

# Anticipated acquisition by Mole Valley Farmers Limited of the retail business of Countrywide Farmers plc

## Decision on relevant merger situation and substantial lessening of competition

The CMA’s decision on reference under section 33(1) of the Enterprise Act 2002 given on 21 February 2018. Full text of the decision published on 9 March 2018.

**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. This decision relates to the proposed purchase by Mole Valley Farmers Limited (**Mole Valley**) of the retail business (**the Retail Business**) of Countrywide Farmers plc (**Countrywide**) (**the Merger**). Mole Valley and Countrywide (including Countrywide's Retail Business unless specifically stated) are together referred to as the **Parties**.

### *The Parties*

2. The Parties each operate country stores in rural areas (country stores). Country stores typically offer a wide range of products, supported by in-store staff able to offer specific (agricultural) expertise, to customers such as farmers, agricultural contractors and domestic customers. The retail offering of a country store is typically very extensive, including a wide range of products such as animal feed, clothing, pet food and gardening tools. Country stores also provide an outlet for the sale of large-scale supplies of agricultural products, such as fertiliser or fencing, which are often procured in larger quantities by professional farmers or contractors (and delivered to the customer's desired location).
3. The Parties are the two largest operators of retail country stores in the UK, operating a combined total of 99 stores, primarily located across the South and West of England.

### *The Merger*

4. On April 2017, Countrywide announced its intention to sell Countrywide's Retail Business, to enable the company to focus on its remaining businesses. Following a prolonged sales process, the Parties entered into a sale and purchase agreement for Countrywide's Retail Business on 21 October 2017.
5. For Countrywide, the sale to Mole Valley was intended to ensure that Countrywide obtained 'maximum value' for the business. For Mole Valley, the Merger was intended to provide an opportunity to 'expand into new geographic areas' and to 'share the group costs of a large business'. Certain Mole Valley internal documents also indicated that the Merger would help to 'protect and strengthen' its core business territory from 'future competitor activity diluting and undermining' [sic].
6. The Competition and Markets Authority (**CMA**) believes that arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation.

### *Frame of reference*

7. For the purposes of its competition assessment, the CMA has analysed the retail aspects of country store businesses (country store retail) separately from the supply of bulk agricultural products (supply of bulk agricultural products). This is primarily because there are material differences in the way that the two different types of products are sold (eg there is much greater scope for the individual negotiation of pricing for bulk agricultural products) and because competition takes place over a broader geographic area for the supply of bulk agricultural products. In addition, some of the Parties' country stores focus more heavily on the supply of bulk agricultural products (and, in some cases, do not have retail operations at all).
8. For country store retail, the Parties submitted that the CMA should analyse competition within the individual categories of products sold by the Parties' country stores (rather than assessing competition between country stores).
9. However, while the Parties, similarly as in the case for country store retail, clearly face some competition from retailers that sell narrower categories of products (eg pet shops, DIY stores, garden centres etc.), the available evidence shows that the Parties' compete most closely against other country stores. In particular, the Parties' internal documents and their price matching and tracking data consistently focus on other country stores. The Parties place considerable commercial emphasis on the range of products that they offer in store and their ability to offer expert advice. The Parties' competitors also told the CMA that they considered that a 'department store' approach, supplying a wide range of product categories, was an important element in their ability to compete with the Parties.
10. Consistently with its established approach in Phase 1 investigations, the CMA has therefore assessed the Merger within a frame of reference for country store retailers. The Merger's impact has been assessed within catchment areas based on a 30-minute drive-time around the Parties' stores. Where relevant, the constraint imposed by suppliers of individual categories of products has been taken into account within the CMA's competitive assessment.
11. For the supply of bulk agricultural products, the Parties submitted that the CMA should analyse competition within each individual category of bulk agricultural products supplied by the Parties.
12. However, while the Parties again clearly face some competition from suppliers that sell narrower categories of products, the available evidence (in particular the Parties' internal documents and price matching and monitoring data) shows that the Parties' bulk agricultural businesses also compete most closely against other country stores. The Parties submitted that they also face competition from suppliers without local stores, which seek to win business through local customer representatives, as well as the manufacturers of the bulk products,

which are able to sell directly to customers. The CMA's investigation found, however, that suppliers with physical stores in a given local area can have a competitive advantage over suppliers without such premises (in particular in relation to fulfilling short-notice customer needs).

13. Consistent with its established approach in Phase 1 investigations, the CMA has assessed the Merger within a frame of reference for the supply of bulk agricultural products, including competitors that supply a similar range of products to the Parties and have a store within the local area in question. The Merger's impact has been assessed within catchment areas based on a 45-minute drive-time around the Parties' stores. Where relevant, the constraint imposed by suppliers that sell narrower categories of product and/or that do not possess local premises has been taken into account within the CMA's competitive assessment.

#### *Counterfactual*

14. The CMA assesses a merger's impact relative to the situation that would prevail absent the merger (ie the counterfactual). In this case, Countrywide submitted that Countrywide's Retail Business met the conditions for an exiting firm counterfactual and, absent the Merger, it was inevitable that Countrywide's Retail Business would have exited the relevant markets [✂].
15. However, based on the available evidence, the CMA does not believe that an exiting firm counterfactual has been established to the required legal standard in a phase 1 investigation. In particular:
  - (a) The available evidence in relation to whether the target would have inevitably exited the market is mixed (in particular because Countrywide's Retail Business, while facing material commercial challenges, was considered to be 'well positioned for growth' by Countrywide and signed off as a going concern in April 2017).
  - (b) In any case, the CMA also considers that there were alternative, less anti-competitive purchasers for Countrywide's Retail Business than Mole Valley.
  - (c) Finally, if Countrywide's Retail Business had exited the market, the resulting dispersion of its sales to its competitors (which Countrywide has suggested would have been the most likely outcome) would likely have been a less anti-competitive outcome than Mole Valley's acquisition of Countrywide's Retail Business (as a result of which all of Countrywide's Retail Business' sales would have transferred to Mole Valley).
16. The CMA has therefore assessed the impact of the Merger against the prevailing conditions of competition (ie the competitive situation had Countrywide continued to compete within the relevant markets).

## *Competitive Assessment*

17. Across both frames of reference, and particularly within country store retail, the available evidence consistently underlines that the Parties are close competitors. The Parties are the two largest operators of retail country stores in the UK. Their store portfolios are located closer to each other than any other chain of country stores. The Parties closely monitor each other's business strategy, pricing and expansion plans and target similar customer groups.
18. The CMA assessed the impact of a loss of the competitive constraint exercised by Countrywide on Mole Valley in country store retail and the supply of bulk agricultural products.
19. For country store retail, the available evidence indicates that the Parties are close (and, typically, the closest) competitors across a large number of local areas. Within these areas, the Parties typically face few effective competitors in country store retail, in particular because few other suppliers are able to match the range offered by the Parties or the scale of their stores.
20. Consistently with its established approach in phase 1 investigations,<sup>1</sup> the CMA identified *prima facie* competition concerns in 25 local areas in which there would be three or fewer country store competitors to the Parties post-Merger. Within these areas, the CMA considers that the constraint provided by the remaining competitors, in combination with that provided by retailers that sell narrower categories of product, would not be sufficient to constrain the Parties post-Merger, which could result in price increases or a reduction in the quality of the of the products and services offered.
21. The CMA therefore believes that it is or may be the case that the Merger may be expected to result in a substantial lessening of competition (**SLC**) as a result of horizontal unilateral effects in relation to country store retail in the catchment areas of 25 Countrywide stores and their overlapping Mole Valley stores.<sup>2</sup>
22. For the supply of bulk agricultural products, the available evidence indicates that the Parties are close competitors across a large number of local areas. Within these areas, the Parties typically face few effective competitors, in particular because few other suppliers are able to match the range offered by the Parties or the extent of their store networks. There are also more overlaps between the Parties within the supply of bulk agricultural products, as

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<sup>1</sup> [Retail mergers commentary](#), (CMA62) 10 April 2017, paragraph 3.35.

<sup>2</sup> As noted in paragraph 2 above, country stores typically provide a base for the Parties' retail operations and for the supply of bulk agricultural products. The Merger raises the realistic prospect of an SLC in 45 local areas in total. Competition concerns in relation to the supply of bulk agricultural products arise in all 45 local areas. Competition concerns in relation to country store retail arise in relation to 25 of those 45 local areas.

compared to country store retail, mainly because of the broader catchment areas.

23. Recognising the more limited competitive interaction between the Parties within this frame of reference, and the availability of alternative supply options beyond country stores with local outlets, the CMA considered that competition concerns would only be likely to arise where there would be two or fewer country store competitors to the Parties post-Merger. On this basis, the CMA identified *prima facie* competition concerns in 45 local areas in which. Within these areas, the CMA considers that the constraint provided by the remaining competitors, in combination with that provided by retailers that sell narrower categories of product and/or that do not possess local premises, would not be sufficient to constrain the Parties post-Merger, which could result in price increases or a reduction in the quality of the products or services offered.
24. The CMA therefore believes that it is or may be the case that the Merger may be expected to result in an SLC as a result of horizontal unilateral effects in relation to the supply of bulk agricultural products in the catchment areas of 45 Countrywide stores and their overlapping Mole Valley stores.
25. If submitted by the Parties, the CMA will consider whether to accept undertakings under section 73 of the Enterprise Act 2002 (**the Act**). The Parties have until 28 February 2018 to offer an undertaking to the CMA that might be accepted by the CMA. If no such undertaking is offered, then the CMA will refer the Merger pursuant to sections 33(1) and 34ZA(2) of the Act.

## **ASSESSMENT**

### **Parties**

26. Mole Valley is a farmer-shareholder owned organization run on cooperative principles. It supplies a wide range of goods and services to different types of customers, including farmers, rural-dwellers and small stockholders through a network of 55 country stores primarily located in the North East, East, South and South West of England and Wales. The turnover of Mole Valley in financial year (FY) 16/17 was approximately £464 million, all of which was achieved in the UK.
27. Countrywide is a public limited company. Its Retail Business supplies a similar range of goods and services (to similar customers) as the Mole Valley business through a network of 48 country stores located in rural settings primarily in the Midlands, South and South West of England. The turnover of Countrywide in FY15/16 was approximately £134 million, all of which was achieved in the UK. The turnover of Countrywide's Retail Business in FY15/16 in the UK was around £116 million.

## Transaction

28. On 21 October 2017, Mole Valley agreed to acquire Countrywide's Retail Business subject to some pre-closing conditions, including UK merger control clearance.
29. The Parties informed the CMA that the Merger is not the subject of review by competition authorities other than the CMA.

## Procedure

30. The Parties submitted a Case team allocation form on 9 October 2018. The Parties and the CMA engaged in extensive discussions, in particular in telephone conferences on 20 October 2017, 30 November 2017, 20 December 2017 and 3 January 2018, in which the CMA highlighted (and the Parties acknowledged) the procedural and substantive complexity of this case.
31. On 3 January 2018, the CMA gave notice that it would formally launch its review of this case, on the basis that it had gathered 'sufficient information in relation to [the Merger] to enable it to begin a [merger] investigation.'<sup>3</sup> The Parties had not, by that point, provided a complete Merger Notice (which normally forms a key part of the information that the CMA requires to consider that it has sufficient information to begin its investigation). The CMA nevertheless formally launched its review in order to manage proceedings as efficiently and effectively as possible.
32. Absent a complete Merger Notice, this decision is informed by the CMA's own market research, two draft Merger Notices submitted on 22 November 2017 and 5 January 2018, considerable information submitted by the Parties in response to multiple requests for information (including extensive internal documents) and third party views. It is also informed by the legal and practical framework of a phase 1 investigation (which provides less scope for evidence gathering and analysis than an in-depth phase 2 investigation).
33. The Merger was considered at a Case Review Meeting on 13 February 2018.<sup>4</sup>

## Jurisdiction

34. As a result of the Merger, the enterprises of Mole Valley and Countrywide's Retail Business will cease to be distinct.

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<sup>3</sup> See [Commencement Notice of 3 January, first paragraph](#).

<sup>4</sup> See [Mergers: Guidance on the CMA's jurisdiction and procedure](#) (CMA2), January 2014, paragraphs 7.34 and *ff*

35. The UK turnover of Countrywide's Retail Business exceeds £70 million, so the turnover test in section 23(1)(b) of the Act is satisfied.
36. 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.
37. The initial period for consideration of the Merger under section 34ZA(3) of the Act started on 4 January 2018 and the statutory 40 working day deadline for a decision is therefore 28 February 2018.

## **Frame of reference**

38. 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 merging 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.<sup>5</sup>

## ***Overlap between the Parties***

39. Mole Valley and Countrywide run multiple country stores located in rural settings. At the retail level, their stores supply a wide range of product categories including agricultural consumables (such as animal bedding), animal feed, animal health products, clothing, equestrian products, farm infrastructure materials (such as fencing and water troughs), footwear, gardening products, groceries, heating products, pet food, shooting products and tools. Mole Valley's country stores are concentrated in the North East, East, South and South West of England and Wales, while Countrywide's Retail Business's stores are concentrated in the Midlands, South and South West of England.
40. The product categories in which each store generates most of its revenues vary depending on the demographics and agricultural characteristics of each local area. For example, some stores may be more focused on equine products, while others might sell greater volumes of products relating to a particular type of farming production (such as dairy, beef, arable land, etc.). Nevertheless, both Parties' stores are known for supplying a large range of different types of products from a single location.

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<sup>5</sup> [Merger Assessment Guidelines](#), paragraph 5.2.2.



41. The retail and agricultural products that are sold in the Parties' stores can also be purchased in several other types of outlets. For example, certain retail product lines are sold by outlets such as convenience stores, supermarkets, clothing stores and shoe shops. Certain trade or agricultural-focussed products sold by the Parties might also be sold by building merchants (eg for timber and hand tools) and products such as animal feeds, fertiliser and agricultural machinery are also sold by manufacturers, distributors or specialist retailers.
42. In some cases, there may be material differences between the offerings provided at a country store, such as those operated by the Parties and other types of retailer. For example, packaging sizes can differ (eg where a product is targeted at 'working animals' rather than domestic pets),<sup>6</sup> and a greater degree of expertise (in particular agricultural know-how) might be provided in a country store as compared to another type of retailer.
43. According to internal documents from Countrywide, and views from competitors, Countrywide has, since 2016, sought to depart from its agricultural origins and to focus on the retail side of its commercial offering. Notwithstanding this change in its positioning (which Countrywide sought to emphasise at the Issues Meeting), the evidence available to the CMA clearly indicates that it remains focussed on both its retail offering and the supply of agricultural products to customers such as farmers, farming contractors and small stockholders. Consistent with this position, the CMA notes that while the proportion of revenues by product types varies substantially from store to store, the revenues allocated to 'agricultural products' still represent a [X] proportion (often over [X]% and, on occasions, reaching [X]%) of the overall revenues of many Countrywide stores.
44. The Parties also have networks of sales representatives which market and negotiate their sales, often of large products, and their sales of large volumes of smaller products, to trade customers, such as farmers and farming contractors.

### **Product scope**

#### *Potential segmentation between retail operations and supply of bulk agricultural products*

45. The Parties submitted that the CMA should distinguish between their agricultural and retail sales, on the basis that this would properly reflect the substantially different purchasing behaviours of their trade and non-trade

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<sup>6</sup> For example, pet food is available from multiple different types of stores (including online suppliers). However, the size of the packaging available in different stores may vary substantially. A third party competitor told the CMA that country stores might stock pet food in larger sizes than supermarkets or convenience stores because they are aiming at 'working animals'.

customers and the internal structures of their businesses. The Parties also submitted that their businesses could be considered to comprise (i) products intended almost exclusively for use on farms, often sold in large volumes, and mostly delivered directly to farms, (ii) products aimed principally at non-trade consumers and (iii) products of interest to both trade customers and non-trade consumers.

46. Based on the available evidence, the CMA considers that the Parties' supply of bulk agricultural products (including the supply of 'bulky' products and the supply of smaller products in bulk) should be analysed separately from the retail side of their respective country store businesses, in particular because:

- (a) There is greatly increased scope for the individual negotiation of pricing for bulk agricultural products. This is reflected in the Parties' use of sales representatives, and in their internal documents.<sup>7</sup>
- (b) A much larger proportion of bulk agricultural products is delivered, and the available evidence (in particular the Parties' customer location data) indicates that competition occurs over a different geographic area than for retail sales. Even where bulk goods are not delivered, customers may be willing to drive further to collect them, given the larger purchase volumes, as compared to retail sales. This is consistent with the Parties' submissions that [>50]% of their supply of core agricultural products is delivered, and that core agricultural products should be assessed on the basis of a broader catchment area.<sup>8</sup>
- (c) Certain country stores of the Parties focus more heavily on the supply of bulk agricultural products (and, in some cases, do not have retail operations). In particular, Mole Valley operates 10 direct-to-farm stores that are exclusively focused on supplying bulk agricultural products.

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<sup>7</sup> For example, Annexes 121 and 122.

<sup>8</sup> Parties' response to request for information 3, issued on 10 January 2018.

## *Country store retail*

47. The Parties submitted that the CMA should assess each category of products supplied by the Parties' country stores separately on a category-by-category basis (eg food and drink, clothing, pet food, animal feed, equine, etc.). The Parties' internal documents provided some support for their submissions that they compete on the basis of individual categories of products. In particular:
- (a) The Parties' strategy documents consider factors that affect individual product categories (rather than the performance of country stores as a whole);<sup>9</sup>
  - (b) There is significant variation, in terms of the extent to which they carry different categories of products, across the Parties' stores;<sup>10</sup>
  - (c) The Parties' internal documents contain some references to competitors that supply narrower categories of products.<sup>11</sup> Moreover, in some (albeit relatively limited) categories, Countrywide price matches against competitors that supply narrower categories of products;<sup>12</sup>
  - (d) In response to a 2014 Mole Valley customer survey, some customers said that if they had to shop elsewhere, they would go to a store other than a country store.<sup>13</sup> The CMA notes, however, that this survey is only of limited relevance to the analysis of the Merger given that it does not relate to the geographic areas in which the Parties' stores overlap (but was instead carried out in relation to Mole Valley's stores in the North and East of England, where Countrywide is not active).
48. However, the CMA found substantial evidence in the Parties' internal documents that the Parties compete most closely with country stores that supply the same (or similar) categories of products. In particular:
- (a) For the majority of its product categories, Countrywide price matches against other country stores.<sup>14</sup>
  - (b) When tracking competitors' prices, Mole Valley's January 2017 price comparison exercise compared its prices against seven competitors, all

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<sup>9</sup> Annexes 30 and 51.

<sup>10</sup> Annex 169.

<sup>11</sup> For example, see Annexes 50, 76, 94, 95, 96, 97, 98, 99, 101 and 102.

<sup>12</sup> Annex 30.

<sup>13</sup> Annex 127.

<sup>14</sup> Annex 30.

of which were country stores with one limited exception (Pets at Home, which accounted for by far the smallest number of prices tracked).<sup>15</sup>

- (c) When describing the strength of competition experienced from competitors, the Parties' internal documents consistently emphasise country stores over other competitors. For example, one Countrywide internal document describes a Countrywide store as having 'limited competition within the immediate area other than [redacted]', despite listing multiple nearby pet and equestrian stores.<sup>16</sup> Another Countrywide internal document describes a Countrywide store as having 'limited competition' despite listing multiple nearby pet, equestrian and agricultural stores.<sup>17</sup> Mole Valley's evaluation of its Winchester store considers there to be 'very little competition' on the basis that there are 'no country stores' within this area, despite the presence of multiple pet and hardware stores in close proximity to the store.<sup>18</sup> Other Countrywide internal documents, which identify a variety of competitors near Countryside stores on maps, explicitly differentiate a range of non-country store competitors from 'large direct competitors'.<sup>19</sup>
- (d) The Parties' internal documents make frequent references to the importance of providing specialist advice to their customers (which is typically a point of differentiation from competitors that sell narrower categories of products).

49. In addition, other sources of evidence available to the CMA consistently indicated that the Parties (and other country stores) are significantly closer competitors as compared to suppliers of narrower categories of products. In particular:

- (a) The products offered by country stores are often materially different from those sold by non-country store competitors, even within the same broad product categories. For example, Mole Valley's 2012 customer research found that a key reason for Mole Valley's appeal to private householders was the 'sense of being in on a trade secret' because Mole Valle offers 'brands that professionals use', unlike non-country store competitors.<sup>20</sup> Similarly, [redacted].<sup>21</sup>

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<sup>15</sup> Annex 81.

<sup>16</sup> Annex 94.

<sup>17</sup> Annex 95.

<sup>18</sup> Annex 101.

<sup>19</sup> Annexes 50 and 76.

<sup>20</sup> Annex 47.

<sup>21</sup> Annex 30.

- (b) The Parties' internal documents make extensive references to the advantages of having products 'all under one roof,' which allows customers to use their stores as 'one stop shops'.<sup>22</sup> On its website and in a number of its internal documents Countrywide claims that its vision is 'to be the first choice multichannel supplier'.<sup>23</sup> Similarly, Mole Valley internal documents refer to the importance of the range of products offered in their stores.<sup>24</sup>
- (c) An analysis of 'basket spending patterns' shows that the majority of baskets covered by the analysis (almost 60% of transactions) included products from more than one product category, a position that is consistent with the value that customers typically place in 'one stop' shopping (as consistently emphasised in the Parties' internal documents).
- (d) The Parties both operate loyalty or membership schemes, Countrywide's being based on increasing discounts for multiple purchases and Mole Valley's being a flat fee membership program, The CMA considers that these loyalty schemes may have the effect of incentivising customers to single-source, potentially across multiple shopping trips.
50. The basket analysis submitted by Mole Valley was provided at a relatively late stage in the CMA's Phase 1 investigation, in response to the Issues Letter, and the proposed methodology was not discussed in advance with the CMA. The CMA notes that there are a number of methodological flaws incumbent in this analysis that limit the weight that can be placed on it. In particular, the CMA notes that the data concern a single month of a single year (August 2017) and that no attempt has been made for seasonal variations. While Mole Valley submits that 'any seasonal variations would not materially alter the overall analysis,' the CMA notes that Mole Valley's 2016 Annual Report indicates that its performance can be 'greatly influenced' by seasonal factors. In addition, because the analysis is based on basket composition in a single visit, it is liable to underestimate the extent of multiple-category purchases across multiple visits. The CMA therefore considers that the analysis also provides only very limited insight into customers' shopping and purchasing (and, as noted above, the majority of baskets covered by the analysis – almost 60% of transactions – included products from more than one product category in any case).
51. The CMA's experience in previous cases in the retail sector shows that in circumstances where the merging parties sell a wide range of products, customers often have a strong incentive to buy a range of products from a single supplier (in particular because buying a 'basket' of goods reduces

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<sup>22</sup> For example, see Annexes 33, 47 and 51.

<sup>23</sup> <https://www.countrywidefarmers.co.uk/t/about-us> and Annex 27.

<sup>24</sup> Annex 24.

transaction costs or can help to ensure product compatibility or quality assurance).<sup>25</sup>

52. This is consistent with the views submitted by the Parties' competitors in this case. In particular, competitors told the CMA that they considered that a 'department store' approach, supplying a wide range of product categories, was an important element in their ability to compete with the Parties.
53. In light of the closeness of competition between country store retailers, and the more remote constraint offered by suppliers that offer narrower ranges of products, the CMA has, consistent with its approach to differentiated competitor types in a Phase 1 investigation, assessed the Merger on the basis of a frame of reference for country store retailers. Country stores that supply a similar range of product categories to the Parties are included in this frame of reference.
54. The CMA notes that the available evidence also indicates that the Parties face competition, albeit to a lesser extent, from a variety of suppliers that are not country stores. The constraint posed by these suppliers has been considered, to the extent relevant, within the competitive assessment below.

#### *Supply of bulk agricultural products*

55. The Parties submitted that the CMA should separately assess each individual category of bulk agricultural products supplied by the Parties. The Parties' internal documents provided some support for this position, as they contain several references to occasions where the Parties lost sales of bulk agricultural products to competitors supplying fewer categories of bulk agricultural products.<sup>26</sup>
56. However, as with its findings in relation to the country store retail segment, the CMA found substantial evidence in the Parties' internal documents that the Parties compete most closely with country stores that supply the same (or similar) categories of products. In particular:
  - (a) Price matching and monitoring between the Parties and country stores in agricultural categories was especially frequent, with few references to other competitors. For example, one internal document<sup>27</sup> indicates that Countrywide considers Mole Valley to be its closest competitor for pricing purposes for almost all agriculture-related categories (with [X] second). The only exception to this position arises within Machinery category, where

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<sup>25</sup> [Retail mergers commentary](#), (CMA62) 10 April 2017.

<sup>26</sup> For example, see Annexes 121 and 122.

<sup>27</sup> Annex 38.

[redacted] (another country store) is considered to be the closest competitor, with Mole Valley being the second closest.<sup>28</sup> Similarly, Mole Valley's internal documents demonstrate that Mole Valley [redacted].<sup>29</sup> [redacted].<sup>30</sup> This is consistent with Mole Valley's customer survey (store specific where a Countrywide store was an available alternative) in which the majority of Mole Valley's customers named Countrywide as [redacted].<sup>31</sup>

(b) The Parties' internal documents make extensive and frequent references to losing sales of bulk agricultural products to [redacted].<sup>32</sup>

57. The Parties submitted that the constraint from suppliers offering narrower categories of products is particularly acute in relation to 'the more specialist core agricultural markets [...] because the primary purpose of the purchase is more frequently the core agricultural product'. To support this position, the Parties provided data suggesting that a very large proportion of total basket spend (eg [redacted]% for animal health products) in 'core agricultural markets' was accounted for by products within a single category.
58. As noted in paragraph 50 above, the basket study was submitted at a late stage in the CMA's Phase 1 investigation and the CMA considers that a number of factors limit the weight that can be placed on the study.
59. In particular, the fact that the analysis is based on single baskets on a visit-by-visit basis (for a single month) suggests that it is likely to underestimate the extent to which customers for these products purchase across product categories over several visits.
60. In this regard, the CMA notes that the available evidence also indicates that large proportions of farmers tend to buy key products from the same supplier. For example, evidence provided by Mole Valley in relation to purchasers of animal feed, medicine and supplements (which noted farmers typically needed to purchase all three products and therefore that significant proportions of single category purchases would support the position that customers readily switch to suppliers that single categories of products) indicates that relatively limited proportions of the top 1,000 Mole Valley feed customers by spend did not purchase supplements ([redacted]) or animal medicines ([redacted]) from Mole Valley, with the substantial majority of customers in fact purchasing all three products from the same supplier. This supports the position that customers place some

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<sup>28</sup> Annexes 30 and 81.

<sup>29</sup> Annex 81.

<sup>30</sup> Annex 28.

<sup>31</sup> Annex 126(1).

<sup>32</sup> For example, Annexes 122, W025 and W067.

value in a range of products being offered by suppliers of bulk agricultural products.

61. This is also consistent with the views submitted by the Parties' competitors in this case. In particular, competitors told the CMA that supplying a wide range of product categories was important to their ability to compete with the Parties. Several competitors told the CMA that their wide range of products (to which several competitors referred as a 'one stop shop' solution), similar to that offered by the Parties, had been dictated by their own customer demand. A number of competitors who named the Parties as their main or closest competitors referred to the 'one stop shop' model being an integral part of their own business strategy.
62. The Parties also submitted that they face competition from suppliers without local stores, such as Agricultural Central Trading Limited (**ACT**), as well as the manufacturers of the bulk products (which are able to sell directly to customers). The CMA found some support for this position in the Parties' internal documents.<sup>33</sup> Several third parties also referred to ACT as a competitor in the supply of bulk agricultural products.
63. However, third parties also identified a number of advantages that suppliers with physical stores in a given local area have over suppliers without such premises, in particular in relation to fulfilling short-notice customer needs (eg in response to unexpected weather or an emergency). The CMA notes that both Parties have invested in a network of multiple stores supplying bulk agricultural products, suggesting that there is an advantage in having multiple physical locations in competing for at least some customers.<sup>34</sup>
64. In light of the closeness of competition between country stores that supply bulk agricultural products and the more remote constraint offered by other types of suppliers, the CMA has, consistent with its approach to differentiated competitor types in a phase 1 investigation, assessed the Merger on the basis of a frame of reference for the supply of bulk agricultural products, including competitors which (i) supply a similar range of products to the Parties and (ii) have local stores from which to supply their products. The CMA notes that the available evidence also indicates that the Parties face competition, albeit to a lesser extent, from a variety of suppliers that do not meet both of these

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<sup>33</sup> For example, [X] is referenced as a competitor in Annexes 199 and 305.

<sup>34</sup> For example, in Annex 55, Mole Valley's redevelopment of a physical site to include a larger yard and 'drive-through' feed store facility is justified on the basis that it will make the site more attractive to 'core agricultural customers'.



criteria. The constraint posed by these suppliers has been considered, to the extent relevant, within the competitive assessment below.<sup>35</sup>

### *Conclusion on product scope*

65. For the reasons set out above, the CMA has considered the impact of the Merger in the following product frames of reference:

- (a) Country store retail; and
- (b) Supply of bulk agricultural products.

### **Geographic scope**

#### *Country store retail*

66. The Parties submitted that a catchment area of 25 or 30 minutes around each store would be appropriate to adopt as the geographic scope for their retail stores, as Mole Valley and Countrywide use 25 and 30-minute drive times, respectively, for marketing purposes.

67. The CMA considered a range of evidence on the appropriate geographic frame of reference for country store retail, including:

- (a) The Parties' internal documents;<sup>36</sup>
- (b) Evidence from third parties; and
- (c) The CMA's assessment of the Parties' stores' sales by postcode (which found that 80% of customers of the Parties' stores were within a drive time of just over 30 minutes).<sup>37</sup>

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<sup>35</sup> [Merger Assessment Guidelines](#) (OFT1254/CC2), September 2010, from paragraph 5.25. 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).

<sup>36</sup> Annexes 49, 50 and 76.

<sup>37</sup> Drive times were calculated between each customer and (non-farm direct) store for both parties. For each store, customers were then ordered by drive time and the 80% drive time taken. A simple average was then taken from each Parties' stores. The same exercise was also conducted for 80% of value of sales from each store. However, there was little difference in results depending on whether 80% of value or 80% of customers was used. Results were also very similar for Mole Valley and Countrywide. The CMA notes that there are some limitations in this analysis. In particular, customer postcodes were only available for a sub-set of customers, and there may be some bias towards customers who make larger purchases. Additionally, this analysis includes both farmers/ agricultural customers and retail customers.

68. Accordingly, the CMA has assessed the Merger's impact on country store retailers based on 30-minute drive time catchment areas around the Parties' stores.

#### *Supply of bulk agricultural products*

69. The Parties submitted that drive time-based catchment areas around stores are not appropriate for the CMA's assessment of the Merger's impact on the supply of bulk agricultural products, because (i) agricultural merchants trade across wider distances using sales representatives, and (ii) there are no barriers to competitors (including manufacturers) delivering from elsewhere in the UK or mainland Europe. However, subject to the inclusion of remote competitors with local sales representatives in a catchment area, the Parties submitted that a 45-minute drive time catchment area would be realistic.

70. Mole Valley and Countrywide operate a network of local stores through which they supply bulk agricultural goods, some of which are specialised on the basis of their particular geographic location (eg because the store is located around a farming area with substantial bovine or sheep farming, arable land area or equestrian facilities). Evidence submitted by the Parties also indicates that some stores target more agricultural customers than other retail customers.

71. As noted above, the fact that each Party owns an extensive network of country stores suggests that a local presence is important. The CMA notes that this is consistent with its findings in previous mergers involving delivered trade industries.<sup>38</sup> Accordingly, the CMA currently considers drive time based catchment areas to be an appropriate method of assessing the geographic market.

72. The CMA's assessment of Mole Valley's direct-to-farm stores' sales by postcode found that 80% of customers were within a drive time of 45 minutes.<sup>39</sup> This is consistent with evidence from the Parties' submissions and internal documents,<sup>40</sup> and with the CMA's market test with third parties, which suggested that the geographic scope for the supply of bulk agricultural is wider than the geographic scope for retail sales through country stores.

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<sup>38</sup> [Jewson/Build Center](#) (2012).

<sup>39</sup> The CMA used the same approach in calculating drive times and 80% catchments for bulk agricultural as for country stores. In the absence of separate sales data for bulk agricultural products and other products sold in country stores, the CMA has focused its analysis on Mole Valley's farm direct stores as they focus on selling bulk agricultural products.

<sup>40</sup> For example, Annex 16.

73. Accordingly, the CMA has assessed the Merger's impact on the supply of bulk agricultural products using 45-minute catchment areas around the Parties' stores.

### **Conclusion on frame of reference**

74. For the reasons set out above, the CMA has considered the impact of the Merger in the following frames of reference:

- (a) Country store retailers, within catchment areas of 30 minutes' drive around each store; and
- (b) The supply of bulk agricultural products, within catchment areas of 45 minutes' drive around each store.

## **COMPETITIVE ASSESSMENT**

### **Counterfactual**

75. 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 a realistic prospect of a counterfactual that is more competitive than these conditions.<sup>41</sup>

76. Countrywide submitted extensive evidence to support its view that Countrywide's Retail Business met the conditions for an exiting firm counterfactual and, absent the Merger, it was inevitable that Countrywide's Retail Business would have exited the relevant markets [X].

77. Based on the available evidence, the CMA does not believe that an exiting firm counterfactual has been established to the required legal standard in a phase 1 investigation. In particular:

- (a) The available evidence in relation to whether Countrywide's Retail Business would have inevitably exited the market is mixed (in particular because Countrywide's Retail Business, while facing material commercial

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<sup>41</sup> [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).

challenges, was considered to be ‘well positioned for growth’ by Countrywide and signed off as a going concern in April 2017).

- (b) In any case, the CMA also considers that there were alternative, less anti-competitive purchasers for Countrywide’s Retail Business than Mole Valley.
- (c) Finally, if Countrywide’s Retail Business had exited the market, the resulting dispersion of its sales to its competitors (which Countrywide has suggested would have been the most likely outcome) would likely have been a less anti-competitive outcome than Mole Valley’s acquisition of Countrywide’s Retail Business (as a result of which all of Countrywide’s Retail Business’ sales would have transferred to Mole Valley).

78. In light of the CMA’s finding that the cumulative conditions for an exiting firm counterfactual are not satisfied, the CMA has, in line with its Merger Assessment Guidelines, assessed the Merger against the prevailing conditions of competition. A detailed assessment of the counterfactual is included in Annex 1.

## **Theories of harm**

79. The focus of the CMA’s assessment has been on horizontal unilateral effects in country stores retail and horizontal unilateral effects in the supply of bulk agricultural products. The CMA has also assessed whether the Merger gives rise to any vertical effects as a result of the Parties’ activities at different levels of the supply chain in certain types of animal feed.

## **Horizontal unilateral effects**

- 80. 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 to degrade quality on its own and without needing to coordinate with its rivals.<sup>42</sup>
- 81. Horizontal unilateral effects are more likely when the merging parties are close competitors. This is likely to be the case where there are substantial similarities in the product and service offering, corporate and/or commercial strategy and physical location(s) of those competitors.

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<sup>42</sup> [Merger Assessment Guidelines](#), from paragraph 5.4.1.

## ***Horizontal unilateral effects in country store retail***

### *Closeness of competition*

82. Having concluded in the assessment of the relevant product scope (see paragraph 53 above) that country store retailers compete more closely with each other than against other types of retailers, the CMA then assessed the closeness of competition between the Parties as compared to other country store retailers (including retailers operating in multiple parts of the UK, such as Wynnstay or Carr's Billington, and retailers that are more focused on a particular region, such as Mole Avon, Griggs Country Store or Maunders & Sons).<sup>43</sup>
83. The Parties told the CMA that they are not particularly close competitors. They submitted that while there are some similarities between their respective commercial offerings, there are also some important differences. In particular:
- (a) Mole Valley competes aggressively on price while Countrywide's Retail Business focus on other competition parameters.
  - (b) Their respective stores are often different in nature. For example, Mole Valley operates 10 'direct to farm' stores, whereas several of the Countrywide Retail Business's stores are principally focused on retail, pets and equine supplies.<sup>44</sup> All Mole Valley stores have yards and supply a full range of products, whereas many of the Countrywide stores do not.
  - (c) Countrywide's customer base is more equestrian-focused. By contrast, Mole Valley's customer base is mainly comprised of sheep and cattle farmers.
  - (d) Consistent with these submissions, the Parties stressed the different split of the product categories from which they obtain their revenues. A large part ([X]%) of Mole Valley's turnover comes from the Agricultural sector. In contrast, Countrywide generates [X]% of its turnover from its retail products and services. The CMA agrees the Parties' split of revenues are materially different. The CMA also notes this split is also consistent with some other evidence from the Parties indicating that Mole Valley's focus has consistently been on the Agricultural sector, while Countrywide's commercial strategy [X] a couple of years ago. The CMA notes, however,

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<sup>43</sup> See paragraph \*\* for further details about these companies.

<sup>44</sup> Two specific examples related to Countrywide's Retail Business' stores located in Newmarket and Liphook against Mole Valley's stores located in Newmarket and Billingshurst where, the Parties report substantial differences in the revenues from equine, pet and agricultural products.

that this does not mean that the Parties no longer compete closely against each other within the areas in which their activities overlap.

84. Notwithstanding the Parties' submissions, the CMA considers (as explained in detail at paragraphs 82 to 83 above) that the available evidence indicates that Parties identify each other as a close (or even the closest) competitor across multiple categories of the products they supply.
85. In addition, most third party competitors identify the Parties as 'close competitors' primarily because of their varied product range and size.
86. In view of the above, the CMA believes that the Parties are close competitors and probably are each other's closest competitors within this frame of reference.

#### *The Oxera Report<sup>i</sup>*

87. To support their submissions that the Parties are not particularly close competitors (and face constraints from a wide variety of players including other country stores and suppliers of narrower categories of products), the Parties commissioned Oxera to produce an event analysis following the closure of former 14 stores of Countrywide (**Oxera Report**).<sup>45</sup> This submission was provided at a relatively late stage in the CMA's phase 1 investigation, in response to the Issues Letter, and the proposed methodology was not discussed in advance with the CMA.
88. The Oxera Report analysed the impact on the sales of the Mole Valley stores that were closest to a number of Countrywide stores that were closed in 2017. Oxera used this data to calculate 'something similar to diversion ratio between the merging parties.' Lacking access to third party sales data, Oxera was unable to calculate similar diversion ratios for other suppliers located within these local areas.
89. The Parties submitted that the Oxera Report demonstrates that:
  - (a) There are many 'store pairs' where the sales of the closest Countrywide and Mole Valley stores are significantly different in scale (which they considered is likely to be driven by differences in 'differences in their product range, size, format and/or general competitive position');
  - (b) In 'some' cases, the closure of a Countrywide store did not result in a material increase in sales in the closest Mole Valley store;

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<sup>45</sup> *Analysis of sales evolution following closure of Countrywide stores* by Oxera, submitted on 12 February 2018.

- (c) In 'several' cases, any increase in sales at the closest Mole Valley store was not significant as a proportion of sales at the Countrywide store;
- (d) In cases where the diversion ratio was 'high', this was 'often' because the Countrywide store was 'very small' relative to the Mole Valley store (so any diversion ratio measure is 'not meaningful').
90. Overall, the Parties submitted that the 'diversion ratio itself shows that a large proportion of the sales of the closed shop were likely to have been diverted to other suppliers in the area.' The Parties further submitted, at the Issues Meeting, that the overall average diversion ratio, [REDACTED] was moderate, and that there were a number of reasons why the diversion ratios set out in the Oxera Report might be overestimated.
91. The CMA notes that the overall diversion ratio is significant (and would typically be regarded as being at a level at which competition concerns might arise, particularly within the context of a phase 1 investigation). The Oxera Report indicates that the gross margins of Mole Valley at the stores analysed were [REDACTED] during the relevant period. An average diversion ratio of 26.8% combined with gross margins of [REDACTED] would produce an average 'gross upward pricing pressure index' (**GUPPI**) of [REDACTED]. The CMA notes, in this regard, that its decisional practice indicates that a GUPPI above 5% cannot typically be used as a basis to conclude that competition concerns can be ruled out within the relevant markets at issue.<sup>46</sup>
92. In addition, the analysis provided in the Oxera Report is also subject to a number of methodological flaws that could result in diversion between the Parties being underestimated. In particular:
- (a) The analysis only assesses diversion to a single Mole Valley store (the closest Mole Valley store to the Countrywide store that closed). As there are many local areas with multiple Mole Valley stores, excluding diversion to those other stores would cause overall diversion to Mole Valley to be underestimated.
- (b) The analysis does not consider whether there are differences in competitive conditions between the local areas within the scope of the Oxera Report and the local areas within the scope of the Merger. In particular, if the local areas within the scope of the Oxera Report were populated by a sufficient number of effective competitors to the Parties,

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<sup>46</sup> See, for example, A report on the anticipated acquisition by Tesco PLC of Booker Group plc, paragraph 9.46.

diversion in those areas would not be a reliable proxy for local areas in which there would fewer effective competitors remaining post-Merger.

(c) In some cases, store pairs that form part of the calculation of diversion are located at considerable distance from each other and would not be considered as overlapping stores under the CMA's country store retail frame of reference. For example, the Countrywide store at Chertsey would not be considered to overlap with the Mole Valley Redhill store. Diversion between non-overlapping stores would, of course, be expected to be low and would therefore reduce the average diversion estimate.

93. The CMA notes that there are also a number of other weaknesses of the analysis that could lead to diversion being either underestimated or overestimated. In particular:

(a) As the Parties recognise, local factors have not been controlled for. While the Parties submit that this could inflate diversion ratio estimates (because where sales in a Mole Valley store rise after the closure of a Countrywide store, this could be for some unrelated reason), it could equally cause diversion ratios to be underestimated (because where no rise, or a limited rise, in sales occurs in a Mole Valley store after the closure of a Countrywide store, this could again have been for some unrelated reason).

(b) The analysis assessed what happened to Mole Valley's sales for a full year after the closure of a corresponding Countrywide store.<sup>47</sup> This approach means that any overall changes in demand or supply in the local area that affect Mole Valley's sales would be attributed only to the closure of the Countrywide store.

(c) The overall number of data points used in the analysis is small. For example, only four store pairs were ultimately used to calculate the diversion ratio across 'all products'. This increases the risk that unrelated factors in individual local areas might have had a disproportionate effect on the analysis and limits the extent to which inferences can be made about the local areas being considered within the scope of the Merger.

94. In some cases, the analysis produces a negative estimate for the diversion ratio. This would arise in cases where Mole Valley's sales fell following the closure of the corresponding Countrywide store. As there is no reason to believe that a Countrywide store's closure would harm Mole Valley's sales, this underlines the fact that other factors may be explaining the evolution of Mole

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<sup>47</sup> This comparison was done either by comparing a full year's sales post-closure to the previous year, or by comparing the level of sales in a shorter period to the same period the previous year.



Valley's sales in the data, and that there is a significant risk that the calculated diversion ratios are inaccurate.

95. In addition to the factors set out above that may lead Oxera to underestimate diversion, the uncertainties described above (which may result in the overestimation or underestimation of diversion) limit the weight that the CMA is able to place on the results of the Oxera report, particularly within context of a phase 1 investigation. The CMA therefore believes that the Oxera Report does not provide material support for the Parties' submission that they are not close competitors.

#### *Overlaps between the Parties' stores*

96. The CMA applied the relevant average catchment area to each Countrywide store and Mole Valley store to identify all relevant overlaps between them.
97. The CMA found overlaps between the Parties around 32 Countrywide sites in country store retail.<sup>48</sup> This consisted of:
- (a) Sixteen<sup>ii</sup> (16) Countrywide stores that were located within 30 minutes of one or more Mole Valley stores (see in Annex 2 below); and
  - (b) Sixteen<sup>ii</sup> (16) additional Countrywide stores that were located within 60 minutes of one or more Mole Valley stores. In each case of a Countrywide store located within 60 minutes of a Mole Valley store, the two stores' 30-minute catchment areas intersect. Therefore, those stores may compete for a common group of customers that are located between them (see in Annex 3 below).
98. In order to assess whether post-Merger there will be four or more effective competitors in each of the relevant catchment areas where there is an overlap, the CMA applied a filtering methodology to each of these overlaps.<sup>49</sup> This methodology is set out below.

#### *Initial filtering methodology*

99. In mergers involving large numbers of local overlaps, the CMA will sometimes seek to scope its investigation by applying systematically certain filters based

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<sup>48</sup> For the purposes of this decision, the CMA refers to overlap areas by reference to Countrywide stores, which may include more than one catchment area (in relation to Mole Valley stores) for the purposes of competition analysis. All catchment areas that give rise to a realistic prospect of an SLC are set out in the relevant Annexes to this decision.

<sup>49</sup> This practice is consistent with other retail case precedents and detailed in the [Retail mergers commentary](#), (CMA62) 10 April 2017, Chapter 3.

on the number of significant competitors remaining in a local area post-merger (a 'fascia count'). These fascia counts can provide a basic measure of market concentration for the purposes of identifying areas for further detailed scrutiny or, in the absence of other evidence, as a test for whether a realistic prospect of an SLC exists.

100. Prior to implementing this filter, the CMA needs to:

- (a) Identify which competitors should be included in the filter (the effective competitor set);
- (b) Choose an observable concentration measure; and
- (c) Set a reasonable threshold related to that concentration measure which will indicate the catchment areas passing or failing this initial filter.

*Effective competitor set*

101. In order to assess whether a competitor can be considered part of the effective competitor set for the purposes of its filter, for the reasons set out in the frame of reference, the CMA has considered:

- (a) the range of products they supply and into which categories these fall;
- (b) the retail floor area of their stores;
- (c) the turnover of their stores;
- (d) evidence from third parties; and
- (e) evidence from the Parties' internal documents.

102. Based on the available evidence, the CMA considers, by reference to the factors set out in paragraph 101 above, that the following competitors compete sufficiently close with the Parties to be part of the competitive set:

- (a) Wynnstay: The CMA found evidence that Wynnstay competes across the vast majority of the Parties' product categories offering a very similar range to that of the Parties, and that it has sufficient scale (with over 50 trade outlets partially overlapping with the Parties geographically, its main focus being on the North West of England). Other than the Parties, Wynnstay was the most frequently mentioned competitor in the Parties' internal documents.<sup>50</sup> Third parties including both customers and competitors also referred to Wynnstay as a close or the closest competitor to the Parties.;

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<sup>50</sup> For example, Annexes 30, 31, 39, 81, 88 and 122.

- (b) Mole Avon: The CMA found evidence that Mole Avon competes across the full range of the Parties' product categories and that it has sufficient scale to compete with the Parties in those catchment areas where it has a physical store. Mole Avon was also frequently mentioned as a retail competitor in the Parties' internal documents and by third parties;
- (c) Maunder & Sons: The CMA found evidence that Maunder & Sons competes across a large majority of the Parties' product categories and that it has sufficient scale to compete with the Parties in those catchment areas where it has a physical store. Maunder & Sons was also mentioned as a retail competitor in the Parties' internal documents, although less frequently than several of the competitors identified above, and by third parties;
- (d) Griggs: The CMA found evidence that Griggs competes across a large majority of the Parties' product categories and that it has sufficient scale to compete with the Parties in those catchment areas where it has a physical store. Griggs was also mentioned as a retail competitor in the Parties' internal documents, although less frequently than several of the competitors identified above, and by third parties;
- (e) Carrs Billington: The CMA found evidence that Carrs Billington competes across the large majority of the Parties' product categories, and that it had sufficient scale. Carrs Billington was also mentioned as a retail competitor in the Parties' internal documents, as well as by competitors (although some noted its focus was mainly in a different geographic area);
- (f) D. May & Son Ltd: The CMA found evidence that D. May & Son competes across the large majority of the Parties' product categories and that it has sufficient scale to compete with the Parties in those catchment areas where it has a physical store. D. May & Son was also mentioned as a retail competitor in the Parties' internal documents, although less frequently than several of the competitors identified above, and by third parties;
- (g) Harpers Farm Supplies: The CMA found evidence that Harpers Farm Supplies competes across a large majority of the Parties' product categories and that it has sufficient scale to compete with the Parties in those catchment areas where it has a physical store. Harpers Farm Supplies was also mentioned as a retail competitor by the Parties' internal documents, although less frequently than several of the competitors identified above; and
- (h) Cornwall Countryside Supplies Ltd: The CMA found evidence that Cornwall Countryside Supplies competes across a large majority of the Parties' product categories. Cornwall Countryside Supplies was also mentioned as

a retail competitor in the Parties' internal documents, although less frequently than several of the competitors identified above, and by third parties.

103. The Parties submitted evidence suggesting that other country store retailers should also be considered as effective competitors. The evidence available to the CMA did not, however, support the inclusion of these suppliers within the effective competitor set by reference to the factors set out in paragraph 101 above.
104. At the Issues Meeting, the Parties submitted that they would consider all country store retailers that are mentioned in their internal documents to be effective competitors (on the basis that any reporting back by sales representatives is intended to influence commercial strategy). The CMA notes, however, that clear and convincing evidence is required, particularly within the context of a phase 1 investigation when there is limited time available to verify the submissions of the merging parties, to establish that a supplier should form part of the effective competitors set. In this regard, the CMA considers that the very limited references in internal documents to certain suppliers (particularly where there is no evidence that these competitors play a material role in the Parties' commercial decision-making) are not sufficient, within the context of the factors set out in paragraph 101 above, to establish that these suppliers should form part of the effective competitor set.

*Concentration measure – Fascia count and threshold*

105. Consistent with its established practice in retail mergers, the CMA has used a 'five to four' fascia count threshold when assessing this theory of harm.<sup>51</sup> On this basis, the CMA has identified overlaps as raising prima facie competition concerns where Merger reduces the number of fascia in the market from five to four. The CMA has sometimes used as 'four to three' fascia count to screen out non-problematic areas in some previous cases and (for the reasons explained below) has applied this lower filter in its analysis of bulk agricultural products in this case. The CMA considers, however, that the available evidence in relation to country store retail does not support the use of a less conservative filter in relation to that frame of reference.
106. Accordingly, for country store retail the CMA has applied a filtering rule pursuant to which overlap areas with five or more independent fascia post-Merger are considered not to raise competition concerns. Areas with four or

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<sup>51</sup> As set out in the [Retail mergers commentary](#), (CMA62) 10 April 2017, the OFT, CC and CMA have used a 'five to four' fascia count threshold when assessing retail mergers at phase 1, for example in build centres (Saint-Gobain/Build Center, 2012); casinos (Rank/Gala, 2013), and cinemas (Cineworld/City Screen Limited, 2013).

fewer independent fascia are considered to raise prima facie competition concerns.

#### *Overlaps within 30 minutes*

107. To assess overlaps between the Parties where their stores were located within 30 minutes' drive-time of each other, the CMA counted the total number of effective competitor fascia located within 30 minutes' drive-time of the relevant Countrywide store and within 30 minutes' drive-time of the overlapping Mole Valley store. Where the relevant fascia count of competitors near either store was four or fewer, the overlap failed the initial filter.
108. In all 16<sup>ii</sup> of these cases, the CMA found only two or fewer effective competitor fascia within 30 minutes' drive time of the Countrywide store. Therefore, all 16<sup>ii</sup> of these 30-minute overlaps failed the initial filter.
109. The relevant fascia counts for each overlap are set out in Annex 2 below.

#### *Overlaps within 60 minutes (overlapping catchment areas)*

110. For the additional nine overlaps where the Parties' stores were within 60 minutes' drive-time of each other, the Parties may compete for a shared group of customers located between them. The extent to which any relevant effective competitors will exert a competitive constraint on the Parties with respect to this group of customers depends on the extent to which those competitors would be reached by customers located between the Parties.
111. The CMA therefore counted all competitor fascia located either (i) within the area of intersection between the two stores' catchment areas, or (ii) within 30 minutes' drive time of that area of intersection.<sup>52</sup>
112. For these nine overlaps, in no case did the CMA identify four or more effective competitors within the relevant geographic area described above. All nine areas therefore failed this part of the filter.

#### *Further filtering of 60-minute overlaps*

113. As explained above, the CMA has looked at overlaps where the Parties' stores are 60 minutes' drive time apart because the Parties may compete for a shared group of customers that are located between them. Specifically, this is the

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<sup>52</sup> In order to do this, the CMA identified effective competitor stores that were reachable from both of the Parties' stores within 60 minutes' drive-time. Where a Countrywide store was located within 60 minutes of multiple Mole Valley stores, the CMA assessed each pair individually. In order to pass this filter, it was necessary for each pair to pass the filter.

group of customers located in the intersection between the two catchment areas.

114. However, this group of customers may possibly represent a small proportion of all retail customers within the catchment area of one of the Parties' stores. Where this is the case, this group of customers located between the Parties' stores may be protected from any lessening of competition, as long as:

- (a) the retail offer set by overlapping stores is set uniformly for all customers in the catchment area; and
- (b) the shared group of customers is small relative to the rest of the catchment area; and
- (c) there is no significant impact on the Parties' incentives to compete for customers in the rest of the catchment area, for example, because there are sufficient remaining competitive constraints or there is no competitive overlap between the Parties.

115. With regard to the first condition, the Parties use shelf prices in country store retail. This means that all customers visiting any given store will get the same price. Similarly, in relation to other aspects of the offer, such as range, quality or service levels, the CMA understands that:

- (a) The Parties do not vary these aspects of the competitive offering for individual retail customers visiting a country store;<sup>53</sup> and
- (b) Even if there was a practical way to vary aspects of the competitive offering for individual customers that visit a country store, it was not clear how a retailer would be able to tell where customers were travelling from in order to 'tailor' their competitive offer depending on the number of alternatives available to that customer.

116. The CMA therefore considers that, for retail customers, the retail offer is set uniformly for all retail customers visiting a given country store.

117. Therefore, the CMA considered whether, for some 60-minute overlaps, the shared group of customers for which the Parties were competing would be small enough relative to the overall catchment area to dismiss any competition concerns. The CMA took into account the following factors:

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<sup>53</sup> Apart from some pre-agreed set discounts to some trade customers (for example Mole Valley Members) in all their customs.

- (a) In many of these areas, the CMA could not identify any effective competitors to the Parties. In such areas, the Parties would be expected to recapture a very high proportion of customers that switch between them.
- (b) However, in areas of intersection between the Parties' catchment areas where the diversion ratio between the Parties reaches 100%,<sup>54</sup> the CMA considered that an incentive to raise prices across the entire catchment area would only arise if the area of intersection accounted for more than 15% of demand in the overall catchment area.<sup>55</sup>
- (c) The shared group of customers for which the Parties' stores are competing is unlikely to exceed 15% of demand in the overall catchment area as long as the Parties' stores are located at least 50 minutes apart.<sup>56</sup>

118. The CMA therefore considered that competition concerns were unlikely to arise in areas where the Countrywide store overlapped with only one other Mole Valley store and those two stores were over 50 minutes apart. This is on the basis that the extent of geographic overlap between the catchment areas in those cases would be such that the CMA is able to conclude that the overlap would have no material impact on the Parties' incentives to compete for customers in the rest of the respective catchment areas.

119. Out of the 16<sup>ii</sup> Countrywide stores giving rise to a retail overlap on sole basis of a 60-minute drive time, 7 overlaps arose because of only one Mole Valley store, which was located more than 50 minute' drive-time away. These stores, and the associated overlaps between the Parties, were therefore excluded from further analysis. See Annex 3 for detailed information.

### ***Competitive constraints from outside the effective competitor set***

120. As described above, the initial filtering identified 25 Countrywide stores (see in Annex 6 below) that raised *prima facie* competition concerns because of the

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<sup>54</sup> A diversion ratio between Supplier A and Supplier B represents the proportion of sales that would divert to Supplier B (as opposed to other suppliers) as customers' second choice in the event of a price increase by Supplier A.

<sup>55</sup> This assessment is based on the GUPPI. The GUPPI is an index measure of the incentive for the Parties to raise prices post-merger. The GUPPI is calculated using information on diversion ratios, margins and the ratio of prices between the Parties' offerings. At a 100% diversion ratio, [X] gross margins ([X]), and equal prices between the Parties, the GUPPI would be [X]. However, if a GUPPI of [X] applies to only 15% of customers, the weighted average GUPPI across the entire catchment area would be [X].

<sup>56</sup> This assessment is based on the formula for the area of intersection of two circles. For two circles of radius 30m, whose centres are 50m apart, the area of intersection between the Parties' catchment areas will account for 8% of each catchment area. Where customers are unevenly distributed or where catchment areas are not well-approximated by a circle, there is a risk that this proportion may be higher. To account for this risk, the CMA allowed for the possibility that 15% of customers may fall within the area of intersection between the Parties' catchments.

limited number of effective competitors that the Parties would face in local overlap areas.

121. Consistent with its established practice, in assessing whether a merger may give rise to an SLC, the CMA may take into account constraints outside the relevant frame of reference.<sup>57</sup> In this case, as noted above, the Parties submitted that there are many other effective competitors including, in particular, suppliers of narrower product categories.
122. As noted above, the Parties considered that their country stores face competition from a wide variety of suppliers, including other country stores (including stores that the CMA has considered, for the reasons explained above, do not form part of the effective competitor set), and suppliers of narrower categories of products (such as DIY stores, builders merchants, pet shops, garden centres, etc.)
123. The CMA's analysis of the evidence provided by the Parties to support their submissions is set out above in paragraphs 47- 54 (in relation to the relevant frame of reference) and paragraphs 101-104 (in relation to the relevant effective competitor set). In light of this analysis, the CMA notes that:
  - (a) The Parties' internal documents, their price monitoring and matching data consistently indicate that suppliers of narrower categories of products are likely to be only a limited competitive constraint on the Parties (a position that is supported by the Parties' country store competitors); and
  - (b) The Parties' internal documents place considerable emphasis on the importance of range and the ability of suppliers being able to achieve economies of scale. This indicates that the country stores outside the relevant competitive set (which are typically smaller competitors that lack the same range as the Parties' stores) are likely to be only a limited competitive constraint on the Parties.
124. There is limited time available within a phase 1 investigation to conduct a detailed competitive assessment of a large number of local areas and/or to verify the submissions made by the merging parties in relation to these areas. Consistent with the CMA's established practice, the effect of constraints from outside the effective competitor set is required to be supported by clear and convincing evidence.
125. The CMA notes the existence of a wide range of other suppliers within the areas of overlap in which competition concerns arise. The CMA has not, however, been provided with sufficiently clear and convincing evidence to

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<sup>57</sup> [Merger Assessment Guidelines](#), paragraph 5.2.2.



establish that these suppliers, in combination with those within the effective competitor set, will sufficiently constrain the Parties post-Merger.

### *Conclusion on country store retail*

126. For the reasons set out above, the CMA has found that the Merger gives rise to a realistic prospect of an SLC as a result of horizontal unilateral effects in relation to 25 Countrywide stores and the corresponding Mole Valley stores in each of the relevant catchment areas. These stores and all relevant catchment areas are listed in Annex 6.

### **Horizontal unilateral effects: Supply of bulk agricultural products**

127. As with the assessment described above in relation to country store retail (see paragraphs 82 - 108 above), the CMA first assessed the closeness between the Parties as compared to other competitors in relation to the supply of bulk agricultural products.

128. The evidence from the Parties' internal documents suggests that, where they are present in the same local area, the Parties' stores are close competitors in the supply of bulk agricultural products. For example:

- (a) Countrywide considers Mole Value as its primary competitor for benchmarking agricultural products;<sup>58</sup>
- (b) Emails between Mole Valley's salespeople make frequent reference to competition in relation to the supply of bulk agricultural products with Countrywide;<sup>59</sup> and
- (c) Countrywide and Mole Valley both supply bulk agricultural products across many different local sites, and, therefore, have a comparable scale.

129. The CMA notes that there is some evidence that the competitive constraint imposed on Mole Valley by Countrywide, in relation to agricultural products, has diminished slightly in recent years. For example:

- (a) In one internal document in which Mole Valley considers the prospect of an acquisition of Countrywide, it notes that Countrywide [redacted];<sup>60</sup> and

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<sup>58</sup> Annex 30.

<sup>59</sup> Annexes 121 and 122.

<sup>60</sup> Annex 28.

(b) Another internal document, a survey of Countrywide's customers, identifies [REDACTED].<sup>61</sup>

130. A large majority of third parties said that Mole Valley and Countrywide compete very closely.
131. A material volume of the Parties' internal documents evidence the loss of business to agricultural merchants and certain specialist farm retailers (for example, in relation to animal feed). This evidence indicates that the constraint from those third parties is likely to be more significant within the supply of bulk agricultural products than that it is within country store retail.
132. The CMA therefore considers that, in contrast to the position in country store retail, Mole Valley and Countrywide are unlikely to be each other's closest competitors within the supply of bulk agricultural products. The CMA also notes that the Parties appear to face more significant competition from a broader set of suppliers than is the case within country store retail.

#### *Overlap between the Parties' stores*

133. Consistent with the methodology applied above for country store retail, the CMA applied the relevant average catchment area to each Countrywide store and Mole Valley store (including both country stores and direct-to-farm stores) to identify all relevant overlaps between them.
134. The CMA found overlaps between the Parties at 45 Countrywide stores in the supply of bulk agricultural products. This consisted of:
  - (a) Twenty-three (23) Countrywide stores that were located within 45 minutes of one or more Mole Valley stores, including some Mole Valley direct-to-farm stores;
  - (b) Twenty-two (22) additional stores that were located more than 45 minutes' but less than 90 minutes' drive time from one or more Mole Valley stores. In cases like this, the two stores' 45-minute catchment areas intersect and therefore the Parties may compete for a common group of customers that are located between them.

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<sup>61</sup> Annex 52.

### *Initial filtering methodology*

135. Consistent with the approach applied in relation to country store retail, the CMA systematically certain filters based on the number of significant competitors remaining in a local area post-merger. As with country store retail, the CMA:

- (a) identified the effective competitor set;
- (b) chose an observable concentration measure; and
- (c) set a reasonable threshold related to that concentration measure which will indicate the catchment areas passing or failing this initial filter.

### *Effective competitor set*

136. In common with the approach adopted for country retail stores, the CMA has sought to identify an effective competitor set of close competitors to the Parties in the supply of bulk agricultural products, where this closeness of competition can be demonstrated. In order to assess whether a competitor can be considered part of the effective competitor set for the purposes of its filter, the CMA has considered:

- (a) The range of products they supply and into which categories these fall;
- (b) Their ownership of physical supply locations;
- (c) Their ability to make deliveries;
- (d) Their scale;
- (e) Evidence from third parties; and
- (f) Evidence from the Parties' internal documents.

137. Based on these criteria, the CMA considers that the effective competitor set is formed primarily by the same competitors set out in paragraph 102 above for country store retail. In keeping with the approach described in paragraphs 103 - 104 above, the CMA does not consider that the other country store retailers should be considered as effective competitors because the evidence available to the CMA does not support their inclusion within the context of a Phase 1 investigation.

### *Concentration measure*

138. The CMA often uses a ‘five to four’ fascia count threshold when assessing this theory of harm (and has applied this approach within its analysis of country store retail).<sup>62</sup>
139. The CMA considered whether it was appropriate to apply a lower screen – a ‘four to three’ fascia count – in relation to the supply of bulk agricultural products. Based on the available evidence, the CMA concluded that this less conservative filter would be appropriate in relation to this frame of reference in particular because:
- (a) The available evidence suggests that there is more limited competitive interaction between the Parties within this frame of reference (given Countrywide’s focus on its retail business); and
  - (b) The available evidence shows wide availability of alternative supply options beyond country stores with local outlets (in particular from suppliers that sell narrower categories of product and/or that do not possess local premises), notwithstanding that these suppliers were not, in light of the factors set out in paragraph 136, considered to form part of the effective competitive set.
140. Accordingly, recognising the more limited competitive interaction between the Parties within this frame of reference, and the availability of alternative supply options beyond country stores with local outlets, the CMA considered that competition concerns would only be likely to arise within this where the level of concentration brought about by the Merger within the relevant frame of reference is higher.

*Overlaps within 45 minutes*

141. As set out above, 23 Countrywide stores gave rise to overlaps with at least one Mole Valley store within 45 minutes’ drive time. All of these overlaps failed the filter. In most cases, the overlap failed irrespective of whether the CMA counted competitors within 45 minutes of the Countrywide store or the Mole Valley store. In a small minority of cases, the overlap failed only in respect of the Countrywide store (as there were sufficient competitors within 45 minutes’ drive time of the Mole Valley store).

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<sup>62</sup> As set out in the [Retail mergers commentary](#), (CMA62) 10 April 2017, the OFT, CC and CMA have used a ‘five to four’ fascia count threshold when assessing retail mergers at phase 1, for example in build centres (Saint-Gobain/Build Center, 2012); casinos (Rank/Gala, 2013), and cinemas (Cineworld/City Screen Limited, 2013).

### *Overlaps within 90 minutes*

142. As set out above, the CMA identified 22 additional Countrywide stores that overlapped with at least one Mole Valley store between 45 and 90 minutes' drive time away (but did not overlap within 45 minutes).<sup>63</sup> In such cases, although the Parties' stores are not located in each other's catchment areas directly, the Parties may still compete for a shared group of customers that are located between them, in particular, those located in the intersection between the two catchment areas.
143. The CMA considered whether further filtering of these overlaps may be necessary, following similar reasoning to that set out in paragraph 113, as in the case of country store retail overlaps (see paragraphs 115).
144. However, in contrast to the position in country store retail, prices in the supply of bulk agricultural products are subject to individual negotiation with customers. Moreover, account customers' locations are likely to be known to suppliers of bulk agricultural products because the majority of those customers receive deliveries and/or are registered customers. Therefore, the CMA considers that the costs of changing prices to the subset of customers that are located between their stores would be low and, therefore, that customers located in these areas would not be protected by the fact that they are a small group within a larger catchment area.
145. The CMA has, therefore, not applied any further filters to these overlaps.

### ***Competitive constraints from outside the Effective competitor set***

146. As described above, the initial filtering identified 45 Countrywide stores (see in Annex 4 below) that raised *prima facie* competition concerns because of the limited number of effective competitors that the Parties would face in local areas of overlap.
147. Consistent with its established practice, in assessing whether a merger may give rise to an SLC, the CMA may take into account constraints outside the relevant frame of reference.<sup>64</sup> In this case, as noted above, the Parties submit there are many further effective competitors including, in particular, suppliers that sell narrower categories of product and/or that do not possess local premises.
148. As noted above, the Parties consider that their country stores face competition from a wide variety of suppliers, including other country stores (including stores

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<sup>63</sup> See Annex 6.

<sup>64</sup> [Merger Assessment Guidelines](#), paragraph 5.2.2.

that the CMA considers, for the reasons explained above, do not form part of the effective competitor set), suppliers of narrower categories of products, and from suppliers that do not possess local premises (in particular ACT).

149. The CMA's analysis of the evidence provided by the Parties to support their submissions is set out above (in relation to the relevant frame of reference) and (in relation to the relevant effective competitor set). In light of this analysis, the CMA notes that:

- (a) The Parties' internal documents place considerable emphasis on the importance of range and the ability of suppliers being able to achieve economies of scale. This indicates that the country stores outside the relevant competitive set (which are typically smaller competitors that lack the same range as the Parties' stores) are only a limited competitive constraint on the Parties; and
- (b) The Parties' internal documents, their price monitoring and matching data consistently indicate that suppliers of narrower categories of products are only a limited competitive constraint on the Parties (a position that is supported by the Parties' country store competitors); and
- (c) The Parties' commercial strategy indicates that suppliers with physical stores in a given local area can have a material competitive advantage over suppliers without such premises (a position that was supported by several third parties).

150. There is limited time available within a Phase 1 investigation to conduct a detailed competitive assessment of a large number of local areas and/or to verify the submissions made by the merging parties in relation to these areas. Consistent with the CMA's established practice, the effect of constraints from outside the effective competitor set is required to be supported by clear and convincing evidence.

151. The CMA noted the existence of a wide range of other suppliers within the areas of overlap in which competition concerns arise and has taken this into account in assessing the appropriate filter to be applied within this frame of reference (which is less conservative than that applied within country store retail). Within this context, the CMA has not been provided with sufficiently clear and convincing evidence to establish that these suppliers, in combination with those within the effective competitor set, will sufficiently constrain the Parties post-Merger.

#### *Conclusion on the supply of bulk agricultural products*

152. For the reasons set out above, the CMA finds that the Merger gives rise to a realistic prospect of an SLC as a result of horizontal unilateral effects in relation

to the supply of bulk agricultural products with respect to 45 Countrywide stores and the corresponding Mole Valley stores in each of the relevant catchment areas. These stores and all relevant catchment areas are listed in Annexes 4, 5 and 6.

#### *Conclusion on horizontal unilateral effects*

153. As set out above, the CMA found that the Merger raises significant competition concerns as a result of horizontal unilateral effects in relation to the supply of bulk agricultural products in 45 local areas listed in Annex 6.

### **Vertical effects**

154. Vertical effects may arise when a merger involves firms at different levels of the supply chain, for example a merger between an upstream supplier and a downstream customer or a downstream competitors of the supplier's customers.

155. Vertical mergers may be competitively benign or even efficiency-enhancing, but in certain circumstances can weaken rivalry, for example when they result in foreclosure of the merged firm's competitors. The CMA only regards such foreclosure to be anticompetitive where it results in an SLC in the foreclosed market(s), not merely where it disadvantages one or more competitors.<sup>65</sup>

156. In the present case, there is a vertical relationship between Mole Valley's upstream supplies of blended and compound ruminant feeds, which it supplies out of mills located in Huntworth, Calne, Lifton, Risdon, Coynton and Dorchester, and the Parties' downstream activities in the bulk supply of agricultural products.

157. The CMA has therefore considered whether the Merger would provide the Parties with the ability and incentive to foreclose downstream competitors in the bulk supply of agricultural products from the supply of blended and compound ruminant feeds.

158. The CMA's approach to assessing vertical theories of harm is to analyse (a) the ability of the merged entity to foreclose competitors, (b) the incentive of it to do so, and (c) the overall effect of the strategy on competition.<sup>66</sup>

159. With regard to the Parties' ability to foreclose competitors, the available evidence indicates that Mole Valley's upstream share of supply is moderate

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<sup>65</sup> In relation to this theory of harm 'foreclosure' means either foreclosure of a rival or to substantially competitively weaken a rival.

<sup>66</sup> [Merger Assessment Guidelines](#), paragraph 5.6.6.

(and would not exceed [30-40]% within any plausible frame of reference). The CMA also notes that there are several other credible suppliers of these products (including ForFarmers and Harpers in particular) and that competitors may have excess capacity. The CMA has not received any concern from downstream competitors of the Parties that are active in the bulk supply of agricultural products about their continued access to blended and compound ruminant feeds.

160. As the CMA considers that the Parties would not have the ability to foreclose competitors post-Merger, it has not considered whether it would have the incentive to do so or what the overall effect of such a strategy would be on competition.

#### *Conclusion on vertical effects*

161. For the reasons set out above, the CMA found that the Merger does not give rise to a realistic prospect of an SLC as a result of vertical effects in relation to the supply of blended and compound ruminant feeds.

#### **Barriers to entry and expansion**

162. 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 an SLC, the CMA considers whether such entry or expansion would be timely, likely and sufficient.<sup>67</sup>
163. The Parties did not make any submission on barriers to entry and no evidence before the CMA shows a timely, likely or sufficient entry or expansion to prevent a realistic prospect of an SLC as a result of the Merger.

#### **Third party views**

164. The CMA contacted 17 suppliers, 32 competitors and 20 customers of the Parties. Around 45% per cent of third parties responded to the CMA's questionnaires. Most competitors, in particular those located in areas with multiple overlaps raised concerns regarding the market power of Mole Valley, its multiple acquisitions of independent country store retailers and the enhanced [market power] the Merger will give to Mole Valley.

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<sup>67</sup> [Merger Assessment Guidelines](#), from paragraph 5.8.1.



165. The CMA also received unprompted views in favour of the Merger from a shareholder of one of the Parties, and competition concerns raised by three competitors.
166. Third party comments have been taken into account where appropriate in the competitive assessment above.

### **Conclusion on substantial lessening of competition**

167. Based on the evidence set out above, the CMA believes that it is or may be the case that the Merger may be expected to result in an SLC as a result of horizontal unilateral effects in relation to country store retail in the catchment areas of 25 Countrywide stores and their overlapping Mole Valley stores and in relation to the supply of bulk agricultural products in the catchment areas of 45 Countrywide stores and their overlapping Mole Valley stores.

## Decision

168. Consequently, the CMA believes that it is or may be the case that (i) arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation, and (ii) the creation of that situation may be expected to result in a substantial lessening of competition within a market or markets in the United Kingdom.
169. The CMA, therefore, believes that it is under a duty to refer under section 33(1) of the Act. However, the duty to refer is not exercised<sup>68</sup> whilst the CMA is considering whether to accept undertakings<sup>69</sup> instead of making such a reference. The Parties have until 28 February 2018<sup>70</sup> to offer an undertaking to the CMA.<sup>71</sup> The CMA will refer the Merger for a phase 2 investigation<sup>72</sup> if the Parties do not offer an undertaking by this date; if the Parties indicate before this date that they do not wish to offer an undertaking; or if the CMA decides<sup>73</sup> by 7 March 2018 that there are no reasonable grounds for believing that it might accept the undertaking offered by the Parties, or a modified version of it.

**Rachel Merelie**  
**Executive Director**  
**Competition and Markets Authority**  
**21 February 2018**

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<sup>68</sup> Section 33(3)(b) of the Act.

<sup>69</sup> Section 73 of the Act.

<sup>70</sup> Section 73A(1) of the Act.

<sup>71</sup> Section 73(2) of the Act.

<sup>72</sup> Sections 33(1) and 34ZA(2) of the Act.

<sup>73</sup> Section 73A(2) of the Act.

## ANNEX 1

### COUNTERFACTUAL

1. 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 a realistic prospect of a counterfactual that is more competitive than these conditions.
2. In the present case, Countrywide submitted that Countrywide's Retail Business met the conditions for an exiting firm counterfactual and, absent the Merger, it was inevitable that Countrywide's Retail Business would have exited the relevant markets [§]. The CMA's assessment of this counterfactual is set out below.

#### *Exiting firm*

3. As set out in the CMA's Merger Assessment Guidelines, for the CMA to accept an exiting firm scenario as the appropriate counterfactual at phase 1, it would need to believe, based on compelling evidence, that the following three cumulative conditions were met:
  - it is inevitable that Countrywide's Retail Business would exit the market (limb 1);
  - there is no substantially less anti-competitive purchaser for Countrywide's Retail Business or its assets (limb 2); and
  - the Merger does not represent a substantially less competitive outcome compared with what would have happened to the sales of the business in the event of its exit (limb 3).<sup>74</sup>
4. Where, based on the available evidence, the CMA cannot reach a sufficient level of confidence in relation to each of the considerations (a), (b) and (c), it will use the prevailing conditions as its counterfactual to assess the merger.<sup>75</sup> This is particularly relevant in the context of a phase 1 assessment, in which an

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<sup>74</sup> [Merger Assessment Guidelines](#), paragraphs 4.3.8 to 4.3.18.

<sup>75</sup> [Merger Assessment Guidelines](#), paragraph 4.3.10.

exiting firm counterfactual is subject to a higher evidentiary threshold than in a phase 2 assessment.<sup>76</sup>

5. In its assessment of whether to accept an exiting firm scenario as the appropriate counterfactual, the CMA has focused on the circumstances in the first half of 2017 (when Countrywide decided to sell Countrywide's Retail Business and engaged in extensive discussions with potential buyers). Countrywide has submitted that the CMA should also take account of later changes in its financial position (brought about, in particular, by a delay in being able to complete the sale of Countrywide's Retail Business), [REDACTED].
6. The CMA notes that the counterfactual is intended to analyse the 'prospects for competition with the merger against the competitive situation without the merger.'<sup>77</sup> The CMA's analysis of the counterfactual therefore largely focusses on the circumstances that brought about the merger in question (ie the agreement ultimately entered into between Mole Valley and Countrywide).
7. In this case, for the reasons set out below the CMA does not consider that the circumstances following the agreement to enter into the merger, which [REDACTED], materially affects its assessment of the counterfactual.<sup>78</sup>

#### *Limb 1 – Would Countrywide's Retail Business have inevitably exited the market?*

8. The CMA's Merger Assessment Guidelines state that in the context of a firm exiting for reasons of financial failure, consideration is given both to whether the firm is unable to meet its financial obligations in the near future, and to whether it is unable to restructure itself successfully.<sup>79</sup>

#### *Countrywide's submissions*

9. The Parties submitted that Countrywide's Retail Business had been making losses in both the 18 months to November 2015 and the year to November 2016, citing a number of reasons for this trend, including:
  - the scale of Countrywide's Retail Business's overheads, despite management actions to reduce costs;

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<sup>76</sup> [Merger Assessment Guidelines](#), paragraph 4.3.5 and 4.3.6. In practice, this means that an exiting firm counterfactual may be successful at phase 2 even where it has not been successful at phase 1 (see, eg. [Euro Car Parts/Andrew Page merger review](#), paragraphs 62 to 113 in phase 1 decision and section 6 of the final report of phase 2 assessment).

<sup>77</sup> [Merger Assessment Guidelines](#), paragraph 4.3.1.

<sup>78</sup> Countrywide told the CMA that its decision to exchange contracts with DCC plc on the sale of the LPG business in December 2017, will result in Countrywide no longer being [REDACTED]. Countrywide informed the CMA that [REDACTED] (source: RFI7 cover letter of 2 February 2018).

<sup>79</sup> [Merger Assessment Guidelines](#), paragraph 4.3.14.

- losses at its new stores, which had opened during 2015 as part of its 2014 Retail Strategy;
  - difficulties and delays with the implementation of a new Enterprise Resource Planning (ERP) system (Project Fusion) which had significantly impacted on shelf availability;
  - the delayed implementation of a new online platform (a key driver for growth);
  - the delayed integration of 12 Cornwall Farmers stores (acquired in September 2015); and
  - exposure to the challenging retail and farming sectors.
10. Countrywide told the CMA that the delayed roll-out of its new ERP system across Countrywide's Retail Business (between April and August 2016) destabilised supply and undermined Countrywide's Retail Business's stock availability, which led to a deterioration in its trading performance and resulted in Countrywide breaching its banking financial covenant in November 2016.
  11. Countrywide told the CMA that an independent business review by [redacted] on behalf of Countrywide and [redacted], in October 2016, recommended a 'stabilisation plan' for Countrywide's Retail Business, together with contingency plans [redacted]. Countrywide added that following [redacted], and advice from [redacted], Countrywide concluded that [redacted], and therefore, [redacted].
  12. Countrywide told the CMA that between December 2016 and January 2017, management reviewed a number of options, and that on 2 February 2017, [redacted] presented Countrywide management the options for restructuring, which included the closure of 14 loss-making retail stores, along with further operational changes, and the sale of Countrywide's Retail Business. Countrywide told the CMA that Countrywide management's 'preferred approach' was to pursue both the store closures and the sale of Countrywide's Retail Business.
  13. Countrywide told the CMA that a 'number of other areas of opportunity were explored to restructure the business, but were ruled out on the basis of risk/complexity to execute', including, [redacted].
  14. Countrywide told the CMA that the decision to sell Countrywide's Retail Business was pursued following a review of the 'outcomes [of alternative options] delivering financial recovery', and PwC was subsequently instructed in February 2017 to market Countrywide's Retail Business.

## CMA assessment

- *The Retail Business's financial situation*

15. Countrywide's historic annual profit and loss statement for FY15 to FY17<sup>80</sup> showed that it generated [REDACTED]. It also showed [REDACTED]. Countrywide's [REDACTED]. Countrywide's [REDACTED].
16. The Retail Business's profit and loss statement for FY15 to FY17 showed a [REDACTED] that was partly driven by [REDACTED], particularly in [REDACTED]. It also showed that, despite Countrywide's Retail Business being [REDACTED], Countrywide's Retail Business generated an operating [REDACTED] after the deduction of allocated central distribution and support costs of [REDACTED]. [REDACTED].
17. Countrywide estimated that the [REDACTED] impact on Countrywide's Retail Business's cash position from [REDACTED] was around [REDACTED]. The CMA notes that, in one instance, a reduction in the [REDACTED], would not, in and of itself, [REDACTED].<sup>81</sup>
18. While Countrywide has submitted that Countrywide's Retail Business's cash position has [REDACTED], it has not provided any information to show when Countrywide's Retail Business's [REDACTED]. The CMA has therefore been unable to verify the extent to which these changes [REDACTED] may have occurred after the circumstances that brought about the merger in question (which, for the reasons explained in paragraph 6 above), is the appropriate point for the assessment of the counterfactual.

- *Was Countrywide's Retail Business able to restructure itself successfully?*

19. In April 2017, when Countrywide announced its intention to sell Countrywide's Retail Business after announcing its year-end FY16 results, a number of factors indicated that Countrywide's decision to pursue a sale of Countrywide's Retail Business was a strategic decision in order to focus on its remaining businesses (primarily LPG). In particular:
  - Countrywide stated in its FY16 annual report that, following a 'challenging and disruptive' period of transition, Countrywide's Retail Business was 'now well positioned for growth moving forward, with actions taken more recently to improve profitability underpinned by a market leading ERP/Multichannel system following the successful completion of Project Fusion'. The annual report also noted that Countrywide had 'taken recent deliberate action to reduce costs and

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<sup>80</sup> Countrywide's financial year ends on around the end of November.

<sup>81</sup> The CMA notes, in this respect, that this estimate is sensitive to assumptions on [REDACTED]. For example, the [REDACTED] was based on [REDACTED] over [REDACTED] weeks (in FY17 and year-to-date FY18), and would [REDACTED] to [REDACTED] based on [REDACTED] made to date in FY18.

improve profitability', which had 'resulted in rationalisation of the cost base and closure of 14 less profitable retail stores'.

- The FY16 annual report also added, however, that the Board had 'concluded that it would be beneficial to explore the potential sale of Retail [ie Countrywide's Retail Business] to enable the Company to focus on its Rural Energy – LPG and Turf & Amenity businesses [...] [which] have enjoyed robust and profitable trading performance and are well positioned to drive growth in the future'.
- The FY16 annual report also stated that it was 'clear to the Board that the retail environment remains challenging and that to compete effectively for the long-term will require further rationalisation of the cost base along with potential further investment'. Noting Countrywide's 'operational challenges', with 'three business units all requiring investment, together with a legacy pension scheme to fund', the Board considered that it had to 'prioritise the opportunities that [the Board] believe will deliver the greatest returns'.

20. The CMA also notes Countrywide management's FY17 and FY18 profit and loss statement and cash flow forecasts [REDACTED], which formed the basis of [REDACTED], showed that:

- Even with Countrywide's Retail Business remaining within Countrywide, [REDACTED];
- [REDACTED]; and
- [REDACTED].

21. The CMA notes that Countrywide management considered these FY17 and FY18 forecasts to [REDACTED].<sup>82</sup>

22. The CMA also notes that much of the available evidence indicates that Countrywide would still have been able to [REDACTED]. In particular:

- Third parties appeared to consider that Countrywide's Retail Business could be [REDACTED]. For example, [REDACTED]; and
- The Retail Business's financial position appeared to be [REDACTED]. The information memorandum for Countrywide's Retail Business ([REDACTED])<sup>83</sup> factored in a number [REDACTED] and [REDACTED] that showed Countrywide's Retail Business's [REDACTED]. Countrywide management stated in the information

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<sup>82</sup> Countrywide submission, RFI7g - Countrywide - GC.msg

<sup>83</sup> Countrywide submission, Project Wellington, Information Memorandum. [REDACTED], April 2017, slide 40.

memorandum that these [REDACTED]. Countrywide also told the CMA that Countrywide's Retail Business's [REDACTED]. However, at around the time the decision was taken to sell Countrywide's Retail Business, and particularly at around the time Countrywide management had prepared its forecasts to [REDACTED], no evidence has been provided to show that such a sale was necessary for the realisation of some, or even most, of the [REDACTED] and [REDACTED] in Countrywide's Retail Business's projections.

23. The CMA therefore considers, based on the available evidence, that the decision of Countrywide management to pursue [REDACTED], instead of [REDACTED], may have been taken before [REDACTED] or its exit became apparent or inevitable and that this influenced the subsequent decisions of Countrywide management in relation to Countrywide's Retail Business.
24. The CMA notes the following options were presented to the Countrywide Board in a [REDACTED] dated 26 January 2017:
  - *Plan A:* [REDACTED].
  - *Plan B:* [REDACTED].
  - *Plan C:* [REDACTED].
25. The Board consensus was that [REDACTED]. A presentation by [REDACTED] noted, in this regard, [REDACTED].
26. The CMA considers that when the decision was taken by Countrywide management to pursue a sale of Countrywide's Retail Business ([REDACTED]), this [REDACTED].
27. While Plans A and B alone may not have been sufficient on their own to ensure a full turnaround of Countrywide's Retail Business, the CMA considers that management, at that time, had the option to develop other initiatives and to commit to a turnaround plan. The CMA considers that [REDACTED] had been abandoned by management in favour of pursuing a sale of Countrywide's Retail Business.
28. The minutes of a Countrywide Board meeting on 7 September 2017 confirmed that a turnaround of Countrywide's Retail Business was rejected as a 'viable option' in early-2017 because of management's concerns in relation to its 'deliverability'. The CMA notes, however, that during Countrywide's discussion of a possible [REDACTED] Countrywide (including Countrywide's Retail Business) [REDACTED] that the [REDACTED] of Countrywide's Retail Business would be [REDACTED] where [REDACTED] – 'at least [REDACTED] had demonstrated [REDACTED]' – were involved.
29. The CMA notes that whilst some of the more significant restructuring options had been considered by management, they had been 'ruled out on the basis of



risk/complexity to execute', including, for example, [REDACTED]. The CMA considers the potential risks relating to a restructuring further in paragraphs 41 to 48 below.

- *Would funding have been available to Countrywide's Retail Business to enable a turnaround?*
30. As noted above, Countrywide's forecasts, which were prepared in March 2017 and formed the basis of PwC's sign-off of Countrywide's audited accounts on a 'going concern basis' in April 2017, were considered by management to be realistic and achievable. The forecasts were also not predicated on Countrywide's Retail Business achieving significant revenue growth or cost rationalisations.
  31. These forecasts suggest that [REDACTED].
  32. In addition, Countrywide's announcement in [REDACTED] that [REDACTED], suggests that, absent the Merger, Countrywide management could have had additional time to refocus on [REDACTED].
  33. In this regard, the CMA notes that in preparing Countrywide's FY16 audited accounts, Countrywide management had prepared cash flow forecasts for the 18 months from the date of signing of the FY16 audited accounts (ie until the end of September 2018) that showed that Countrywide was able to 'operate and remain within its committed lending facilities', and that 'sufficient headroom exists in the forecasts to absorb reasonable sensitivity analysis and that bank support will continue to be forthcoming'.
  34. Countrywide told the CMA that [REDACTED].<sup>84</sup>
  35. The CMA notes, however, that based on the [REDACTED],<sup>85</sup> [REDACTED]. In particular, [REDACTED].
  36. The CMA also notes that Countrywide's [REDACTED] may have provided management with some further scope to negotiate a solvent restructuring solution [REDACTED]. In particular, [REDACTED].<sup>86</sup> In this regard, the CMA notes that a presentation by [REDACTED]'.
  37. The CMA also notes that while [REDACTED].
  38. Countrywide told the CMA that [REDACTED].
  39. The CMA notes, however, that the available evidence is mixed in this regard. For example, [REDACTED].

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<sup>84</sup> Countrywide told the CMA that [REDACTED] had provided a new revolving credit facility [REDACTED]. It added that [REDACTED].

<sup>85</sup> Countrywide submission, RFI7e- [REDACTED] Apr 17.pdf

<sup>86</sup> Based on a valuation carried out by [REDACTED].

40. The CMA therefore considers that Countrywide's submissions in this regard are of limited relevance as to whether alternative structures involving the retention of Countrywide's Retail Business within Countrywide may have been feasible either with [REDACTED] or others, in particular given [REDACTED].
- *Risks to a successful restructuring or turnaround*
41. The CMA considers that the prospect for the continuation of funding, either from [REDACTED] or other providers of finance would largely be predicated on Countrywide hitting its targets, and improving its profitability. In response to whether [REDACTED].
42. [REDACTED].
43. While Countrywide's Retail Business's trailing 12 month revenues for FY15 to FY17 showed that its revenues have been [REDACTED] since November 2016, Countrywide told the CMA that [REDACTED]. Countrywide submitted that Countrywide's Retail Business's [REDACTED], which indicated an [REDACTED], was [REDACTED]. The CMA recognises that it is therefore unclear whether the increases in Countrywide's Retail Business's [REDACTED].
44. In addition, while Countrywide management's forecasts for FY17 and FY18 prepared in [REDACTED] showed that management expected [REDACTED]:
- [REDACTED].
  - [REDACTED].
45. Countrywide submitted that [REDACTED].
46. In addition, Countrywide told the CMA that [REDACTED]. Countrywide added that [REDACTED] had [REDACTED]. [REDACTED] confirmed that it [REDACTED].
47. However, as explained in paragraphs 26-27 above, the available evidence indicates that the decision taken by Countrywide management to pursue a sale of Countrywide's Retail Business, rather than to pursue a [REDACTED] shifted management focus towards concluding this sale. The CMA considers that this would have effectively resulted in management postponing any necessary significant steps to restore Countrywide's Retail Business to restructure itself successfully. In addition, the CMA also notes that the [REDACTED].
48. The available evidence therefore suggests that the decision to pursue the Merger may have had a material impact on Countrywide's Retail Business's [REDACTED]. In such circumstances, the CMA considers that there is a realistic prospect [REDACTED].

## Conclusion

49. The available evidence paints a wholly mixed picture. In April 2017, Countrywide's FY16 annual report indicated that Countrywide's Retail Business was 'well positioned for growth' and its audited accounts (signed off on a 'going concern' basis) indicated that the Countrywide business (including Countrywide's Retail Business) would continue to operate within its borrowing limits during both FY17 and FY18. Countrywide has, however, submitted that the business performance has deteriorated during the course of 2017.
50. In the round, the CMA considers that the available evidence is mixed in relation to whether Countrywide's Retail Business could have restructured itself; whether funding would have been available to enable a turnaround; and whether the risks to a successful restructuring would have been insurmountable. The CMA notes, in this regard, that the satisfaction of limb 1, within a phase 1 proceeding, is required to be supported by compelling evidence.
51. Accordingly, while there are some indications that a successful restructuring might not have been possible, the CMA does not consider that limb 1 is met to the required legal standard in a phase 1 investigation.

### *Limb 2 – Would there have been no substantially less anti-competitive purchaser for Countrywide's Retail Business or its assets?*

52. Even if the CMA believes that the firm would have exited, there may be other buyers whose acquisition of the firm as a 'going concern', or of the firm's assets, would produce a better outcome for competition than the merger under consideration.<sup>87</sup>
53. When considering the prospects for an alternative buyer for the firm or assets, the CMA will look at available evidence supporting any claims that the merger under consideration was the only possible merger. The CMA will take into account the prospects of alternative offers above the liquidation value. In addition, the possible unwillingness of alternative purchasers to pay the seller the asking purchase price would not rule out a counterfactual in which there is a merger with an alternative purchaser.<sup>88</sup>
54. Between [X] and [X], [X] prepared the sale information memorandum for Countrywide's Retail Business sale, and identified potential buyers to approach. [X] approached 17 trade buyers and 26 financial buyers during this period, and

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<sup>87</sup> [Merger Assessment Guidelines, paragraph 4.3.16.](#)

<sup>88</sup> [Merger Assessment Guidelines, paragraph 4.3.17.](#)

the information memorandum was sent to [REDACTED] trade buyers and [REDACTED] financial buyers.

55. Indicative offers were due on [REDACTED], with [REDACTED] indicative offers received plus [REDACTED] others expressing interest in specific sites. These [REDACTED] indicative offers were:

- [REDACTED].

56. Countrywide progressed [REDACTED]. On [REDACTED], second round bids came from [REDACTED] and [REDACTED]:

- [REDACTED].

#### *Countrywide's submissions*

57. Countrywide told the CMA that [REDACTED].

58. Countrywide told the CMA that [REDACTED].

59. Countrywide told the CMA that [REDACTED], and that [REDACTED].

60. Countrywide also told the CMA that [REDACTED] offer for a [REDACTED] was not comparable to Mole Valley's, and added that it was, in any case, 'likely that a transaction with [REDACTED] would have been subject to the CMA's review'.

#### *CMA assessment*

61. Notwithstanding the CMA's conclusion that limb 1 would not be met, the CMA has considered for completeness whether there may have been a less anti-competitive alternative purchaser for Countrywide's Retail Business (in whole or part).

62. The CMA notes that Countrywide [REDACTED] approached Mole Valley again to take part in the second round, before providing the [REDACTED] with the opportunity to improve on their offer.<sup>89</sup> A letter dated [REDACTED] from [REDACTED] to Countrywide management, states the view of Countrywide's management that it would not sell assets 'other than at proper value,' a position which underpinned management's decisions in relation to which bids were credible (in terms of their valuation) and were therefore taken forward during the sale process.

63. Countrywide told the CMA that the decision to select Mole Valley's offer was based on seeking 'maximum value'. At the Issues Meeting, Countrywide also told the CMA that it was seeking a minimum value of about [REDACTED] for

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<sup>89</sup> Countrywide submission, [REDACTED] providing recommendations for Countrywide's Board review of the Mole Valley and [REDACTED] offers showed no discussion of any potential competition risks.

Countrywide's Retail Business in order to restructure its remaining businesses. The CMA notes, however, that all bids over liquidation value are relevant for the purposes of its assessment of limb 2, irrespective of Countrywide management's own valuation expectations or aspirations for the use of the proceeds of sale.

64. The CMA also notes Countrywide's submission that [REDACTED]. The CMA notes, however, that this 'risk' assessment related to [REDACTED] involvement in a [REDACTED], and did not refer to the sale of only Countrywide's Retail Business's assets described in paragraph 55 above, for which [REDACTED]. Similarly, at the Issues Meeting, Countrywide submitted that the fact that [REDACTED] showed that all [REDACTED] purchasers that [REDACTED]. Again, the CMA notes that it is not possible to simply assume (particularly where no supporting evidence has been provided) that a potential purchaser of Countrywide's Retail Business would not have pursued that transaction because it declined to pursue a materially different transaction.
65. Accordingly, for the purposes of assessing limb 2, the CMA considers that all the bids described in paragraph 55 above may have been at a level above liquidation value.
66. Absent an offer by Mole Valley, the alternative bids received during this process came from [REDACTED] financial buyers. The CMA also notes that there were [REDACTED] trade buyers who had expressed interest in specific sites.
67. Based on the latest [REDACTED] prepared by [REDACTED] and presented at the [REDACTED], [REDACTED] estimated the liquidation value of Countrywide's Retail Business's assets (stock plus fixtures and fittings) at between [REDACTED] and [REDACTED], representing a "pessimistic" and "optimistic" case.
68. Even if the CMA discounted the [REDACTED] made by [REDACTED] and [REDACTED], the bid range of the remaining [REDACTED] falls within the [REDACTED] liquidation value range estimated by [REDACTED]. The CMA also notes that, based on the indicative offer letters of these [REDACTED], all were fully-funded offers, with no regulatory concerns, and plans for Countrywide's Retail Business that demonstrated [REDACTED].
69. The CMA notes that the [REDACTED] for Countrywide's Retail Business's liquidation value estimated by [REDACTED] suggests that these figures are [REDACTED]. However, following Countrywide management's decision to [REDACTED], the CMA cannot conclude with sufficient certainty that the Merger was the only possible merger.
70. Countrywide told the CMA that where bids were for parts of Countrywide's Retail Business's portfolio only, [REDACTED]. The CMA notes that, unlike the [REDACTED] financial buyers which had bid for the [REDACTED] had [REDACTED], a partial bid would have crystallised additional liabilities [REDACTED].

71. The CMA also notes that [X] has been identified as a key competitor to the Parties within the relevant product frames of reference and, given the limited number of effective competitors identified at present, may also raise similar competition concerns as the acquisition by Mole Valley of these stores. The CMA has therefore not taken [X] into account as an alternative purchaser of these stores (without having conducted an in-depth assessment of whether [X] would have been a less anti-competitive purchaser for Countrywide's Retail Business than Mole Valley).

### *Conclusion*

72. For the reasons described above, the CMA considers that limb 2 is not met because there may have been an alternative purchaser for Countrywide's Retail Business, taking into account the prospect of all alternative offers above liquidation value, and therefore that the Merger is not the only possible merger. In particular, the CMA believes that the [X] who submitted offers for the whole of Countrywide's Retail Business would have been substantially less anti-competitive purchasers for Countrywide's Retail Business than Mole Valley.

### *Limb 3 – Would the distribution of sales of the business in the event of an exit result in a substantially less competitive outcome?*

73. If the CMA believes that the firm and its assets would have exited the market, it considers what would have happened to the sales of the firm. The CMA considers whether sales would have been redistributed among the firms remaining in the market and, if so, how. If sales were likely to have been dispersed across several firms, the merger, by transferring most or all of the sales to the acquirer, may have a significant impact on competition. If, on the other hand the majority of sales were expected to have switched to the acquiring firm, the merger may have little effect on competition.<sup>90</sup>
74. The CMA notes that having concluded that neither limb 1 or limb 2 is satisfied, for the reasons explained above, it is not necessary to consider whether limb 3 is satisfied. Nevertheless, after the CMA explained to Countrywide that it had only made submissions in relation to limb 1 and limb 2 (and that all three limbs are required to be satisfied cumulatively), Countrywide made a brief submission that it expected that sales lost from the exiting Retail Business stores would migrate to the 'full range' of Countrywide's Retail Business's competitors. The CMA has therefore also considered below whether limb 3 might be met.
75. The CMA notes that Countrywide's position – that the majority of sales from the closed stores would be dispersed across the other firms in the market –

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<sup>90</sup> [Merger Assessment Guidelines](#), paragraph 4.3.18.

indicates that limb 3 would not be met. In particular, if Countrywide's Retail Business had exited the market, the resulting dispersion of its sales to its competitors, as submitted by Countrywide, would likely have been a less anti-competitive outcome than Mole Valley's acquisition of Countrywide's Retail Business (as a result of which all of Countrywide's Retail Business's sales would have transferred to Mole Valley).

76. The CMA therefore considers that limb 3 would also not be met.

### ***Conclusion***

77. Based on the evidence set out above, the CMA is unable to conclude that it is inevitable that Countrywide's Retail Business would have exited the market to the required legal standard in a phase 1 investigation. The CMA also considers that there were alternative, less anti-competitive purchasers for Countrywide's Retail Business than Mole Valley. Finally, the available evidence does not enable the CMA to conclude that if Countrywide's Retail Business had exited the market, this would have been a less anti-competitive outcome than Mole Valley's acquisition of Countrywide's Retail Business.

78. In light of the CMA's finding that the exiting firm counterfactual is not satisfied to the required legal standard in a phase 1 investigation, the CMA has, in line with its Merger Assessment Guidelines, assessed the Merger against the prevailing conditions of competition.

## ANNEX 2

**Table 1: 30-minute overlaps in country store retail**

<i>Countrywide store location</i>	<i>Location of Mole Valley store(s) within 30 minutes</i>	<i>Drive-time (minutes)</i>	<i>Number of effective competitor fascia within 30 minutes of Countrywide</i>	<i>Number of effective competitor fascia within 30 minutes of Mole Valley</i>
Ashbourne	Fauld	27	2	1
Chepstow	TCS, Berkeley	27	0	1
Crewkerne	Yeovil	27	1	1
Dartington	Newton Abbot	24	0	0
Gloucester	TCS, Berkeley	30	1	1
Hatherleigh	Holsworthy	22	2	2
Helston	Gwinear	19	0	1
Helston	Redruth <sup>ii</sup>	24	0	1
Launceston	Holsworthy	26	2	2
Liphook	Godalming <sup>ii</sup>	27	0	0
Liskeard	Liskeard	4	0	0
Melksham	Devizes	22	1	1
Melksham	Frome	30	1	0
Newmarket	Bury St Edmunds	29	0	0
Penzance	Gwinear	20	0	0
Penzance	Redruth <sup>ii</sup>	25	0	1
Taunton	Cullompton	28	1	1
Taunton	Bridgwater	28	1	1
Thornbury	TCS, Berkeley	11	0	1
Wadebridge	St. Columb	18	0	2

Source: CMA analysis of store location data provided by the Parties.



## ANNEX 3

**Table 2: Filtering results for 60-minute overlaps in country store retail**

<i>Location of Countrywide store</i>	<i>Location of Mole Valley store</i>	<i>Drive-time (minutes)</i>	<i>Number of different fascia with stores located within 60 minutes of both Countrywide and Mole Valley</i>	<i>Distance less than 50 minutes?</i>	<i>Result before filtering out stores &gt;50 mins apart that have only one overlap between Countrywide and Mole Valley</i>	<i>Result after filtering out stores &gt;50 mins apart that have only one overlap between Countrywide and Mole Valley</i>
Ashbourne	Darley Dale	31.5	2	Yes	Fail	Fail
Bideford	Holsworthy	30.8	3	Yes	Fail	Fail
Bideford	South Molton	31.3	1	Yes	Fail	Fail
Bourton	TCS	52.9	1	No	Fail	Pass
Bromsgrove	TCS	56.8	1	No	Fail	Pass
Chepstow	Bridgwater	49.7	1	Yes	Fail	Fail
Cirencester	Newbury	55.5	1	No	Fail	Fail
Cirencester	TCS	54.1	1	No	Fail	Fail
Crewkerne	Bridgwater	48.7	2	Yes	Fail	Fail
Crewkerne	Cullompton	54.2	2	No	Fail	Fail
Crewkerne	Dorchester	39.8	2	Yes	Fail	Fail
Crewkerne	Gillingham	52.7	1	No	Fail	Fail
Dartington	Cullompton	55.9	0	No	Fail	Fail
Evesham	TCS	52.8	1	No	Fail	Pass
Hatherleigh	Newton Abbot	51.4	1	No	Fail	Fail
Hatherleigh	South Molton	48.7	1	Yes	Fail	Fail
Helston	St Columb	56.8	2	No	Fail	Fail
Kingsbridge	Newton Abbot	47.4	0	Yes	Fail	Fail
Launceston	Liskeard	33.1	2	Yes	Fail	Fail
Launceston	St Columb	59.3	1	No	Fail	Fail
Ledbury	TCS	51.9	1	No	Fail	Pass
Liphook	Basingstoke	57.9	0	No	Fail	Fail
Liphook	Billingshurst	44.4	0	Yes	Fail	Fail
Liphook	Wickham	50.6	0	No	Fail	Fail
Liphook	Winchester	47.3	0	Yes	Fail	Fail
Liskeard	Holsworthy	55.6	2	No	Fail	Fail
Liskeard	St Columb	43.9	2	Yes	Fail	Fail
Malvern	TCS	55.0	1	No	Fail	Pass
Melksham	Gillingham	59.7	1	No	Fail	Fail
Melksham	TCS	54.9	1	No	Fail	Fail
Nuneaton	Fauld	57.3	0	No	Fail	Fail
Nuneaton	Melton Mowbray	58.9	0	No	Fail	Fail
Otterham	Holsworthy	33.0	3	Yes	Fail	Fail
Otterham	Liskeard	44.8	2	Yes	Fail	Fail
Otterham	St Columb	42.5	1	Yes	Fail	Fail
Penzance	St Columb	58.5	1	No	Fail	Fail
Raglan	TCS	54.2	1	No	Fail	Pass
Taunton	South Molton	59.3	1	No	Fail	Fail
Taunton	Yeovil	59.2	2	No	Fail	Fail
Tavistock	Holsworthy	50.2	3	No	Fail	Fail
Tavistock	Liskeard	41.9	2	Yes	Fail	Fail
Tavistock	Newton Abbot	56.8	1	No	Fail	Fail
Thornbury	Bridgwater	49.9	1	Yes	Fail	Fail
Tredington	TCS	32.6	1	Yes	Fail	Fail
Twyford	Basingstoke	38.1	0	Yes	Fail	Fail
Twyford	Newbury	45.4	0	Yes	Fail	Fail
Upton	TCS	44.0	1	Yes	Fail	Fail
Wadebridge	Holsworthy	59.3	1	No	Fail	Fail
Wadebridge	Liskeard	35.3	3	Yes	Fail	Fail
Wadebridge	Redruth <sup>i</sup>	51.1	2	No	Fail	Fail
Witney	Newbury	55.5	0	No	Fail	Pass

Source: CMA analysis of store location data provided by the Parties

## ANNEX 4

**Table 3: Filtering results for 45-minute overlaps in the supply of bulk agricultural products**

<i>Countrywide store location</i>	<i>Location of Mole Valley store(s) within 30 minutes</i>	<i>Drive-time (minutes)</i>	<i>Number of effective retail competitor fascia within 45 minutes of Countrywide</i>	<i>Number of effective retail competitor fascia within 45 minutes of Mole Valley</i>
Ashbourne	Fauld	27	2	1
Ashbourne	Darley Dale	32	2	1
Bideford	Kilhampton	35	0	1
Bideford	Newton St Petrock	17	0	2
Bideford	Porte	34	0	0
Bideford	Holsworthy	31	0	2
Bideford	South Molton	31	0	0
Bridgend	Bridgend	3	0	0
Chepstow	Chipping Sodbury	32	0	1
Chepstow	Warmley	28	0	1
Chepstow	TCS, Berkeley	27	0	1
Crewkerne	Yeovil	37	2	1
Crewkerne	Evercreech	40	2	1
Crewkerne	Dorchester	27	2	1
Dartington	Newton Abbot	24	0	1
Gloucester	TCS, Berkeley	30	1	1
Hatherleigh	Kilhampton	40	2	1
Hatherleigh	Newton St Petrock	28	2	2
Hatherleigh	Tavistock	40	2	2
Hatherleigh	Holsworthy	22	2	2
Helston	Gwinear	19	1	1
Helston	Redruth <sup>ii</sup>	24	1	3
Launceston	Kilhampton	41	2	1
Launceston	Newton St Petrock	40	2	2
Launceston	Tavistock	31	2	2
Launceston	Holsworthy	26	2	2
Launceston	Liskeard	33	2	1
Liphook	Godalming <sup>ii</sup>	27	0	0
Liphook	Bilingshurst	44	0	0
Liskeard	Tavistock	39	0	2
Liskeard	Liskeard	4	1	1
Liskeard	St Columb	44	1	3
Melksham	Chipping Sodbury	40	1	1
Melksham	Warmley	42	1	1
Melksham	Devizes	22	1	1
Melksham	Frome	29	1	1
Newmarket	Bury St Edmunds	29	0	0
Otterham	Kilhampton	27	1	1
Otterham	Holsworthy	33	1	2
Otterham	Liskeard	45	1	1
Otterham	St. Columb	43	1	3
Penzance	Gwinear	20	1	1
Penzance	Redruth <sup>ii</sup>	25	1	3
Taunton	Cullompton	28	1	2
Taunton	Bridgwater	28	1	1
Tavistock	Tavistock	2	2	2
Tavistock	Liskeard	42	2	1
Thornbury	Chipping Sodbury	23	1	1
Thornbury	Warmley	27	1	1
Thornbury	TCS, Berkeley	11	1	1
Tredington	TCS, Berkeley	33	1	1
Twyford	Basingstoke	38	0	0
Upton	TCS, Berkeley	44	1	1
Wadebridge	Liskeard	35	2	1
Wadebridge	St. Columb	18	2	3

## ANNEX 5

**Table 4: Filtering results for 90-minute overlaps in the supply of bulk agricultural products – excluding overlaps that pass the filter**

<i>Countrywide store location</i>	<i>Location of Mole Valley store(s) within 90 minutes</i>	<i>Drive-time (minutes)</i>	<i>Number of different fascia with stores located within 90 minutes of both Countrywide and Mole Valley</i>
Abergavenny	Bridgend	68.3	2
Abergavenny	Bridgwater	84.1	1
Abergavenny	Chipping Sodbury	72.7	1
Abergavenny	TCS	67.7	1
Abergavenny	Warmley	69.4	1
Ashbourne	Darley Dale	31.5	2
Ashbourne	Fauld	27.0	2
Ashbourne	Melton Mowbray	88.2	1
Ashbourne	Worksop	78.7	1
Bearley	Buckingham	54.2	1
Bearley	Fauld	75.6	1
Bearley	TCS	81.9	1
Bideford	Holsworthy	30.8	2
Bideford	Kilkhampton	34.6	2
Bideford	Liskeard	86.7	2
Bideford	Newton St Petrock	16.8	2
Bideford	Porte	34.1	2
Bideford	Tavistock	72.1	2
Bourton	Buckingham	76.8	1
Bourton	Chipping Sodbury	70.1	1
Bourton	Newbury	82.3	1
Bourton	TCS	52.9	1
Bourton	Warmley	75.0	1
Bridgend	Bridgend	2.7	2
Bridgend	Bridgwater	85.8	1
Bridgend	Chipping Sodbury	74.4	1
Bridgend	TCS	69.5	1
Bridgend	Warmley	71.1	1
Bridgnorth	Fauld	87.1	1
Bromsgrove	Buckingham	70.8	1
Bromsgrove	Chipping Sodbury	74.0	1
Bromsgrove	Fauld	80.5	1
Bromsgrove	TCS	56.8	1
Bromsgrove	Warmley	78.8	1
Bromyard	Chipping Sodbury	89.1	1
Bromyard	TCS	71.7	1
Chepstow	Bridgend	52.6	2
Chepstow	Bridgwater	49.7	1
Chepstow	Chipping Sodbury	31.8	1
Chepstow	Cullompton	76.6	1
Chepstow	Devizes	68.7	1
Chepstow	Evercreech	77.1	1
Chepstow	Frome	61.1	1
Chepstow	Newbury	75.0	1
Chepstow	TCS	26.7	1
Chepstow	Warmley	28.5	1
Chipping Norton	Buckingham	48.2	1
Chipping Norton	Newbury	81.7	1
Chipping Norton	TCS	78.6	1
Cirencester	Andover	83.6	1
Cirencester	Basingstoke	78.2	1
Cirencester	Chipping Sodbury	58.6	1
Cirencester	Devizes	63.3	1
Cirencester	Frome	87.8	1
Cirencester	Newbury	55.5	1
Cirencester	TCS	54.1	1
Cirencester	Warmley	65.2	1
Crewkerne	Bridgwater	48.7	2
Crewkerne	Cullompton	54.2	2
Crewkerne	Dorchester	39.8	2
Crewkerne	Evercreech	36.8	2
Crewkerne	Frome	64.1	1
Crewkerne	Gillingham	52.7	2
Crewkerne	Newton Abbot	80.8	2

Crewkerne	Salisbury	88.3	1
Crewkerne	South Molton	86.1	2
Crewkerne	Warmley	89.5	1
Crewkerne	Yeovil	26.9	2
Dartington	Bridgwater	88.3	2
Dartington	Liskeard	73.0	2
Evesham	Buckingham	76.8	1
Evesham	Chipping Sodbury	69.9	1
Evesham	TCS	52.8	1
Evesham	Warmley	74.8	1
Gloucester	Bridgend	89.1	1
Gloucester	Bridgwater	74.7	1
Gloucester	Chipping Sodbury	47.3	1
Gloucester	Frome	84.8	1
Gloucester	TCS	29.9	1
Gloucester	Warmley	52.1	1
Gower	Bridgend	60.3	2
Hatherleigh	Holsworthy	22.4	2
Hatherleigh	Kilkhampton	40.3	2
Hatherleigh	Liskeard	70.7	2
Hatherleigh	Newton St Petroc	27.9	2
Hatherleigh	Porte	61.9	2
Helston	Gwinear	19.2	2
Helston	Liskeard	85.8	2
Helston	Redruth <sup>ii</sup>	23.8	2
Helston	St Columb	56.8	2
Hereford	TCS	82.4	1
Kingsbridge	Liskeard	77.9	2
Launceston	Cullompton	81.7	2
Launceston	Newton Abbot	70.8	2
Launceston	Newton St Petroc	40.5	2
Launceston	South Molton	84.7	2
Ledbury	Chipping Sodbury	69.3	1
Ledbury	TCS	51.9	1
Ledbury	Warmley	74.1	1
Liphook	Andover	75.5	0
Liphook	Basingstoke	57.9	0
Liphook	Billingshurst	44.4	0
Liphook	Dorking	58.4	0
Liphook	Godalming <sup>ii</sup>	27.3	0
Liphook	Lymington	88.2	0
Liphook	Newbury	81.0	0
Liphook	Redhill	77.2	0
Liphook	Romsey	64.5	0
Liphook	Wickham	50.6	0
Liphook	Winchester	47.3	0
Liskeard	Gwinear	82.9	2
Liskeard	Newton Abbot	87.8	2
Liskeard	Newton St Petroc	69.8	2
Malvern	Buckingham	86.5	1
Malvern	Chipping Sodbury	72.4	1
Malvern	TCS	55.0	1
Malvern	Warmley	77.2	1
Market Drayton	Fauld	74.9	2
Melksham	Andover	66.9	1
Melksham	Basingstoke	89.2	1
Melksham	Bridgwater	78.9	1
Melksham	Chipping Sodbury	40.3	1
Melksham	Devizes	22.2	1
Melksham	Evercreech	59.0	1
Melksham	Frome	29.0	1
Melksham	Gillingham	59.7	1
Melksham	Newbury	66.6	1
Melksham	Salisbury	65.3	1
Melksham	TCS	54.9	1
Melksham	Warmley	41.8	1
Melksham	Yeovil	84.4	1
Newmarket	Bury St Edmunds	29.4	0
Newmarket	Colchester	81.6	0
Newmarket	Dereham	76.0	0
Nuneaton	Buckingham	79.4	1
Nuneaton	Fauld	57.3	1
Nuneaton	Melton Mowbray	58.9	1
Otterham	Gwinear	89.2	2
Otterham	Newton Abbot	89.1	2
Otterham	Newton St Petroc	46.0	2
Otterham	Porte	89.7	1
Otterham	South Molton	86.8	2
Penzance	Gwinear	20.3	2

Penzance	Liskeard	87.5	2
Penzance	Redruth <sup>ii</sup>	25.3	2
Penzance	St Columb	58.5	2
Raglan	Bridgend	59.5	2
Raglan	Bridgwater	70.6	1
Raglan	Chipping Sodbury	59.2	1
Raglan	Frome	88.6	1
Raglan	TCS	54.2	1
Raglan	Warmley	55.9	1
Stockton	Buckingham	54.6	1
Stockton	Melton Mowbray	75.1	0
Taunton	Bridgwater	28.3	2
Taunton	Chipping Sodbury	80.4	1
Taunton	Cullompton	27.6	2
Taunton	Dorchester	84.1	2
Taunton	Evercreech	68.4	2
Taunton	Gillingham	84.3	2
Taunton	Newton Abbot	60.7	2
Taunton	Porte	76.6	2
Taunton	South Molton	59.3	2
Taunton	TCS	75.7	1
Taunton	Warmley	77.1	1
Taunton	Yeovil	59.2	2
Tavistock	Cullompton	81.7	2
Tavistock	Newton Abbot	56.8	2
Tavistock	Newton St Petrock	64.3	2
Tavistock	South Molton	84.7	2
Thame	Basingstoke	66.9	0
Thame	Buckingham	46.7	1
Thame	Dorking	73.9	0
Thame	Godalming <sup>ii</sup>	83.4	0
Thame	Newbury	68.0	0
Thame	Redhill	81.3	0
Thornbury	Bridgend	64.3	1
Thornbury	Bridgwater	49.9	1
Thornbury	Chipping Sodbury	22.5	1
Thornbury	Cullompton	76.8	1
Thornbury	Devizes	67.6	1
Thornbury	Evercreech	76.0	1
Thornbury	Frome	60.0	1
Thornbury	Newbury	73.8	1
Thornbury	TCS	11.4	1
Thornbury	Warmley	27.3	1
Tredington	Bridgwater	77.3	1
Tredington	Chipping Sodbury	49.9	1
Tredington	Frome	87.5	1
Tredington	TCS	32.6	1
Tredington	Warmley	54.8	1
Twyford	Andover	78.6	1
Twyford	Basingstoke	38.1	1
Twyford	Billingshurst	87.5	0
Twyford	Buckingham	74.3	1
Twyford	Dorking	55.8	0
Twyford	Godalming <sup>ii</sup>	65.3	0
Twyford	Newbury	45.4	1
Twyford	Redhill	63.2	0
Twyford	Romsey	84.7	0
Twyford	Winchester	64.4	0
Upton	Bridgwater	88.7	1
Upton	Buckingham	87.5	1
Upton	Chipping Sodbury	61.4	1
Upton	TCS	44.0	1
Upton	Warmley	66.2	1
Wadebridge	Gwinear	64.9	2
Wadebridge	Newton St Petrock	72.3	2
Wardle	Fauld	84.7	2
Whitchurch	Fauld	89.6	2
Witney	Andover	88.7	1
Witney	Basingstoke	78.0	1
Witney	Buckingham	58.0	1
Witney	Chipping Sodbury	81.5	1
Witney	Devizes	86.2	1
Witney	Newbury	55.5	1
Witney	TCS	71.3	1
Witney	Warmley	88.2	1

## ANNEX 6

**Table 5: List of Countrywide stores corresponding to at least one overlap that fails the CMA's filters**

<i>Countrywide store location</i>	<i>Retail (30 minutes)</i>	<i>Retail (60 minutes)</i>	<i>Retail overall</i>	<i>Bulk agricultural (45 minutes)</i>	<i>Bulk agricultural (90 minutes)</i>	<i>Bulk agricultural overall</i>	<i>Overall result</i>
Abergavenny					Fail	Fail	Fail
Ashbourne	Fail	Fail	Fail	Fail	Fail	Fail	Fail
Bearley					Fail	Fail	Fail
Bideford		Fail	Fail	Fail	Fail	Fail	Fail
Bourton					Fail	Fail	Fail
Bridgend				Fail	Fail	Fail	Fail
Bridgnorth					Fail	Fail	Fail
Bromsgrove					Fail	Fail	Fail
Bromyard					Fail	Fail	Fail
Chepstow	Fail	Fail	Fail	Fail	Fail	Fail	Fail
Chipping Norton					Fail	Fail	Fail
Cirencester		Fail	Fail		Fail	Fail	Fail
Crewkerne	Fail	Fail	Fail	Fail	Fail	Fail	Fail
Dartington	Fail	Fail	Fail	Fail	Fail	Fail	Fail
Evesham					Fail	Fail	Fail
Gloucester	Fail		Fail	Fail	Fail	Fail	Fail
Gower					Fail	Fail	Fail
Hatherleigh	Fail	Fail	Fail	Fail	Fail	Fail	Fail
Helston	Fail	Fail	Fail	Fail	Fail	Fail	Fail
Hereford					Fail	Fail	Fail
Kingsbridge		Fail	Fail		Fail	Fail	Fail
Launceston	Fail	Fail	Fail	Fail	Fail	Fail	Fail
Ledbury					Fail	Fail	Fail
Liphook	Fail	Fail	Fail	Fail	Fail	Fail	Fail
Liskeard	Fail	Fail	Fail	Fail	Fail	Fail	Fail
Ludlow							
Malvern						Fail	Fail
Market Drayton					Fail	Fail	Fail
Melksham	Fail	Fail	Fail	Fail	Fail	Fail	Fail
Newmarket	Fail		Fail	Fail	Fail	Fail	Fail
Nuneaton		Fail	Fail		Fail	Fail	Fail
Otterham		Fail	Fail	Fail	Fail	Fail	Fail
Penzance	Fail	Fail	Fail	Fail	Fail	Fail	Fail
Presteigne							
Raglan						Fail	Fail
Stockton					Fail	Fail	Fail
Taunton	Fail	Fail	Fail	Fail	Fail	Fail	Fail
Tavistock		Fail	Fail	Fail	Fail	Fail	Fail
Thame					Fail	Fail	Fail
Thornbury	Fail	Fail	Fail	Fail	Fail	Fail	Fail
Tredington		Fail	Fail	Fail	Fail	Fail	Fail
Twyford		Fail	Fail	Fail	Fail	Fail	Fail
Upton		Fail	Fail	Fail	Fail	Fail	Fail
Wadebridge	Fail	Fail	Fail	Fail	Fail	Fail	Fail
Wardle					Fail	Fail	Fail
Whitchurch					Fail	Fail	Fail
Witney					Fail	Fail	Fail
Wrexham							
Total number of fails	16	23	25	23	45	45	45

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<sup>i</sup> The Parties' submission explained that the Oxera Report was produced by the Parties with the assistance of Oxera, and acknowledged some of the report's limitations. Oxera did not have the opportunity to verify all of the views expressed by the Parties in the report.

<sup>ii</sup> Mole Valley's Godalming and Redruth stores were closed prior to the CMA investigation. They should not be listed as overlaps between the Parties. As a result, Countrywide's Liphook store does not have a Mole Valley store within 30 minutes' drive (and therefore in total 15 Countrywide stores overlap with Mole Valley stores within 30 minutes' drive). However, Liphook is within 60 minutes' drive of multiple Mole Valley stores (and therefore in total 17 Countrywide stores overlap with Mole Valley stores beyond 30 minutes' drive but within 60 minutes' drive). Countrywide's Liphook store continues to fail the 60-minute filter on this basis.