this evidence, the CMA believes that Hi-Life is not a close competitor to Dining Club Group, and that the Parties compete with a wide variety of other benefit providers to business customers. Accordingly, the CMA believes that the Merger does not give rise to a realistic prospect of an SLC in relation to the B2B frame of reference.

Barriers to entry and expansion

75. Entry, or the expansion of existing firms, can mitigate the initial effect of a merger on competition, and in some cases may mean that there is no SLC. However, in this case the CMA has not had to conclude on barriers to entry or expansion as the Merger does not give rise to competition concerns on any basis.

Third party views

- 76. The CMA contacted customers and competitors of the Parties, as well as restaurants promoting though either of the Parties. Some of these third parties raised concerns relating to the reduced number of discount dining card alternatives after the Merger. These third party comments have been taken into account where appropriate in the competitive assessment above.
- 77. In the course of its investigation the CMA also received concerns from customers which were not related to the competitive effects of the Merger.

Conclusion on SLC

78. Based on the evidence set out above, the CMA does not believe that it is or may be the case that the Merger has resulted, or may be expected to result, in an SLC as a result of horizontal unilateral effects in relation to either a frame of reference wider than the supply of discount dining cards to consumers (including websites that provide restaurant vouchers, restaurants providing discounts directly, reward or loyalty schemes that reward with discount vouchers and discount clubs) in the UK; or in relation to a frame of reference wider than the supply of discount dining cards to businesses (including film subscriptions, entry to historic places, discounts on days out and cinema tickets) in the UK.

Decision

- 79. Consequently, the CMA does not believe that it is or may be the case that the Merger has resulted, or may be expected to result, in an SLC within a market or markets in the UK.
- 80. The Merger will therefore **not be referred** under section 22(1) of the Act.

Andrew Wright
Director, Mergers
Competition and Markets Authority
3 November 2016

Endnote

1. In relation to paragraph 10, the CMA notes that Bridgepoint Group Limited is the majority shareholder of the Dining Club Group.