

COMPLETED ACQUISITION BY JD SPORTS FASHION PLC OF FOOTASYLUM PLC

Summary of hearing with Company G held on 2 December 2019

Customers

1. Company G explained that it is [REDACTED].
2. Company G said that it thinks about its customer offer [REDACTED].
3. Company G explained that it does segment customers internally but it does not offer any difference in price or service to its customers that it considers to fall into different segments.
4. Company G explained that it is constantly investing and challenging itself to find innovative ways to engage with its customers and to showcase its width of product in both footwear and apparel.
5. Company G noted that for footwear and apparel there are some customers that [REDACTED].
6. Company G said that brands are important to it [REDACTED].
7. Company G noted that social media plays an important role [REDACTED].

Competitive assessment

8. Company G noted that, in its view, there are three main tiers in the sports-inspired casualwear market in the UK. First, is the 'aspirational tier'; the 'middle tier' is 'sportswear-inspired fashion' and the final tier is the 'value', 'discount' or 'commodity' tier.
9. Company G commented that there is not much competition between the tiers and that the 'sportswear-inspired fashion' tier [REDACTED] is where most of the competition is. It also said that this segment is heavily influenced by suppliers

which are able to determine which retailers gain access to their products, in what volume and on what terms.

10. Company G suggested that the 'sportswear-inspired fashion' tier is the biggest of all the tiers (in terms of the number of retailers) and that suppliers restrict product access to retailers within that tier (either in terms of range or volumes) in order to allow for some level of differentiation between them.
11. Company G commented that the Merger will reduce competition in the market for sports-inspired casual apparel and footwear as the merged entity would have increased buyer power that could be used to ensure exclusivity and preferred status with suppliers of branded products.
12. Company G said that the merged entity would have sufficient scale to secure even further exclusivity in the market and effect input foreclosure in the supply of certain products. This would mean other retailers, [✂], potentially receiving decreased product access (in terms of both range and volume), leading to a potential detrimental impact on customers. Company G also noted that the Merger would enable the merged entity to offer the consumer a poorer deal in terms of price, quality, range and service.
13. Company G noted that direct-to-consumer sales are becoming more important to suppliers. This is not only by way of flagship stores, but also the suppliers' own online retail business.

Relationship with suppliers

14. Company G explained that it has a series of meetings with suppliers before placing orders for footwear and/or apparel. Company G also noted that it operates within its 'tier' and sometimes challenges suppliers about this.
15. Company G noted that there are times when it is not allocated products it wants. Some of this could be for genuine reasons around manufacturing capacity and sometimes it is because the suppliers decide to allocate reduced volumes to retailers.
16. Company G said that if the Merger was approved by the CMA then JD Sports would have more leverage over suppliers in the market. Company G commented that it believes that JD Sports already exert some influence on suppliers due to its size and buying power. Further, Company G understand that JD Sport uses its influence to negotiate large volumes of exclusive product and to price at a level to squeeze smaller competitors.
17. [✂]

Barriers to entry and expansion

18. Company G noted that there are numerous barriers to being an effective new national competitor in the market for sports-inspired footwear and apparel. In particular Company G said the sector has become very crowded in terms of numbers of retailers, making it harder to create the type of business and infrastructure, and to have the marketing investment, to be able to create a differentiated retail offering.
19. Company G also identified product access as a barrier to entry. Company G commented that this would be true for both the online and brick and mortar markets.
20. Company G could not identify any existing organisation that already had the attributes needed to enter the market.