COMPLETED ACQUISITION BY JD SPORTS FASHION PLC OF FOOTASYLUM PLC

Summary of hearing with Company D held on 20 November 2019

Customers

1. Company D told us it focusses on a broad range of consumers aged between 15 to 45-years, though its ‘peak’ target consumer is 18 to 35-year-olds. This focus is split equally between female and male, and involves a multi-brand offering, primarily at the premium end of the footwear market.

2. Company D felt customers shop in-store and online interchangeably. Whilst some customers view products online before visiting a physical store, increasingly, consumers make more decisions online and that is where their journey tends to end. Company D told us that social media drove demand, so customers know what they want before they shopped.

3. Company D does not differentiate its in-store and online offerings; both are concerned with premium products, however there is a greater width of product range online due to capacity restrictions in-store.

4. Company D’s customers want desirable, fashionable, premium products, particularly in the sports casual area, focussed mainly on Nike and adidas. The types of premium products could include new collaborations between brands and designers, or items that were made in the UK.

Competitive assessment

5. Whilst Company D believed there were no particular rivals who mirrored its offering, it considered other retailers in the market being capable of drawing customers away from it.

6. Company D explained that the ability to compete in the market was mainly impacted by availability of supply. Company D told us that in its view Nike and adidas hid behind selective distribution agreements. Despite feeling it had a great proposition for suppliers, Company D told us it often received opaque responses from adidas and Nike as to why it did not meet the criteria of the agreement and was denied access to products and that, invariably, newly launched products ended up with JD Sports.

7. Company D stated that JD Sports is a very powerful competitor in the market which comes from its access to key branded products. This is due to JD Sports' scale, being a large global supplier with high turnover and consequently it has the ability to exert pressure to keep other retailers out of certain product categories. Company D stated that this, combined with the growth of adidas' and Nike's direct-to-consumer offerings, left little room for other retailers.

8. Company D felt that direct-to-consumer offerings by suppliers of key products (either exclusively by the supplier or supplying to one other retailer) skews the market by driving traffic to that particular channel. This is also the case where the available quantity of key products is largely allocated to the supplier's direct-to customer channel or to one other retailer. Company D said it does not see direct-to-consumer as competition to JD Sports given the close relationship JD Sports enjoys with Nike and adidas

9. With regards to the Merger, Company D told us that the purchase of Footasylum strengthens JD Sports' position either through the elimination of a competitor by shutting it down or the additional power it would gain by developing the Footasylum brand.

Geographic scope

10. Company D told us it had developed technical capacity that predicted demand by location – an automated application that monitored historical performance and patterns of brands in particular geographic locations. This system enables Company D to prioritise products to stores that it is most likely to sell in.

11. Company D wanted a seamless experience for its customers, so it tries to harmonise pricing across its stores and website.

Relationship with suppliers

12. Company D told us it was never content with the assortment of products offered by adidas and Nike as it does not get access to key silhouettes and it felt it had little leverage with suppliers as its turnover was dwarfed by that of JD Sports. Company D felt its decrease in access to Nike's products was inversely proportionate to Nike's growth with JD Sports.

13. Company D told us that adidas declined to give it guidance on how it could access more premium products, and that adidas had never pointed negatively to store audits. Though Company D had never been told how it failed to meet criteria, it told us it would adapt if given constructive criticism.

14. As access to Nike's and adidas' products had reduced over time, Company D worked harder with other brands to supplement the deficit.

15. Company D told us that it did not provide information to its suppliers in advance about its prices, though it did supply sales data. Company D said it did not give

suppliers the opportunity to influence its pricing though suppliers attempted to do so in more subtle ways, such as distribution agreements.

Barriers to entry and expansion

16. Company D said that it is not financially viable to enter or expand in the market if access to products was restricted. It was not aware of any new entry though thought there may be space online.

17. With regards to established retailers expanding into sports-inspired casual fashion, Company D felt it was difficult to shift perception in the market. However Company D felt it would be possible if the retailer could access key adidas or Nike products.

18. Company D told us that it takes time to change customer knowledge and behaviour. Company D thought it would take at least 18 months for a new or existing retailer in the market to be fully competitive if adidas and Nike hypothetically gave it access to the same products as JD Sports.

19. Company D explained that it was looking for new products to replace those it no longer had access to but otherwise has no expansion plans.