

Anticipated acquisition by Martin McColl Ltd of 298 groceries stores from Co-operative Group Ltd

Decision on relevant merger situation and substantial lessening of competition

ME/6632/16

The CMA's decision on reference under section 33(1) of the Enterprise Act 2002 given on 20 December 2016. Full text of the decision published on 26 January 2017.

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

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SUMMARY

1. Martin McColl Limited (**McColl's**) has agreed to acquire from Co-op Group Limited (**CGL**) 298 groceries stores (**the Target Stores**) (the **Merger**). McColl's and the Target Stores 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 will cease to be distinct as a result of the Merger, that the turnover test is met and that accordingly arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation.
3. McColl's and the Target Stores overlap in the retail supply of groceries through convenience stores in 181 local areas in the UK. The CMA has assessed the impact of the Merger on a local level. The CMA has adopted a frame of reference in line with previous CMA, Office of Fair Trading (**OFT**) and Competition Commission (**CC**) decisions, including most recently in *CFL/My Local*.¹ The CMA has categorised grocery stores according to their size, ie net sales area: one-stop stores (more than 1,400 square metres) (**OSS**), mid-size stores (280 square metres – 1,400 square metres), and convenience stores (smaller than 280 square metres). In previous decisions, the OFT, CC and CMA have found that OSS constrain each other and stores from the smaller categories, but stores in the smaller categories do not constrain stores in the larger categories. The geographic frame of reference is essentially local, with larger stores, such as OSS, competing and acting as a constraint over a larger area, and smaller stores, such as convenience stores competing over shorter distances. In this case, the CMA had regard to the fact that both the McColl's stores and the Target Stores that overlap are on average smaller-sized convenience stores.
4. To conduct its assessment, the CMA undertook an initial filtering exercise, the purpose of which was to identify local areas which did not raise prima facie competition concerns and could be ruled out from further assessment. Thus, the CMA identified 27 local areas where the Parties had stores within 5 minutes and/or 1 mile of one another 'failed' the filter, ie post-Merger there would be fewer than three fascia competing with the merged entity, and these areas were therefore subject to further assessment.
5. Having carried out this further assessment, the CMA has found that the Merger will not result in a realistic prospect of a substantial lessening of

¹ Completed acquisition by Co-operative Foodstores Limited of 8 My Local grocery stores from ML Convenience Limited and MLCG Limited (ME/6625/16), CMA, 19 October 2016.

competition (**SLC**) in the 27 local areas² mentioned above, on the basis that sufficient competitive constraints from alternative grocery store fascia will remain post-Merger.

6. On a conservative basis, the CMA also identified 32 further local areas where the Parties had stores, which were located between 5 and 10 minute drive time of one another, and where there were fewer than three fascia competing with the merged entity within 5 minutes/1 mile of the Target Store. These areas were only briefly assessed as the Merger did not lead to a reduction in fascia within the 5 minute drive time and 1 mile radius and none of these areas raised initial concerns that warranted a more detailed analysis, having regard, for instance, to the number of remaining competing fascia and/or the fact that the Parties' stores were not close competitors.
7. The CMA therefore believes that the Merger does not give rise to a realistic prospect of an SLC as a result of horizontal unilateral effects.
8. The Merger will therefore **not be referred** under section 33(1) of the Enterprise Act 2002 (the **Act**).

ASSESSMENT

Parties

9. McColl's is a retailer running approximately 1,370 stores in Great Britain, of which the majority are convenience stores and approximately 420 are solely newsagent stores. McColl's convenience stores are generally branded *McColl's*, while its newsagents are generally branded *Martin's*. McColl's operates two kinds of convenience stores.
 - (i) Smaller convenience stores with an average size of [100–200] square metres, called 'convenience stores' (**CST**). Generally, these stores do not sell fruit and vegetables, or 'full meal solutions' (ie the ingredients needed to prepare a meal).
 - (ii) Larger convenience stores with an average size of [100–200] square metres, called convenience store plus (**CSP**). These stores will carry a wider grocery range than CST stores, including fruit and vegetables and chilled and frozen foods available.
10. The turnover of McColl's in 2015 was around £932.2 million in Great Britain.³

² The 27 areas are listed in Annex 2.

³ McColl's is not active in Northern Ireland.

11. CGL is a mutual business owned by over eight million members and active in a range of activities including grocery, retailer, insurance, funeral care and legal services. The turnover of the Target Stores in 2015 was around £[X] million in the UK.

Transaction

12. McColl's purchased the Target Stores for a total consideration of £117 million in cash. The Sale and Purchase Agreement was signed on 13 July 2016. All Target Stores, except for one,⁴ are convenience stores, ie they have a net sales area of less than 280 square meters. The rationale of the Merger is to expand McColl's convenience retail operations and increase its offering in respect of the growth category of fresh and chilled food products.

Jurisdiction

13. As a result of the Merger, the enterprises of McColl's and the Target Stores will cease to be distinct.
14. The UK turnover of the Target Stores exceeds £70 million, so the turnover test in section 23(1)(b) of the Act is satisfied.
15. The CMA therefore believes that it is or may be the case that arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation.
16. The initial period for consideration of the Merger under section 34ZA(3) of the Act started on 31 October and the statutory 40 working day deadline for a decision is therefore 23 December 2016.

Counterfactual

17. The CMA assesses a merger's impact relative to the situation that would prevail absent the merger (ie the counterfactual). For anticipated mergers the CMA generally adopts the prevailing 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

⁴ That particular Target Store is a medium sized store located in Northern Ireland where McColl's is not active.

a realistic prospect of a counterfactual that is more competitive as between the Parties than these conditions.⁵

18. In this case, there is no evidence supporting a different counterfactual, and the Parties and third parties have not put forward arguments in this respect. Therefore, the CMA believes the prevailing conditions of competition to be the relevant counterfactual.

Frame of reference

19. The CMA considers that 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.⁶
20. In this case, the frame of reference is taken as a starting point only, and has been used predominantly to determine the parameters of the filtering analysis, described further in paragraph 42 below.
21. McColl's and the Target Stores overlap in the retail supply of groceries through convenience stores in 181 local areas in the UK.

Product scope

22. The UK competition authorities have conducted a number of investigations into transactions involving the retail supply of groceries in recent years,⁷ most recently in *CFL/My Local*.
23. In *CFL/My Local*, the CMA adopted the following approach to the product scope:⁸

⁵ *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).

⁶ *Merger Assessment Guidelines*, paragraph 5.2.2.

⁷ For example: Anticipated acquisition by Co-operative Foodstores Limited of 15 Budgens grocery stores from Booker Retail Partners (GB) Limited (ME/6588/16), CMA, 6 June 2016; Anticipated acquisition by MRH (GB) Limited of 78 service stations from Esso Petroleum Company Limited (ME/6563/15), CMA, decision dated 26 November 2015; *Asda/Co-op* (ME/6466/14); *CGL/David Sands* (ME/5317/12); Anticipated acquisition by Asda Stores Limited of Netto Foodstores Limited (ME/4551/10), OFT, decision dated 23 September 2010; Anticipated acquisition by Co-operative Group Limited of Somerfield Limited (ME/3777/08), OFT, decision dated 20 October 2008; The CC's Report, 'The supply of groceries in the UK' dated 30 April 2008 (Groceries Report).

⁸ *CFL/My Local* (ME/6625/16), paragraphs 37-41.

(a) In line with the CC's grocery report⁹ and the CMA's previous decisional practice,¹⁰ the CMA defined grocery stores according to the size of their net sales area as:

(i) OSS (1,400 square metres (**sqm**) and larger);

(ii) mid-size stores (**MSS**) (280–1,400 sqm); or

(iii) conveniences stores (below 280 sqm);

(b) On a cautious basis, the CMA excluded from the frame of reference:

(i) grocery retailers not listed in the effective competitor set (the grocery store fascia of the effective competitor set are listed at Annex 1);¹¹ and

(ii) all convenience stores with net sales area of less than 100 sqm.¹²

24. McColl's generally agreed with the approach taken by the CMA in previous cases. As regards point (b)(i) McColl's submitted that – having in mind the limited product range its stores usually carry and the fact that McColl's was excluded by the CMA from the effective competitor set in other cases on the grounds that it did not pose a significant constraint on convenience stores by the large national multiples¹³ – the list of effective competitors is too narrow and does not capture all competitive constraints McColl's faces on a local level. In particular, McColl's mentioned that independent smaller convenience stores and limited assortment discounters, such as Aldi and Lidl, pose a competitive constraint on McColl's. McColl's conducted a filtering analysis on the basis of the effective competitor set, but submitted that the other competitors mentioned above should be taken into account in the detailed local assessment for areas which have failed the initial filtering test.

25. The CMA did not receive any third party responses which indicated that the approach in *CFL/My Local* would be inappropriate.

⁹ The CC's Report, 'The supply of groceries in the UK' dated 30 April 2008

¹⁰ For example, *Asda/Co-op* (ME/6466/14), paragraph 20; *CGL/David Sands* (ME/5317/12), paragraph 21; *CGL/Somerfield* (ME/3777/08), paragraph 10.

¹¹ This approach was also consistent with the OFT and CMA's approach in a number of cases which considered grocery retailing through convenience stores, including: Anticipated acquisition by One Stop Stores Limited of 33 stores from Alfred Jones (Warrington) Limited, trading as Spar (ME/6131/13), OFT, decision dated 18 September 2013, paragraph 27; *CGL/David Sands* (ME/5317/12), paragraph 44.

¹² The CMA recognised in *CFL/Booker* that there was no clear threshold between smaller and larger convenience stores. However, the CMA believed that, in that case, using a threshold of 100 sqm provided a useful starting point for segmenting between different sizes of convenience store: *CFL/Booker* (ME/6588/16), footnote 16. The CMA's reasons for adopting this limb of the filter, and the evidence relied upon, are set out in *CFL/Booker* (ME/6588/16), paragraphs 24 to 29.

¹³ Anticipated acquisition by One Stop Stores Limited of 33 stores from Alfred Jones (Warrington) Limited, trading as Spar (ME/6131/13).

26. As noted in paragraph 20, the frame of reference has been used in this case primarily for the purpose of determining the parameters of the filtering analysis. For those local areas that failed the filtering analysis, the CMA took into account the constraint from grocery stores outside the frame of reference in its competitive assessment.

Conclusion on product scope

27. For the reasons set out above, on a cautious basis the CMA has considered the impact of the Merger in the product frame of reference of convenience stores taking into account constraints from larger sized stores.

Geographic scope

28. The CMA has previously identified that the relevant geographic scope for grocery retailing is essentially local but that a national dimension of competition also exists.¹⁴
29. In *CFL/My Local*, for the local dimension of competition, the CMA adopted the following approach to the geographic scope:¹⁵
- (a) First, in accordance with previous decisional practice, the CMA defined the geographic scope as:
 - (i) in urban areas a 10 minute and in rural areas a 15 minute drive time for OSS;
 - (ii) in urban areas a 5 minute and in rural areas a 10 minute drive time for MSS, which are also constrained by OSS within a 10/15 minute drive time (in urban/rural areas); and
 - (iii) a 5 minute drive time for convenience stores, which are also constrained by OSS within a 10/15 minute drive time (in urban/rural areas) and by MSS within a 5/10 minute drive time (in urban/rural areas) .
 - (b) Second, and in the alternative, the CMA defined the geographic scope of a convenience store as a 5 minute drive time / one mile radius¹⁶ only and

¹⁴ For example, *Asda/Co-op* (ME/6466/14), paragraph 24; *CGL/David Sands* (ME/5317/12), paragraph 23; *CGL/Somerfield* (ME/3777/08), paragraph 20.

¹⁵ *CFL/My Local* (ME/6625/16), paragraphs 43-47.

¹⁶ The CMA looked at both metrics to capture areas where customers would typically walk to a store, and areas where they would typically drive; and areas where the journey taken might be significantly longer than the straight-line distance suggests.

excluded any grocery stores outside this area (**the conservative approach**).

30. In this case, the CMA has placed greater emphasis on the conservative approach in determining the geographic frame of reference, in particular excluding competitors further away than 5 minutes/1 mile from the target/acquirer stores.
31. This is because the evidence available to the CMA indicates that the relevant convenience stores compete over a limited geographic area:
 - (a) Internal documents from the Parties indicate that they consider that convenience store competition is highly local. Several documents indicate that consumer habits have shifted to quicker and more frequent, smaller basket-sized top-up shopping. An analysis [redacted] considers whether there are competitors within [redacted],¹⁷ and McColl's considers competitors within [redacted].¹⁸ McColl's also reports that [redacted]% of its customers travel by foot to its stores.¹⁹ Internal documents from Co-op also indicate that catchment areas for the Target Stores tend to be small [redacted].
 - (b) The Target and McColl's stores are generally small convenience stores. Given the CMA's typical approach whereby larger stores compete and act as a constraint over a larger area, all else being equal, smaller stores are likely to compete and act as a constraint over shorter distances.
 - (c) Several third parties told the CMA that they consider convenience store competition in urban areas over a narrow radial of 0.25 miles to 0.5 miles.
 - (d) Finally, in the most recent convenience store case, *Coop/My Local*, the CMA considered a conservative approach to the geographic frame of reference. Evidence received in that case from a third party suggested that the catchment area for convenience stores was extremely small, and evidence from another third party suggested that it considered diversion to new stores less than 1 mile away from its convenience stores but no further.
32. Therefore, on a cautious basis, the CMA has adopted the frame of reference set out in paragraph 29, sub (b) above as a starting point for its competitive assessment.

¹⁷ Slide 5 of Annex 26c

¹⁸ See Annexes 28di-28diii

¹⁹ Annex 27d

33. The CMA did not however reach firm conclusions on the precise boundaries of the local frames of reference and, for those local areas that fail the filtering analysis, the CMA has taken into account the constraint from grocery stores located outside the frame of reference in its competitive assessment.
34. The CMA notes that, taking into account all identifiable competitive constraints on the Parties' stores, no realistic prospect of an SLC has been found on any basis.

Conclusion on the frames of reference

35. For the reasons set out above, the CMA has considered the impact of the Merger in the retail supply of groceries, within the product frame of reference of convenience stores, taking account of the constraint from larger sized stores within a five minute drive time and/or 1 mile radius.

Competitive assessment

Horizontal unilateral effects

36. 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.²⁰ Horizontal unilateral effects are more likely when the merger parties are close competitors. The CMA assessed whether it is or may be the case that the Merger may be expected to result, in an SLC in relation to unilateral horizontal effects in the retail supply of groceries in each of the local areas in which a Target Store is located.

National versus local assessment of competition

37. The UK competition authorities' starting point has been to recognise that consumers shop in local retail outlets, within a given travel time from their home or work. Against this background, the CMA's starting assumption (and that of its predecessor, the OFT) has been that there will be material local competition on one or more aspects of price, quality, range and service (**PQRS**).²¹

²⁰ [Merger Assessment Guidelines](#), from paragraph 5.4.1.

²¹ [Commentary on Retail Mergers](#), OFT1305/CC2 com 2 [Version 1a], March 2011, paragraph 3.7.

38. McColl's noted that its pricing and product range policy has national and local dimensions, whereas CGL stated that most aspects of its PQRS are decided on a national level.
39. The CMA therefore does not consider that it has sufficient evidence in this case to depart from its standard approach that competition between grocery retailers takes place locally.
40. In any case, McColl's has a national share of supply of around [0–5]% in the convenience retail sector by revenue and the Merger would result in a negligible increase in its national share of around [0–5]%. Consequently, the CMA believes that the Merger does not give rise to a realistic prospect of an SLC in relation to the retail supply of groceries at a national level.
41. The CMA therefore believes that, taking the relevant factors described above in the round, it is appropriate in this case to assess the effects of the Merger at a local level.

Local retail supply of groceries

42. For the purpose of assessing the local effects of the Merger, the CMA employs a filtering methodology (essentially a fascia counting exercise) whereby areas raising no prima facie competition concerns are ruled out from further analysis and closer scrutiny is applied only to those where prima facie concerns are identified. Where, having applied the filtering methodology set out below, the Merger would lead to a reduction in competing fascia to three or fewer in a particular area, this is considered to raise prima facie competition concerns and a more detailed assessment is carried out.

Framework for local assessment: filtering analysis

43. The CMA considers it appropriate, on a cautious basis, to adopt the frame of reference set out in paragraph 23, but, due to the relatively small size of the Target Stores (average 160 sqm) and acquirer stores (average [100–200] square metres), the CMA has adjusted the methodology adopted in previous cases in the following two respects. The CMA has included the smaller convenience stores (those less than 100 sqm) of the suppliers listed in the effective competitor list (see Annex 1) in the fascia counting exercise, ie not applying filter (b)(ii) mentioned in paragraph 23 above. However, the CMA has taken into account the relative sizes of the Parties' and competitors' stores in undertaking the competitive assessment.
44. The CMA also considered the extent to which the wholesale relationship between McColl's and Nisa, [redacted], should be taken into account when counting

fascia and conducting the local analysis. Nisa is active as a grocery retailer and therefore competes with McColl's at the retail level, but also supplies McColl's with groceries. In previous cases, the OFT has looked at the wholesale-relationships between the different Co-operatives, eg CGL and Midcounties, and concluded that members of the buying group for the co-operative food business could only be considered to be 'partially effective competitors' due to the diverseⁱ links between the different entities.²² Consequently, the OFT and the CMA in *CFL/Booker* treated the different co-operatives as one fascia.

45. McColl's submitted that its wholesale supply relationship with Nisa is [✂] and that it is likely that the 298 Target Stores will be supplied under the current supply arrangements with Nisa.²³
46. The CMA acknowledges that the features of the wholesale relationship between Nisa and McColl's appear not to be materially different from other conventional wholesale agreements [✂].ⁱⁱ However the CMA did not need to conclude on the question of whether McColl's and Nisa should be considered as only partially effective competitors in this case. Even if Nisa stores are excluded from the competitive assessment, the Merger would not raise any concerns in any of the 181 local areas where the Parties overlap.
47. In line with the approach taken by the CMA in *CFL/My Local*,²⁴ and taking into account the considerations above, the following filtering methodology was applied to all target and acquirer stores:

Step one: Identify relevant overlap stores	Stores are defined as overlapping where they have overlapping catchment areas; ²⁵
Step two: Identify competitors within catchment area	All competitor stores from the effective competitor set, ²⁶ Co-op and McColl's grocery stores located within a 5 minute drive time and/or 1 mile of the overlap focal store are identified; ²⁷

²² See [OFT decision of 18 October 2012, ME/5452/12](#), Completed acquisition by Midcounties Co-operative Ltd of Tuffin Investment Ltd, paragraph 111 and onwards.

²³ McColl's stated that under the envisaged agreement:

[✂] [McColl's will not be significantly limited in its ability to determine its own commercial strategy.]

The CMA has reviewed a draft of the wholesale agreement and considers that the above description of that draft is consistent with its own review.

²⁴ *CFL/My Local* (ME/6625/16), paragraph 51 to 53.

²⁵ I.e. a 5 minute drive time for convenience stores, a 5/10 minute drive time for MSS (in urban/rural areas) and a 10/15 minute drive time for OSS (in urban/rural areas).

²⁶ For efficiency purposes, McColl's excluded the following stores from the fascia counting filter: CK Supermarkets, Dunnes, Harry Tuffins, Longs, Proudfoot, Roys, Whole Foods, Today's, P&H Retail, Select & Save, Centra, Best-One, VG/Vivo and Key Store/Key Shop.

²⁷ I.e. the Target Store or the McColl's store around which the 1 mile radius circle and 5 minute drive time distance is drawn.

Step three: Fascia counting filter

An overlap store fails this filter if there are fewer than three fascia competing with the merged entity post-Merger within a 5 minute drive time and/or 1 mile radius;

48. 13 Target Stores²⁸ had fewer than three fascia competing with the merged entity remaining on either a five minute drive time basis, one mile basis, or both.
49. When the filtering analysis was re-centred on each McColl's store which overlaps with a Target Store, 14 McColl's stores²⁹ had fewer than three fascia competing with the merged entity remaining on either a five minute drive time basis, one mile basis, or both.
50. In addition, the CMA also looked at overlaps between the Parties' stores on a maximum reach basis.³⁰ There are 104 overlaps where a Target Store overlaps with a McColl's store on a maximum reach basis.
51. For those 104 areas, the CMA performed the filtering analysis centred on the Target Stores. The Target Store passed the filter if three or more rival fascia to the merged entity exist.³¹ The CMA did not perform this analysis on the overlapping McColl's stores, as these are located outside of the Target Store's 5 minute drive time isochrone and/or 1 mile radius. This is because there would be no loss of competing fascia to the McColl's store according to a 5 minute drive time isochrone and/or 1 mile radius filter.³²
52. With regard to these 104 areas, the CMA identified 32 areas where fewer than three fascia competing with the merged entity remained within 1 mile or 5 minutes or both of the Target Store.³³
53. Given that these 32 areas do not experience a reduction in fascia in the Target Store's 5 minute drive time isochrone and 1 mile radius, the CMA conducted a brief competitive assessment to identify any areas that raised

²⁸ See Annex 2.

²⁹ See Annex 2.

³⁰ A maximum reach basis is where the target and acquirer are not within one another's primary isochrones (ie they are greater than 5 minutes/1 mile away), but are (for convenience stores) within a 5 to 10 minute drive time basis (in both rural and urban areas). In the most extreme case, ie a 10 minute drive time distance, the stores' primary isochrones only meet at their edges (5 minutes plus 5 minutes equals 10 minutes). The CMA has traditionally used maximum reach on a drive time basis only and not on a distance basis. The CMA did not depart from this approach in this case.

³¹ There would be no reduction in fascia as a result of the Merger as the acquirer store is outside of the primary isochrones.

³² The same logic could apply when considering the competitors remaining inside the Target Store's primary isochrone. However, on a cautious basis (for example, there may be a significant number of customers located equidistant between the stores), and in line with previous cases, the CMA assessed this.

³³ The 32 areas are listed in Annex 3.

prima facie concerns. The CMA considered factors such as whether the Target and acquirer stores were in the same town/village and whether closer competitors remained. None of these 32 areas raised *prima facie* concerns.

54. The CMA therefore undertook a more detailed local assessment for the 27 areas mentioned in paragraphs 48 and 49 above.
55. In its local assessment of these areas, the CMA took several indicators of the constraints exerted by the Parties on each other and of the constraints exerted by other suppliers on the Parties into account, such as the number of remaining competitors, the distance between the Parties' stores, the size of the stores, customer catchment areas, third party statements and internal documents from the Parties.
56. In part as a consequence of the filtering exercise, the CMA identified characteristics that are common to certain areas and has grouped these areas accordingly.
 - (i) Areas in which the target and acquirer overlap on one criterion but the filter is failed on another basis;
 - (ii) Areas with a non-target Co-op remaining post-Merger;
 - (iii) Areas in which the conservative filter is only failed with regard to one of the distance parameters;
 - (iv) Remaining areas.

Areas in which the target and acquirer overlap on one criterion but the filter is failed on another basis

57. In nine of the 29 areas, the Target Store and the acquirer store(s) overlap on the basis of one criterion, ie drive time or 1-mile radius, but fail the fascia count filter only on the other criterion.
58. The CMA therefore found that there is no reduction in fascia on the basis of which the store fails the filter and, in each case, further assessment revealed no other cause for concern.
59. No third party raised any concerns as regards any of these areas.
60. As a result, the CMA believes that no competition concerns arise with respect to the catchment areas centred on the focal stores in the following areas: Co-op Lochgilphead, Argyll; Co-op Chelmsford, Essex; McColl's Irlam, Greater Manchester; McColl's Barnes Lane, Dronfield; McColl's Eastbourne, East Sussex; McColl's Hamilton, Strathclyde; Co-op Barnsley, South Yorkshire,

Co-op Bolton, Lancashire and Co-op Finglassie, Fife. Therefore, the CMA found no realistic prospect of an SLC arising post-Merger in respect of these areas. More detail on the characteristics of these local areas is presented in paragraphs 61 to 78 below.

Lochgilphead, Argyll

61. In the rural area of Lochgilphead, Argyll, the Target Store (PA30 8DX) and the McColl's store (PS31 8LZ) overlap on a five minute drive time basis only, as they are 1.96 miles and 4:50 minute drive time away from each other. The Target Store, being the focal store, fails the conservative distance filter as there is only one competitor³⁴ within a 1 mile radius of the Target. However, this store, a Key Store, is next to the Target Store and is approximately the same size as the Target ([0–100] sqm). Within a five minute drive time, but outside the 1-mile radius of the Target Store, there is a non-target Co-op MSS, a Tesco Express and a petrol station forecourt Spar located near the McColl's store.
62. The filter is only failed on a 1-mile radius basis because there is only one competitor within 1 mile of the Target Store. However, on the 1-mile basis, there is no reduction in fascia because the McColl's store is further than a mile away. In addition, the CMA considers that the Parties' stores are not the closest competitors on the basis of distance. Therefore, the merged entity will face sufficient constraints from other remaining competitors post-Merger.

Chelmsford, Essex

63. In the local urban area of Chelmsford, Essex, the Target Store (CM2 0LG) and the McColl's store (CM2 9LG) overlap on a 1-mile radius basis only, as they are 0.93 miles and 7:93 minute drive time away from each other. The Target Store, being the focal store, fails the conservative filter as there are only two competitors within a 5 minute drive time of the Target Store. The closest competitor to the target store is a Tesco Express, and there is also a Marks & Spencer (**M&S**) OSS located within a 5 minute drive of the Target Store. The conservative filter does not fail on a 1 mile radius basis.
64. The filter is only failed on a five minute drive time basis because there are only two competitors within five minutes of the Target Store. However, on the five minute drive time basis, there is no reduction in fascia because the McColl's store is further than five minutes away. In addition, McColl's is unlikely to be the closest competitor to the Target Store as M&S and Tesco

³⁴ The term competitor in the local assessments refers to the competitor fascia listed in Annex 1, unless otherwise indicated.

are located closer to the Target Store. The Target Store will face sufficient constraints from other remaining competitors post-Merger such as the Tesco Express, a significantly larger M&S OSS and, further than five minutes away, but within one mile, a non-target Co-op (0.39 miles away), a Spar (0.8 miles away), a Nisa (0.97 miles away) and a Premier (0.74 miles away). Therefore, the merged entity will face sufficient constraints from other remaining competitors post-Merger.

Irlam, Greater Manchester

65. In the local urban area of Irlam, Greater Manchester, the Target Store (M41 6ND) and the McColl's store (M44 6QE) overlap on a 1-mile radius basis only: the stores are 0.7 miles and 15:14 minutes' drive away from each other. The McColl's store, being the focal store, fails the filter on the conservative drive time basis only, as there are only two competitors within a 5 minute drive time. Located within a 5 minute drive of the Target Store is a non-Target Co-op and a Tesco. The Target Store is a significant drive away from the acquirer store due to the presence of a canal between the Parties' stores with no crossing in the vicinity.
66. The filter is only failed on a five minute drive time basis because there are only two competitors within five minutes of the McColl's store. However, on the five minute drive time basis, there is no reduction in fascia because the Target Store is further than five minutes away. In addition, there is a non-target Co-op (0.2 miles) and Tesco (0.2 miles) very close to the McColl's store and the Parties' stores are very far from each other. Therefore, the merged entity will face sufficient constraints from other remaining competitors post-Merger.

Dronfield, Greater Manchester

67. In the local urban area of Dronfield, Greater Manchester, the Target Store (S8 7JB) and the McColl's store (S18 8YE) overlap on a 1-mile radius basis only. The stores are 0.98 miles and 8:50 minutes' drive from each other. The McColl's store, being the focal store, fails the conservative drive time filter as there are only two competitors within a 5 minute drive time. The conservative filter is not failed on a 1-mile radius basis. Located within a 5 minute drive of the McColl's store is a non-Target Co-op and a Sainsbury's.
68. The filter is only failed on a five minute drive time basis because there are only two competitors within five minutes of the McColl's store. However, on the five minute drive time basis, there is no reduction in fascia because the Target Store is further than five minutes away. In addition, a non-target Co-op and a Sainsbury's are more closely located to the McColl's store compared to

the Target Store. Moreover, the Parties' stores are not geographically close competitors and are separated by a sparsely populated area. Therefore, the CMA considers that the Parties' stores are not close competitors and that there are sufficient competitive constraints post-Merger.

Eastbourne, East Sussex

69. In the local urban area of Eastbourne, East Sussex, the Target Store (BN22 9BU) and the McColl's store (BN22 0UT) overlap on a 1-mile radius basis only, as they are 0.68 miles and 5:50 minutes' drive away from each other. The McColl's store, being the focal store, fails the conservative filter as there are only two competitors within a 5 minute drive of the McColl's store. Located within a 5 minute drive of the McColl's store are a non-Target Co-op and a Tesco. The conservative filter is not failed on a 1 mile radius basis.
70. The filter is only failed on a five minute drive time basis because there are only two competitors within five minutes of the McColl's store. However, on the five minute drive time basis, there is no reduction in fascia because the Target Store is further than five minutes away. In addition, a non-target Co-op and a Tesco are more closely located to the McColl's store. Moreover, the Parties' stores are not the closest competitors based on distance and are separated by railway tracks. Therefore, a customer who drives from the Target Store to the McColl's or vice versa would likely pass the Tesco and non-Target Co-op first. Therefore, the CMA considers that the Parties' stores are not close competitors and that there are sufficient competitive constraints post-Merger.

Hamilton, Strathclyde

71. In the local urban area of Hamilton, Strathclyde, the Target Store (ML3 0NA) and the McColl's store (ML3 9QH) overlap on a 1-mile radius basis, as they are 0.96 miles and 6:50 minutes' drive away from each other. The McColl's store, being the focal store, fails the conservative filter on the basis of drive time as there are only two competitors within a 5 minute drive time. The nearest competitors to the McColl's are a Spar and a Tesco, both within a 5 minute drive time. The conservative filter is not failed on a 1 mile radius basis.
72. The filter is only failed on a five minute drive time basis because there are only two competitors within five minutes of the McColl's store. However, on a five minute drive time basis, there is no reduction in fascia because the Target Store is further than five minutes away. In addition, the McColl's store is closer to a Tesco and a Spar than to the Target Store. The CMA also notes that there are three MSS/OSS, a Morrisons, Sainsbury's and Asda just outside the primary isochrones within a 7 minute drive time from the McColl's

store. Therefore, the merged entity will face sufficient constraints from other remaining competitors post-Merger.

Barnsley, South Yorkshire

73. In the local urban area of Barnsley, South Yorkshire, the Target Store (S70 5SW) and the McColl's store (S70 4SQ) overlap on a drive time basis only, as they are 1.63 miles and a 5 minute drive time from each other.³⁵ The Target Store, being the focal store, fails the conservative filter on the basis of distance as within 1 mile there is only one other competitor. Located within a 5 minute drive of the Target Store are an Asda, a non-target Co-op and a Mace, which are the nearest competitors to the Target Store.
74. The filter is only failed on a 1-mile radius basis because there is only one competitor within 1 mile of the Target Store. However, on the 1-mile basis, there is no reduction in fascia because the McColl's store is further than a mile away. In addition, there are an Asda and a non-target Co-op, which are closer to the Target Store compared to the McColl's store. Therefore, the CMA considers that the Parties' stores are not close competitors and that there are sufficient competitive constraints post-Merger.

Bolton, Lancashire

75. In the local urban area of Bolton, Lancashire, the Target Store (BL5 1ER) and the McColl's store (BL3 3QA) overlap on a drive time basis only, as they are 1.2 miles and 4:36 minutes away from each other. The Target Store, being the focal store, fails the conservative filter on a distance basis as there is only one competitor within 1 mile (a Londis and Premier, which are counted as one fascia).
76. The filter is only failed on a 1-mile radius basis because there is only one competitor within 1 mile of the Target Store. However, on the 1-mile basis, there is no reduction in fascia because the McColl's store is further than a mile away. In addition, there are a Londis (0.1 miles) and a Premier (0.92 miles) located more closely to the Target Store than the McColl's store is. The CMA also notes that the area between the Parties' stores seems to be sparsely populated and internal documents from the Parties³⁶ indicate that the Parties' stores are not close competitors. On the basis of the above, the CMA believes that the Parties' stores are not close competitors and that there are sufficient competitive constraints post-Merger.

³⁵ The Parties estimated the drive time to be 6:33, but this seems to be an overestimation.

³⁶ In the [REDACTED] and [REDACTED].

Glenrothes, Fife

77. In the local area of Glenrothes, Fife, the Target Store (KY7 4TH) and the McColl's store (KY7 4RH) overlap on a 1-mile radius basis only, as they are 0.6 miles and 5:07 minutes away from each other. The Target Store, being the focal store, fails the conservative drive time filter as there are only two competitors within a 5 minute drive time - a Premier and a Spar. The conservative filter is not failed on a 1 mile radius basis.
78. The filter is only failed on a five minute drive time basis because there are only two competitors within five minutes of the Target Store. However, on the five minute drive time basis, there is no reduction in fascia because the McColl's store is further than five minutes away. Therefore, the CMA considers that the Parties' stores are not close competitors and that there are sufficient competitive constraints post-Merger.

Areas with a non-target Co-op remaining post-Merger

79. In twelve of the remaining areas (ie excluding those discussed above), a non-Target Co-op will remain in the 5 minute drive time isochrone and/or 1 mile radius post-Merger.
80. The CMA notes that, as a general consequence of this outcome, there is no reduction in fascia as a result of the Merger. However, on a cautious basis and in line with earlier cases, the CMA has looked at areas in which there would be fewer than three rival fascia to the merged entity post-Merger.
81. No third party raised any concerns as regards any of these areas.
82. As a result and for the reasons set out below, the CMA believes that no competition concerns arise with respect to the catchment areas centred on the focal stores in the following areas: Co-op Plymouth, Devon; McColl's Exeter, Devon; McColl's Chelmsford, Essex; Co-op Exeter, Devon; Co-op Liverpool, Merseyside; Co-op Warrington, Cheshire; McColl's Rainhill, Merseyside; McColl's Bridge of Don, Grampian; Co-op Dronfield, Derbyshire; McColl's Sheffield, South Yorkshire; Co-op Loftus, Cleveland and McColl's Loftus, Cleveland. More detail on the characteristics of these local areas is presented in paragraphs 83 to 104 below.

Plymouth, Devon

83. In the local urban area of Plymouth, Devon, the Target Store (PL1 2LD) and the McColl's store (PL1 1EA) overlap on a 5 minute drive time and 1 mile radius basis, as they are 0.3 miles and 2:50 minutes away from each other.

The Target Store, being the focal store, fails the conservative drive time filter as only two competitors will remain within a 5 minute drive time. Post-Merger, there will be two competitors within a 5 minute drive time from the Target Store, ie a non-Target Co-op and a Tesco, that are the nearest competitors to the Target Store. The conservative filter is not failed on a 1 mile radius basis.

84. There is no reduction in fascia. In addition, the Parties' stores are not the closest competitors based on distance, as a non-Target Co-op and a Tesco are closer to the Target Store than the McColl's store is, and an M&S, another Tesco and a Premier are closer to the McColl's store than the Target Store is.³⁷ Therefore, the CMA considers that the Parties' stores are not close competitors and that there are sufficient competitive constraints post-Merger.

Exeter, Devon

85. In the local urban area of Exeter, Devon, two Target Stores (EX4 3JQ, hereafter **Target Store 1** and EX2 9PN, hereafter **Target Store 2**) overlap with a McColl's store (EX4 1DG) on a 5 minute drive time and a 1-mile radius basis. Target Store 1 is located north of the river Exe and the McColl's is on the south bank with a bridge relatively close by. Target Store 2 is located approximately 1 mile south of the river outside the city centre.

Table 1: Drive time from Target stores

Target Store 1	Distance to McColl's	0.3 miles
	Drive time to McColl's	5:11 minutes
Target Store 2	Distance to McColl's	0.9 miles
	Drive time to McColl's	4:26 minutes

Source: the Parties.

86. The McColl's store, being the focal store, fails the conservative filter as it has only two competitors within a 5 minute drive time. Target Store 2, being the focal store, fails the filter as it has only two competitors within a 5 minute drive time. Target Store 1 passes the filter due to the presence of additional competitors.³⁸
87. The McColl's store will continue to be constrained by a non-target Co-op, an M&S and a Tesco that are all 0.1 mile away. Both stores are closer to the

³⁷ The conservative filter was not failed when centered around the Target Store.

³⁸ Post-Merger, there will be three competitors within 5 minutes drive time from the McColl's store, ie a non-Target Co-op, a M&S and a Tesco, that are the nearest competitors to Target Store 1.

McColl's store than either of the Target Stores is. Therefore, the CMA considers that the Parties' stores are not close competitors and that there are sufficient competitive constraints post-Merger.

88. Target Store 2 will continue to be constrained by a Tesco Express 0.7 miles away and the non-target Coop, also 0.7 miles away. Both stores are closer to the Target Store than the McColl's store is. Therefore, the CMA considers that the Parties' stores are not close competitors and that there are sufficient competitive constraints post-Merger.

Chelmsford, Essex

89. In the local urban area of Chelmsford, Essex, the Target Store (CM2 0LG) and the McColl's store (CM2 9LG) overlap on a 1 mile radius basis only, as they are 0.93 miles and 7:35 minutes away from each other. The McColl's store, being the focal store, fails the conservative distance filter as there are only two competitors within 1 mile of this store. Post-Merger, there will be two competitors within 1 mile from the McColl's store, ie a non-Target Co-op and a Tesco. The conservative filter is not failed on a 5 minute drive time radius basis centred around the McColl's store.
90. The CMA considers that there is no reduction in fascia with a non-Target Co-op next door to the McColl's and a Tesco closer to the McColl's than the Target Store is. In addition, the Parties' stores are not the closest competitors based on distance. Therefore, the merged entity will face sufficient constraints from other remaining competitors post-Merger.

Warrington, Cheshire

91. In the local urban area of Warrington, Cheshire, the Target Store (WA5 2RX) and the McColl's store (WA8 3HS) overlap on a 5 minute drive time, as they are 1.91 miles and 5:00 minutes away from each other. The Target Store, being the focal store, fails the conservative distance and drive time filter as Post-Merger, there will be two competitors within 5 minutes drive time and within a 1 mile radius from the Target Store, ie a non-Target Co-op and a Tesco, that are the nearest competitors to the Target Store.
92. The CMA considers that there is no reduction in fascia with a non-Target Co-op (0.1 miles) and a Tesco (0.5 miles) more closely located to the Target Store than the McColl's is. In addition, the Parties' stores are not the closest competitors based on distance and are located in different settlements, while there are two larger Sainsbury's and Morrison's MSS/OSS 9 minutes away from the Target Store. Therefore, the merged entity will face sufficient constraints from other remaining competitors post-Merger.

Rainhill, Merseyside

93. In the local urban area of Rainhill, Merseyside, the Target Store (L34 5QY) and the McColl's store (L35 8LD) overlap on a five minute drive time basis only, as they are 1.2 miles and 4:30 minutes' drive away from each other. The McColl's store, being the focal store, fails the conservative distance and drive time filter as Post-Merger, there will be two competitors within both five minutes and a 1-mile radius of the McColl's store. These two competitors are a non-Target Co-op and a Londis.
94. The CMA considers that there is no reduction in fascia with a non-Target Co-op close to the McColl's and a Tesco closer to the McColl's than the Target Store is. The CMA also notes that within 1 mile and 5 minutes, there are two additional competitors which are not in the effective competitor set, a Lifestyle Express and Church Terrace News. In addition, there are a Tesco OSS and an M&S Food just outside the five minute drive time radius and very close to the Target Store. Therefore, the merged entity will face sufficient constraints from other remaining competitors post-Merger.

Grampian, Aberdeen

95. In the local urban area of Grampian, Aberdeen, the Target Store (AB24 2UY) and the McColl's store (AB22 8RR) overlap on a 1-mile radius basis only, as they are 1.0 miles and 10:57 minutes' drive away from each other. This relatively long drive time is caused by a river between the Target Store and the McColl's store with no car bridge in the vicinity. This area fails the filter because Post-Merger, there will be only two competitors within a five minute drive time and 1 mile of the McColl's store (focal store), ie a non-Target Co-op (3 minutes, 0.5 miles) and an Asda (5 minutes, 0.6 miles).
96. The CMA considers that there is no reduction in fascia with a non-Target Co-op and an Asda closer to the McColl's than the Target Store is, whereas the Parties' stores in this area are separated by a river. The CMA also notes that within 1 mile and 5 minutes' drive time of the McColl's, there is a ScotMid (0.53 miles). Outside the 1-mile radius of the McColl's, but close to the Target Store, there are a Tesco Express and an Iceland. Therefore, the merged entity will face sufficient constraints from other remaining competitors post-Merger.

Dronfield, Greater Manchester

97. In the local urban area of Dronfield, Greater Manchester, the Target Store (S18 2LJ) overlaps with each of the two McColl's stores (S18 1PD and S18 3AA) on a 5 minute drive time and on a 1 mile basis. The Target Store is 0.7

miles and 5 minutes away from the McColl's Dronfield (S18 1PD) and 0.8 miles and 3 minutes away from the McColl's Coal Aston (S18 3AA). The Target Store fails the conservative distance filter as there are only two other competitors within 1 mile. Four competitors remain within a 5 minute drive time of the Target Store.

98. The CMA considers that the Target Store will remain constrained by a non-target Co-op (there will be no reduction in fascia) which is 1 minute from the Target Store. In addition, there is a Sainsbury's MSS 0.7 miles from the Target Store. Therefore, the merged entity will face sufficient constraints from other remaining competitors post-Merger.
99. One of the McColl's stores also fails the filter (S18 1PD). This store fails based on both conservative measures as there are only two competitors within 5 minutes and 1 mile of the McColl's store. Again, the CMA considers that this store will remain constrained by another non-target Co-op (operated by the Central England Co-op) which is next door to the McColl's. In addition, the McColl's store will be constrained by the Sainsbury's MSS, 0.3 miles away. Therefore, the merged entity will face sufficient constraints from other remaining competitors post-Merger.

Loftus, North Yorkshire

100. In the local rural area of Loftus, North Yorkshire, the Target Store (TS13 4PP) and the McColl's store (TS13 4RF) overlap on a 5 minute drive time and on a 1-mile basis, as they are 0.1 miles and 0:11 minutes away from each other. Post-Merger, there will be one competitor within a 5 minute drive time and one competitor within a 1-mile radius of both the Target Store and the McColl's. Therefore, both the Target Store and McColl's store fail the conservative filter on both a distance and drive time basis. The single remaining competitor within 5 minutes/1 mile is a non-Target Co-op.
101. No third party raised any concerns as regards this area.
102. There is no reduction in fascia as a non-Target Co-op will remain within 5 minutes and 1 mile of both the Target Store and McColl's store. The CMA also notes that within 1 mile and 5 minutes, there are three competitors which are not in the effective competitor set; a Lifestyle Express, the West End Store and Post Office and the Carlin How Mini Market. However, these stores are small compared to some of the Parties' stores and the CMA has not been able to identify any evidence indicating that they will be able to exert a significant competitive constraint on the merged entity.

103. However, McColl's currently operates a small convenience store (CST) with a sales area of [0–100] sqm. Pre-merger, this store may pose only a limited constraint on the two Co-op stores, located next to it. This is because these two Co-op stores (which are currently under common ownership) are significantly larger: the Target has a net sales area of [200–300] sqm and the non-target Co-op [200–300] sqm. By McColl's acquiring one of these larger stores, the Merger creates two almost equally sized stores competing with each other and therefore may result in more competition between Co-op and McColl's. The remaining Co-op is larger than the Target Store and has a similar product offering plus an in-store bakery and parking spaces. Therefore, the merged entity will face sufficient constraints from the remaining non-Target Co-op post-Merger.
104. As a result, the CMA believes that no competition concerns arise with respect to the local area of Loftus.

Areas in which the conservative filter only failed with regard to one of the distance parameters

105. In two of the remaining areas not considered above, the conservative filter is only failed with regard to one of the two distance parameters.
106. No third party raised any concerns as regards this area.
107. For the reason set out below, the CMA believes that no competition concerns arise with respect to the catchment areas centred on the focal stores in the following areas: McColl's St. Helens, Merseyside and McColl's Whitehaven, Cumbria. More detail on the characteristics of these local areas is presented in paragraphs 108 to 127 below.

St Helens

108. In the local urban area of St Helens, the Target Store (WA9 3TX) and the McColl's store (WA9 4BZ) overlap on a 1 mile basis only, as they are 1.00 mile and 5:29 minutes' drive away from each other. The conservative filter fails on the basis of distance because the Merger will lead to a reduction in the number of competitors from three to two within 1 mile from the McColl's store, ie a Tesco. The Tesco is located next to the Target Store.
109. The area fails only one of the conservative filters. In addition, there is a Tesco next to the McColl's store and the Parties' stores overlap only on the upper limit of the 1 mile distance measure (they are 1 mile from one another). The Parties' stores are also located in different directions from the railway station.

Therefore, it is likely that commuters will only pass either the Target Store or the McColl's.

110. Therefore, the CMA considers that the Parties' stores are not close competitors and that there are sufficient competitive constraints post-Merger.

Whitehaven, Cumbria

111. In the local urban area of Whitehaven, Cumbria, the Target Store (CA28 9PY) and the McColl's store (CA28 9JH) overlap on a 1 mile basis only, as they are a 0.73 mile and 7:33 minutes' drive away from each other. The conservative filter is failed on a 1-mile radius because the Merger will lead to a three to two reduction in competitors within 1 mile from the McColl's. The remaining competitors are a Premier and an Asda.
112. The area fails only one of the conservative filters, ie the 1-mile radius. The Parties' stores are located in different settlements with very few houses midway between the stores. Therefore, customers will most likely use their car to get from the Target Store to the McColl's or vice versa. There are several competitors within a 5 minute drive time of the McColl's store: two Premiers and three stores next to each other located on the B5345 (an Asda, Iceland and Aldi). All three stores are closer on the basis of drive time distance to the McColl's store than the Target Store is (4 minutes).
113. On the basis of the above, the CMA believes that the Parties' stores are not close competitors and that there are sufficient competitive constraints post-Merger.

Remaining areas

Trowbridge, Wiltshire

114. In the local urban area of Trowbridge, Wiltshire, the Target Store (BA14 0NS) and the McColl's store (BA14 8AL) overlap on a 1 mile and 5-minute drive time basis, as they are 0.5 mile and 2:19 minutes' drive away from each other. The conservative filter is failed on the basis of drive time because the Merger will lead to a three to two reduction in competitors within 5 minute drive time from the Target Store, ie a Tesco and an Asda. The conservative filter is not failed on a 1-mile radius.
115. No third party raised any concerns as regards this area.
116. The area fails only one of the conservative filters. In addition, the Tesco and Asda (0.3 miles) are closer to the Target Store. Outside the five-minute drive

time isochrone but within a 1-mile radius, there are a Sainsbury's (0.8 miles, large store), a non-target Co-op (0.9 miles) and a Premier (0.7 miles).

117. On the basis of the above, the CMA believes that the Parties' stores are not close competitors and that there are sufficient competitive constraints post-Merger.

Newton Aycliffe, Durham

118. In the local urban area of Newton Aycliffe, Durham, the Target Store (DL5 5DH) overlaps with four McColl's stores.

Table 2: Drive time and distance between Target and McColl's stores

Store	Postal code	Drive time from Target	Distance from Target in miles
Target Co-op	DL5 5DH	0	0
McColl's 1	DL5 4BW	00:04:09	0.61
McColl's 2	DL5 5HH	00:05:10	0.47
McColl's 3	DL5 7AT	00:05:39	0.80
McColl's 4	DL5 7PA	00:06:22	0.98

Source: the Parties

119. One third party customer raised concerns as regards this area, stating that there would be no effective competition post-Merger, having regard to the number of McColl's stores present in that area.
120. When centering around the Target Store, the conservative distance and drive time filter failed, as within 5 minutes and 1 mile only a Tesco will remain. The McColl's 2 also fails the conservative distance and drive time filter for the same reason. The McColl's 1 also fails the conservative distance and drive time filter as within 1 mile only a Tesco remains, and within a 5 minute drive time only two competitors remain: the Tesco and a Sainsbury's. McColl's 3 and 4 pass the filters.
121. The CMA considers that all four McColl's stores are relatively far away from the Target Store and are located in different residential areas. The Tesco OSS is located next to Central Avenue, one of the principal traffic arteries of Newton Aycliffe, and is a 2 minutes drive time and 0.4 miles away from the Target Store and approximately the same distance away from McColl's 1 and 2. In addition, the Tesco has a wide range of grocery products and evidence from the Parties shows that the Tesco can cater for a typical convenience

shop mission with an everyday items corner, such as sandwiches and newspapers next to the entrance with approximately ten self-service tills. Therefore, the CMA believes that Tesco will be a closer competitive constraint to each of the Parties' stores than the other Party. Located next to the Tesco is a relatively large Aldi MSS (600 sqm), which is not included in the effective competitor set, but may still provide some additional constraint on the smaller McColl's convenience stores.

122. On the basis of the above, the CMA believes that no competition concerns arise with respect to the local area of Newton Aycliffe because.

Ellon, Aberdeenshire

123. In the local urban area of Ellon, Aberdeenshire, the Target Store (AB41 9BQ) and the McColl's store (AB41 9AA) overlap on a 1 mile and a 5-minute drive time basis, as they are 0.4 miles and 2:59 minutes' drive away from each other. The Target Store is located south of the river Ythan that runs through Ellon, whereas the McColl's is located north of the river. The conservative filter only fails on drive time when centered around the Target Store. The Merger will lead to a three to two reduction in competitors within a 5 minute drive time from the Target Store, with a Costcutter and a Spar remaining post-Merger.
124. The CMA considers that the area fails only one of the conservative filters. In addition, the Costcutter (4 minutes, 0.6 miles) and Spar (5 minutes, 0.3 miles) are approximately an equal distance from the Target Store. As regards store size, the Costcutter has a comparable size to the Target Store as opposed to the relatively small McColl's.³⁹ There is also an Aldi located very close to the McColl's. Outside the five-minute drive time isochrone but within a 1-mile radius, there is a non-target Co-op (7 minutes, 0.7 miles). Outside the five-minute drive time and 1 mile radius is a Tesco OSS (6 minutes, 1.5 miles).
125. Further, CGL submitted a map showing the areas in which 50% (which it defined as the 'primary catchment area') and 80% of CGL members shop at a particular store, live. The CMA considers that there are certain limitations to using these maps as evidence of the areas from which those stores draw customers.⁴⁰ Nonetheless, the catchment area indicates that [✂]. The CMA

³⁹ The Target Store has a net sales area of [100–200] square meters and the Costcutter has a net sales area of 232 square meters. The McColl's has a net sales area of [0–100] square meters.

⁴⁰ In particular, the catchment area maps only reflect the location of customers that are CGL members. For the CGL store in Ellon, CGL submitted that the spend of these members accounts for a [10–20]% of the total store revenues.

considers that this implies that the Target Store is not particularly constrained by the convenience stores [☒], among which the McColl's store.

126. Two customers raised concerns with regard to this area. The CMA notes that one of these complaints incorrectly assumes that both Co-op stores, ie the Target Store and non-Target store, will be sold to McColl's. The other complaint indicated that the Merger will lead to a poorer selection of products.
127. The CMA notes the complaints, but, having regard to the competitive constraints detailed above, the Costcutter, Aldi, Spar, the non-Target Co-op and the Tesco OSS, it does not believe that competition concerns will arise as a result of the Merger.

Conclusion on horizontal unilateral effects

128. As set out above, the CMA believes that in all of the areas that did not pass the filtering analysis, there are sufficient competitive constraints remaining. Accordingly, the CMA found that the Merger does not give rise to a realistic prospect of an SLC as a result of horizontal unilateral effects through the loss of competition in the retail supply of groceries between McColl's and Co-op in the local areas discussed above.

Barriers to entry and expansion

129. Entry, or 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. In assessing whether entry or expansion might prevent a SLC, the CMA considers whether such entry or expansion would be timely, likely and sufficient.⁴¹
130. McColl's has not put forward any evidence regarding new entry or expansion in any of the local areas under review. Further, the CMA has not received any evidence from third parties in this regard. The CMA therefore has no grounds for believing that entry or expansion would be timely, likely or sufficient to prevent a realistic prospect of an SLC as a result of the Merger.
131. However, 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.

⁴¹ [Merger Assessment Guidelines](#), from paragraph 5.8.1.

Third party views

132. In the period of 4 November to 11 November 2016, an invitation to comment on the Merger was brought to the attention of customers of the Parties by way of a signpost in 25 of the Parties' stores.⁴² Several customers raised concerns regarding the acquisition of the Co-op grocery stores in Ellon, Torquay and Newton Aycliffe.⁴³
133. The CMA also contacted competitors of the Parties, many of which responded. None of these third parties raised concerns about the Merger.
134. Third party comments have been taken into account where appropriate in the competitive assessment above.

Decision

135. Consequently, the CMA does not believe that it is or may be the case that the Merger may be expected to result in a substantial lessening of competition within a market or markets in the United Kingdom.
136. The Merger will therefore **not be referred** under section 33(1) of the Act.

Stephanie Canet
Director, Mergers
Competition and Markets Authority
20 December 2016

ⁱ Paragraph 44: The description in this sentence reflects the situation at the moment of the decision quoted in this sentence. CGL subsequently submitted that the wholesale agreement between the different Co-operatives has been changed and that the description as to the diverse links does not reflect the current situation between the different Co-operatives.

ⁱⁱ Paragraph 46: The first sentence of this paragraph should read as follows: 'The CMA acknowledges that the features of the wholesale relationship between Nisa and McColl's appear not to be materially different from other conventional wholesale agreements.'

⁴² At that moment, those stores were considered to potentially raise competition concerns.

⁴³ Subsequently, it became clear that Torquay did not fail the filtering analysis. It is therefore not discussed in this decision.

Annex 1: Effective competitor set fascia

Stores

- Asda
- Booths
- Budgens
- CK Supermarkets
- Co-operative societies (not CGL)
- Dunnes
- Harry Tuffins
- Longs
- Marks & Spencer
- Morrison
- Proudfoot
- Roys
- Sainsbury's
- Tesco
- Waitrose
- Whole Foods

Symbol Groups

- Nisa-Todays
- P&H Retail
- Select & Save
- Centra

- Best-One
- Spar
- VG/Vivo
- Premier
- Londis
- Costcutter
- Key Store/Key Shop

Annex 2: Stores that did not pass the filter and are within 1mile and/or five minute drive time

	Focal store	Postcode	Basis of overlap (1m distance / 5m drivetime)	Reason for failing (1m distance / 5min drivetime)	Number of remaining competitors from the effective competitor list on measure on which it failed	Is one of the remaining competitors (on failing measure) a Co-op? I.e. no reduction in fascia	Fails on the overlap?
1.	Co-op Trowbridge, Wiltshire	BA14 0NS	Both	Drive time	1	No	Yes
2.	Co-op Bolton, Lancashire	BL5 1ER	Drive time	Distance	1	No	No
3.	Co-op Newton Aycliffe, County Durham	DL5 5DH	Both	Both	1	No	Yes
4.	McColl's Newton Aycliffe, County Durham	DL5 5HH	Distance	Both	1	No	Yes
5.	Co-op Lochgilphead, Argyll	PA30 8DX	Drive time	Distance	1	No	No
6.	Co-op Barnsley, South Yorkshire ⁴⁴	S70 5SW	Drive time	Distance	1	No	No
7.	Co-op Loftus, Cleveland	TS13 4PP	Both	Both	1	Yes	Yes
8.	McColl's Loftus, Cleveland	TS13 4RF	Both	Both	1	Yes	Yes
9.	McColl's St. Helens, Merseyside	WA9 4BZ	Distance	Distance	1	No	Yes
10.	McColl's Bridge of Don, Grampian	AB22 8RR	Distance	Both	2	Yes	Yes
11.	Co-op Ellon, Aberdeenshire	AB41 9BQ	Both	Drive time	2	No	Yes
12.	McColl's Eastbourne, East Sussex	BN22 0UT	Distance	Drive time	2	Yes	No
13.	McColl's Whitehaven, Cumbria	CA28 9JH	Distance	Distance	2	No	Yes
14.	Co-op Chelmsford, Essex	CM2 0LG	Distance	Drive time	2	No	No
15.	McColl's Chelmsford, Essex	CM2 9LG	Distance	Distance	2	Yes	Yes

⁴⁴ CMA estimates of drive times are smaller than the Parties' estimates, putting the Parties within one another's primary isochrones and the filter is failed

16.	McColl's Newton Aycliffe, County Durham	DL5 4BW	Both	Both	2	No	Yes
17.	Co-op Exeter, Devon ⁴⁵	EX2 9PN	Both	Drive time	2	Yes	Yes
18.	McColl's Exeter, Devon	EX4 1DG	Both	Drive time	2	Yes	Yes
19.	Co-op Finglassie, Fife	KY7 4TH	Distance	Drive time	2	No	No
20.	McColl's Rainhill, Merseyside	L35 8LD	Drive time	Both	2	Yes	Yes
21.	McColl's Irlam, Greater Manchester	M44 6QE	Distance	Drive time	2	Yes	No
22.	McColl's Hamilton, Strathclyde ⁴⁶	ML3 9QH	Distance	Drive time	2	No	No
23.	Co-op Plymouth, Devon	PL1 2LD	Both	Drive time	2	Yes	Yes
24.	McColl's Sheffield, South Yorkshire	S18 1PD	Distance	Both	2	Yes	Yes
25.	Co-op Dronfield, Derbyshire	S18 2LJ	Both	Distance	2	Yes	Yes
26.	McColl's Barnes Lane, Dronfield	S18 8YE	Distance	Drive time	2	Yes	No
27.	Co-op Warrington, Cheshire ⁴⁷	WA5 2RX	Distance	Both	2	Yes	Yes

Source: CMA analysis of data provided by the Parties

⁴⁵ CMA estimates of drive time to a competitor is longer than the Parties' estimate causing this store to fail the filter

⁴⁶ CMA estimates of drive time to a competitor is longer than the Parties' estimate causing this store to fail the filter

⁴⁷ CMA estimates of drive times are smaller than the Parties' estimates, putting the Parties within one another's primary isochrones and the filter is failed

Annex 3: Stores that did not pass the filter and overlap on a maximum reach basis

	Target	McColl's	Address	Time	Distance	Number of competitors remaining on distance basis	Number of competitors remaining on drive time basis
1.	AB12 4NW	AB12 5SD	Kincorth Gardner Drive	00:09:49	3.7	2	3
2.	AL3 6DL	AL4 9RB	Marshalswick The Quadrant	00:07:05	1.45	2	2
3.	BB9 5NS	BB8 9ET	Colne Glenroy Avenue	00:08:30	3.78	2	2
4.	BD4 9RY	BD12 0AD	Bradford Huddersfield Road	00:09:24	2.54	2	2
5.	CA1 3LA	CA2 4RR	Carlisle Blackwell Road	00:08:29	1.17	2	5
6.	CA14 5SZ	CA14 5PT	Harrington Church Road	00:06:11	1.55	0	1
7.	CW12 2BA	CW12 4NB	Congleton West Heath	00:08:22	1.92	2	3
8.	CW9 8QN	CW9 8BQ	Northwich 45 Clifton Drive	00:09:36	1.65	1	1
9.	DH7 7AA	DH1 4SG	Durham Bus Station	00:07:14	2	2	3
10.	DL17 0QQ	DL5 7PA	Newton Aycliffe Parsons Centre	00:09:50	2.65	1	2
11.	FY3 0DB	FY3 9SE	Blackpool Preston Old Road	00:07:50	1.43	2	3
12.	HD8 0HJ	HD8 8HN	Shelley 2A Westerley Way	00:09:36	2.34	2	4
13.	KA3 2RZ	KA3 5BY	Stewarton Lainshaw Street	00:05:13	2.9	1	1
14.	KY1 4AG	KY7 4RH	Fife Glamis Centre	00:07:25	1.31	1	1
15.	KY5 0XA	KY6 1PA	Glenrothes Glenwood Court	00:08:06	2.24	1	1
16.	L15 7JU	L16 8NR	Liverpool Childwall Abbey Rd	00:07:00	1.01	4	2
17.	L35 3PA	L35 8LD	Rainhill Warrington Road	00:07:07	1.2	1	2
18.	LL12 0SA	LL12 7TF	Borras, Hillcrest Shops	00:09:10	2.58	1	1
19.	ML11 8QD	ML11 7JR	Lanark Bannatyne Street	00:09:59	3.62	0	1
20.	PR26 9RJ	PR26 7SN	Leyland Mosside Village Ctr	00:07:44	2.53	1	1
21.	S26 4WB	S13 7JX	Sheffield Woodhouse	00:09:55	2.52	2	3

22.	S26 7YH	S43 4JN	Clowne Mill Street	00:08:56	3.3	0	1
23.	S66 2HB	S60 2QU	Rotherham Broom Valley Rd	00:09:06	2.38	2	3
24.	S70 5SW	S70 4SQ	Barnsley 73 High Street	00:06:33	1.63	1	3
25.	S72 0DB	WF9 3DT	South Kirby Mill Lane	00:08:08	2.64	0	4
26.	SN13 8NQ	SN13 0EG	Corsham Kings Avenue	00:07:57	3.05	1	1
27.	ST7 1PY	ST5 2TW	Newcastle-U-Lyme Drayton St	00:09:39	4.33	1	3
28.	ST7 3HF	CW12 4NB	Congleton West Heath	00:07:52	4	0	2
29.	TS12 2PA	TS13 4RF	Loftus Cleveland	00:06:04	2.11	1	2
30.	TS24 0LP	TS26 8PE	Hartlepool Murray Street	00:08:58	1.53	0	3
31.	WA5 2RX	WA8 3HS	Widnes Chorley Lane	00:06:06	1.91	2	2
32.	WN4 0BS	WN3 6RN	Wigan 18 Clapgate Lane	00:05:42	1.6	0	2

Source: CMA analysis of data provided by the Parties