

COMPLETED ACQUISITION BY JD SPORTS FASHION PLC OF FOOTASYLUM PLC

Summary of hearing with Company F held on 28 November 2019

Customers

1. Company F explained that its target demographic for footwear is 16 to 24 year olds, with a particular focus on students.
2. Company F explained that access to branded products is important to consumers, as well as consumers being able to shop how they want to. Company F said that it aims to provide the best possible customer service both online and in-store.
3. Company F stated that there are three types of consumers that shop in-store for footwear: the 'fast lane' consumers who only come to a Company F store in order to try and purchase a specific product that they already have in mind; the consumers who browse and are open to suggestions; and those that fall in the middle of these two categories. In general, online consumers are very specific in terms of what they are looking for, in terms of both brand and style.
4. Company F said that working hand in hand with suppliers, it seeks to offer consumers a choreographed range of products, in-store and online.
5. Company F said that the consumer dictates the dynamics of the stock offered in-store. Company F focuses on what its consumers want and will stock products in its stores according to local demand.

Competitive assessment

6. Company F commented that JD Sports is a 'powerhouse' in the footwear market. Company F asserted that, if the merger were to go ahead, JD Sports could leverage its strong position with the brands to apply pressure on suppliers to provide Footasylum with increased access to particular products, [✂].

7. Company F noted that one of its suppliers had told Company F that direct-to-consumer sales is the most important part of its business model.

Geographic scope

8. Company F explained that it does not price locally and that it has consistent pricing both in-store and online. The exception to this relates to a small amount of clearance products (ie damaged products), which are dealt with on a discrete area of its website.

Relationship with suppliers

9. Company F noted that brands have become increasingly important in the footwear market over the last 30 years.
10. Company F stated that while it does have good relationships with its suppliers it still faces difficulties in terms of accessing products due to the segmentation policies operated by suppliers. In particular, it does not always receive access to the products that it requests from suppliers. [✂]
11. Company F said that while suppliers typically provide an RRP for their products they do not do anything else to impact Company F's retail offering in terms of its pricing, quality, range and service.

Barriers to entry and expansion

12. Company F noted that it would be possible for an online player to enter the footwear market but it would need 'deep pockets' and it would take time to establish itself.
13. Company F also commented that a footwear-only retailer could potentially branch out into offering apparel. However, there would be barriers in doing so, including the need for physical retail space, access to a considerable amount of capital and access to supply from branded suppliers.