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Glossary

Appendix A: Terms of reference and conduct of the inquiry

Terms of reference

1. In exercise of its duty under [section 22\(1\)](#) of the Enterprise Act 2002 (the **Act**) the Competition and Markets Authority (**CMA**) believes that it is or may be the case that:
 - (a) a relevant merger situation has been created, in that:
 - (i) enterprises carried on by JD Sports Fashion plc (**JD Sports**) (which is 57% owned by Pentland Group plc (**Pentland**)) have ceased to be distinct from enterprises carried on by Footasylum plc (**Footasylum**) (the **Parties**); and
 - (ii) the condition specified in section 23(1)(b) of the Act is satisfied; and
 - (b) the creation of that situation has resulted, or may be expected to result, in a substantial lessening of competition within a market or markets in the United Kingdom for goods or services, including:
 - (i) the retail supply of sports-inspired casual apparel in-store on a national basis and thereby in each local area where one or more of the Parties' stores is present;
 - (ii) the retail supply of sports-inspired casual footwear in-store on a national basis and thereby in each local area where one or more of the Parties' stores is present;
 - (iii) the retail supply of sports-inspired casual apparel online at a national level; and
 - (iv) the retail supply of sports-inspired casual footwear online at a national level.
2. Therefore, in exercise of its duty under section 22(1) of the Act, the CMA hereby makes a reference to its chair for the constitution of a group under Schedule 4 to the Enterprise and Regulatory Reform Act 2013 in order that the group may investigate and report, within a period ending on 16 March 2020, on the following questions in accordance with section 35(1) of the Act:
 - (a) whether a relevant merger situation has been created; and

(b) if so, whether the creation of that situation has resulted, or may be expected to result, in a substantial lessening of competition within any market or markets in the United Kingdom for goods or services.

Colin Raftery
Senior Director, Mergers
Competition and Markets Authority
1 October 2019

Conduct of the inquiry

3. We published [biographies](#) on the members of the inquiry group conducting the investigation on our web pages on 1 October 2019 and an [administrative timetable](#) on 9 October 2019. We also published the [issues statement](#) setting out the areas on which the investigation would focus on 24 October 2019.
4. We invited all interested parties to comment on the Merger. We sent detailed questionnaires to retailers and suppliers. In addition, several of these third parties provided us with further information in hearings. Non-confidential versions of [summaries of these hearings](#) and a [response to the issues statement](#) were shared with the Parties before being published on 23 December 2019. We also used evidence from the CMA's phase 1 review of the Merger.
5. We commissioned two surveys. We commissioned DJS Research (DJS) to conduct a store exit survey of the Parties' customers at a sample of the Parties' stores, and DJS to conduct a survey of a sample of the Parties' online customers. Copies of DJS' reports of the survey methodologies and the findings, including the questionnaires used, are published on the inquiry webpage alongside this document.
6. On 31 October 2019, members of the inquiry group, accompanied by CMA staff, visited Footasylum's store in Romford, and on 7 November 2019 visited JD Sports' store in Westfield London (White City).
7. We received written evidence from the Parties in the form of submissions and responses to our information requests. A non-confidential version of [JD Sports' response to the Issues Statement](#) was published on 23 December 2019. We also held separate hearings with each of the Parties on 16 December 2019.
8. Prior to our hearings with them, we sent a number of working papers to the Parties and our annotated issues statement, for comment. The Parties provided comments on those papers.
9. The Initial Enforcement Order issued in phase 1 continued in force and derogations were granted under it. On 26 November 2019 it was replaced by an Interim Order, served under section 81 of the [Enterprise Act 2002](#) on Pentland and JD Sports. The [Interim Order](#) was published on 4 December 2019. Several [derogations](#) to the Interim Order have been published since.
10. On 11 February 2020, we issued a [notice of extension](#) due to receiving an exceptionally large volume of evidence that required additional time and

resource to assess and the need to consider issues raised by the Parties' and third parties' submissions, and to allow sufficient time to take full and proper account of comments that would be received in response to the Inquiry Group's Provisional Findings and to reach a fully reasoned final decision in the statutory timeframe. This changed the statutory deadline to 11 May 2020.

11. On 11 February 2020, we published a Notice of Provisional Findings, a Summary of our Provisional Findings report, a non-confidential version of the Provisional Findings report and a Notice of Possible Remedies on the [inquiry webpage](#). Interested parties were invited to comment on the latter two documents.
12. We received responses to our Notice of Possible Remedies and Provisional Findings and published non-confidential versions on the [inquiry webpage](#) on 27 February and 17 March 2020 respectively.
13. We held response hearings with the Parties on 2 March 2020. A remedies working paper was sent to the Parties on 23 March 2020 for comment.
14. We also held calls with third parties on our remedy proposals.
15. A non-confidential version of the final report was published on the [inquiry webpage](#) on 6 May 2020.
16. We would like to thank those who have assisted us in our investigation.

Appendix B: Parties' submissions relevant to our counterfactual assessment

Introduction

1. This appendix sets out evidence from the Parties which we considered as part of our assessment of the appropriate counterfactual in chapter 5, and a summary of events leading up to the Merger.
2. This appendix also sets out in more detail, the Parties' arguments that absent the Merger, Footasylum would have been a 'significantly weakened and less effective competitor' for two main reasons:
 - (a) the impact of certain recent market developments; and
 - (b) Footasylum's financial position.

Parties' views on market development

3. The Parties told us that the competitive dynamics of the industry had changed significantly (and would continue to change in the short term) and in a manner which the Parties submitted was 'critical' to the assessment of the competitive impact of the Merger. In particular, the Parties told us that:
 - (a) Direct to Customer (DTC) sales by suppliers of branded products such as Nike and adidas would increase substantially over the next 12-18 months, squeezing the products available to retailers outside of DTC channels;
 - (b) consumers were increasingly buying clothing and footwear online, and that well-resourced online retailers, including ASOS, Boohoo, Amazon and Zalando posed a substantial and growing competitive threat to the Parties as they expanded rapidly, attracting more consumers through their digital offerings and building strong partnerships with suppliers of branded products;
 - (c) high street retailers had expanded their ranges of athleisure clothing and footwear and invested in their store elevation strategies; and
 - (d) an increasing convergence of traditional bricks and mortar and online channels was placing further pressure on multi-channel retailers such as the Parties who had significant store networks.
4. The Parties submitted that the sale of branded products produced by Nike and adidas represented a substantial part of Footasylum's business (with Nike

and adidas together representing around [REDACTED]% of Footasylum's gross sales of footwear and around [REDACTED]% of footwear gross profit value over the three year period from 2016 to 2018). [REDACTED]

Parties' views on Footasylum's financial position

5. The Parties submitted that, absent the Merger, Footasylum's effectiveness as a potential competitor would be 'materially reduced' as a result of its financial position. The Parties submitted that Footasylum had:¹

(a) been experiencing significant trading difficulties for some time since early 2018 and undertaken a number of measures [REDACTED];²

(b) issued three profit warnings for the last financial year (in June 2018, September 2018 and January 2019) resulting in significant share price drops; and

(c) [REDACTED].

6. [REDACTED]

Footasylum's views on possible counterfactual developments

7. Footasylum also told us that absent the Merger, [REDACTED]:

8. [REDACTED]

Events leading up to the Merger

9. We set out below some background information relating to the events leading up to the Merger as relevant to the counterfactual, namely:

(a) Footasylum's financial position leading up to the Merger;

(b) Footasylum's strategic options considered at the time of the Merger; and

(c) Footasylum's [REDACTED].

Footasylum's financial position leading up to the Merger

10. Table 1 sets out Footasylum's financial performance from 2014/15 to 2018/19.

¹ JD Sports, Response to the Issues Statement, paragraph 3.4.

² [REDACTED]

Table 1: Footasylum's historic financial performance from 2014/15 to 2018/19

					£m
	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19
Total revenue	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Gross profit	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Operating cost	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Head office adjustments †	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
EBITDA	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Exceptional cost	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
EBITDA post-exceptional	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
GP margin before headoffice adjustment (%)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
EBITDA margin (%)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

† Head office adjustments relate to revenue and cost of sales items.

Note: Footasylum's financial year runs from March to February.

11. Based on Table 1, between 2014/15 and 2017/18, Footasylum's revenue increased from £[REDACTED] to £[REDACTED] and EBITDA (before exceptional items) increased from £[REDACTED] to £[REDACTED]. The Initial Public Offering (IPO) of Footasylum took place in November 2017 when its shares were admitted to the AIM and each ordinary share was listed at 164p. By December 2017, the share price had increased to 260p. Footasylum's AIM admission document set out an EBITDA expectation for 2018/19 of £15 million and new store openings of eight to 10 per year in the medium term. In addition, Footasylum intended to [REDACTED].
12. [REDACTED]
13. Footasylum attributed the decline in its EBITDA margin to the decrease in gross margin, discounting of less popular products, provisions for stock shrinkage ([REDACTED]), new warehouse migration and build that resulted in disruption and warehouse inefficiency leading to stock losses (£0.5 million), the cost of operating as a plc (£0.5 million), restructuring cost (£0.5 million) and investment/store impairment (£1 million). These costs were offset against an early surrender of a store lease (£2.6 million) and a HMRC VAT and IPO adjustment (£0.7 million).
14. Exceptional items were higher in 2017/18 due to IPO costs (£4.1 million) and an HMRC VAT provision (£1.9 million).
15. Footasylum told us that it issued three market announcements during its 2018/19 financial year and provided us with the timings of these market announcements and the developments around each announcement below:

- (a) **June 2018** – on 19 June 2018, it issued a profit warning that its 2018/19 EBITDA expectations would be £2 million lower at £13 million due to lower sales and increasing capex and property costs:
- (i) its share price subsequently decreased from 167.5p on 17 June 2018 to 79p on 19 June 2018;
 - (ii) [REDACTED];
 - (iii) Footasylum told us that it considered further cost reductions in [REDACTED]; and
 - (iv) Footasylum [REDACTED];
- (b) **September 2018** – on 3 September 2018, Footasylum told us that it made a further announcement that its EBITDA expectations for the year would be around £5 million (less than half of the £12.5 million reported EBITDA in 2017/18) due to lower store sales in larger stores and that gross profit margins would be lower by 2.6 percentage points. [REDACTED];
- (i) Footasylum’s share price subsequently decreased from 84p on 30 August to 33.5p on 4 September 2018;
 - (ii) [REDACTED];
 - (iii) Footasylum told us that the market announcement [REDACTED];
 - (iv) [REDACTED];
 - (v) [REDACTED]; and
 - (vi) [REDACTED];
- (c) **January 2019** – on 8 January 2019, Footasylum told us that it issued its third market update because of a difficult Christmas trading in December 2018 and its 2018/19 EBITDA would be at the lower end of market expectations of £2.8 million;
- (i) its share price decreased from 32.5p on 7 January 2019 to 27.5p on 9 January 2019;
 - (ii) Footasylum told us that in early January 2019 Nike contacted Footasylum to monitor Footasylum’s financial position. Footasylum told us that [REDACTED]. However, Footasylum told us [REDACTED];
 - (iii) [REDACTED];

(v) [REDACTED];

(vi) [REDACTED];

(vii) [REDACTED];

(viii) [REDACTED]; and

(ix) [REDACTED].

Footasylum's options at the time of the Merger

16. [REDACTED]. We provide details of each option below and the extent to which each was considered by the Footasylum Board.

[REDACTED]

17. [REDACTED]

18. [REDACTED]

[REDACTED]

19. [REDACTED]

[REDACTED]

20. [REDACTED]

[REDACTED]

21. [REDACTED]

[REDACTED]

22. [REDACTED]

23. [REDACTED]

24. [REDACTED]

25. [REDACTED]

[REDACTED]

26. [REDACTED]

27. [REDACTED]

[REDACTED]

28. [REDACTED]

29. [REDACTED]

[REDACTED]

30. [REDACTED]

31. [REDACTED]

32. [REDACTED]

[REDACTED]

33. [REDACTED]

34. [REDACTED]

35. [REDACTED]

JD Sports' acquisition of Footasylum

36. The shareholding of Footasylum prior to the acquisition by JD Sports is set out in Table 2:

Table 2: Footasylum's shareholding pre-merger

	%
David Makin	[REDACTED]
Thomas Makin	[REDACTED]
Amy Mason	[REDACTED]
Clare Nesbitt	[REDACTED]
John Wardle and John Riches in their capacity as trustees of The John Wardle 2016 Settlement	[REDACTED]
	[REDACTED]

Note: [REDACTED].

37. On 7 September 2018, Peter Cowgill (Executive Chairman, JD Sports) [REDACTED] Barry Brown (Executive Chairman, Footasylum) [REDACTED].

38. JD Sports told us that on 9 January 2019 (after Footasylum issued its third profit warning on 8 January 2019) [REDACTED].

39. JD Sports told us [REDACTED]. JD Sports told us [REDACTED] January 2019. It told us [REDACTED].

40. Footasylum told us that on 18 January 2019, a meeting took place between Barry Brown, Peter Cowgill and the family shareholders in order to discuss a number of possible transaction options including the sale of the shares of one of Footasylum's major shareholders. [REDACTED].
41. JD Sports told us that on 8 February 2019 [REDACTED]. JD Sports told us [REDACTED]. It further told us [REDACTED].
42. JD Sports told us that Peter Cowgill [REDACTED] on 15 February 2019 [REDACTED].
43. On 18 February 2019, JD Sports acquired approximately 8.3% of Footasylum shares from one institutional shareholder ([REDACTED]) at 50p a share.³ JD Sports stated at the time that the acquisition was for investment purposes and that it was prepared to increase its holding to 29.9%.⁴ It confirmed at the time that it was not intending to make an offer for the remaining shares of Footasylum under restrictions in the Takeover Code.⁵ On the same day, further share purchases from [REDACTED] were made by JD Sports and on 20 February 2019, JD Sports [REDACTED].
44. Footasylum told us that its advisers stated at the time that [REDACTED]. Footasylum told us that [REDACTED].
45. On 22 February 2019, the Footasylum Board released JD Sports from its restrictions under Rule 2.8 of the Takeover Code. Footasylum told us that [REDACTED]. On the same day, JD Sports submitted a Letter of Intent to the Footasylum Board with an indicative offer price of 82.5p per share.
46. On 1 March 2019, the Footasylum Board and its advisers communicated to JD Sports that it would be prepared unanimously to recommend that Footasylum shareholders accept the proposal.⁶
47. On 18 March 2019, JD Sports publicly announced that it would acquire all of the issued shares of Footasylum that it did not own at 82.5p in cash, valuing the entire Footasylum shares at approximately £90 million.⁷ On 12 April 2019, the offer was declared unconditional as to acceptances. The remaining shares

³ <https://www.theguardian.com/business/2019/feb/18/footasylum-shares-soar-as-jd-sports-buys-stake> (accessed on 28 October 2019).

⁴ 29.9% is the permitted maximum mandatory bid threshold level without triggering a takeover bid. [Rule 2.8, The City Code on Takeovers and Mergers](#).

⁵ [Statement from JD Sports](#) on 18 February 2019. The Code (rule 2.8) provides that a person who makes a statement that he does not intend to bid for a company will be bound by that statement and precluded from bidding for six months, unless certain circumstances occur allowing the statement to be set aside.

⁶ [Public offer document](#), page 16.

⁷ [Statement from JD Sports](#) on 18 March 2019.

were acquired on 5 June 2019 by way of compulsory acquisition. The Footasylum shares were delisted from trading on AIM on 16 May 2019.

48. Footasylum told us that other than JD Sports [REDACTED]:

(a) Footasylum approached [REDACTED];

(b) selling to [REDACTED]; and

(c) as a listed company [REDACTED].

Third party views on the counterfactual

49. One third party ([REDACTED]) told us that 'counterfactual arguments regarding Footasylum being a weaker competitor are only relevant if Footasylum does not have access to the Restricted Products. As long as it has access then it will remain a strong competitor to JD Sports'.

Appendix C: Entry-exit analysis

Introduction

1. The CMA carried out a Performance Concentration Analysis (which we refer to as the entry-exit analysis) establishing how the Parties' store revenue varied in response to the entry and exit of stores belonging to different retailers within the local area of the Parties' stores. This analysis indicates the extent of competitive constraint other retailers exert on JD Sports. It was not possible to perform the analysis for Footasylum given that it has substantially fewer stores than JD Sports, meaning that there was less data available to estimate the econometric model robustly.
2. The entry-exit analysis forms part of the evidence base used to assess the competitive constraint imposed on JD Sports by Footasylum and other retailers in our competitive assessment, set out in chapters 8 and 9. When the entry-exit results are considered, if a retailer is estimated to have a consistently negative and statistically significant impact on footwear revenue, this is treated as evidence suggesting that the retailer is a competitive constraint on JD Sports in the supply of sports-inspired casual footwear. This exercise is repeated for sports-inspired casual apparel.
3. The analysis is subject to the following caveats:
 - (a) it relies on historical data and provides a view of the constraints from other retailers over the period of that data;
 - (b) it does not consider whether collectively different combinations of retailers act as a constraint on JD Sports;
 - (c) any observed impact of entry or exit on revenue does not necessarily imply a change in the competitive parameters set by JD Sports, however it is consistent with an incentive to change these parameters in response; in this case, the entry-exit analysis does not seek to establish whether such incentives were acted upon;
 - (d) the results are likely to be subject to upward bias due to endogeneity meaning that the lack of a statistically significant and negative effect is not evidence for a lack of a competitive constraint; and
 - (e) the analysis only examines the impact on JD Sports' in-store offering.
4. While being mindful of the above, we consider that the analysis remains useful evidence to indicate which retailers are a competitive constraint on JD Sports' in-store offering on a static basis.

5. This analysis considered what the impact on the performance of JD Sports' stores is when an alternative retailer opens or closes a store in the local area. We refer to this as 'store entry/exit' since it captures the impact of the opening/closure of a store belonging to a given retailer. This is equivalent to a retailer expanding/reducing its presence in a local area.
6. The larger the estimated negative effect of store entry and exit on JD Sports' store performance, the greater the competitive constraint imposed on JD Sports by the retailer in question. The competitive constraint arises from consumers viewing the alternative retailer as a substitute and diverting to this retailer's stores instead of shopping at JD Sports.
7. Store entry/exit may understate the competitive constraint from a given retailer. If the retailer already has many stores in the local area, the impact of an increase in the number of its stores by one may be limited due to the existing stores already exerting a large constraint. To investigate this, we present results using retailer entry/exit which considered what the impact on the performance of JD Sports' stores is when a retailer opens a new store in a local area where it did not previously have any stores or closes its only store in a local area. We refer to this as 'retailer entry/exit' since it captures the impact of the entry/exit of a retailer into a local market.
8. This technical appendix describes our methodology and results. Our interpretation of the results forms part of our competitive assessment alongside our assessment of other evidence and is included in chapters 8 and 9.
9. The remainder of this appendix covers the following:
 - (a) the data that was used for estimation is described and the related summary statistics;
 - (b) the econometric methodology used;
 - (c) the extensions to the analysis that have been made since our Provisional Findings;
 - (d) the strengths and limitations of the analysis; and
 - (e) the results.

Data

10. The data used for the entry-exit analysis was provided by the Parties. For each of its stores, JD Sports provided data on weekly store revenue covering

the period September 2014 to February 2020.⁸ Information on the location and the opening/closing dates of stores belonging to different retailers located within a 20-minute drivetime of a JD Sports store were provided by JD Sports and Footasylum provided the location and opening/closing dates for its stores. As a robustness check, as well as considering all data (September 2014 to February 2020), in some specifications we restrict attention only to the last three years covering the period February 2017 to February 2020.

11. Using the store location data, we calculated the drivetime between every combination of stores. This information allowed us to calculate the number of stores belonging to each retailer located within a 20-minute drivetime for each of JD Sports' stores. This is the key independent variable which underpins the entry-exit analysis.⁹
12. The summary statistics for the outcome variables used in the entry-exit analysis are presented in Table 1.

Table 1: Monthly outcome (weekly average) summary statistics for JD Sports

[✂]

13. Table 1 shows the average value and standard deviation for each measure of store revenue for JD Sports. The mean value is presented in both monetary terms and as the log-transformed value which was used for estimation.
14. [✂]
15. These figures were not adjusted for inflation due to the presence of time fixed effects in the econometric model. [✂].
16. Table 3 shows the proportion of JD Sports' stores that are located in each UK region across all the time periods observed in the dataset.

Table 3: Regional distribution of JD Sports' stores

UK Region	% of observations
North East	[✂]
North West	[✂]
Yorkshire & The Humber	[✂]
East Midlands	[✂]
West Midlands	[✂]
London	[✂]
East	[✂]
South East	[✂]
South West	[✂]

⁸ Weekly revenue for each of the Parties' stores. To smooth out the random variation that exists from week-to-week, the data was aggregated to a four-weekly (monthly) and 12-weekly (quarterly) basis.

⁹ This process was repeated using a 10-minute definition as a robustness check.

Northern Ireland	[X]
Scotland	[X]
Wales	[X]
Number of Observations	[X]

17. The regional definitions used in this table are those used in the model combining store and region-time fixed effects.
18. [X]
19. Table 4 compares the average number of stores operated by a given retailer within a 20-minute and 10-minute drivetime of each JD Sports store.

Table 4: Store counts by retailer for JD Sports stores (full sample 20-minute drivetime)

Retailer	20-minute drivetime		10-minute drivetime	
	Average number of stores	Std. Dev.	Average number of stores	Std. Dev.
[X]	[X]	[X]	[X]	[X]
[X]	[X]	[X]	[X]	[X]
[X]	[X]	[X]	[X]	[X]
[X]	[X]	[X]	[X]	[X]
[X]	[X]	[X]	[X]	[X]
[X]	[X]	[X]	[X]	[X]
[X]	[X]	[X]	[X]	[X]
[X]	[X]	[X]	[X]	[X]
[X]	[X]	[X]	[X]	[X]
[X]	[X]	[X]	[X]	[X]
[X]	[X]	[X]	[X]	[X]
[X]	[X]	[X]	[X]	[X]
[X]	[X]	[X]	[X]	[X]
[X]	[X]	[X]	[X]	[X]
[X]	[X]	[X]	[X]	[X]
[X]	[X]	[X]	[X]	[X]
[X]	[X]	[X]	[X]	[X]
[X]	[X]	[X]	[X]	[X]
[X]	[X]	[X]	[X]	[X]
[X]	[X]	[X]	[X]	[X]
[X]	[X]	[X]	[X]	[X]
[X]	[X]	[X]	[X]	[X]
[X]	[X]	[X]	[X]	[X]
[X]	[X]	[X]	[X]	[X]
[X]	[X]	[X]	[X]	[X]
[X]	[X]	[X]	[X]	[X]
[X]	[X]	[X]	[X]	[X]
[X]	[X]	[X]	[X]	[X]
[X]	[X]	[X]	[X]	[X]
[X]	[X]	[X]	[X]	[X]
[X]	[X]	[X]	[X]	[X]

Source: CMA analysis of data provided by JD Sports and Footasylum, the competitor data was provided by JD Sports.

20. [X]
21. [X]

22. Table 4 shows the number of JD Sports observations in the dataset that are affected by entry or exit events for each of the retailers listed vertically in the table using a 20-minute drivetime definition for all years of data and the last three years respectively. Table 5 repeats this using a 10-minute drivetime to identify entry and exit events.
23. The higher the number of affected observations the greater the robustness of the estimated impact of entry or exit, all else being equal. The entry and exit events are split into 'store entry/exit' and 'retailer entry/exit'.¹⁰

Table 4: Number of JD Sports store-month combinations affected by entry and exit events by retailer (all years and last 3 years respectively using a 20-minute drivetime)

Retailer	Number of affected observations (All years)		Number of affected observations (Last 3 years)	
	Store entries/exits	Retailer entries/exits	Store entries/exits	Retailer entries/exits
[x]	[x]	[x]	[x]	[x]
[x]	[x]	[x]	[x]	[x]
[x]	[x]	[x]	[x]	[x]
[x]	[x]	[x]	[x]	[x]
[x]	[x]	[x]	[x]	[x]
[x]	[x]	[x]	[x]	[x]
[x]	[x]	[x]	[x]	[x]
[x]	[x]	[x]	[x]	[x]
[x]	[x]	[x]	[x]	[x]
[x]	[x]	[x]	[x]	[x]
[x]	[x]	[x]	[x]	[x]
[x]	[x]	[x]	[x]	[x]
[x]	[x]	[x]	[x]	[x]
[x]	[x]	[x]	[x]	[x]
[x]	[x]	[x]	[x]	[x]
[x]	[x]	[x]	[x]	[x]
[x]	[x]	[x]	[x]	[x]
[x]	[x]	[x]	[x]	[x]
[x]	[x]	[x]	[x]	[x]
[x]	[x]	[x]	[x]	[x]
[x]	[x]	[x]	[x]	[x]
[x]	[x]	[x]	[x]	[x]
[x]	[x]	[x]	[x]	[x]
[x]	[x]	[x]	[x]	[x]
[x]	[x]	[x]	[x]	[x]
[x]	[x]	[x]	[x]	[x]
[x]	[x]	[x]	[x]	[x]
[x]	[x]	[x]	[x]	[x]
[x]	[x]	[x]	[x]	[x]
[x]	[x]	[x]	[x]	[x]
[x]	[x]	[x]	[x]	[x]
[x]	[x]	[x]	[x]	[x]
[x]	[x]	[x]	[x]	[x]
[x]	[x]	[x]	[x]	[x]

Source: CMA analysis of data provided by JD Sports and Footasylum, the competitor data was provided by JD Sports.

¹⁰ A retailer entry/exit is one in which the number of stores belonging to a given retailer within a 20-minute drivetime of a JD Sports store changes from zero to one or vice versa. By contrast, store entry/exit reflects any change in the number of stores belonging to a given retailer regardless of the number of incumbent stores

C5

Econometric model

27. The econometric model provides evidence on how JD Sports' store performance, as measured by revenue, responds to local entry and exit by alternative retailers. Practically, this is done using a fixed effects model. The fixed effects model accounts for store-specific characteristics that do not vary over time using store fixed effects. The model accounts for time-specific characteristics that do not vary over time using time fixed effects. In practice, the following reduced form regression model is estimated:

$$Y_{it} = \sum_s \beta_s N_{s,it} + \delta_i + \delta_t + \varepsilon_{it}$$

28. Where Y_{it} is the log-transformed value of revenue for JD Sports store i in period t . $N_{s,it}$ is the number of stores belonging to retailer s within a 20-minute drivetime of JD Sports store i in time period t .¹¹ δ_i and δ_t are store and time period fixed effects respectively. ε_{it} is the error term.
29. The retailers that are included in the regression model are: [X].
30. The coefficient of interest is β_s , where β_s is the change in the outcome under consideration, when the number of stores belonging to retailer s , in the local area of the JD Sports' store, increases by 1. With this approach, β_s is an average effect across all stores and all post-entry (or exit) time periods. This means that the effect is independent of the number of stores belonging to retailer s that already exist in the local area. If the number of stores belonging to retailer s in the local area were to increase from 0 to 1 it is reasonable to expect that this would have a larger impact than if the number of stores increased from 4 to 5 all else being equal. In other words, one may expect the impact of entry to be greater at the intensive margin ie when a retailer enters the local market for the first time than at the extensive margin ie when a retailer increases the number of stores it has in a local market by one from a number greater than zero.
31. For completeness, we use the following model to estimate the impact of entry at the intensive margin when the number of stores belonging to a given retailer changes from 0 to 1 or 1 to 0, referred to as retailer entry:

$$Y_{it} = \sum_s \beta_s I_{s,it} + \delta_i + \delta_{rt} + \varepsilon_{it}$$

¹¹ In some robustness checks this is altered such that it identifies the number of stores within a 10-minute drivetime.

32. The only difference in this specification is that rather than using the number of stores belonging to retailer s in the local area of JD Sports store i at time t , $N_{s,it}$, a binary indicator for the presence of retailer s in the local area of JD Sports store i at time t , $I_{s,it}$, is used. $I_{s,it}$ is equal to 0 if retailer s has no stores in the local area of JD Sports store i at time t and 1 otherwise. As such, the coefficients of interest β_s now show the impact of retailer entry in the local market by a given retailer.
33. When aggregating the data from weekly to monthly and quarterly, the average values of the outcome are used meaning that the outcome is average weekly revenue. The count variables become the average number of stores that were present in the period and the indicator variable becomes the proportion of the time period for which there was at least one store belonging to retailer s was present.
34. The data covers the period September 2014 to February 2020. If a JD Sports store opened after September 2014 its first week of trading is excluded from the analysis to avoid the impact of weeks in which the store was only partially open (ie open for only three days of the week). Similarly, stores that opened before February 2020 have the last week of trading excluded from the analysis to avoid weeks of partial revenue.
35. There are several weeks in the dataset around the time at which a store was refurbished where the store was closed for a week or part of a week. To deal with these observations in a systematic manner, all weeks in which the total store revenue is less than 25% of the mean value across all weeks for that store are excluded from the analysis. Before excluding these observations, each case was analysed in detail to ensure that the revenue pattern was consistent with the observation relating to a partial revenue week rather than a volatile sales period.¹²

Extensions to the analysis since our Provisional Findings

36. The econometric analysis set out in our Provisional Findings showed that Footasylum had an economically and statistically significant impact on JD Sports' store revenues for each of footwear and apparel, as did a number of other retailers.
37. In the course of our investigation, we requested additional store-level revenue data covering the period August 2017 to February 2020. This new data

¹² The Parties highlighted that one store was excluded as a result of this process that was due to revenue volatility rather than being a partial revenue week, as such these observations were retained.

includes five additional months of data which could be used in the entry-exit analysis. This new data allows the estimation of further model specifications.

Parties' views

38. The Parties' made a submission which considered two key research questions:
- (a) are the findings from the entry-exit analysis in the CMA's Provisional Findings robust to the use of the 'new data' (ie August 2017 to February 2020); and
 - (b) are the findings from the entry-exit analysis in the CMA's Provisional Findings robust to alternative specifications?
39. The Parties stated that the robustness¹³ of econometric results was key. To investigate this, in their submission, the Parties presented various alternative econometric specifications to those employed by the CMA. The Parties stated that they were not saying that these alternative approaches were strictly better than the CMA's and nor did they consider that the CMA could say its approach was strictly better to the alternatives presented by the Parties.
40. The Parties submitted that historical data over a longer time span had limited utility given the general market dynamics. The Parties stated that this variation particularly applied to Footasylum which had become weaker in recent times and Sports Direct/USC which had carried out very large expenditure on repositioning and was gaining new access to different types of new products:
- (a) the Parties provided an example where they supposed that the impact of Footasylum entry on JD Sports was large in 2014, but had the same episode happened in 2020 the impact would be smaller. In this scenario, the Parties submitted, the estimated average effect would likely be an overestimate of the current and future competitive constraint exerted by Footasylum;¹⁴
 - (b) the Parties estimated the model using three time periods: August 2014 to September 2019 (the original period used in PFs), September 2014 onward (original plus 'new data') and August 2017 onward (only 'new data'); and

¹³ Robustness refers to the extent to which the findings from a piece of analysis remain unchanged when elements of the modelling approach are changed.

¹⁴ The reverse would be true if the constraint that a competitor exerts were to grow over time.

- (c) the Parties submitted that in our Provisional Findings, [redacted] store entry/exit events were associated with a [redacted] fall in the footwear revenue of JD Sports' stores (statistically significant at 1%) and around a [redacted] fall for apparel (statistically significant at the 5% level) in the specifications using region-time fixed effects. As new data periods were added to the model (original plus 'new data') the point estimates decreased slightly but were still statistically significant and when using only 'new data' (ie August 2017 to February 2020), the impact of store entry/exit by [redacted] on JD Sports' store revenue (in the specifications using region-time fixed effects) was estimated to be between [redacted] for footwear and between [redacted] for apparel and the estimates were not statistically significant. The same conclusions applied by and large when: (i) considering the results from the retailer entry model; and (ii) considering other specifications with different sets of fixed effects.
41. The Parties submitted that the CMA's analysis using data from the three-year period February 2017 to February 2020 showed that there was not a robust finding of an effect from [redacted] in footwear as it was only statistically significant in [redacted] CMA estimated regressions.
42. The Parties submitted that there was more evidence of a robust effect in footwear from other competitors given that [redacted] had a negative and statistically significant impact in [redacted] estimated regressions. For other retailers, the numbers were: [redacted].
43. The Parties submitted that the magnitude of the effect for [redacted] in footwear was smaller than for many other competitors. [redacted] showed larger average impacts than [redacted] when a 10-minute drivetime was used to identify entry and exit events. [redacted] showed larger impacts than [redacted] when a 20-minute drivetime was used.
44. The Parties submitted that using the CMA's analysis for the three-year period February 2017 to February 2020 there was no robust finding of an effect from [redacted] in apparel. The Parties submitted that store entry by [redacted] did not have a statistically significant effect in any of the [redacted] regressions and that retailer entry by [redacted] was only found to have an effect when a 10-minute drivetime was used to identify entry and exit events.
45. The Parties submitted that there was substantially more evidence of a robust effect from [redacted] in apparel. The Parties noted that [redacted] had a statistically significant and negative impact on JD Sports' apparel revenue in [redacted] regressions.

46. The Parties submitted that the magnitude of the estimated effect of [redacted] in apparel was much smaller than for [redacted].
47. The Parties' submitted that omitted variable bias was likely to be present in the entry-exit analysis and that it was crucial to assess different approaches to addressing this problem. To account for local omitted factors, the Parties used a specification which incorporated fixed effects at the postcode area level rather than the region-level as used by the CMA in our Provisional Findings:
- (a) the Parties submitted that when using postcode area fixed effects and the original data used in Provisional Findings, the estimated negative impact of store [redacted] entry/exit on JD Sports' revenue fell to [redacted] for footwear and [redacted] for apparel, in each case the point estimate was not statistically significant. The Parties stated that the reduction was even greater when only more recent time periods were considered, while continuing to be statistically insignificant and that these conclusions also applied when looking at the results using the retailer entry model.
48. The Parties' submitted that a crucial role in the entry-exit analysis was played by the way that entry/exit episodes were identified in the data. An imprecise measurement that suffered from systematic errors would necessarily lead to a biased estimate. To address this issue the Parties conducted a sensitivity analysis which varied the drive-time threshold used from 20 minutes to 10 minutes, which they stated was consistent with the approaches adopted in previous cases.¹⁵ The Parties submitted that when using a 10-minute drivetime definition to identify entry/exit episodes and the 'new data', region-time fixed effects and under the store entry model:
- (a) [redacted] entry/exit was associated with a [redacted] fall in footwear revenue for JD Sports that was statistically significant at the 5% level and a [redacted] fall in apparel revenue which was not statistically significant; and
- (b) the estimated impact of store entry/exit by [redacted] was a fall of between [redacted] for footwear, statistically significant at the [redacted] level and between [redacted] and [redacted] for apparel, statistically significant at the 5% level. The Parties also found that [redacted] impacts JD Sports' footwear revenue by between [redacted], significant at the 5% level.
49. Under the retailer entry model using a 10-minute drivetime, the 'new data' and region-time fixed effects:

¹⁵ Sainsburys/Asda CMA Final Report, 25 April 2019, Appendix C, the following drive-time bands were considered: 0-5, 5-10 and 10-15-minute drive-times. Ladbrokes/Coral CMA Final Report, 26 July 2016, Appendix E, the following drive-time bands were considered: 0-200m, 200-400m and 400m+.

- (a) [redacted] entry/exit is associated with no statistically significant effect on JD Sports' footwear revenue, and a [redacted] fall in apparel revenue (significant at the 5% level and only when quarterly data is used); and
 - (b) retailer entry/exit by [redacted] is associated with a [redacted] decrease in JD Sports' footwear revenue and a [redacted] fall in JD Sports' apparel revenue (all statistically significant at the 5% level).
50. The Parties submitted that when using these alternative specifications, they also found effects for other retailers. Using only the 'new data' the following retailers were found to have a statistically significant and negative effect:
- (a) for footwear using a 20-minute drive-time: [redacted];
 - (b) for footwear using a 10-minute drive-time: [redacted];
 - (c) for apparel using a 20-minute drive-time: [redacted]; and
 - (d) for apparel using a 10-minute drive-time: [redacted].
51. The Parties stated that in the entry/exit analysis they did not make a distinction between Sports Direct/USC elevation events and non-elevation events for the following three reasons:
- (a) Sports Direct/USC's elevation strategy was ongoing meaning that the date of elevation did not fully capture the extent of the threat and growing competitive constraint that the elevation strategy posed to JD Sports' stores;
 - (b) there were only [redacted] Sports Direct/USC elevation events impacting JD Sports stores (none of which constitute retailer entry). This was [redacted] than the number of events for JD Sports on Footasylum for which the CMA concluded there was not sufficient data to estimate an entry-exit model for Footasylum in its Provisional Findings; and
 - (c) many of the Sports Direct/USC elevations were relocations and/or the upsizing of existing stores. The Parties stated that [redacted] of Sports Direct/USC elevated entry episodes affecting a JD store were relocations/upsizing compared to [redacted] for non-elevated Sports Direct/USC stores.

Our assessment

52. We agree with the Parties that the robustness of the econometric results is important in interpreting the analysis and in deciding the weight that we place on the different results.

53. We also agree that in order to most accurately estimate the impact of the competitive constraints imposed on JD Sports by the other retailers included in the entry-exit analysis, the most recent data is preferable, providing that it still allows for robust estimates, all else being equal.
54. In this econometric analysis, there are several reasons why relying solely on the most recent data may not allow for robust estimation.
55. First, by definition, if we restrict the time period under consideration, we will lose observations which makes us less likely to detect statistically significant results, even if the constraint exerted by the different retailers is unchanged.
56. Second, the nature of the entry-exit events may change over time in a way that is not related to any change in the nature of the competitive constraint which could make the results statistically insignificant. As an example, suppose that there are more exit events for retailer X in the most recent data relative to the data over a longer time period. If retailer X closes underperforming stores (ie the stores being used as entry/exit events are not random), as seems likely, this will reduce the estimated effect of retailer X (since stores with a more limited impact on JD Sports are being closed) even when there has been no or little change in the competitive constraint of retailer X.¹⁶
57. While we are cognisant of the issues outlined above, we agree with the Parties that restricting the data to more recent periods is a relevant specification to test. However, we believe that restricting the time period under consideration by years is appropriate. As such, in order to establish the sensitivity of the results we estimated the entry-exit model using the following cuts of the data: all data (September 2014 to February 2020) and the last three years (February 2017 to February 2020). In this appendix we present the analysis using either all data or only the last three years. We recognise that it would have been possible to consider a range of intermediate time periods. As an example, we could estimate the model using only the last four years of data. However, using the data in this way would not be preferable to using all data from the perspective of statistical power and would not be preferable to using only the last three years of data in terms of how well the data represents the prevailing level of competition. In this case, we did not consider that using an intermediate time period would provide a better balance between these two considerations and is not more informative than considering all data and three-year specifications.

¹⁶ [🔗]

58. Our preferred approach is to use all years of data ie September 2014 to February 2020. This is primarily because if an effect were to cease to be statistically significant when the time period under consideration is made shorter it would not be possible to determine whether this was due to a change in the nature of the competitive constraint or due to the loss in statistical power. As with the full data, given the potential for upward bias and the loss of statistical precision, if a retailer is not observed to exert a statistically significant and negative impact on JD Sport's revenue using the most recent data this should be treated as an absence of evidence rather than evidence that the retailer does not have an effect. Nonetheless, if a result were to be statistically significant in specifications using more recent data this would be of relevance to our assessment.
59. We agree with the Parties that there are a variety of methods for dealing with omitted factors such as local demand. In our analysis we controlled for omitted local factors by including time and store fixed effects only and then using a specification with store and region-time fixed effects. We believe that the use of more granular fixed effects to control for local omitted factors such as using postal area fixed effects is vulnerable to overfitting as the number of stores per postcode area will be too low for robust estimation. As such, we do not believe that the use of more granular local fixed effects is appropriate.¹⁷
60. Finally, we agree with the Parties that it is important that the results are robust to variation in the identification strategy for entry and exit episodes.
61. To consider what a reasonable robustness check would be, we used data from our store exit survey of JD Sports customers. The store exit survey asked customers how far they had travelled and revealed that, on a nationally representative basis, 60% had travelled 20 minutes or less and only 25% of customers had travelled 10 minutes or less.¹⁸ This suggests that 10 minutes may be too narrow a definition to capture the full impact, however, in the interests of completeness we have retained the robustness check.
62. All else being equal, we would expect the use of a narrower definition to increase the effect of entry/exit as closer location between two stores is more likely to make them a substitute, given that demand is locally driven. However, when using a narrower definition, we will have fewer store entry/exit episodes which decreases the probability that we will observe a statistically significant effect, therefore the results need to be treated with caution.

¹⁷ [REDACTED]

¹⁸ CMA analysis of store exit survey.

63. To summarise, as well as our preferred modelling approach which is to use a 20-minute drivetime to identify entry and exit events and to use all available data, we undertook a robustness check whereby we use a 10-minute drivetime to identify entry and exit events.
64. When we use a narrower drivetime definition or restrict attention to the most recent years of data, it is not possible to determine whether a loss of statistical significance arises due to having less data available. Given that it is not possible to distinguish between these two scenarios and the potential for upward bias, we only give evidential weight to statistically significant and negative results. Furthermore, if a result is only statistically significant when a 10-minute drivetime is used we acknowledge that this may suggest a weaker constraint than when a 20-minute drivetime is used. This is because it suggests that an entry/exit must be closer to the JD Sports store in order to have an effect.

Strengths and limitations

65. We used a fixed effects approach which accounts for factors that are constant over time but different across local markets through the inclusion of store fixed effects. The approach also accounts for factors that are constant nationally but that vary over time through the inclusion of time fixed effects.
66. The primary limitation with this analysis is that the extent of competition is driven by local factors such as costs and characteristics of demand ie local variation in affluence which also affect store performance. If not accounted for, such issues would bias the results, as we would be incorrectly conflating these factors with the impact of competition on performance. Whether this bias causes the over or under estimation of the impact of competition would depend on how the omitted factors affect store performance.
67. The direction of bias in the analysis could in theory be upwards or downwards. There are various factors that could be related to both the number of stores belonging to other retailers and the revenue of JD Sports' stores in a positive or a negative manner.
68. We believe that the bias is likely to be upward. In our view the most important omitted factor in this case is likely to be local demand. Local demand is likely to be positively associated with JD Sports' store revenue and the number of stores belonging to other retailers.

69. Using the approach of Basu (2020)¹⁹ we are interested in the relationship between the number of stores belonging to retailers B & C and the revenue of retailer A both of which are positively related to local income which is unobserved. When modelling using only observed variables, the resulting bias is equal to the product of the true underlying impact of local income on the revenue of retailer A and the coefficient from an auxiliary regression. In this auxiliary regression, the outcome is unobserved local income and the regressors are the number of stores belonging to retailers B and C. Supposing that we are interested in the impact of retailer B on the revenue of retailer A, the bias would be equal to the product of the true underlying impact of local income on the revenue of retailer A and the coefficient on the number of stores belonging to retailer B in the auxiliary regression.
70. While we recognise that in theory the bias could be upward or downward, we believe that it is most likely to be upward due to the likely positive relationship between local income and JD Sports' store performance and the likely positive relationship between the number of stores belonging to a given retailer and local income.
71. As an example of why this bias might arise, if we fail to adequately capture local demand, consider that an area with higher income and thus higher local demand may have more stores belonging to different retailers but also the Parties' stores will have higher revenues as a result of higher spending by affluent individuals. This relationship introduces a positive association between revenue and the number of stores belonging to a given retailer in the area thus confounding the competition effect.
72. As an extension, the model can account for factors that vary across regions and over time through the inclusion of time-region fixed effects.²⁰ This specification helps to deal with the fact that store performance and entry may be endogenous.
73. As an example, suppose that trainers became less fashionable in the West Midlands for a six-month period in 2016, this could lead to store closure (exit) on the part of a given retailer and a decrease in the performance of the local JD Sports store. As such, the coefficients estimated using linear regression would be biased because we are not able to separate the impact of exit and local demand on JD Sports' store revenue. The inclusion of region-time fixed effects overcomes this limitation. However, if the same change in fashion was

¹⁹ Basu, K (2020) 'Bias of OLS Estimators due to Exclusion of Relevant Variables and Inclusion of Irrelevant Variables,' *Oxford Bulletin of Economics and Statistics*, 82(1), pp. 209-234.

²⁰ To facilitate the inclusion of these fixed effects one must exclude the previously described time period fixed effects.

observed for one city within the West Midlands for a specific time period, this would not be captured by the region-time fixed effects. Therefore, endogenous entry within a region remains a limitation of the selected econometric approach.

74. Examples of potential scenarios where this could occur include:
- (a) increases in local demand are likely to attract new entrants and increase the revenue at stores. This would cause an upward bias in the results. The upward bias arises because entry would be incorrectly associated with increases in revenue. As a result of this conflation we could underestimate the effect of competition on revenue; and
 - (b) incumbent stores may react to entry with short term promotional or advertising activity. This would reduce the effect of the entry on revenue, causing the impact of local competition to be underestimated. While this issue does not result in a bias from an econometric perspective, it may lead to the understatement of the true competitive constraint imposed on the Parties by different retailers.
75. As a result of the issues identified above, it is likely that the estimated coefficients suffer from an upward bias. The implication of such upward bias is that negative coefficients may be underestimated in absolute terms, potentially becoming insignificantly different from zero and in extreme cases even positive and significantly different from zero. This means that when interpreting the results, weight should only be given to negative and statistically significant coefficients and little attention should be paid to the estimated magnitude of the effect.
76. When a non-significant result is obtained, it is important to note that this means that the estimation is not sufficiently precise to capture a statistically significant effect. This means that statistical insignificance should be interpreted as the absence of evidence rather than evidence for the absence of a competitive constraint when considering the impact of local competition.

Results

77. The remainder of this appendix sets out the full results of the entry-exit analysis for JD Sports. The estimates show the impact of entry and exit²¹ on JD Sports' store level footwear and apparel revenue and considers how these results change if the frequency of data, method of dealing with omitted

²¹ When presenting the coefficient estimates we typically do so using the example of entry but the coefficient estimates could also be interpreted as the impact of exit.

variable bias, time period under consideration and drivetime used to identify entry and exit events are varied.²²

78. **Error! Reference source not found.** shows the regression estimates measuring the change in footwear revenue at a JD Sports store when the number of stores belonging to a given retailer (listed vertically) increases by one. As a rule of thumb, if one multiplies the listed coefficient by 100 this gives an approximation of the percentage change in JD Sports' store revenue due to this entry/exit.
79. Column 1 shows the results estimated using the baseline specification which includes time and store fixed effects. Column 2 is a robustness check which includes store and region-time fixed effects. Columns 3 and 4 repeat the specifications of 1 and 2 but use quarterly rather than monthly data. Columns 5 to 8 repeat these estimators but do so using only the last three years of data.
80. Estimates are provided for each retailer for which a negative coefficient is estimated. Statistical significance is indicated by the asterisks. Statistical significance is captured as follows: * statistically significant at the 5% level, ** statistically significant at the 1% level and *** statistically significant at the 0.1% level. The conventional cut-off for placing weight on estimated results is a significance threshold of 5%

Footwear

Store entry

Table 8: Impact of store entry by different retailers on JD Sports footwear revenue (20-minute drivetime)

Retailer	Store & month FE's	Store & region-month FE's	Store & quarter FE's	Store & region-quarter FE's	Store & month FE's	Store & region-month FE's	Store & quarter FE's	Store & region-quarter FE's
	All years				Last 3 years			
	(1)	(2)	(3)	(4)	(1)	(2)	(3)	(4)
Footasylum	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Foot Locker	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]

²² As presented in Appendix C in our Provisional Findings, we also carried out the entry/exit analysis for two elements of JD Sports' offering. These two outcomes were the proportion of products sold at full price and the age of the store as measured by the time since either the store opened or was last refurbished. In our provisional findings, we placed less weight on the results for the proportion of products sold at full price due to the fact that any change in this variable could be due to a fall in prices or due to a change in the products that were stocked. We also placed less weight on the results for store age due to the relatively small number of refurbishment events. In addition, we believe that the direction of the bias is less clear for these outcome measures than for store revenue. [X]. As such, we have elected to remove this analysis from the final report.

Sports Direct/US C									
Office									
Schuh									
Adidas									
Nike									
Clarks									
DW Sports									
Decathlon									
Deichman n									
Flannels									
H&M									
Intersport									
Next									
Offspring									
Outfit									
Primark									
River Island									
Skechers									
TK Maxx									
Topman									
USC									
Zara									
Constant									
N									
R ²									
Adj-R ²									

Source: CMA analysis of data provided by JD Sports and Footasylum, the competitor data was provided by JD Sports.

Note: This table shows the impact of entry by a given retailer on the footwear revenue of JD Sports' stores. In this setting, entry is defined as an increase in the number of stores belonging to a given retailer by 1.

Estimates are provided for each retailer in the dataset but as mentioned above attention should only be paid to statistically significant and negative estimates. In the table, statistical significance is indicated by the asterisks. Statistical significance is captured as follows: * statistically significant at the 5% level, ** statistically significant at the 1% level and *** statistically significant at the 0.1% level. The conventional cut-off for placing weight on estimated results is a significance threshold of 5%.

Columns (1) and (2) use the monthly data while columns (3) and (4) use the quarterly data. Columns (1) and (3) are the results from the specification using store and time fixed effects. Columns (2) and (4) relate to the specification using store and region-time fixed effects.

81. When all available data is used, and an entry/exit event is defined using a 20-minute drivetime (our preferred specification), store entry by the following retailers is found to be associated with a statistically significant reduction in the footwear revenue of JD Sports stores:
- (a) Footasylum ([X]);
 - (b) Nike ([X]);
 - (c) Deichmann ([X] but only when region-time fixed effects are not used);
and
 - (d) USC ([X] but only when region-time fixed effects are used).
82. When only the last three years of available data are used, and an entry/exit event is defined using a 20-minute drivetime, store entry by the following retailers is found to be associated with a statistically significant reduction in the footwear revenue of JD Sports stores:
- (a) Schuh ([X] but only when region-time fixed effects are not used, and quarterly data is used);
 - (b) Nike ([X] but only when quarterly data is used);
 - (c) River Island ([X] but only when region-time fixed effects and monthly data are used or when region-time fixed effects are not used, and quarterly data is used);
 - (d) Skechers ([X] but only when region-time fixed effects are not used); and
 - (e) USC ([X] but only when region-time fixed effects are not used, and monthly data is used).
83. When a 20-minute definition of entry/exit events is used there is evidence that store entry by Footasylum and Nike affects the revenue of JD Sports on average between September 2014 and February 2020. There is weak evidence²³ that store entry/exit by Deichmann and USC has an effect. There is also weak evidence using only the last three years of data that store entry/exit by Schuh, Nike, River Island, Skechers and USC may have some effect.

²³ If a result is statistically significant regardless of whether the data is monthly/quarterly or the region time fixed effects are included/excluded, it is given full evidential weight. If in at least one of these specifications a result is not statistically significant it is deemed weak evidence.

84. The opening or closure of a Footasylum store within 20-minutes of a JD Sports store is estimated to reduce the footwear revenue of the JD Sports store by [X] on average between September 2014 and February 2020. However, if attention is restricted to the three-year period February 2017 to February 2020 there is no statistically significant effect. It is not possible to distinguish whether the absence of an effect is driven by the loss of statistical precision or a material change in the competitive constraint that Footasylum exerts on JD Sports in the supply of sports-inspired casual footwear.

Table 9: Impact of store entry by different retailers on JD Sports footwear revenue (10-minute drivetime)

Retailer	Store & month FE's	Store & region-month FE's	Store & quarter FE's	Store & region-quarter FE's	Store & month FE's	Store & region-month FE's	Store & quarter FE's	Store & region-quarter FE's
	All years				Last 3 years			
	(1)	(2)	(3)	(4)	(1)	(2)	(3)	(4)
Footasylum	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Foot Locker	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Sports Direct/USC	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Office	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Schuh	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Adidas	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Nike	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Clarks	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
DW Sports	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Decathlon	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Deichmann	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Flannels	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
H&M	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Intersport	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Next	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Offspring	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Outfit	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Primark	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
River Island	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Skechers	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
TK Maxx	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Topman	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
USC	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Zara	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]

Constant	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
N	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
R ²	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Adj-R ²	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]

Source: CMA analysis of data provided by JD Sports and Footasylum, the competitor data was provided by JD Sports.

Note: This table shows the impact of entry by a given retailer on the footwear revenue of JD Sports' stores. In this setting, entry is defined as an increase in the number of stores belonging to a given retailer by 1.

Estimates are provided for each retailer in the dataset but as mentioned above attention should only be paid to statistically significant and negative estimates. In the table, statistical significance is indicated by the asterisks. Statistical significance is captured as follows: * statistically significant at the 5% level, ** statistically significant at the 1% level and *** statistically significant at the 0.1% level. The conventional cut-off for placing weight on estimated results is a significance threshold of 5%.

Columns (1) and (2) use the monthly data while columns (3) and (4) use the quarterly data. Columns (1) and (3) are the results from the specification using store and time fixed effects. Columns (2) and (4) relate to the specification using store and region-time fixed effects.

85. When all available data is used, and an entry/exit event is defined using a 10-minute drivetime, store entry by the following retailers is found to be associated with a statistically significant reduction in the footwear revenue of JD Sports stores:

- (a) Footasylum ([X]);
- (b) Foot Locker ([X]);
- (c) Office ([X]);
- (d) Schuh ([X]); and
- (e) Nike ([X]).

86. When only the last three years of available data are used, and an entry event is defined using a 10-minute drivetime store entry by the following retailers is found to be associated with a statistically significant reduction in the footwear revenue of JD Sports stores:

- (a) Footasylum ([X] but only when monthly data is used, and region-time fixed effects are not used);
- (b) Foot Locker ([X] but only when region-time fixed effects are used);
- (c) Sports Direct/USC ([X] but only when region-time fixed effects are used);
- (d) Schuh [X];
- (e) Nike ([X]); and
- (f) USC ([X]).

87. When a 10-minute definition of entry/exit events is used there is evidence that store entry/exit by Footasylum, Foot Locker, Office, Schuh and Nike affects the revenue of JD Sports on average between September 2014 and February 2020. Further, there is evidence using only the most recent data that store entry/exit by Schuh, Nike and USC has an effect. There is also weak evidence using only the last three years of data that store entry/exit by Footasylum, Foot Locker and Sports Direct/USC may have some effect.
88. The opening or closure of a Footasylum store within 10-minutes of a JD Sports store is estimated to reduce the footwear revenue of the JD Sports store by [X] on average between September 2014 and February 2020. However, if attention is restricted to the three-year period February 2017 to February 2020 the magnitude of the estimated effect falls to [X] and ceases to be statistically significant when region-month fixed effects are added to the model. It is not possible to distinguish whether the absence of an effect is driven by the loss of statistical precision or a material change in the competitive constraint that Footasylum exerts on JD Sports in the supply of sports-inspired casual footwear.

Retailer entry

Table 10: Impact of retailer entry by different retailers on JD Sports footwear revenue (20-minute drivetime)

Retailer	Store & month FE's	Store & region-month FE's	Store & quarter FE's	Store & region-quarter FE's	Store & month FE's	Store & region-month FE's	Store & quarter FE's	Store & region-quarter FE's
	All years				Last 3 years			
	(1)	(2)	(3)	(4)	(1)	(2)	(3)	(4)
Footasylum	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Foot Locker	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Sports Direct/USC	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Office	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Schuh	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Adidas	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Nike	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Clarks	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
DW Sports	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Decathlon	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Deichmann	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Flannels	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
H&M	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Intersport	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]

Next	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Offspring	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Outfit	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Primark	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
River Island	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Skechers	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
TK Maxx	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Topman	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
USC	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Zara	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Constant	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
N	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
R ²	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Adj-R ²	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]

Source: CMA analysis of data provided by JD Sports and Footasylum, the competitor data was provided by JD Sports.

Note: This table shows the impact of retailer entry by a given retailer on the footwear revenue of JD Sports' stores. A retailer entry is defined as a case where in the initial time period there were no stores belonging to a retailer while in the following period there was at least one.

Estimates are provided for each retailer in the dataset but as mentioned above, attention should only be paid to statistically significant and negative estimates. In the table, statistical significance is indicated by the asterisks. Statistical significance is captured as follows: * statistically significant at the 5% level, ** statistically significant at the 1% level and *** statistically significant at the 0.1% level. The conventional cut-off for placing weight on estimated results is a significance threshold of 5%.

Columns (1) and (2) use the monthly data while columns (3) and (4) use the quarterly data. Columns (1) and (3) are the results from the specification using store and time fixed effects. Columns (2) and (4) relate to the specification using store and region-time fixed effects.

89. When all available data is used, and an entry/exit event is defined using a 20-minute drivetime (our preferred specification), retailer entry by the following retailers is found to be associated with a statistically significant reduction in the footwear revenue of JD Sports stores:

- (a) Footasylum ([X]);
- (b) Foot Locker ([X]); and
- (c) Outfit ([X] but only when region-time fixed effects are not used).

90. When only the last three years of available data are used, and an entry/exit event is defined using a 20-minute drivetime, retailer entry by the following retailers is found to be associated with a statistically significant reduction in the footwear revenue of JD Sports stores:

- (a) Office ([X]);
- (b) Schuh ([X] in all specifications except for when quarterly data is used, and region-time fixed effects are used);

- (c) Nike ([X]) in all specification except for when quarterly data is used, and region-time fixed effects are used);
- (d) Offspring ([X]) but only when region-time fixed effects are not used); and
- (e) River Island ([X]) in all specifications except for when quarterly data is used, and region-time fixed effects are not used).

91. When a 20-minute definition of entry/exit events is used there is evidence that retailer entry/exit by Footasylum and Foot Locker affects the revenue of JD Sports on average between September 2014 and February 2020. There is weak evidence that retailer entry/exit by Outfit has an effect. There is evidence using only the most recent data that retailer entry/exit by Office has an effect. There is also weak evidence using only the last three years of data that retailer entry/exit by Schuh, Nike, Offspring and River Island may have some effect.
92. The opening or closure of the only Footasylum store within 20-minutes of a JD Sports store is estimated to reduce the footwear revenue of the JD Sports store by [X] on average between September 2014 and February 2020. However, if attention is restricted to the three-year period February 2017 to February 2020 the estimated effect ceases to be statistically significant. It is not possible to distinguish whether the absence of an effect is driven by the loss of statistical precision or a material change in the competitive constraint that Footasylum exerts on JD Sports in the supply of sports-inspired casual footwear.

Table 11: Impact of retailer entry by different retailer on JD Sports footwear revenue (10-minute drivetime)

Retailer	Store & month FE's	Store & region-month FE's	Store & quarter FE's	Store & region-quarter FE's	Store & month FE's	Store & region-month FE's	Store & quarter FE's	Store & region-quarter FE's
	All years				Last 3 years			
	(1)	(2)	(3)	(4)	(1)	(2)	(3)	(4)
Footasylum	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Foot Locker	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Sports Direct/USC	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Office	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Schuh	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Adidas	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Nike	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Clarks	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
DW Sports	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Decathlon	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]

Deichmann										
Flannels										
H&M										
Intersport										
Next										
Offspring										
Outfit										
Primark										
River Island										
Skechers										
TK Maxx										
Topman										
USC										
Zara										
Constant										
N										
R ²										
Adj-R ²										

Source: CMA analysis of data provided by JD Sports and Footasylum, the competitor data was provided by JD Sports.

Note: This table shows the impact of retailer entry by a given retailer on the footwear revenue of JD Sports' stores. A retailer entry is defined as a case where in the initial time period there were no stores belonging to a retailer while in the following period there was at least one.

Estimates are provided for each retailer in the dataset but as mentioned above, attention should only be paid to statistically significant and negative estimates. In the table, statistical significance is indicated by the asterisks. Statistical significance is captured as follows: * statistically significant at the 5% level, ** statistically significant at the 1% level and *** statistically significant at the 0.1% level. The conventional cut-off for placing weight on estimated results is a significance threshold of 5%.

Columns (1) and (2) use the monthly data while columns (3) and (4) use the quarterly data. Columns (1) and (3) are the results from the specification using store and time fixed effects. Columns (2) and (4) relate to the specification using store and region-time fixed effects.

93. When all available data is used, and an entry/exit event is defined using a 10-minute drivetime, retailer entry by the following retailers is found to be associated with a statistically significant reduction in the footwear revenue of JD Sports stores:

- (a) Footasylum ([X]);
- (b) Foot Locker ([X]); and
- (c) Office ([X]).

94. When only the last three years of available data are used, and an entry/exit event is defined using a 10-minute drivetime, retailer entry by the following

retailers is found to be associated with a statistically significant reduction in the footwear revenue of JD Sports stores:

- (a) Foot Locker ([~~§~~]) in all specifications except for when monthly data is used, and region-time fixed effects are not used);
- (b) Office ([~~§~~]);
- (c) Schuh ([~~§~~]);
- (d) Nike ([~~§~~]);
- (e) Offspring ([~~§~~]); and
- (f) USC ([~~§~~]) in all specifications except for when quarterly data is used, and region-time fixed effects are used).

95. When a 10-minute definition of entry/exit events is used there is evidence that retailer entry/exit by Footasylum, Foot Locker and Office affects the revenue of JD Sports on average between September 2014 and February 2020. Further, there is evidence using only the most recent data that retailer entry/exit by Schuh, Nike and Offspring has an effect. There is also weak evidence using only the last three years of data that retailer entry/exit by Foot Locker and USC may have some effect.
96. The opening or closure of the only Footasylum store within 10-minutes of a JD Sports store is estimated to reduce the footwear revenue of the JD Sports store by [~~§~~] on average between September 2014 and February 2020. However, if attention is restricted to the three-year period February 2017 to February 2020 the estimated effect ceases to be statistically significant. It is not possible to distinguish whether the absence of an effect is driven by the loss of statistical precision or a material change in the competitive constraint that Footasylum exerts on JD Sports in the supply of sports-inspired casual footwear.

Summary on the impact of Footasylum on the footwear revenue of JD Sports

97. There is consistent evidence that both store entry and retailer entry within 10-minutes or 20-minutes by Footasylum has an effect on the footwear revenue of JD Sports on average between September 2014 and February 2020.
98. Our analysis is unable to shed light on the extent to which this constraint may have changed in the most recent years of data. The finding of no impact by Footasylum in the last three years of data is consistent with a reduction in the competitive constraint that it imposes on JD Sports but it is not possible to

distinguish between whether this lack of statistical significance is driven by the loss of statistical precision which occurs because we have less data or whether there has been a genuine change in the competitive constraint that Footasylum exerts on JD Sports in the supply of sports-inspired casual footwear. Further the potential for upward bias means that throughout this analysis we only place evidential weight on results that are negative and statistically significant.

Apparel

Store entry

Table 12: Impact of store entry by different retailers on JD Sports apparel revenue (20-minute drivetime)

Retailer	Store & month FE's	Store & region-month FE's	Store & quarter FE's	Store & region-quarter FE's	Store & month FE's	Store & region-month FE's	Store & quarter FE's	Store & region-quarter FE's
	All years				Last 3 years			
	(1)	(2)	(3)	(4)	(1)	(2)	(3)	(4)
Footasylum	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Foot Locker	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Sports Direct/USC	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Office	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Schuh	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Adidas	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Nike	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Clarks	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
DW Sports	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Decathlon	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Deichmann	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Flannels	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
H&M	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Intersport	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Next	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Offspring	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Outfit	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Primark	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
River Island	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Skechers	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
TK Maxx	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]

Topman	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
USC	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Zara	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Constant	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
N	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
R ²	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Adj-R ²	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]

Source: CMA analysis of data provided by JD Sports and Footasylum, the competitor data was provided by JD Sports.

Note: This table shows the impact of entry by a given retailer on the footwear revenue of JD Sports' stores. In this setting, entry is defined as an increase in the number of stores belonging to a given retailer by 1.

Estimates are provided for each retailer in the dataset but as mentioned above attention should only be paid to statistically significant and negative estimates. In the table, statistical significance is indicated by the asterisks. Statistical significance is captured as follows: * statistically significant at the 5% level, ** statistically significant at the 1% level and *** statistically significant at the 0.1% level. The conventional cut-off for placing weight on estimated results is a significance threshold of 5%.

Columns (1) and (2) use the monthly data while columns (3) and (4) use the quarterly data. Columns (1) and (3) are the results from the specification using store and time fixed effects. Columns (2) and (4) relate to the specification using store and region-time fixed effects.

99. When all available data is used, and an entry/exit event is defined using a 20-minute drivetime (our preferred specification), store entry by the following retailers is found to be associated with a statistically significant reduction in the apparel revenue of JD Sports stores:

- (a) Footasylum ([X]) but only when region-time fixed effects are used);
- (b) Nike ([X]); and
- (c) USC ([X]) but only when region-time fixed effects are used).

100. When only the last three years of available data are used, and an entry/exit event is defined using a 20-minute drivetime, store entry by the following retailers is found to be associated with a statistically significant reduction in the apparel revenue of JD Sports stores:

- (a) Nike ([X]); and
- (b) DW Sports ([X]) but only when quarterly data is used, and region-time fixed effects are not used).

101. When a 20-minute definition of entry/exit events is used there is evidence that store entry/exit by Nike affects the revenue of JD Sports on average between September 2014 and February 2020. There is weak evidence that store entry/exit by Footasylum and USC has an effect. There is also evidence using only the last three years of data that store entry/exit by Nike has an effect and weak evidence that DW Sports may have some effect.

102. The opening or closure of a Footasylum store within 20-minutes of a JD Sports store is estimated to reduce the apparel revenue of the JD Sports store by [X] on average between September 2014 and February 2020, but only when region-time fixed effects are included in the model. However, if attention is restricted to the three-year period February 2017 to February 2020 the estimated effect ceases to be statistically significant. It is not possible to distinguish whether the absence of an effect is driven by the loss of statistical precision or a material change in the competitive constraint that Footasylum exerts on JD Sports in the supply of sports-inspired casual apparel.

Table 13: Impact of store entry by different retailers on JD Sports apparel revenue (10-minute drivetime)

Retailer	Store & month FE's	Store & region-month FE's	Store & quarter FE's	Store & region-quarter FE's	Store & month FE's	Store & region-month FE's	Store & quarter FE's	Store & region-quarter FE's
	All years				Last 3 years			
	(1)	(2)	(3)	(4)	(1)	(2)	(3)	(4)
Footasylum	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Foot Locker	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Sports Direct/USC	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Office	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Schuh	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Adidas	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Nike	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Clarks	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
DW Sports	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Decathlon	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Deichmann	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Flannels	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
H&M	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Intersport	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Next	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Offspring	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Outfit	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Primark	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
River Island	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Skechers	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
TK Maxx	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Topman	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
USC	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]

Zara	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Constant	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
N	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
R ²	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Adj-R ²	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]

Source: CMA analysis of data provided by JD Sports and Footasylum, the competitor data was provided by JD Sports.

Note: This table shows the impact of entry by a given retailer on the footwear revenue of JD Sports' stores. In this setting, entry is defined as an increase in the number of stores belonging to a given retailer by 1.

Estimates are provided for each retailer in the dataset but as mentioned above attention should only be paid to statistically significant and negative estimates. In the table, statistical significance is indicated by the asterisks. Statistical significance is captured as follows: * statistically significant at the 5% level, ** statistically significant at the 1% level and *** statistically significant at the 0.1% level. The conventional cut-off for placing weight on estimated results is a significance threshold of 5%.

Columns (1) and (2) use the monthly data while columns (3) and (4) use the quarterly data. Columns (1) and (3) are the results from the specification using store and time fixed effects. Columns (2) and (4) relate to the specification using store and region-time fixed effects.

103. When all available data is used, and an entry/exit event is defined using a 10-minute drivetime, store entry by the following retailers is found to be associated with a statistically significant reduction in the apparel revenue of JD Sports stores:

(a) Schuh ([X]); and

(b) Nike ([X] but only when region-time fixed effects are used).

104. When only the last three years of available data are used, and an entry/exit event is defined using a 10-minute drivetime store, entry by the following retailers is found to be associated with a statistically significant reduction in the apparel revenue of JD Sports stores:

(a) Sports Direct/USC ([X] in all specifications except for when monthly data is used, and region-time fixed effects are not used); and

(b) Nike ([X]).

105. When a 10-minute definition of entry/exit events is used there is evidence that store entry/exit by Schuh affects the revenue of JD Sports on average between September 2014 and February 2020. There is weak evidence that store entry/exit by Nike has an effect using all available data. There is evidence using only the most recent data that store entry/exit by Nike has an effect. There is also weak evidence using only the last three years of data that store entry/exit by Sports Direct may have some effect.

106. The opening or closure of a Footasylum store within 10-minutes of a JD Sports is not found to have a statistically significant effect on the apparel revenue of the JD Sports store between September 2014 and February 2020,

or when attention is restricted to the three-year period February 2017 to February 2020.

Retailer entry

Table 14: Impact of retailer entry by different retailers on JD Sports apparel revenue (20-minute drivetime)

Retailer	Store & month FE's	Store & region-month FE's	Store & quarter FE's	Store & region-quarter FE's	Store & month FE's	Store & region-month FE's	Store & quarter FE's	Store & region-quarter FE's
	All years				Last 3 years			
	(1)	(2)	(3)	(4)	(1)	(2)	(3)	(4)
Footasylum	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Foot Locker	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Sports Direct/USC	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Office	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Schuh	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Adidas	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Nike	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Clarks	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
DW Sports	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Decathlon	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Deichmann	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Flannels	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
H&M	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Intersport	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Next	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Offspring	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Outfit	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Primark	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
River Island	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Skechers	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
TK Maxx	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Topman	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
USC	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Zara	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Constant	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
N	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]

R ²	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Adj-R ²	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]

Source: CMA analysis of data provided by JD Sports and Footasylum, the competitor data was provided by JD Sports.

Note: This table shows the impact of retailer entry by a given retailer on the footwear revenue of JD Sports' stores. A retailer entry is defined as a case where in the initial time period there were no stores belonging to a retailer while in the following period there was at least one.

Estimates are provided for each retailer in the dataset but as mentioned above, attention should only be paid to statistically significant and negative estimates. In the table, statistical significance is indicated by the asterisks. Statistical significance is captured as follows: * statistically significant at the 5% level, ** statistically significant at the 1% level and *** statistically significant at the 0.1% level. The conventional cut-off for placing weight on estimated results is a significance threshold of 5%.

Columns (1) and (2) use the monthly data while columns (3) and (4) use the quarterly data. Columns (1) and (3) are the results from the specification using store and time fixed effects. Columns (2) and (4) relate to the specification using store and region-time fixed effects.

107. When all available data is used, and an entry/exit event is defined using a 20-minute drivetime (our preferred specification), retailer entry by the following retailers is found to be associated with a statistically significant reduction in the apparel revenue of JD Sports stores:

(a) Footasylum ([X]); and

(b) Foot Locker ([X]).

108. When only the last three years of available data are used, and an entry/exit event is defined using a 20-minute drivetime retailer entry by the following retailers is found to be associated with a statistically significant reduction in the apparel revenue of JD Sports stores:

(a) Nike ([X] but only when region-time fixed effects are not used).

109. When a 20-minute definition of entry/exit events is used there is evidence that retailer entry/exit by Footasylum and Foot Locker affects the revenue of JD Sports on average between September 2014 and February 2020. There is also weak evidence using only the last three years of data that retailer entry/exit Nike may have some effect.

110. The opening or closure of the only Footasylum store within 20-minutes of a JD Sports store is estimated to reduce the apparel revenue of the JD Sports store by [X] on average between September 2014 and February 2020. However, if attention is restricted to the three-year period February 2017 to February 2020 the estimated effect ceases to be statistically significant. It is not possible to distinguish whether the absence of an effect is driven by the loss of statistical precision or a material change in the competitive constraint that Footasylum exerts on JD Sports in the supply of sports-inspired casual apparel.

Table 15: Impact of retailer entry by different retailer on JD Sports apparel revenue (10-minute drivetime)

Retailer	Store & month FE's	Store & region-month FE's	Store & quarter FE's	Store & region-quarter FE's	Store & month FE's	Store & region-month FE's	Store & quarter FE's	Store & region-quarter FE's
	All years				Last 3 years			
	(1)	(2)	(3)	(4)	(1)	(2)	(3)	(4)
Footasylum	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Foot Locker	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Sports Direct/USC	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Office	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Schuh	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Adidas	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Nike	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Clarks	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
DW Sports	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Decathlon	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Deichmann	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Flannels	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
H&M	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Intersport	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Next	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Offspring	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Outfit	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Primark	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
River Island	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Skechers	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
TK Maxx	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Topman	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
USC	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Zara	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Constant	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
N	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
R ²	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Adj-R ²	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]

Source: CMA analysis of data provided by JD Sports and Footasylum, the competitor data was provided by JD Sports.

Note: This table shows the impact of retailer entry by a given retailer on the footwear revenue of JD Sports' stores. A retailer entry is defined as a case where in the initial time period there were no stores belonging to a retailer while in the following period there was at least one.

Estimates are provided for each retailer in the dataset but as mentioned above, attention should only be paid to statistically significant and negative estimates. In the table, statistical significance is indicated by the asterisks. Statistical significance is captured as follows: * statistically significant at the 5% level, ** statistically significant at the 1% level and *** statistically significant at the 0.1% level. The conventional cut-off for placing weight on estimated results is a significance threshold of 5%.

Columns (1) and (2) use the monthly data while columns (3) and (4) use the quarterly data. Columns (1) and (3) are the results from the specification using store and time fixed effects. Columns (2) and (4) relate to the specification using store and region-time fixed effects.

111. When all available data is used, and an entry/exit event is defined using a 10-minute drivetime, retailer entry by the following retailers is found to reduce the apparel revenue of JD Sports stores in a statistically significant fashion:

- (a) Footasylum ([~~⊗~~]);
- (b) Foot Locker ([~~⊗~~] but only when quarterly data is used, and region-time fixed effects are not used); and
- (c) Nike ([~~⊗~~] but only when monthly data is used, and region-time fixed effects are not used).

112. When only the last three years of available data are used, and an entry/exit event is defined using a 10-minute drivetime, retailer entry by the following retailers is found to reduce the apparel revenue of JD Sports stores in a statistically significant fashion:

- (a) Footasylum ([~~⊗~~]);
- (b) Office ([~~⊗~~] but only when region-time fixed effects are used); and
- (c) Nike ([~~⊗~~]).

113. When a 10-minute definition of entry/exit events is used there is evidence that retailer entry/exit by Footasylum affects the revenue of JD Sports on average between September 2014 and February 2020. There is weak evidence that retailer entry/exit by Foot Locker and Nike has an effect when all data is used. There is evidence using only the most recent data that retailer entry/exit by Footasylum and Nike has an effect. There is also weak evidence using only the last three years of data that retailer entry/exit by Office may have some effect.

114. The opening or closure of the only Footasylum store within 10-minutes of a JD Sports store is estimated to reduce the apparel revenue of the JD Sports store by [~~⊗~~] on average between September 2014 and February 2020. When attention is restricted to the three-year period February 2017 to February 2020 the estimated effect continues to be statistically significant and negative, but the magnitude of the estimated effect falls slightly to [~~⊗~~].

Summary of the impact of Footasylum on the apparel revenue of JD Sports

115. There is consistent evidence that retailer entry within 10-minutes or 20-minutes by Footasylum has an effect on the apparel revenue of JD Sports on average between September 2014 and February 2020. There is only weak evidence that store entry by Footasylum has any effect. We note that there is evidence that retailer entry within 10-minutes by Footasylum is found to have an effect in the apparel revenue of JD Sports on average between February 2017 and February 2020.
116. Our analysis is unable to shed light on the extent to which this constraint may have changed in the most recent years of data for retailer entry within 20-minutes of a JD Sports. The finding of no impact by Footasylum in the last 3 years of data is consistent with a reduction in the competitive constraint that it imposes on JD Sports but it is not possible to distinguish between whether this lack of statistical significance is driven by the loss of statistical precision which occurs because we have less data or whether there has been a genuine change in the competitive constraint that Footasylum exerts on JD Sports in the supply of sports-inspired casual apparel. Further the potential for upwards bias means that throughout this analysis we only place evidential weight on results that are negative and statistically significant.

Appendix D: Local flexing of parameters of competition

Introduction

1. Local flexing refers to the process of retailers varying some aspects of their offering locally, having had regard to local competitive conditions (ie varying certain parameters of PQRS from store to store in response to local competition). For example, a retailer may set the prices (or discounts from a standard price) available at a store implicitly or explicitly taking into account the number and type of competitors present in the local area where the store is located. Other examples of local flexing may include a retailer changing staffing levels or opening hours or investing in the presentation of products in its store, in order to respond to local competition.
2. Retailers may also vary some parameters of PQRS locally for some other reasons not directly related to competition, such as consumer demographics or the layout or the size of a store. In this appendix, when discussing local flexing, we have focussed on whether the Parties vary some parameters locally in direct response to competition and/or in response to factors likely to be influenced by competition (such as sales levels).

Parties' views

3. We set out general views of the Parties on local flexing in this section and explore a number of more detailed comments by the Parties in our assessment in the next section.
4. Footasylum submitted that all aspects of its offering were set centrally and individual stores [✂].²⁴
5. JD Sports submitted that individual stores did not have the ability to vary their offering from the national level and that decisions on PQRS were determined centrally, however, there was local variation in some centrally set elements of its offering.

²⁴ We note that while the offering is set centrally this does not mean that the offering does not vary on a local basis.

Our assessment

Homogeneity of competitive conditions

6. Based on store location data provided to the CMA by the Parties we observed that all Footasylum stores have a JD Sports store within a 20-minute drivetime.²⁵ [redacted] Sports Direct store [redacted] Schuh, Foot Locker or Office within 20 minutes.
7. [redacted] of JD Sports stores there is a Footasylum store within 20 minutes and for [redacted] there is a Sports Direct. [redacted] JD Sports stores also have [redacted] Schuh, Foot Locker and Office within 20 minutes.²⁶
8. Therefore we found that the competitive environment as measured by the retailers that are present and the time taken to drive to the nearest store is broadly similar across the country for Footasylum. This homogeneity limits the potential for local variation in competitive parameters to be driven by differences in local competitive conditions. However, there is much more variation in competitive conditions when one considers JD Sports' stores. This suggests that all else being equal JD Sports would be more likely to have an incentive to flex competitive parameters locally in response to local competition than Footasylum.

Parties' strategies and operations

9. The CMA has taken account of submissions from the Parties and third parties. We examined more than 2,500 relevant internal documents provided by the Parties and considered the evidence in these documents that was relevant to the local flexing of competitive parameters.

Local flexing of price

10. The Parties submitted that [redacted]. The Parties submitted that varying [redacted] on a local basis would be associated with [redacted]. Footasylum submitted that [redacted]. JD Sports submitted that it also adopted a [redacted] and which [redacted].
11. One exception to the [redacted] setting of price across Footasylum's stores is the application of student discounts. Some Footasylum stores participate in student events [redacted]. An internal document from October 2017 noted that [redacted].

²⁵ A 20-minute drivetime was used due to [redacted]

²⁶ Figures calculated by the CMA using the store location data provided by the Parties.

12. [REDACTED]
13. [REDACTED]
14. The evidence shows that pricing is carried out nationally and [REDACTED]. There are exceptions to this in terms of student discounts, student events, clearance and discounting of damaged goods.

Local flexing of quality

15. Footasylum submitted that store quality [REDACTED] and that store refurbishments could be prompted by [REDACTED]. Internal documents submitted by Footasylum are consistent with this view noting that [REDACTED].
16. JD Sports submitted that it did not focus on [REDACTED] but did periodically assess store fitness around [REDACTED]. When assessing store fitness JD Sports takes into account factors such as [REDACTED] at which point a decision about whether to [REDACTED].
17. JD Sports submitted that [REDACTED].
18. [REDACTED]. Stores which face more intense competition are likely to underperform all else being equal. In practice, store performance and the extent of local competition could be positively correlated due to local increases in demand which could both encourage other retailers to open stores and improve local performance. Given this complex relationship, the relationship between store performance and store quality does not necessarily imply a clear relationship between local competition and store quality.

Local flexing of service

19. Footasylum submitted that staffing decisions were made [REDACTED] but were not directly related to [REDACTED]. Footasylum stated staffing decisions took account of [REDACTED].
20. [REDACTED].
21. JD Sports submitted [REDACTED].
22. [REDACTED]
23. [REDACTED]. The CMA recognises that this form of local flexing currently occurs and that the Parties' incentive to engage in [REDACTED] in future may be affected post-Merger.
24. From our review of internal documents, we found that service levels are on the whole set nationally. Staffing decisions appear to be made based on

practical merit rather than in direct response to direct competition and the bulk of marketing spend is national.

Local flexing of range

25. [REDACTED]
26. Footasylum sets range on a [REDACTED], the result of which is that r[REDACTED]. Footasylum submitted that such variation did not take into account the product range of competitors and was instead the [REDACTED]. Footasylum submitted that in some instances store managers [REDACTED]. Footasylum has submitted that whether such requests were approved was linked to the [REDACTED]. Such requests also took into account [REDACTED].
27. [REDACTED]
28. [REDACTED]
29. The CMA believes that [REDACTED].
30. JD Sports submitted that while [REDACTED] may vary from store to store, decisions were [REDACTED]. JD Sports acknowledged that store managers made requests for [REDACTED] but that such decisions could not be taken unilaterally.
31. The CMA's review of JD Sports' documents has not found evidence of it flexing its range in response to competition. The CMA only found evidence of an incentive to flex range. In a decline report for the [REDACTED], it is noted that the [REDACTED] from the local [REDACTED] store which stocks products from suppliers such as [REDACTED] is having an impact on the JD Sports store [REDACTED].
32. [REDACTED]

Appendix E: Parties' submissions on the surveys and our assessment

Introduction

1. We commissioned two surveys in the course of our inquiry: a face-to-face store exit survey of customers from JD Sports and Footasylum stores, and an online survey of the Parties' online customers.
2. Both surveys were carried out by DJS Research, an independent market research agency. Further details on the findings, methodologies, and questionnaires of both surveys, are provided in separate reports.²⁷
3. This appendix sets out the Parties' submissions on the surveys and our consideration of these.

Parties' submissions

Survey design

4. The Parties submitted a number of comments on the draft survey questionnaires and the choice of stores for the store exit survey. In summary, the Parties submitted that:
 - (d) the sample size of 28 stores from each of the Parties in the store exit survey was too small to be representative of the UK store network and thus insufficient to provide robust estimates of diversion;
 - (e) the CMA should have asked questions about the specific products bought, rather than about the basket, as the diversion responses would be clearer and more economically meaningful when customers considered and compared specific individual items, rather than assessed the overall choice and value of their basket. The Parties further submitted that the reasons the CMA gave in the Provisional Findings for rejecting this item-specific approach were not credible, and the CMA had not given any explanation as to why it thought this would make the survey longer and more complicated. They submitted that asking an item-specific question would have allowed diversion to be investigated by product type, brand and own-label;²⁸

²⁷ See: [inquiry webpage](#).

²⁸ [The Parties. Response to Provisional Findings, footnote 38.](#)

- (f) in relation to the phrasing of the diversion questions in the store exit survey, references to the adverse change prompting diversion having been discovered ‘today’ were problematic as by then the respondent may, for example, be committed to an in-store rather than online purchase. The Parties submitted that therefore the questions should have been phrased to make it clear the hypothetical adverse change had been in place for a significant time; and
 - (g) the Parties also made detailed submissions on specific questions for both draft survey questionnaires.
- 5. The Parties made further submissions in response to the Provisional Findings about the design of the store exit questionnaire, submitting that:²⁹
 - (a) the questionnaire design meant that the questions were largely measuring hypothetical consumer behaviour, not actual behaviour, and therefore its results were likely to be biased. The Parties submitted that agencies in the US tended not to generate hypothetical question consumer survey evidence in merger cases; and submitted that in previous cases the CMA had regarded hypothetical questions as an inherent limitation and said that greater weight should be given to evidence based on revealed preferences (actual consumer behaviour) rather than stated consumer preferences; and
 - (b) the CMA’s Good Practice document³⁰ noted the risk of restrictive bias – where the question leads the respondent to think only of certain options. The Parties submitted that the use of the word ‘today’ in the diversion question may have caused restrictive bias. They gave the example of one of the Footasylum stores surveyed which had a diversion ratio of 90% to JD Sports in the survey, stating that there was a JD Sports store literally opposite the Footasylum store which explained why 90 out of 100 surveyed customers chose the store directly opposite even though there were several other retailers of footwear in the complex.

Survey results

- 6. The Parties submitted that they had concerns about the reliability of the diversion results, in particular that:
 - (a) shopping for footwear and apparel was a less frequent event for consumers than shopping for other goods (such as groceries), so it was

²⁹ [The Parties, Response to Provisional Findings, paragraphs 113-140.](#)

³⁰ [CMA, Good Practice in the design and presentation of customer survey evidence in merger cases, May 2018.](#)

more likely to involve forward planning and research by the consumer. By using the word ‘today’ in the diversion question, the questionnaire reduced the range of retailers the customer could consider to be viable alternatives;

- (b) high diversion between Footasylum and JD Sports (and vice-versa), did not necessarily translate into sales. The Parties stated that the diversion ratios were indicative of the next place where consumers would look but there was no guarantee they would have found and bought a suitable product from the second retailer;
- (c) the analyses of footwear and apparel customers should have excluded respondents who purchased both footwear and apparel together. The Parties submitted that the structure of the surveys, which required customers who purchased both footwear and apparel to give a single response to the diversion question, introduced potential bias in the responses from customers who purchased both types of products and who might have diverted to two different retailers for the different products;
- (d) it was not clear that a hypothetical 5% price increase across in-store and online would correctly identify the relevant marginal customers. A price increase across in-store and online would imply a combined theory of harm across both in-store and online. The question did not identify the correct marginal customers if the CMA’s theory of harm was instead specific to in-store;
- (e) restricting the sample size to such marginal customers would reduce the sample size too much to draw robust estimates of diversion; and
- (f) the results produced by the CMA’s ‘stratum weights’ reweighting methodology were counter-intuitive.

Our assessment

Survey design

7. We considered the submissions made by the Parties in relation to the survey sample and questionnaire design, which particularly focused on the store exit survey:
 - (a) we consider the sample size for the store exit survey is sufficient. We developed our sampling approach to ensure good representation of the Parties’ in-store customers across the UK. The sample enabled us to

achieve approximately 3,000 interviews per party across 28 of each of the Parties' stores. It is one of the largest merger surveys of its type that the CMA has commissioned. We judged this would provide sufficiently precise estimates for the inquiry's purposes, while also being achievable within the time available;

- (b) we do not consider that the questions should have been focused on individual items within a basket. We consider it reasonable for customers to answer based on their basket in general:
 - (i) we disagree with the Parties' submission that adopting their suggested approach of asking an item-specific diversion question would not have made the surveys more complicated and longer. We consider that this approach would have needed additional questions, with long answer lists, to record the brand and model of each item of footwear and apparel purchased; and it would have needed additional routing to account for customers who did not know or would not say what they had bought. It is likely that the sample sizes achieved would have been too small to obtain robust national estimates of diversion ratios for individual products, especially in the clustered exit survey;
 - (ii) where a customer bought both footwear and apparel, it would have been possible to ask about diversion of either footwear or apparel, but this would have had little effect on the estimates of the diversion ratios. We note that only a small proportion of customers purchased both footwear and apparel, in both the in-store and online survey (8% in each). As a sensitivity check, we re-calculated the exit survey diversion ratios after excluding customers who had bought both footwear and apparel. The diversion ratios changed by less than one percentage point, suggesting this makes very little difference to the result;
- (c) we do not think the use of the word 'today' in the phrasing of the diversion question in the store exit survey led to any notable bias. The question was phrased to encourage customers to think about the purchases they had made on the day of being surveyed, rather than footwear and apparel purchases generally. Survey participants would have been aware that they had the option of switching online, as a question about shopping online had been asked earlier in the survey; and
- (d) we had carefully considered the Parties' earlier submissions on individual questions within the draft questionnaires and made a number of changes to the questionnaires as a result.

8. We also note the following points regarding the Parties' response to our Provisional Findings:
- (a) the CMA's Survey Good Practice document makes it clear that hypothetical questions about what customers would do in the event of a change in a party's offering are used by the CMA in merger cases, and our approach in this case is consistent with that and many previous cases³¹; and
 - (b) we do not think the example the Parties use in regard to the effect of the use of the word 'today' in the diversion questions (paragraph 5b) provides the evidence of restrictive bias as claimed. In that example it is not the case that 90 out of 100 customers chose the store directly opposite. The figure of a 90% diversion ratio includes customers who said they would divert to a JD Sports store, several customers who stated they would have diverted to JD Sports online, several whose first choice was Footasylum online but who would have diverted to JD Sports (either a store or online) if the Footasylum closed their online offering, and one customer who would have diverted to a Tessuti store (part of the JD Sports group).

Survey results

9. In response to the Parties' submissions on our survey results:
- (a) we consider that the diversion question was very carefully worded. We included 'Today' to eliminate any ambiguity about the reference purchase. The question was also explicit that there was an online option. The question wording also attempted ('before deciding to come here today') to put the customer in the mindset of the relevant decision moment of where to shop. Nevertheless, we acknowledge the difficulties in wording diversion questions and that their hypothetical nature necessitates careful interpretation;
 - (b) we note that the diversion questions were intentionally framed using the word 'buy'. We consider that it was important for the interpretation of the diversion analysis that customers should think about where they would actually spend the money. Additionally, customers were given the option of answering 'Don't know' if they were unsure of their response and we note that the proportions selecting this response were fairly low;

³¹ Hypothetical diversion questions were asked in several phase 2 merger cases. For example: Sainsbury's/Asda, Ladbroke's/Coral, Sainsbury's/Celesio, and Poundland/99p.

- (c) we disagree that diversion ratios for footwear and apparel customers should have excluded customers who bought both. Excluding these customers would have reduced the sample size and the precision of the estimates. It could have also introduced its own bias;
- (d) in chapter 7 we defined the relevant markets as combined across online and in-store and our assessment of diversion is consistent with this definition;
- (e) we recognise that 'price marginal' customers may be a more appropriate group of customers to assess, given those customers are the ones that may react to changes in PQRS. We assessed both groups and found that there was little difference between them. Most of our analysis is therefore based on all customers to take advantage of the greater precision from larger sample sizes. However, for completeness we present estimates for all customers and price marginal customers in Appendix F; and
- (f) we recognise the initial results produced by the CMA's reweighting methodology were counter-intuitive and changed our method of calculating 'stratum weights' and therefore for the Provisional Findings and final report, we no longer used customers' spend in the calculation.

Overall assessment

- 10. We recognise there are limits to survey evidence, and that it captures stated preferences rather than actual behaviour. We have taken this into consideration in our assessment and considered the survey evidence alongside other evidence and in the round to reach our decision, as we do in all cases.
- 11. Nonetheless, we consider that the store exit survey was robustly designed and carried out to a very high standard, and we have given it full evidential weight in our assessment of this Merger.
- 12. We consider that the online survey was designed and conducted to a high standard. However, we note that the response rates achieved (3.8% amongst JD Sports customers and 4.7% amongst Footasylum customers) were below the 5% minimum threshold that we consider necessary to give full evidential weight to survey results. We therefore have not placed full evidential weight on its results in our competitive assessments. While in this report we cited the actual results from the online survey, we treated the precise figures as indicative and considered the overall magnitudes instead to inform our assessment. We also considered the extent to which the online survey results

are consistent with the store exit survey. We generally assessed the results alongside other evidence.

Appendix F: GUPPI methodology

Introduction

1. This appendix sets out our approach and methodology to calculating Gross Upward Pricing Pressure Indices (GUPPIs) from the results of our commissioned surveys. The GUPPIs provided evidence which we considered in our assessment, together with all of the other evidence we gathered, to reach our decision.

Our approach

2. We conducted a store exit survey and an online survey, which allowed us to estimate diversion ratios. These diversion ratios were combined with information on the Parties' variable profit margins and the ratio of the Parties' prices to estimate GUPPIs.
3. The GUPPI provides an estimate, based on current market conditions, of the incentive that the merged entity faces to worsen PQRS post-merger.³² Worsening one or all of these competitive parameters for either of the Parties, gives rise to a merger effect.
4. The rationale underpinning the GUPPI is that post-merger, it is less costly for one of the merging parties to worsen its offering as it will recoup the profit on recaptured sales from those customers that purchase products from the other merging party.
5. As an example, suppose that post-Merger Footasylum increased its prices by 5%. A proportion of Footasylum's customers (price marginal customers) will switch to purchase the same or comparable product(s) at an alternative retailer or to forego the purchase altogether. Of these customers, some will complete their purchases at a JD Sports store (or on the JD Sports website). Pre-Merger, Footasylum would have lost the margin from the price marginal customers who divert to JD Sports. However, post-Merger these sales would remain within the Merged Entity. This recapture alters the incentives of the Merged Entity which may give rise to the potential for horizontal unilateral Merger effects.

³² We note that in this context a deterioration is relative to the counterfactual ie absent the merger and as such a deterioration in PQRS could amount to a failure to improve PQRS to the extent that would have occurred absent the merger.

Methodology

6. We estimated a GUPPI for each of the Parties separately, recognising that the constraints between the Parties may not be symmetric.
7. In line with our national market definition (see chapter 7) and national approach to our competitive assessment (see chapters 8 and 9), we estimated a national GUPPI. The diversion ratios used to calculate the GUPPI were calculated from a weighted average of the individual stores used to reach nationally representative diversion estimates.
8. We calculated GUPPIs separately for each of the in-store and online segments as well as for the combined in-store and online market.³³ As discussed in chapter 6, the low response rates for our online survey mean that we have not given full evidential weight to the results from this survey. As such we do the same with both the online and combined GUPPIs.

Calculations

9. In practical terms, for Footasylum, its GUPPI is equal to the product of the diversion ratio from Footasylum to JD Sports, JD Sports' variable profit margin and the price ratio of the Parties. The diversion ratio is the proportion of Footasylum's customers who state that if they knew that all Footasylum (and other Footasylum fasciae) stores had closed and their website was closed down, that they would have completed their purchases at JD Sports. The variable profit margin is the difference between incremental sales revenue and the incremental cost of achieving this revenue. If prices are different across the Parties, the GUPPI would also need to be scaled according to the corresponding price ratio.
10. Below is the formula that the CMA used to calculate the in-store GUPPIs. In doing so, the following notation was used for the relevant inputs:
 - (a) p refers to the price level of a given supplier,
 - (b) m refers to a margin, and
 - (c) $DR_{A \rightarrow B}$ refers to the diversion ratio from party A to party B.
11. The CMA also used the following subscripts to refer to each of the Parties:

³³ We calculated the combined GUPPI by weighting and summing the diversion in-store and online. We used weights based on the Parties' share of in-store and online revenues from the calendar year 2018. For footwear, this gave weights of [] and [] for in-store for JD Sports and Footasylum respectively. For apparel, this gave weights of [] and [] for in-store for JD Sports and Footasylum respectively.

- (a) *J* refers to a JD Sports store, and
- (b) *F* refers to a Footasylum store.
12. The CMA used the following superscripts to refer to the relevant distribution channel:
- (c) *O* refers to online, and
- (d) *S* refers to in-store
13. The formula is shown below for Footasylum. For the reverse case (JD Sports' GUPPI) and for the online segment of the market an analogous formula is used.

$$GUPPI_{F \rightarrow J} = ([diversion\ from\ a\ Footasylum\ store\ to\ JD\ Sports\ store] \cdot [JD\ Sports'\ in - store\ variable\ margin]) + ([diversion\ from\ a\ Footasylum\ store\ to\ JD\ Sports\ online] \cdot [JD\ Sports'\ online\ variable\ margin]) \cdot [Ratio\ of\ JD\ Sports'\ price\ to\ Footasylum's\ price]$$

14. Or, algebraically:

$$GUPPI_{F \rightarrow J} = (DR^{SS}_{F \rightarrow J} m^S_J + DR^{SO}_{F \rightarrow J} m^O_J) \left(\frac{p_J}{p_F} \right)$$

Diversion ratios³⁴

15. There are several different options for the methodology for calculating diversion ratios which we discuss below.

Spend weighting or unweighted

16. We used unweighted rather than spend weighted estimates of the diversion ratios for our GUPPI estimates. Spend weighting would mean that the weight afforded to an individual's diversion destination choice would be greater the higher their spend. Often spend-weighted diversion ratios are used in the analysis of survey findings; however, the decision whether to spend-weight or not involves a trade-off between precision and potential bias of the estimates (both of which are aspects that contribute to the overall robustness of survey estimates). Spend-weighting invariably increases the variance, and so reduces the precision, of survey estimates. Using unweighted diversion ratios

³⁴ Estimates of diversion reported in this section have been weighted to make them nationally representative of the Parties' entire store estate. This is different to the unweighted diversion tables in the [DJS exit survey report](#).

makes little difference to the findings, compared with using non-spend-weighted diversion ratios and is therefore unlikely to lead to any substantive bias. There is very little difference between the GUPPI estimated using spend weighting and those that do not (the difference between the two is 0 to 0.7 percentage points). For these reasons, the unweighted estimates of diversion for both surveys were used.

Including or excluding all own-party diversion

17. When asked where they would divert in response to store or website closures, some customer may answer that they would divert to another store of the same fascia or one of the same Party's other fasciae. In these cases, the CMA asked a follow-up question as to what they would do if that fascia was unavailable.
18. It is therefore possible to calculate diversion either permitting customers to divert to the same Party (whether in-store or online) or not. We excluded all own party diversion as the incentive to increase prices or worsen QRS post-Merger would be the same across all of the Parties' fasciae post-Merger. The result of this would be that price rises (or QRS deterioration) at one fascia would be replicated in other fascia belonging to the Parties. GUPPIs estimated using diversion ratios where own-party diversion is not allowed will be higher than those estimated where own-party diversion is allowed. To test the importance of this, Table 1: and Table 2 show the diversion ratios estimated when own-party diversion is allowed and when it is not.
19. The GUPPIs we calculated are national GUPPIs – ie they measure the incentives for the Parties to raise prices, or worsen QRS, post-Merger across their overall in-store estate and online. It is highly unlikely that a customer who leaves one store would divert to another store/website belonging to the same Party given that any deterioration would likely also have occurred at that store/website. Therefore, for the purposes of calculating national GUPPIs, we excluded the possibility of a customer diverting to the same Party at which it had shopped.
20. The inclusion of other own-party fascia (eg allowing Footasylum online customers to divert to Footasylum's in-store proposition) would decrease the diversion ratios by between 8% and 45%. A comparison is provided in Table 1.

Table 1: Footwear diversion ratios with no spend-weighting, excluding and including own-party diversion

	JD Sports to Footasylum		Footasylum to JD Sports	
	Excluding own-party	Including own-party	Excluding own-party	Including own-party
In-store	21%	14%	68%	54%
Online	16%	12%	46%	41%

Source: Diversion ratios as measured by DJS surveys.

Table 2: Apparel diversion ratios with no spend-weighting, excluding and including own-party diversion

	JD Sports to Footasylum		Footasylum to JD Sports	
	Excluding own-party	Including own-party	Excluding own-party	Including own-party
In-store	17%	11%	69%	51%
Online	14%	9%	61%	52%

Source: Diversion ratios as measured by DJS surveys

All customers, price marginal or range marginal customers

21. We considered whether to present estimates on the basis of all customers, price marginal customers (ie those that said they would not have bought the same items had prices increased by 5%) or range marginal customers (ie those that said they would not have done their shopping with the Party if the specific item they bought was unavailable).
22. We recognise that price or range marginal customers are more likely to be reflective of those customers that might react to a merger effect. However, using these customers reduces sample size and hence robustness of the estimates. We also had some concerns about customers’ ability to interpret the range marginal question.
23. We found relatively little difference in the diversion estimates for all customers and price or range marginal customers and therefore use all customers in our subsequent assessments.³⁵ Regardless, our conclusions would not change if we were to focus only on price or range marginal consumers.

³⁵ JD Sports’ in-store footwear diversion ratio increases from 21% when all customers are considered to 24% when price marginal customers are considered, the in-store apparel diversion ratio increases from 17% to 22%. Footasylum in-store footwear diversion ratio decreases from 68% when all customers are considered to 64% when price marginal customers are considered, the in-store apparel diversion ratio decreases from 69% to 67%. JD Sports’ online footwear diversion ratio increases from 16% when all customers are considered to 19% when price marginal customers are considered, the online apparel diversion ratio decreases from 13% to 12%. Footasylum online footwear diversion ratio increases from 46% when all customers are considered to 50% when price marginal customers are considered, the online apparel diversion ratio increases from 61% to 59%.

Table 3: Footwear diversion ratios with no spend-weighting excluding own-party diversion, all and price marginal

	JD Sports to Footasylum		Footasylum to JD Sports	
	All	Price Marginal	All	Price marginal
In-store	21%	24%	68%	64%
Online	16%	20%	46%	50%

Source: Diversion ratios as measured by DJS surveys.

Table 4: Apparel diversion ratios with no spend-weighting excluding own-party diversion, all and price marginal

	JD Sports to Footasylum		Footasylum to JD Sports	
	All	Price marginal	All	Price Marginal
In-store	17%	22%	69%	67%
Online	14%	12%	61%	59%

Source: Diversion ratios as measured by DJS surveys

Diversion ratios

24. Table 5: In-store footwear diversion ratios with no spend-weighting, excluding own-party diversion Table 5 to Table 8 present the relevant diversion ratios that were used to calculate the GUPPIs for footwear and apparel:

Table 5: In-store footwear diversion ratios with no spend-weighting, excluding own-party diversion

	JD Sports to Footasylum	Footasylum to JD Sports
In-store to in-store	17%	57%
In-store to online	4%	11%

Source: Diversion ratios as measured by DJS surveys.

Table 6: Online footwear diversion ratios with no spend-weighting, excluding own-party diversion

	JD Sports to Footasylum	Footasylum to JD Sports
Online to online	10%	31%
Online to in-store	6%	15%

Source: Diversion ratios as measured by DJS surveys.

Table 7: In-store apparel diversion ratios with no spend-weighting, excluding own-party diversion

	JD Sports to Footasylum	Footasylum to JD Sports
In-store to in-store	13%	57%
In-store to online	4%	13%

Source: Diversion ratios as measured by DJS surveys.

Table 8: Online apparel diversion ratios with no spend-weighting, excluding own-party diversion

	JD Sports to Footasylum	Footasylum to JD Sports
Online to online	9%	40%
Online to in-store	4%	21%

Source: Diversion ratios as measured by DJS surveys.

Variable margins

25. The CMA used variable margins for the purpose of calculating the GUPPI. This is because the GUPPI is concerned with the marginal incentives of the merged entity, ie those that reflect the profit or loss resulting from the incremental change in associated sales volumes in the relevant market as a result of the merger. The CMA’s ‘Retail mergers commentary’ states that ‘variable margins are made up of the sales of the relevant products which both Parties supply less their variable costs. In past cases the CMA has considered that cost variability depends on the period over which the Parties could change their retail offer. The decisions on how to derive variable margins have therefore been made on a case-by-case basis and required an element of judgement.’³⁶
26. The Parties provided variable margin estimates relevant to apparel and footwear for both in-store and online channels, shown in Table 9. The Parties also provided accounting data to show the cost variability of individual cost items.

Table 9: The Parties’ instore and online variable margin estimates for apparel and footwear

	JD Sports		Footasylum		%
	Apparel	Footwear	Apparel	Footwear	
In-store	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
Online	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	

27. We largely agree with the assumptions the Parties used to determine their variable margin figures. However, [REDACTED]. We disagree with this assumption and consider that [REDACTED].
28. As a result, on the basis that staff cost includes both [REDACTED], we have taken the average of the percentage split between [REDACTED] and adjusted it upward to take into account [REDACTED]. As a result, we consider it is appropriate to treat [REDACTED] as being [REDACTED] variable.

³⁶ CMA, Mergers: Retail mergers commentary (CMA62), technical box 1.

29. After applying this adjustment to the employed staff costs, Table 10 shows the estimated national variable margins that were used to calculate the GUPPIs.

Table10: CMA variable margin estimates for apparel and footwear

					%
	JD Sports		Footasylum		
	Apparel	Footwear	Apparel	Footwear	
In-store	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
Online	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	

Source: CMA analysis.

Using a price ratio of one

30. The CMA assumed a price ratio of one since the [REDACTED], and descriptive data analysis confirms, that the Parties broadly do not tend to [REDACTED].
31. The GUPPIs along with their interpretation and discussion are provided in the main body of chapters 8 and 9 for footwear and apparel respectively.

Appendix G: Market shares and product overlap

Introduction

1. In this appendix we explain the methodology we used and the resulting estimates of retail market shares and our analysis of product overlap.
2. Our estimates of market shares are used in our competitive assessment in chapters 8 and 9 to give an indication of retailers' (including the Parties') presence in the relevant markets. Our product overlap analysis is used in our competitive assessment in chapters 8 and 9 to provide an indication of the similarity in offerings between the Parties and between the Parties and other retailers.

Market shares

3. The CMA may calculate market shares and measures of concentration.³⁷ However, measures of concentration such as market shares may not fully capture the closeness of competition between retailers and suppliers (through their DTC offerings) in a market and therefore the extent to which competitors constrain the parties to a merger. This is particularly true in differentiated product markets, as in this case.
4. We estimated market shares in the relevant markets - sports-inspired casual footwear and apparel.³⁸ We note that these market shares are subject to several limitations, including:
 - (a) the Parties operate in a differentiated goods market, meaning that there likely exist a range of close but imperfect substitutes.³⁹ As such, market shares do not necessarily provide a good indication of the relative competitive constraints between retailers;
 - (b) identifying which products should be classified within the market, and which outside the market, is challenging and may vary over time. A detailed product-by-product assessment is unlikely to be a useful exercise given the lack of clear boundaries between products in and out of the market (and the availability of better ways in which to assess and measure closeness of competition); and

³⁷ [CMA Guidance, paragraphs 5.31-5.36.](#)

³⁸ See chapter 7 on market definition for details on the CMA's approach to defining the relevant market in this case.

³⁹ [CMA Guidance, paragraph 5.3.2.](#)

- (c) participants in the market may not hold data in categories that match those of sports-inspired casual products or in a manner in which allows estimates to be reliably made that match the sports-inspired casual products definition.
5. For these reasons, we primarily examined market shares as an indicator of the presence that different retailers have in the relevant markets (including the Parties).

Data

6. We examined retail market shares based on retailers' revenues in the sports-inspired casual footwear and apparel markets.
7. We asked retailers to provide revenue data for the sports-inspired casual apparel and footwear markets and to distinguish between in-store and online revenues.
8. We collected revenue data at both phase 1 and phase 2 of the inquiry. Where we deemed retailers were of limited relevance to our investigation and phase 1 data was sufficient, we did not recollect data at phase 2. We collected data from some retailers at phase 2 which we did not receive data from at phase 1.
9. The phase 2 data was based on an updated questionnaire and explicitly requested UK revenues for sports-inspired casual footwear and, separately, apparel markets, split by distribution channel⁴⁰ (for further detail see paragraph 11).
10. For some of the retailers contacted at both phase 1 and phase 2 we received different revenue data, which led to materially different market shares estimates at each of those stages. Given the magnitude of the differences in the data for one retailer in particular (Sports Direct), we calculated two estimates of market shares, using each of these different revenue estimates.

Products included

11. When providing data, several retailers told us that they did not recognise the description of the market that we used or that they did not classify their sales into such a category in the ordinary course of business. We could have specified precise products or brands that should be included within the definition but recognise that this itself would be subject to debate. Instead, we

⁴⁰ At phase 1, data was provided on total UK revenues in 2018 in the sports-inspired/athleisure market. If this was unavailable, data was provided on total UK revenues in 2018 in the market in which the third party deemed the Parties to compete.

asked retailers to self-categorise their data into our description of the relevant markets (each of sports-inspired casual footwear and apparel). The inclusion or exclusion of sales revenues from specific products was therefore at the discretion of the retailers from whom we requested information, but we review below our approach to some of the key retailers and where retailers gave important caveats to their data.

JD Sports

12. For JD Sports, we used its own estimates of sports-inspired casual footwear and apparel revenues.

Footasylum

13. For Footasylum, we took its total footwear and apparel revenues, excluding categories we considered clearly outside the market.⁴¹

Frasers Group

14. Frasers Group submitted revenue data at phase 2 which was materially different to the revenue data it submitted at phase 1. It submitted that this was because it was able to refine its methodology and manually create datasets that it does not generate in the ordinary course of business.
15. At phase 1, Frasers Group provided total revenues, per product category and distribution channel, relating to athleisure and sports categories. Frasers Group noted that it did not report sales of athleisure separately, so segmentation of the revenue was not readily available. Nevertheless, Fraser Group submitted that it had attempted to separate out its sporting clothing and footwear, but that it was not possible to exclude these categories in their entirety.
16. At phase 2, Frasers Group submitted revised data and gave the following notes to this:

[✂]
17. We consider that the substantial difference between its phase 1 and phase 2 data is primarily driven by its including only products in the [✂] at phase 2. This is likely to exclude a large volume of revenues that it placed in a different category such as sporting goods. We recognise that some but not all of these

⁴¹ We excluded bags (incl junior and mini), denim, denim/fashion pants, sandals, sports shorts, swim shorts, underwear and swimwear.

sporting goods may belong within the market we defined. As such, we consider that the two estimates are likely to be lower and upper bounds to the appropriate value; the phase 2 figures are most likely to underestimate their share of supply, whereas the phase 1 figures are likely to be overestimates. On that basis, we consider that its share is likely to lie somewhere between these estimates. We therefore calculated and used both estimates of market shares.

Primark

18. Primark outlined that it did not have an explicit athleisure category. It aggregated revenue figures from sub-sections across Women's, Men's and Kid's departments.

[REDACTED]

19. [REDACTED] said that it did not, in the ordinary course of business, categorise the products offered in its stores as 'sports-inspired casual footwear/apparel'. It provided data when the CMA requested revenues for a list of 10 major brands.⁴² [REDACTED].

Zalando

20. Zalando revenues were converted in GBP at the average EURO/GBP fx rate for the respective year. Its revenue figures include commissions to partner programmes and therefore we consider they are overstated.

Distribution channels

21. In cases where revenues were provided for the sports-inspired and athleisure market without any split across distribution channels, if the third party provided total revenues sales (by product type) by distribution channel, then these proportions were applied to the revenues provided (by product type) in respect of the sports-inspired casual market.

Retail market shares

22. We present below our estimates of the retail market shares using two different methodologies:

⁴² These brands were agreed with the CMA on 30 October 2019.

- (a) methodology 1: we used data provided by retailers containing the broadest set of products from their submissions. As such the overall size of the market is estimated to be larger than under methodology 2; and.
- (b) methodology 2: we used data provided by retailers containing the narrowest set of products from their submissions. As such the overall size of the market is estimated to be smaller than under methodology 1.

23. We note that the majority of the difference between methodology 1 and methodology 2 is driven by different estimates for the revenues of Sports Direct and USC, reflecting the inclusion or exclusion of different products.

Market shares - the market for sports-inspired casual footwear

24. Table 1 shows the market shares for the sports-inspired casual footwear retail market for the calendar year 2018.

Table 1: market shares for sports-inspired casual footwear in calendar year 2018

	Combined market		In-store segment		Online segment	
	Methodology 1	Methodology 2	Methodology 1	Methodology 2	Methodology 1	Methodology 2
adidas	[0-5]	[5-10]	[0-5]	[0-5]	[10-20]	[10-20]
ASOS	[0-5]	[0-5]	[0-5]	[0-5]	[5-10]	[5-10]
Foot Locker	[5-10]	[5-10]	[5-10]	[5-10]	[0-5]	[0-5]
Footasylum	[0-5]	[5-10]	[0-5]	[5-10]	[0-5]	[0-5]
JD Sports	[20-30]	[20-30]	[20-30]	[30-40]	[10-20]	[10-20]
Nike	[5-10]	[10-20]	[5-10]	[5-10]	[10-20]	[10-20]
Office	[5-10]	[5-10]	[5-10]	[5-10]	[0-5]	[5-10]
Primark	[0-5]	[0-5]	[0-5]	[5-10]	[0-5]	[0-5]
Schuh	[5-10]	[5-10]	[5-10]	[5-10]	[0-5]	[0-5]
Shop Direct	[0-5]	[0-5]	[0-5]	[0-5]	[5-10]	[5-10]
Sports Direct	[20-30]	[0-5]	[30-40]	[0-5]	[10-20]	[0-5]
Other	[10-20]	[10-20]	[5-10]	[10-20]	[20-30]	[20-30]

Source: CMA analysis of Parties' and third parties' data.

Note: Other includes Zara, Amazon, Sole Trader, Zalando, Debenhams, Deichmann, Next, DW Sport, John Lewis, Decathlon, Intersport, M&M Direct, Clarks, New Balance, Converse, Fila, The North Face, Vans, Asics and Under Armour.

25. Our estimates of market share within the UK across all distribution channels suggest that JD Sports is the largest retailer of sports-inspired casual footwear [X]. The next largest competitors are Office [X], Nike [X], Foot Locker [X] and Schuh [X]. Sports Direct is also potentially a significant player, but its share varies substantially between [X] depending on how products are defined. Footasylum is smaller than JD Sports, accounting for [X] of the market.

Market shares - the market for sports-inspired casual apparel

26. Table shows the market shares of the sports-inspired casual apparel retail market for the calendar year 2018.

Table 2: market shares for sports-inspired casual apparel in calendar year 2018

	Combined market	In-store segment	Online segment
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	Methodology 1	Methodology 2	Methodology 1	Methodology 2	Methodology 1	Methodology 2
adidas	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]	[5-10]
ASOS	[0-5]	[0-5]	[0-5]	[0-5]	[5-10]	[10-20]
Foot Locker	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]
Footasylum	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]
JD Sports	[20-30]	[30-40]	[30-40]	[40-50]	[10-20]	[10-20]
Next	[0-5]	[5-10]	[0-5]	[0-5]	[10-20]	[10-20]
Nike	[5-10]	[5-10]	[5-10]	[5-10]	[0-5]	[5-10]
Primark	[10-20]	[10-20]	[10-20]	[20-30]	[0-5]	[0-5]
Shop Direct	[0-5]	[0-5]	[0-5]	[0-5]	[5-10]	[10-20]
Sports Direct	[30-40]	[0-5]	[30-40]	[5-10]	[30-40]	[0-5]
Other	[5-10]	[10-20]	[5-10]	[10-20]	[10-20]	[10-20]

Source: CMA analysis of Parties' and third parties' data.

Note: Other includes Zara, Amazon, Sole Trader, Zalando, Debenhams, Deichmann, DW Sport, John Lewis, Schuh, Decathlon, Intersport, M&M Direct, Clarks, Office, New Balance, Converse, Fila, The North Face, Vans, Asics and Under Armour.

27. Our estimates of market share within the UK across all distribution channels suggest that JD Sports is the largest retailer of sports-inspired casual apparel [X]. The next largest competitors are Primark [X], Nike [X], Next [X] and adidas [X]. Sports Direct is also potentially a significant player, but its share varies substantially between [X] depending on how products are defined, as discussed above. Footasylum is much smaller than JD Sports, accounting for [X] of the market.

Product overlap

28. We identified the extent to which Nike and adidas products sold by the Parties are also sold by other retailers. This gives some indication of the similarity of different retailers' offerings.

Methodology

29. The data used for this analysis was sourced from Nike and adidas. It includes revenues over time for a given product⁴³ and retailer. The data from Nike is monthly and covers January 2015 to August 2019, whilst the data from adidas is annual and covers 2016 to June 2019.

Limitations

30. The data has some limitations. These are as follows.
- (a) it only covers Nike and adidas products. In 2018, these suppliers of branded products accounted for approximately: [X] of JD Sports' footwear sales, [X] of Footasylum's footwear sales, [X] of JD Sports' apparel sales and [X] of Footasylum's apparel sales;
 - (b) the adidas data only covers its top 10 UK retailers (by revenue);

⁴³ Products are defined in the analysis by product name and colourway.

- (c) the Nike data includes indoor football footwear products (this accounts for approximately [REDACTED] of the observations in Nike's footwear products dataset); and
- (d) Nike and adidas were only able to provide data on sales to retailer's European accounts (for retailers active in continental Europe as well as the UK).

Parties' submissions

31. The Parties submitted that they had conducted a product overlap analysis, finding a lower level of overlap due to the inclusion of suppliers of branded products other than Nike and adidas. The Parties further submitted that our analysis was subject to the following limitations:
 - (a) it doesn't use UK data from Nike;
 - (b) it only covers six months;
 - (c) it only includes data from Nike and adidas;
 - (d) it is not sales-weighted; and
 - (e) it only looks at products sold by each of the Parties – it does not look at the set of products sold by both Parties and identify which other retailers sell these products.
32. Finally, the Parties submitted that the national overlap figures calculated in our analysis overstated the degree of overlap at individual stores.
33. We consider that the Parties' finding of a lower level of overlap isn't necessarily explained by the sample of suppliers of branded products – this could be due to other differences in methodology, such as the time period. Our views on the specific limitations mentioned by the Parties are as follows:
 - (a) the data we received from Nike (and adidas) covers retailer accounts established across Europe, although the majority are established in the UK. We consider that these data are suitable for the purpose of this analysis, as even the retailer accounts established in Europe are likely to have a similar offering available in the UK as elsewhere. For example, [REDACTED], submitted that its offering is broadly the same across Europe, and [REDACTED]. Hence, analysis of its offering, including of Nike and adidas products, in any one country across Europe is likely to be similar to that in other European countries;

- (b) we acknowledge that there is a trade-off between assessing product overlap over a shorter period and over a longer period. Over a shorter period, the assessment may better reflect competitive dynamics at that point in time (recognising that some retailers may only gain access to some products later in their lifecycle). Assessing product overlap over a longer period will test whether competitive dynamics have persisted over time. Taking into account the above, we consider that a shorter period is likely more relevant for our competitive assessment and therefore looked at the most recent six-month period;
- (c) we sourced data from Nike and adidas to ensure that we are comparing like for like in terms of products. Given the majority of sports-inspired casual products are supplied by Nike and adidas in the relevant markets, we consider this analysis to be informative, although recognise that it does not cover every product available in these markets;
- (d) sales-weighting could have an impact on our results, although we note that an unweighted product overlap analysis provides an indication of the degree of similarity of product offerings, without focusing on products with the highest sales. Furthermore, the results of the Parties' analysis suggest that sales-weighting would likely increase the degree of product overlap between the Parties. It would also likely increase the degree of overlap from other retailers;
- (e) the aim of our analysis is to provide an indication of the degree of similarity of the Parties' offerings, rather than the similarity of other retailer's offerings to the set of overlap products; and
- (f) in response to the Parties' submission that the national overlap figures calculated in our analysis overstated the degree of overlap at individual stores, we note that assessing the degree of overlap at individual stores is not particularly relevant for our competitive assessment, given our view that in-store and online exert constraints on each other, and should be assessed jointly and nationally⁴⁴.

Results

34. Table 3 shows the number of Nike footwear products sold by the Parties that were also sold by other retailers during the six months to June 2019. Of the [X] products sold by JD Sports, 56% or less were sold by [X] being sold by

⁴⁴ See chapter 7 on market definition.

[X]. Footasylum sold [X], but a greater proportion of these were also sold by other individual retailers, with [X] selling [X].

Table 3: Number of Nike footwear products sold by the Parties that were also sold by other retailers (six months to June 2019)

Retailer	Number of products	Proportion of products	Retailer	Number of products	Proportion of products
JD Sports	[X]		Footasylum	[X]	
Retailer 1	[X]	56%	Retailer 1	[X]	83%
Retailer 2	[X]	40%	Retailer 2	[X]	78%
Retailer 3	[X]	33%	Retailer 3	[X]	62%
Retailer 4	[X]	32%	Retailer 4	[X]	41%
Retailer 5	[X]	32%	Retailer 5	[X]	39%
Retailer 6	[X]	28%	Retailer 6	[X]	32%
Retailer 7	[X]	22%	Retailer 7	[X]	30%
Retailer 8	[X]	19%	Retailer 8	[X]	26%
Retailer 9	[X]	18%	Retailer 9	[X]	25%
Retailer 10	[X]	16%	Retailer 10	[X]	24%

Source: CMA analysis of data received from Nike and adidas.

35. Table 4 shows the number of adidas footwear products sold by the Parties that were also sold by other retailers during the six months to June 2019. Of the [X] products sold by JD Sports, 24% or less were sold by [X], with [X] being sold by [X]. Footasylum [X], but a greater proportion of these were also sold by other individual retailers, with [X] selling [X].

Table 4: Number of adidas footwear products sold by the Parties that were also sold by other retailers (six months to June 2019)

Retailer	Number of products	Proportion of products	Retailer	Number of products	Proportion of products
JD Sports	[X]		Footasylum	[X]	
Retailer 1	[X]	24%	Retailer 1	[X]	51%
Retailer 2	[X]	24%	Retailer 2	[X]	42%
Retailer 3	[X]	22%	Retailer 3	[X]	38%
Retailer 4	[X]	20%	Retailer 4	[X]	36%
Retailer 5	[X]	20%	Retailer 5	[X]	31%
Retailer 6	[X]	17%	Retailer 6	[X]	28%
Retailer 7	[X]	15%	Retailer 7	[X]	28%
Retailer 8	[X]	13%	Retailer 8	[X]	25%
Retailer 9	[X]	12%	Retailer 9	[X]	11%
Retailer 10	[X]	6%	Retailer 10	[X]	4%

Source: CMA analysis of data received from Nike and adidas.

36. Table 5 shows the number of Nike apparel products sold by the Parties that were also sold by other retailers during the six months to June 2019. Of the [X] products sold by JD Sports, 49% or less were sold by [X]. Footasylum [X], but a greater proportion of these were also sold by other individual retailers, with [X] selling 59%.

Table 5: Number of Nike apparel products sold by the Parties that were also sold by other retailers (six months to June 2019)

Retailer	Number of products	Proportion of products	Retailer	Number of products	Proportion of products
JD Sports	[REDACTED]		Footasylum	[REDACTED]	
Retailer 1	[REDACTED]	49%	Retailer 1	[REDACTED]	59%
Retailer 2	[REDACTED]	31%	Retailer 2	[REDACTED]	47%
Retailer 3	[REDACTED]	23%	Retailer 3	[REDACTED]	41%
Retailer 4	[REDACTED]	20%	Retailer 4	[REDACTED]	34%
Retailer 5	[REDACTED]	18%	Retailer 5	[REDACTED]	31%
Retailer 6	[REDACTED]	17%	Retailer 6	[REDACTED]	25%
Retailer 7	[REDACTED]	16%	Retailer 7	[REDACTED]	25%
Retailer 8	[REDACTED]	15%	Retailer 8	[REDACTED]	23%
Retailer 9	[REDACTED]	15%	Retailer 9	[REDACTED]	20%
Retailer 10	[REDACTED]	14%	Retailer 10	[REDACTED]	14%

Source: CMA analysis of data received from Nike and adidas.

37. Table 6 shows the number of adidas apparel products sold by the Parties that were also sold by other retailers during the six months to June 2019. Of the [REDACTED] products sold by JD Sports, 38% or less were sold by [REDACTED]. Footasylum [REDACTED], but a greater proportion of these were also sold by other individual retailers, with [REDACTED] selling 49%.

Table 6: Number of adidas apparel products sold by the Parties that were also sold by other retailers (six months to June 2019)

Retailer	Number of products	Proportion of products	Retailer	Number of products	Proportion of products
JD Sports	[REDACTED]		Footasylum	[REDACTED]	
Retailer 1	[REDACTED]	38%	Retailer 1	[REDACTED]	49%
Retailer 2	[REDACTED]	28%	Retailer 2	[REDACTED]	42%
Retailer 3	[REDACTED]	17%	JD Sports	[REDACTED]	36%
Retailer 4	[REDACTED]	10%	Retailer 4	[REDACTED]	36%
Retailer 5	[REDACTED]	8%	Retailer 5	[REDACTED]	8%
Retailer 6	[REDACTED]	8%	Retailer 6	[REDACTED]	5%
Retailer 7	[REDACTED]	5%	Retailer 7	[REDACTED]	4%
Retailer 8	[REDACTED]	4%	Retailer 8	[REDACTED]	0%
Retailer 9	[REDACTED]	2%	Retailer 9	[REDACTED]	0%

Source: CMA analysis of data received from Nike and adidas.

Appendix H: Submissions on barriers to entry and expansion

Introduction

1. In this appendix, we present the evidence from the Parties and third parties we considered as part of our assessment in chapter 11 of entry and expansion as a potential countervailing factor. Specifically, this appendix sets out:
 - (a) third parties' views on support from suppliers and access to their products;
 - (b) the Parties' and third parties' views on timescales and costs to establish a national in-store footprint;
 - (c) third parties' views on online entry and expansion;
 - (d) third parties' views on retailer branding and positioning; and
 - (e) the expansion plans of some of the competitors in the relevant markets.

Third parties' views on support from suppliers and access to their products

2. This section sets out the evidence from third parties on support from suppliers and access to their products as a potential barrier to entry and expansion.
3. We set out below the views of third parties on the importance of gaining access to Nike and adidas branded products and some of the challenges faced in relation to access to the requested products and volumes:
 - (a) [X] told us that Nike and adidas were 'by far' its most important suppliers;
 - (b) [X] told us that no retailer would enter without 'brand support' and that it could not think of an example where past entry without brand support had been successful. [X] also told us that its ability to gain access to a wide range of products from key brands such as Nike and adidas was a 'critical factor' for it in [X] attracting consumers to its new stores. It added that the success of its 'premium lifestyle' offering also relied on Nike and adidas supplying their 'premium and most desirable products' to [X] so that it could attract customers. However, it told us that it had no 'negotiating power' with Nike and adidas, and that its frequent requests for

access to [redacted] products' had 'repeatedly been denied'. It also told us that [redacted];

(c) [redacted] told us that it was under 'significant pressure' from not being able to supply the products that its target market (16-24 year olds) currently found 'desirable' (eg Nike); and

(d) one retailer ([redacted]) told us that it had [redacted] brands and that its 'top 10 brands' accounted for 40% of its turnover and that 60% of its turnover came from the remaining [redacted] brands. It told us that it 'suffered disproportionately getting supply of the important key styles from Nike and adidas'. It added that if it had access to the 'adidas and JD monopoly styles', then it would not have 60% of its turnover in its 'remaining [redacted] lesser brands' and that it would clearly have a 'better representation of these top brands', and as a consequence the total turnover of the top 10 brands would 'far exceed the current 40% level'.

4. We set out below the evidence from some of the third party retailers, which indicates that JD Sports is perceived to have a particularly strong incumbency advantage in relation to access to suppliers' branded products (compared with other incumbent competitors), for example:

(a) [redacted] told us that [redacted] had sometimes refused its product requests by stating that it did not provide 'SMU exclusivity in the UK', even though [redacted] understood that [redacted] offered 'SMU exclusivity' to JD Sports in the UK for 'at least some products'. It added that it understood that JD Sports was able to request 'specific colours' from [redacted], which were then 'pulled from the range' before they were offered to other retailers;

(b) [redacted] told us that the Merger would 'significantly' increase the 'leverage and influence' that JD Sports already had over suppliers, in particular over access to brands, sub-brands, franchises and models' that were the 'most desired' within the 'sports-inspired fashion market';

(c) [redacted] told us [redacted]. It added that brands including [redacted] already regarded JD Sports as a 'premier retailer' and that the Merger would 'only fuel this desirability'. [redacted] also told us that with 'brands' stating that they wished to 'significantly contract the number of retail partners' they had (partly to pursue their own online DTC business), it was 'likely that [redacted] would 'become squeezed even more by being unable to buy the most popular lines/brands, losing out to JD Sports'. [redacted]; and

(d) [redacted] told us that it had 'little leverage' with its 'largest suppliers' as its turnover was 'dwarfed' by that of JD Sports. It added that the product assortments it was offered by its 'largest suppliers' of sports-inspired

casual footwear products were ‘always missing the most important key new marketed styles’. It told us that its repeated requests for ‘top selling styles’, was ‘always rebuffed’ and that in its view, these ‘top selling styles’ were held back from [REDACTED] for the benefit only of JD Sports.

5. While JD Sports told us that support from Nike and adidas and access to their branded products was less of an issue in relation to apparel, we note instances of competitors citing difficulties in accessing certain apparel products (although these instances appeared less frequent than for footwear), for example:
 - (a) [REDACTED] told us that it was ‘very difficult’ for a retailer to negotiate ‘Exclusives’ from brands such as adidas or Nike without the retailer having a large scale (ie a large number of stores). [REDACTED] told us that it considered ‘Exclusives’ on ‘Sports Footwear’ as essential to stand out from other retailers, and on ‘Sports Apparel’, it was also ‘very important’ as it allowed the retailer to target the product to its particular customer demographic;
 - (b) [REDACTED] told us that the [REDACTED] was an example of a product set that it had been able to access one season but not the following season ([REDACTED]);
 - (c) [REDACTED] told us that its difficulties in accessing the products it wanted from Nike and adidas were not limited to footwear only and also applied to apparel; and
 - (d) [REDACTED] told us that in relation to both footwear and apparel, brands such as Nike and adidas were ‘must have’ brands for consumers and, therefore, for retailers. It added that it had sought to obtain supplies of the ‘best/premium’ apparel offerings from the brands, such as Nike, without success and even on a non-exclusive basis. [REDACTED].

Parties’ and third parties’ views on timescales and costs to establish a national in-store footprint

6. This section sets out the evidence from the Parties and third parties on the timescales and costs to establish a national in-store footprint as a potential barrier to entry and expansion. We consider:
 - (a) the necessary scale to have a national footprint; and
 - (b) the costs and timescales to establish a national footprint.

Necessary scale to ensure a national in-store footprint

7. [REDACTED]

8. [REDACTED]
9. In relation to whether there was a minimum efficient scale for operating with a national presence in the relevant markets:
[REDACTED]
10. A number of third parties told us that there were advantages to operating a large number of physical stores, eg access to the key suppliers' branded products and having a presence in more locations, for example:
- (a) [REDACTED] told us that consumers often believed that large chains were 'more reliable' and able to be more competitive on price. It added that in the 'branded sports market', the key brands were 'not even interested in dealing with small players'. It also told us that large chains could get 'better' products because they had 'better brand relations' and therefore, independent retailers had a hard time competing against chains; and
- (b) [REDACTED] told us that larger scale operations 'inevitably' were better placed to offer a wider product range and were present in more locations. It added that while there was scope for smaller chains to compete for consumers, this was on the basis of differentiating their offering in some way (eg Sports Edit had sought a luxury positioning and others had focused on a particular ethical/sustainability product offering).

Costs and timescales to establish a national in-store footprint

11. In relation to the costs and timescales for opening a single store, the evidence from the Parties and third parties provided a wide range of costs (given the different sizes and specifications of a store, but at least £0.2 million) and timescales (as quickly as two months and up to one year):
- (a) [REDACTED];
- (b) [REDACTED];
- (c) [REDACTED] told us that it might take around 12 months to open a new store and require an investment ranging from at least £0.5 to £1 million, depending on store size, location and lease terms;
- (d) [REDACTED] estimated that a new store could be opened within two to six months, with the costs varying depending on the construction work that needed to be done;
- (e) [REDACTED]. In relation to new market entry, [REDACTED] told us that a 'new national player' would need the capital to start up (as well as the relationships with

suppliers in the ‘right products and in the right quantities’). It told us that while it did not consider the UK to be a ‘difficult market’ to expand in, the ‘most pressing’ barrier to expansion would be the ‘capital restraints’ it faced to get its shareholders to provide funding, and to make an investment proposal that would meet certain ‘internal hurdles’;

- (f) [redacted] told us that opening a new store would require an investment of around £0.2 million per store; and
- (g) [redacted] told us that the costs of opening a new store was primarily in the freehold cost of the property (around [redacted]) and the ‘fit-out’ costs for an [redacted] (typically around [redacted] per square foot). It told us that [redacted] was a minimum of [redacted]. (with an implied minimum fit-out cost of [redacted]).

Third parties’ views on online entry and expansion

- 12. This section sets out evidence from third parties on the costs of establishing a national online business in the relevant markets as a potential barrier to entry and expansion.
- 13. One third party ([redacted]) told us that there were numerous barriers to being an effective new national competitor in the market for sports-inspired casual footwear and apparel. In particular, [redacted] told us that the sector had 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. [redacted] also identified product access as a barrier to entry and told us that this would be a barrier for both the online and ‘brick and mortar’ markets.
- 14. There was also a broad consensus from third parties that there are very few barriers to expanding online. Warehousing capacity was cited as the main constraint, which third parties did not cite as a material concern, for example:
 - (a) [redacted] told us that given the ‘right operational infrastructure’, ‘digital revenue’ could be scaled ‘very rapidly’, but added that gaining share in an ‘ultra-competitive digital marketplace for sportswear’ was ‘increasingly difficult and more costly’;
 - (b) [redacted] told us that expansion of its online business did not require ‘significant time’ as it was driven by adding a ‘deeper selection of products, better value proposition and improving customer experience’ (eg delivery); and
 - (c) [redacted] told us that unlike in-store expansion, ‘online expansion’ was not constrained by ‘physical space’ issues and therefore, it was easier to

expand 'more quickly' up to the point where it ran out of warehousing space. It added that if it reached this point, it would prioritise the product ranges it stocked, based on return on profit, until more warehousing space was made available.

Third parties' views on retailer brand and positioning

15. This section sets out the evidence from the Parties and third parties on retailer brand and positioning and their importance in the relevant markets.
16. We note that the Parties recognised the importance of a retailer's brand, eg in relation to ensuring the success of any entry or expansion, but considered that the costs of doing so or the access to the relevant advertising medium (eg social media) were not incumbency advantages:

[REDACTED]
17. We also note the following evidence from third parties, which indicates the importance of a retailer's brand and market position (eg because of the younger target customers in the relevant markets):
 - (a) [REDACTED] told us that 'recognition, credibility and authenticity of the retailer as a brand within this sector' was 'critical - in particular to the younger demographic to which JD and Footasylum orientate their marketing and product proposition'. It added that exclusivity of product and of brands was also 'particularly important'. It told us that JD Sports had 'successfully built a reputation for model exclusivity', and used this as a 'key marketing story';
 - (b) [REDACTED] told us that 'most' consumers shopped with friends and visited the 'retailers that they think are cool'. It also told us that 'vendors have a tiered distribution approach and provide the coolest products to the coolest retailers first'; and
 - (c) [REDACTED] told us that the 'major brands' managed their distribution 'very carefully' as access to 'tiers' was not only based on the turnover of the retailer, but also the retailer's 'market position', eg if a retailer's market position was at the very 'top end', it may get access to the 'hottest' styles before another retailer with a much higher turnover.
18. In terms of estimating what a new national competitor in the relevant markets might spend in terms of advertising and digital marketing, we note that [REDACTED].

19. Evidence from the Parties and third parties also indicates that the presentation of physical stores is considered relevant to the extent to which a retailer gains access to suppliers' relevant branded products:

[REDACTED]

- (a) [REDACTED] told us that the presentation of the stores and the online store needed to attract the younger target consumer base. It added that having a presence on social media was particularly important given the younger demographic of the target consumer base; and
- (b) [REDACTED] told us that while it offered products within the sporting goods channel across a range of price points within the product segmentation ('good', 'better', 'best'), it was still subject to Nike's and adidas's distribution policies and discretion [REDACTED].

Expansion plans of competitors in the relevant markets

20. This section sets out the evidence from competitors in the relevant markets in relation to their expansion plans. The plans of Frasers Group and Foot Locker are discussed in more detail in chapters 8 and 9 (section on market developments).
21. Based on the responses we received from a relatively wide range of retailers, we found that other than [REDACTED], which plans to open [REDACTED] stores (excluding relocations) in the UK and the Republic of Ireland over the next two years (as detailed in the market developments section of chapter 8), no other retailer or competitor had any material store openings planned over the next two years (see footnotes for details of the number of new stores planned by each retailer).⁴⁵ Behind [REDACTED] in terms of the number of new store openings planned over the next two years, [REDACTED] had a far lower rate of new store openings planned. In this regard, [REDACTED] told us it planned to open [REDACTED] to [REDACTED] new stores over the next two years. [REDACTED] also told us that with respect to [REDACTED], as the market grew, it expected to experience 'normal' business growth for its in-store and online business, with around [REDACTED] to [REDACTED] new store openings a year. However, it told us that [REDACTED] only sold footwear and not apparel, and that it did not deal with Nike or adidas.
22. We also note that none of the online-only retailers or competitors we approached told us that it had plans to enter into in-store supply and open any

⁴⁵ We provide the number of stores each retailer or competitor provided in response to the question of how many stores it planned to open (excluding relocations) over the next two years: (a) [REDACTED]: 2; (b) [REDACTED]: 1; (c) [REDACTED]: 7; (d) [REDACTED]: 5; (e) [REDACTED]: 2; and (f) [REDACTED]: 1. [REDACTED].

physical stores over the next two years (namely, [REDACTED],⁴⁶ [REDACTED], [REDACTED] and [REDACTED]). For example, in the case of [REDACTED], it told us that in relation to in-store supply, it currently had ‘no specific or concrete expansion plans’ in the UK over the next two to three years.

23. In relation to new entry into online supply in the relevant markets, we have seen no evidence of any plans for material new entry, eg with regard to product range similar to those offered by the Parties or with regard to achieving online sales similar to those of Footasylum’s online business (of around [REDACTED]). In relation to the online expansion plans of multi-channel competitors, we note that a number of competitors are planning to invest in their online businesses over the next two to three years. We also note that [REDACTED] and [REDACTED] have plans to continue to expand their existing online businesses.

⁴⁶ [REDACTED].

Appendix I: Efficiencies as a countervailing factor

Introduction

1. As part of our assessment set out in chapter 11 of whether there are any efficiencies arising from the Merger which may be a potential countervailing factor, this appendix sets out:
 - (a) the CMA's assessment framework for the consideration of efficiencies as a potential countervailing factor;
 - (b) the Parties' submissions on efficiencies; and
 - (c) our assessment.

CMA assessment framework

2. Our Guidance states that efficiencies arising from a merger may enhance rivalry, with the result that the merger does not give rise to an SLC. For example, a merger of two of the smaller firms in a market resulting in efficiency gains might allow the merged entity to compete more effectively with larger firms.⁴⁷
3. Our Guidance states that in forming a view on whether any claimed efficiencies will enhance rivalry so that the merger does not result in an SLC, the CMA must expect that the following criteria will be met: (a) the efficiencies must be timely, likely and sufficient to prevent an SLC from arising; and (b) the efficiencies must be merger-specific.⁴⁸
4. Accordingly, we considered it necessary to assess the source of any efficiencies submitted by the Parties, and the implied incentives on the Parties to determine the extent of any rivalry-enhancing efficiencies.

Parties' submissions on efficiencies

JD Sports

5. JD Sports told us that its decision to acquire Footasylum was driven by the following considerations:

⁴⁷ CMA Guidance, paragraph 5.7.2.

⁴⁸ CMA Guidance, paragraph 5.7.4.

[REDACTED]

6. We provide further details of each consideration below.

[REDACTED]

7. JD Sports told us that:

[REDACTED]

[REDACTED]

8. JD Sports submitted that:

[REDACTED]

[REDACTED]

9. JD Sports told us that [REDACTED] In this regard, JD Sports told us that:

[REDACTED]

[REDACTED]

10. JD Sports told us that:

(a) [REDACTED]

(b) [REDACTED]; and

(c) [REDACTED]. In response to our Provisional Findings, the Parties submitted that the CMA had not addressed the improved customer choice which would result from the 'wider distribution of Footasylum's unique Bedroom and incubator brands via JD Sports' larger in-store and online offer in the UK (and also internationally).⁴⁹

11. JD Sports also submitted that [REDACTED]. JD Sports told us that [REDACTED].

[REDACTED]

12. JD Sports told us that:

[REDACTED]

⁴⁹ [The Parties, Response to Provisional Findings, paragraph 367.](#)

Footasylum

13. Footasylum told us that JD Sports' acquisition of Footasylum [X]. It told us that the following synergies were likely to arise as a result of the Merger:

[X]

14. [X]

15. We provide further details on each below.

[X]

16. Footasylum told us that [X].

[X]

17. Footasylum told us that [X].

[X]

18. Footasylum told us that [X].

[X]

19. Footasylum told us that [X]. Footasylum also told us that [X].

[X]

20. Footasylum told us that as [X] Footasylum told us that [X].

[X]

21. Footasylum considered that the potential synergies in [X]⁵⁰. Table 1 shows Footasylum's estimates of the discounted cashflows arising from synergies.

Table 1: Footasylum's discounted synergies cashflows

					£m
	Year 1	Year 2	Year 3	Year 4	Year 5
[X]	[X]	[X]	[X]	[X]	[X]
[X]	[X]	[X]	[X]	[X]	[X]

⁵⁰ Calculated as first year total savings of [X] divided by the sum of total cost of sales [X], head office adjustment cost [X] and operating costs [X] for the financial year 2018/19.

22. Footasylum also estimated that it would have an [redacted] per year, and a revenue increase of [redacted] per year from the sale of Footasylum's own-brands in JD Sports' store fasciae.

Our assessment

23. We considered whether the efficiencies submitted by the Parties would meet the cumulative criteria set out in paragraph 3: (a) timely; (b) likely; (c) sufficient; (d) Merger-specific; and (e) incentivise the Parties to improve their customer offer in the relevant markets.⁵¹

Timeliness

24. We consider that, for the reasons set out below, the following synergies submitted by [redacted] would be timely (ie within two years):

(a) [redacted], would be delivered within a timely manner. JD Sports submitted that an initial strategic review of Footasylum would have taken place within the first [redacted], but that this did not occur due to the CMA's Initial Enforcement Order which was issued on 17 May 2019;⁵²

(b) [redacted]. We consider that these [redacted]; and

(c) [redacted]

Likelihood

25. We considered the extent to which the Merger is likely to generate efficiencies, based on the submissions and evidence provided by the Parties. We also considered whether the Parties would have an incentive to make the efficiencies, and whether the planned efficiencies would be likely to occur.
26. We consider that it would be likely that Footasylum's financial position would be stabilised as part of JD Sports, and JD Sports could [redacted]. Additionally, we consider that [redacted] would be likely as it would ensure that the stores met 'the retail quality standards required of the brands' and so aid with retaining supply of higher-tier branded products from the key suppliers.
27. JD Sports submitted that [redacted] and therefore efficiencies are likely for Footasylum's business model if JD Sports is able to retain these allocations from key suppliers.

⁵¹ CMA Guidance, paragraph 5.7.4.

⁵² The Parties, Response to Provisional Findings, paragraph 364.

28. However, we do not consider, on the basis of the evidence, that the key suppliers are likely to terminate the Parties' supply agreements. Further, [REDACTED] (see also chapter 5). Therefore, we have not seen evidence that Footasylum would require intervention to ensure continuation of supply.
29. We note that the key suppliers have made changes to retailers' segmentation, such as allocations of lower-tier stock. For example, [REDACTED] told us that changes to [REDACTED] distribution strategy in early 2019 had altered [REDACTED]. [REDACTED] told us that the change in distribution strategy was to reflect consumer profiles and store formats, and to result in greater product relevance for consumers across all retailers and therefore not specific to Footasylum. Therefore, we consider that there is insufficient evidence that the Merger would alter the stock allocation decisions from key suppliers.
30. We consider that the other proposed efficiencies would be likely to occur. [REDACTED] would benefit JD Sports. JD Sports told us that [REDACTED].
31. We also note that JD Sports told us that [REDACTED].
32. Further, we consider the [REDACTED].

Sufficiency

33. The Parties provided some examples of efficiencies that they considered will arise from the Merger. However, we consider this evidence to be limited and, in most instances it does not quantify the benefits to consumers in terms of a reduction in prices or an improvement in quality of services (ie store refurbishments). Therefore, we have been unable to assess the extent of their sufficiency to allow the Parties to compete more effectively relative to the competition that would be lost as a result of the Merger. It remains unclear as to how they would be sufficient.
34. In response to our Provisional Findings, the Parties submitted that the CMA had ignored several of the non-price synergies, including operational efficiencies such as improving Footasylum's in-store and online functionality (eg collection points, customer service, stock management, and payment possibilities).⁵³ The Parties submitted that the CMA had 'illogically dismissed' these benefits as not rivalry-enhancing, but rather bringing the Footasylum part of the Merged Entity up to JD Sports' standard, rather than an overall improvement in the Merged Entity's offer. The Parties noted that since the CMA had determined that Footasylum's lost competitive pressure in the market could support an SLC, then, equally, an improvement in Footasylum's

⁵³ [The Parties, Response to Provisional Findings, paragraph 366.](#)

offering as part of the Merged Entity should help to offset that same SLC. As we state in paragraph 33, even if we considered these to be operational efficiencies, the Parties had not proposed their material value and so we cannot consider these to be sufficiently material to offset the SLCs.

35. As set out in our Guidance,⁵⁴ we do not in general give as much weight to savings in fixed costs because such savings may often represent private gains to firms and are less important in short-run price formation. We note that the Parties have not indicated whether quantified efficiency savings in fixed costs would be passed on to customers. As a result, we consider that they cannot be considered to be rivalry-enhancing. However, we note that, even if the Parties were to invest the quantified savings of [REDACTED], as shown in Table 1, this represents less than [REDACTED] of the Parties' combined turnover.⁵⁵
36. We consider any quantified rivalry-enhancing efficiencies that meet our criteria as a downward pricing pressure when considering the interpretation of the GUPPI (see chapters 8 and 9). However, we consider the rivalry-enhancing efficiencies, if any, are likely to be very small.

Specific to the Merger

37. We consider whether the efficiencies submitted by the Parties are a direct result of the Merger (ie would not occur in the counterfactual).
38. We note that in response to our Provisional Findings, the Parties based some of their views on the argument that absent the Merger, Footasylum would have been a significantly weaker competitor. In this regard, the Parties told us that:⁵⁶
 - (a) Footasylum's difficult financial [REDACTED]. The Parties added that JD Sports was integral to the [REDACTED], which, prior to the Merger, had been [REDACTED]. The Parties therefore considered that JD Sports' support to Footasylum was a direct rivalry-enhancing outcome of the Merger;
 - (b) Footasylum's difficult financial position would have [REDACTED] to improve its consumer offering and brand portfolio, and that [REDACTED]. The Parties added that JD Sports had spent more than a decade building this facet of the business, which had been [REDACTED]; and
 - (c) Footasylum was in [REDACTED]

⁵⁴ [CMA Guidance, paragraph 5.7.9.](#)

⁵⁵ Fixed cost savings represent [REDACTED] of the Merged Entity's turnover

⁵⁶ [The Parties, Response to Provisional Findings, paragraphs 362 to 364.](#)

39. JD Sports also told us that it would extend its [redacted] expertise to Footasylum post-Merger, an area which [redacted].
40. However, in our assessment of the counterfactual in chapter 5, we concluded that absent the Merger, Footasylum would have continued to compete effectively, in particular, we concluded that Footasylum would have stabilised its financial position; Footasylum's store-level investment [redacted] once its financial performance stabilised; and Footasylum's [redacted] would not have withdrawn support or access [redacted].
41. We acknowledge that JD Sports may [redacted] in an expedite manner. However, we consider that these improvements could be achieved by other methods, such as outsourcing or employing specialists, which could be realised given our counterfactual conclusion that Footasylum's financial position would have stabilised absent the Merger (see chapter 5). We also consider that [redacted] would occur absent the Merger due to competitive pressure to improve the consumer retail experience and consumer journeys [redacted]. Therefore, once Footasylum stabilised, we consider that it would seek to make these investments in order to continue to compete effectively in this market.
42. JD Sports submitted [redacted], these could occur due to the scale of JD Sports and given the similarity of the two businesses. However, these have not been quantified by the Parties and we have not seen further evidence to support the claim.
43. JD Sports submitted [redacted]. It also told us [redacted].
44. In our view, this investment is not entirely Merger-specific [redacted]. Footasylum highlighted [redacted]. Footasylum told us [redacted].
45. We also consider that the [redacted] would occur absent the Merger, as the rivalry between the two Parties would be a possible spur for continual enhancement and innovation of Footasylum's [redacted] in order to ensure Footasylum remains a competitive player in the market.
46. JD Sports told us that [redacted]. In response to our Provisional Findings, the Parties told us that the wider distribution of Footasylum's unique Bedroom and incubator brands via JD Sports' larger in-store and online offer would improve consumer choice.⁵⁷ Also, the Parties told us that Footasylum's wholesale sales are [redacted] proportion ([redacted]) of its total sales and that any small increase in wholesale sales would not replicate the proposed plans to diversify JD Sports' brand.⁵⁸ However, we consider that JD Sports could achieve the same

⁵⁷ [The Parties, Response to Provisional Findings, paragraph 365.](#)

⁵⁸ [The Parties, Response to Provisional Findings, paragraph 365.](#)

efficiencies [REDACTED] by acquiring these products and selling them to consumers absent the Merger through [REDACTED].

47. JD Sports' rationale for the Merger [REDACTED]. This would be an efficiency to JD Sports [REDACTED].
48. The Parties submitted that the Provisional Findings had incorrectly concluded that Footasylum's knowledge of building own brands was not a skill that was unique to Footasylum. In their response to our Provisional Findings, the Parties told us that JD Sports had 'spent many years unsuccessfully trying to grow its own-brand proposition', and that Footasylum had created an attractive own-brand offering, which had not been replicated by any competitor in the sports-inspired casual footwear or apparel markets. The Parties added that this would be of 'great value' to JD Sports and, in turn, its customers through a rivalry-enhancing offering.⁵⁹
49. We consider that successfully building own-brands is not a skill that is unique to Footasylum and has been done by other retailers in this market. JD Sports could gain this expertise without having to acquire Footasylum.
50. We consider the [REDACTED] to be Merger-specific as [REDACTED] and the benefits occur as a result of greater post-Merger scale.

Parties' incentives to improve their customer offering

51. We considered whether the proposed efficiencies benefit consumers and are rivalry-enhancing efficiencies in terms of PQRS.
52. Usually in retail mergers, efficiencies arise from purchasing synergies, and particularly from the merged entity buying at lower prices owing to its larger scale. We note that JD Sports submitted that in the relevant markets [REDACTED]. Therefore, we do not consider [REDACTED], and that there is a lack of price efficiencies at the wholesale level which the Merged Entity would be able to pass on to consumers.
53. We consider that the Parties have not submitted sufficient evidence to show that the financial investment by JD Sports and the stabilisation of Footasylum's financial position are rivalry-enhancing efficiencies. While an improvement in financial position may reduce finance costs and lead to better terms, these costs savings would largely be fixed.

⁵⁹ [The Parties, Response to Provisional Findings, paragraph 365.](#)

54. As mentioned above, our Guidance states that we normally give less weight to fixed costs savings as they are less likely to be passed onto consumers. The Parties have not provided evidence otherwise, therefore, it is our view that the Merged Entity may have the incentive to retain the savings, rather than investing in their consumers offer (eg by lowering prices).
55. [REDACTED]. Therefore, we consider it unlikely that [REDACTED], would be reflected in cost reductions for consumers. Any efficiencies that would occur would therefore be through QRS. Given that we do not consider that there would have been any restriction in supply in the absence of the Merger, we did not consider that ensuring this supply would represent a rivalry-enhancing efficiency.
56. JD Sports told us that [REDACTED]. We consider [REDACTED], it would seem unlikely that JD Sports would be able to [REDACTED].
57. JD Sports told us that [REDACTED]. We consider that this is not a rivalry-enhancing efficiency, as the [REDACTED] would be no better than Footasylum would have on its own.
58. As noted in paragraph 46 the Parties told us that there would be improved customer choice as a result of the wider distribution of Footasylum's unique Bedroom and incubator brands via JD Sports' larger in-store and online offer.⁶⁰ We note that there may be an increase in the quality and range of products available at JD Sports stores, which consumers would previously not have had access to unless they shopped at Footasylum's 70 stores. However, we consider that this synergy is limited because it is only a benefit to customers of JD Sports that do not shop in Footasylum in-store/online and so are least likely to be interested in Footasylum's own-brand and Bedroom brands.
59. Similarly, we note that [REDACTED] could improve the functioning in-store and online for Footasylum's customers, in terms of collection points, customer service, and payment possibilities. Footasylum told us [REDACTED].
60. [REDACTED], this does not contribute to an overall increase in rivalry in the market, as it would only bring the Footasylum part of the Merged Entity up to the pre-Merger standard of JD Sports, and would not represent an improvement to the Merged Entity's offer. In any case, we also note in paragraph 34, that even if we considered these to be operational efficiencies, the Parties had not proposed their material value and so we cannot consider these to be sufficiently material to offset the SLCs we found.

⁶⁰ The Parties, Response to Provisional Findings, paragraph 365.

61. [X] Table 1 [X]. We have not seen any evidence that these fixed cost savings would be reinvested in the customer proposition rather than being retained by shareholders.

Appendix J: Impact of Sports Direct fascia store elevation on the Parties' store revenues

Introduction

1. As explained in chapter 8, we assessed the impact of the opening of elevated Sports Direct stores on the store revenues of nearby Parties' stores. This appendix sets out graphs showing the weekly store revenue for each JD Sports or Footasylum store for which a Sports Direct elevation event occurred within 20-minutes drivetime.
2. This graphical analysis is limited in scope since it does not give us an estimate of the total average effect on the Parties' revenues. It does however illustrate whether there are individual instances of Sports Direct fascia store elevation having impacted the revenue of JD Sports and Footasylum stores.

Methodology

3. We analysed store revenues over time at the Parties' stores which are located near elevated Sports Direct fascia stores. We identified elevated stores on the basis of [redacted] its 'new generation of stores'.⁶¹ We identified stores as being 'near' by examining stores located within 20-minutes drivetime of each other.
4. For each of the Parties' relevant stores we examined the proportionate difference in total revenue between the store affected by elevation that was being considered and the average value of revenue for all stores that do not have an elevated Sports Direct store within 20-minutes drivetime (the 'control group' – which may differ by store).
5. We compared the proportionate difference in total revenue between the relevant stores and their control groups pre-elevation of the nearby Sports Direct store and post-elevation of the Sports Direct store. If there was a negative impact from elevation we would expect to see either a one-off reduction in the difference between the two or a negative trend post-elevation.
6. We only examined stores where there was at least 26 weeks of pre- and post-elevation data in the sample under consideration. The use of a 26-week window on either side gave us six months of data on either side (ie one year

⁶¹ [redacted]. We note that [redacted]. We focussed on the 'new generation of stores' as we consider that most recent elevation has been of this type.

in total) which we considered should be a sufficiently long period to assess the impact of elevated store openings.

7. Table 1 summarises the store-by-store analysis for JD Sports. There were [redacted] JD Sports stores affected by a Sports Direct elevation event with sufficient data before and after the elevation event to consider whether the evolution of revenue was affected by elevation.
8. Table 2 summarises the store-by-store analysis for Footasylum. There were [redacted] Footasylum stores affected by a Sports Direct elevation event with sufficient data before and after the elevation event to consider whether the evolution of revenue was affected by elevation.⁶²

Parties' views and our response

9. The Parties submitted that the CMA's graphical analysis focussed on changes in the Parties' store revenue relative to a control group which consisted of all stores unaffected by a Sports Direct elevation event. They submitted that the implicit assumption in this analysis was therefore that the proportionate difference in revenue between the affected store and control group stores would be the same post-elevation as it was pre-elevation in the counterfactual of no nearby Sports Direct store elevation. They submitted that it was not clear why this modelling approach was a better proxy for the performance of the Parties' stores in the counterfactual than JD Sports's approach in its Competitor Impact analysis of using store revenue like for likes (LFLs) relative to whole company revenue LFLs.
10. We agree that this assumption is implicit in our analysis but we note that a similar assumption underpins the Parties' analysis presented in Tables 8.10 and 8.11 in chapter 8 around the evolution of the annual change in revenue relative to the wider estate. We consider it necessary to make an assumption of this type in order to conduct either of these types of analysis, but agree in principle that either approach could be adopted.
11. The Parties submitted that the control group was not kept constant in our graphical analysis and that the addition of new stores or the removal of closed stores from this control group may be conflated with the effect of elevation. The Parties also submitted that in the limited time available, they did not consider that this issue had a very large effect, but that the CMA should seek to verify this.

⁶² This table was constructed [redacted] and does not cover the same [redacted] stores and data used in the Parties' impact analysis.

12. We agree this is a limitation of the analysis but consider that it is unlikely to have a material impact on our analysis. This is because the control group is large, consisting of all other stores in the JD Sports estate that are not affected by elevation (which is typically more than 300) and were open during the time period under consideration and only a small number of stores within it were impacted in this way. As a result, such changes are unlikely to have materially changed the average across the control group.
13. The Parties submitted that in their view a conservative visual inspection of the graphs suggested that [redacted] stores had a negative impact. For the purpose of comparison, the Parties applied the original method used by JD Sports in its Competitor Impact analysis (ie calculating store vs company LFL and comparing between 13 weeks pre and up to 26 weeks post) to the [redacted] stores that the CMA has identified as being affected by elevation, finding that [redacted] stores had a negative impact from the elevations.
14. Our view of Table 1 is that in [redacted] of the JD Sports stores⁶³ the proportionate difference in revenue to the average of the control group is lower after the elevation of Sports Direct when compared to the period before. In the remaining [redacted] cases, the difference is either positive or there is no discernible difference.
15. The Parties submitted that they understood that Sports Direct/USC considers its first elevated store to be Sports Direct Thurrock Lakeside. The Parties submitted that the CMA's analysis excluded [redacted] out of the [redacted] Sports Direct/USC elevated store openings that had occurred since the opening of Thurrock Lakeside (and within 20-minutes drivetime of a JD Sports store), and that in at least [redacted] of these cases the nearest JD Sports store was negatively affected in a substantive manner. For example, the Parties submitted that [redacted] stores should be considered elevated and the impact of those elevations on JD Sports' [redacted] even under the CMA's methodology (but also using JD Sports' methodology).⁶⁴ The Parties submitted that they did not consider the Sports Direct/USC [redacted] stores to be elevated [redacted].
16. We excluded the [redacted] stores referred to by the Parties because [redacted]⁶⁵. We focussed on the 'new generation of stores' as we consider that most recent elevation has been of this type, [redacted].
17. The Parties submitted that if the analysis was restricted to the [redacted] JD Sports stores that were located within 10-minutes drivetime of the elevated Sports

⁶³ [redacted]

⁶⁴ The Parties also submitted that if the restriction on the number of pre- and post-elevation data that was required to evaluate the impact of elevation was relaxed from 26 weeks to 13 weeks, then [redacted].

⁶⁵ [redacted]

Direct/USC store (in Table 1), [REDACTED] show a negative impact. The Parties found that each of these [REDACTED] negative effects corresponded to a statistically significant decline when applying a two-tailed t-test⁶⁶ for the difference in means and using a 5% significance threshold. Conversely, they said that when looking at the remaining [REDACTED] JD Sports stores located between 10-20 minutes' drivetime from the Sports Direct/USC elevation, [REDACTED] of these stores ([REDACTED]) did not have a statistically significant impact, indicating that events occurring over 10 minutes' drivetime away were harder to detect.

18. We recognise that the closeness of the Parties' stores to the elevated Sports Direct/USC store appears to be an important factor. There is evidence that when the elevated store is located within 10-minutes drivetimes of the Parties' store there is more likely to be a negative impact. This suggests that the elevated Sports Direct/USC store estate may not affect all of the Parties' stores evenly, and that those located close (within 10-minutes drivetime) of the Parties' stores are more likely to have a negative effect than those located further away.
19. The Parties submitted that if attention was restricted to elevated stores within 10-minutes drivetime of the JD Sports store (of which there were [REDACTED]) then on the basis of a visual inspection of the CMA's graphical analysis, [REDACTED] had a negative and statistically significant impact, [REDACTED] had a positive impact which the Parties submitted was likely caused by latent demand in the area (which was not controlled for in the CMA's analysis), [REDACTED] with no observable impact were undergoing refurbishment or upsizing in the pre-elevation period (explaining significant outliers in the pre-period and artificially lowering the mean pre-elevation vs post-elevation) and in [REDACTED] case (also with no observable impact) the elevated Sports Direct/USC store and the existing JD Sports store were separated by a river and a toll bridge.
20. The Parties submitted that JD Sports' Competitor Impact analysis attempted to control for local/idiosyncratic factors affecting JD Sports' store revenues. They also identified some specific factors potentially distorting any conclusions the CMA might draw from its graphical analysis if not accounted for eg the presence of a toll-bridge between the [REDACTED] JD Sports store and the nearby Sports Direct.
21. We acknowledge that our graphical analysis does not control for these factors, but consider that any such factors should be identified in a systematic way. Therefore without such consistent information we have not adjusted our

⁶⁶ A t-test is a statistical test for testing whether the means of two samples is statistically different from each other. A two-tailed test indicates whether the difference is statistically significantly different from zero.

analysis, but are cognisant of the possibility of other confounding factors in our interpretation.

Graphs

Interpretation of the graphs

22. The lighter blue lines on the left of the graphs correspond to weekly revenue observations prior to the opening of the elevated Sports Direct store. The darker blue lines on the right of the graphs correspond to weekly revenue observations after the opening of the elevated Sports Direct stores.
23. If the elevation of the local Sports Direct store has had an impact, we would expect that the darker line would be lower on average than the lighter blue line. The gold line plots the average value of the proportionate revenue difference post-elevation while the silver line plots the same quantity for the pre-elevation period.
24. The x-axis has been normalised such that it gives the number of weeks before (negative values) or after (positive values) the elevation event occurred.

Graphs of impact of elevation

Table 1: Individual JD Sports stores affected by Sports Direct fascia store elevation

ID	Location	Time to elevated store (mins)	Impact graph
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[✂]

Table 2: Individual Footasylum stores affected by Sports Direct fascia store elevation

ID	Location	Time to elevated store (mins)	Impact graph
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[✂]

Appendix K: Third parties' views on remedies

Introduction

1. As part of our assessment in chapter 13 of the appropriate remedy to the SLCs we found, this appendix sets out the views of third parties on:
 - (a) the overall effectiveness of a divestiture remedy;
 - (b) the scope of the divestiture package;
 - (c) purchaser suitability and availability; and
 - (d) ensuring an effective divestiture process.

Third parties' views on overall effectiveness of a divestiture remedy

2. In relation to the overall effectiveness of a divestiture remedy in addressing the SLCs we found:
 - (a) [redacted] told us only a full divestiture of Footasylum would represent an effective remedy to the SLCs at a national level;
 - (b) [redacted] told us that it considered a full divestiture of Footasylum would be the only possible effective remedy as this would 'reset' and restore the pre-Merger market structure (from the 'duopoly' resulting from the Merger); and
 - (c) [redacted] told us that only a full divestiture of Footasylum could effectively resolve all of the competition issues raised by the Merger, provided that it was sold to a suitable purchaser who would not raise competition concerns.

Third parties' views on the scope of the divestiture package

3. Third parties told us that a smaller divestiture package would not be an effective remedy in this case:
 - (a) [redacted] told us that it believed that a remedy requiring a partial divestiture of Footasylum could result in making Footasylum less attractive to potential purchasers if it was 'split out', and added that it was essential for the Footasylum brand to be included in any divestiture package.

(b) [REDACTED] told us that since JD Sports and Footasylum were both ‘national chains’ and competed nationally, it could not see how a partial divestiture remedy could be effective in addressing any national competition concerns. It also told us that there was an ‘infrastructure’ that was associated with the Footasylum stores and that any purchaser would also need to acquire this infrastructure. Finally, it told us that any divestiture package would also need to include the Footasylum brand given its importance to its success. It explained that Footasylum had a ‘well-established’ brand and had developed a ‘certain reputation in the marketplace’ and visibility in the market, which needed to be maintained. It also highlighted that Footasylum’s website and online business was particularly ‘driven by’ the Footasylum brand.

(c) [REDACTED] told us that it was difficult to see what an appropriate partial divestiture package might look like. For example:

(i) [REDACTED] told us that if (for example) Footasylum’s ‘private brands’ (ie own-brands) business was excluded from the scope of any divestiture package, Footasylum would need to ‘rebuild’ this business again ‘from scratch’, which would be ‘very costly’. It explained that, in its view, Footasylum would need to retain its ‘higher margin’ ‘private brands’ (ie own-brands) business if it wanted to remain ‘relevant’ and be a ‘real competitor’ in the market, and it was important for it to augment its branded product offering with its own offering; and

(ii) [REDACTED] told us that it did ‘not make sense’ to leave the Footasylum brand behind with JD Sports as it was very important for the Footasylum brand to be sold as part of any divestiture package. It explained that the ‘brand’ took the longest time to build, and that building the brand required a lot of marketing and to compete in this market, a retailer needed to build ‘customer trust’ and develop a ‘story’ with its customers (ie brand messaging).

4. In relation to whether we should pursue a ‘mix-and-match’ approach, involving for example, permitting JD Sports to substitute a JD Sports store for a Footasylum store within the divestiture package:

(a) [REDACTED] told us that we should not pursue a mix-and-match approach, given that: (i) while JD Sports and Footasylum were competitors, they each had a ‘different approach’, which did not support a mix-and-match approach; (ii) it would result in Footasylum having to invest in rebranding and converting the JD Sports stores into Footasylum stores; and (iii) a JD Sports store typically had a higher square footage than a Footasylum

store and it was unsure whether Footasylum would want to run the 'bigger' JD Sports stores;

- (b) [redacted] told us that, in its view, the CMA should avoid a 'mix-and-match' approach; and
- (c) [redacted] told us that Footasylum had a different 'strategy and make-up' to JD Sports and therefore, it would 'not make sense' to pursue a 'mix-and-match' approach involving JD Sports and Footasylum stores, which could risk 'interfering with the integrity' and viability of the Footasylum business.

Third parties' views on purchaser suitability and availability

Third parties' views on the need for a purchaser to have pre-existing relationships with key suppliers

- 5. [redacted] told us that it was important for the purchaser itself to have the necessary expertise and sufficient financial resources to ensure that Footasylum could compete effectively in the relevant markets. In particular, [redacted] told us that it was 'fundamental' for the purchaser itself to have some existing contacts with Nike and adidas and, preferably, a trading history with the key suppliers (either in the lifestyle or the sporting goods sector or both), to ensure that Footasylum continued to have 'adequate access' to supplies of Nike and adidas 'must-have' products. It told us that while Footasylum had its own relationships with the key suppliers, the key suppliers were currently reducing the number of retailer 'accounts' they supplied, and therefore the purchaser should 'ideally' have its own relationships with Nike and adidas in order to 'maximise' Footasylum's chances of ensuring continuity of supply of the key suppliers' products going forward.
- 6. Other third parties however provided a different view and told us that ensuring ongoing access to the key suppliers' products depended primarily on Footasylum's own performance and relationships with the suppliers:
 - (a) [redacted] told us that if the CMA required a full divestiture of Footasylum, it [redacted]. In relation to its views on the attributes of a suitable purchaser, [redacted] told us that:
 - (i) it was not a 'pre-requisite' for a purchaser to have a 'pre-existing relationship', although it considered that this [redacted] as it would be an 'indication that the incoming purchaser' was already 'knowledgeable' about [redacted], and would be able to [redacted] – however, it clarified that it was not suggesting that a new purchaser without such pre-existing relationships would not be able to partner just as effectively with [redacted];

- (ii) [REDACTED], and cited the following attributes to be ‘advantages’ in ensuring a continuity of the relationship: [REDACTED];
 - (iii) it would expect any purchaser to have a ‘willingness’ for Footasylum to ‘align’ with [REDACTED] and also not to have activities itself which were ‘incompatible’ with [REDACTED];
 - (iv) it would expect any purchaser which operated its own online or physical retail outlets, and was not [REDACTED]’; and
 - (v) it did not consider any type of purchaser should be ruled out (including UK, non-UK purchasers and financial or strategic).
- (b) [REDACTED] told us that the ‘brands’ active in this market (eg Nike, adidas and Puma) operated a system of ‘selective distribution’, which meant that they wanted consumers to be served in the ‘right stores’, and wanted the retailer’s environment to meet ‘certain standards’. It also told us that these ‘brands’ wanted their products to be sold in a ‘retail format’ which best served consumers and presented their products in the ‘best way’, and therefore so long as the purchaser enabled this, it did not see any issues with Footasylum continuing to have access to branded products. It told us that it would be ‘helpful’, but ‘not necessary’ for the purchaser to have its own relationships or trading history with the brands, because it considered that it would be possible for a private equity fund to acquire and operate Footasylum successfully even if it did not have any relationships of its own with the brands.
- (c) In relation to the views of [REDACTED]:
- (i) [REDACTED] told us that in its view, it was not important for the purchaser of Footasylum to also have its own relationship with [REDACTED]. It explained that the [REDACTED]. It also told us that other than the ‘CMA standard criteria for a prospective purchaser’, [REDACTED] could not identify any specific additional requirements that would ensure continued access for Footasylum to [REDACTED].⁶⁷ It explained that the CMA’s ‘standard criteria’ requiring ‘capability to compete’ should ensure that the purchaser was ‘creditworthy’ and had the ‘ability to meet the minimum turnover volumes’, which were the ‘very basic criteria for [REDACTED]’; and
 - (ii) [REDACTED] also told us that [REDACTED].

⁶⁷ The CMA’s ‘standard criteria’ being, that a prospective purchaser: (a) is independent of the Parties; (b) has the necessary capability to compete; (c) is committed to competing in the relevant markets; and (d) will not create further competition concerns.

(d) [X] told us that it could not comment specifically on whether the purchaser itself would need to have a pre-existing relationship with the key suppliers (in addition to Footasylum's own relationships with them). However, it told us that in order to ensure continuity of supply from the key suppliers, it considered that the key suppliers placed 'importance' on whether the retailer would look after their brands, and whether it represented a 'safe vehicle' through which the key suppliers' branded products could be sold, eg in terms of price and how the retailer presented the key suppliers' branded products.

Third parties' views on the purchaser not raising further competition concerns

7. The views of third parties on purchasers who might raise further competition concerns are set out below.
8. [X] told us that the CMA should ensure that Footasylum was not acquired by a purchaser who would 'undermine competition and be detrimental to customers in its own right'. In this regard, it added that it was important that a purchaser did not 'swallow up' the Footasylum brand into its own brand, as this could 'dilute the benefit of customer choice'. It told us that while it considered that Frasers Group currently competed in a 'different market segment' from JD Sports and Footasylum (in terms of 'product access'), it suspected that if Frasers Group did acquire Footasylum (as part of its wider elevation strategy), then Frasers Group could close Footasylum stores and replace them with 'concessions' within Frasers Group's other stores. It considered that this would result in 'diluting' Footasylum's 'separate offering' and identity in the market and reduce customer choice. It told us that with the exception of Frasers Group, other purchasers would raise 'limited risks to competition'. [X] told us that prior to the Merger, there were only three 'relevant competitors' in this market, who sold the 'same kind' of branded footwear and apparel, which were the 'desired' products in the 'view of the market'. [X] told us that any divestiture remedy resulting in 'less than three competitors' would not address the CMA's competition concerns, and therefore it did not consider Foot Locker (one of the three 'relevant competitors') to be a suitable purchaser. It also told us that Foot Locker, in any case, would likely only want to acquire specific Footasylum stores to fill any gaps (or 'white spots') in its own in-store footprint, and convert them into Foot Locker stores.
9. [X] told us that Frasers Group (Sports Direct) would 'probably' want to acquire Footasylum in order to gain access to branded products it did not currently have access to, but added that it was not sure whether Frasers Group had been interested in doing so in the past, or whether JD Sports

would wish to sell Footasylum to Frasers Group. [REDACTED] told us that given the 'limited presence of strong competitors' in the relevant markets, this 'likely' meant that the Parties' 'next closest competitor', Foot Locker was 'unlikely to be a suitable purchaser'. It explained that there were only three competitors in the market - JD Sports, Footasylum and Foot Locker - and therefore selling Footasylum to Foot Locker would raise similar competition issues as the Merger. [REDACTED] told us that it did not regard [REDACTED].

Third parties' views on the likely availability of a suitable purchaser

10. In relation to the views of third parties on the likely availability of a suitable purchaser:
 - (a) [REDACTED] told us that while it could not comment on the likely level of interest from other potential purchasers for the Footasylum business, it told us that [REDACTED];
 - (b) [REDACTED] told us that there were a number of reasons why a purchaser might want to acquire Footasylum, eg Footasylum was a recognised 'brand' in the UK, which offered a 'retail environment' which appealed to a particular consumer segment, and was operating in a growing market segment. It told us that in its view, an 'international competitor' interested in competing in this market would be the 'best' purchaser and that private equity funds might also be interested if Footasylum could demonstrate a 'good growth path'. However, it added that it might be difficult to find an 'international competitor' given the limited number of 'international competitors' and that it was only aware of a few private equity-owned retailers. [REDACTED] told us that it could not say whether it would be interested in acquiring Footasylum, although [REDACTED];
 - (c) in relation to the level of interest for the Footasylum business, [REDACTED] told us that it considered Footasylum would be an 'attractive' business if [REDACTED], and that it did not consider that it would take too long to find a suitable purchaser; and
 - (d) one third party ([REDACTED]) told us that it did not see an 'obvious alternative buyer' for Footasylum in the UK. It explained that based on its 'experience within the UK sporting goods retail market', there was a 'limited number of retailers' which were 'acquisitive in nature', and that of those which were acquisitive, [REDACTED]. It also told us that [REDACTED] did not consider that there were any specific purchasers or types of purchaser that the CMA should rule out provided that the eventual purchaser met the 'normal CMA approval criteria'.

Third parties' views on ensuring an effective divestiture process

Third parties' views on the appropriate timescale for divestiture

11. In relation to the views of third parties on the appropriate timescale for divestiture:
- (a) [REDACTED] told us that six months seemed a 'sensible' timescale for requiring JD Sports to complete a sale, although it considered that there were arguments for a shorter period (eg three months) given the potential for damage to Footasylum's competitive capability and the CMA's ability to grant an extension of any initial divestiture period if necessary. It also told us that it did not consider that it would take too long for JD Sports to find a suitable purchaser, but acknowledged that three months could be too 'tight' to run a divestiture process and find a suitable purchaser;
 - (b) [REDACTED] told us that it was not in a position to provide a view on the exact timescale within which JD Sports should complete a sale of Footasylum, but that the CMA's standard six-month period seemed reasonable. It told us that the CMA should seek to ensure that the initial divestiture period had regard to ensuring that there would be no deterioration in the Footasylum business and that Footasylum continued to compete appropriately; and
 - (c) [REDACTED] told us that it did not have experience of selling a business and therefore that it could not provide a view on what the appropriate initial divestiture period might be. It added that in its own experience of acquiring businesses, the timescales varied considerably.

Third parties' views on asset risks during the divestiture process

12. In relation to the views of third parties on the asset risks during the divestiture process:
- (a) [REDACTED] told us that the role of the Monitoring Trustee should continue during any divestiture period to ensure that: (i) there was no deterioration in Footasylum's business (eg resulting from the impact of any 'uncertainty' arising from a prolonged divestiture process); and (ii) Footasylum could continue to compete with JD Sports throughout the divestiture process;
 - (b) [REDACTED] told us that the length of the divestiture process posed a 'real risk of erosion' of Footasylum's 'competitive capability'. It told us that Footasylum operated in an industry where 'consumer goodwill' was not only 'fundamental', but also could 'often also be transient'. It told us that

sporting goods and lifestyle retailers sought to create 'top-of-mind' awareness with consumers and 'maintain commercial momentum through marketing, advertising, as well as influencer and celebrity endorsements and collaborations'. It considered that maintaining 'consumer goodwill' therefore required 'active management and significant expenditure'; and

- (c) in relation to the risk of a deterioration in Footasylum's competitive capability, [REDACTED] told us that one possible risk was the departure of head office staff in 'key positions', given that it was 'human capital', ie staff who knew and understood the market. In relation to whether a Monitoring Trustee should oversee a divestiture process, [REDACTED] told us that it would be 'good' to put in place a 'neutral person' to oversee and ensure that the divestiture process runs smoothly.

Third parties' views on the appointment of a Divestiture Trustee

13. One third party ([REDACTED]) told us that if the CMA required a full divestiture remedy, it did not consider it necessary to appoint a Divestiture Trustee given that it considered that JD Sports would be incentivised to sell Footasylum quickly and move on to focus on its own business, and added that, in its view, JD Sports had no good reason to delay the sale. Another third party ([REDACTED]) told us that it did not consider that there was a need for a Divestiture Trustee to be appointed at the outset of any divestiture process. In this regard, [REDACTED] told us that it understood [REDACTED], and therefore, this potentially raised concerns that such an appointment might 'inadvertently strengthen' [REDACTED] position during any divestiture process.
14. [REDACTED] told us that a Divestiture Trustee should be appointed at the outset and set out two main reasons:
- (a) to prevent JD Sports from 'subverting' the divestiture process; and
- (b) to ensure that Footasylum procured 'contractual assurances' from Nike and adidas in relation to supply of their 'must-have' branded products.
15. In relation to [REDACTED] first reason, [REDACTED] told us that allowing JD Sports to 'take charge' of the divestiture process would allow JD Sports to 'abuse the sale process', including by: (a) 'filtering the prospective purchasers' and only considering those purchasers who did not adequately meet the suitability criteria; and (b) [REDACTED].
16. In relation to [REDACTED] second reason for appointing a Divestiture Trustee, [REDACTED] told us that a Divestiture Trustee should be appointed at the outset to ensure that Footasylum procured 'contractual assurances' from Nike and adidas that they

would supply Footasylum with the appropriate volume and range of their 'must-have' branded products in the long term. [REDACTED].

17. [REDACTED] told us that:
- (a) if Footasylum could not receive these 'contractual assurances' from the brands, JD Sports should be obliged to procure, using its [REDACTED], that Footasylum obtains appropriate supplies of the 'must-have' branded products; and
 - (b) [REDACTED]
18. In relation to whether the key suppliers would consider providing assurances to a prospective purchaser regarding the continuation of Footasylum's access to their branded products:
- (a) [REDACTED] told us that it could not (at this stage) provide any assurances (contractual or otherwise) to a prospective purchaser and added that [REDACTED] was always subject to its 'terms and conditions together with its segmentation criteria and distribution policy'. Therefore, it told us that it would be 'crucial' that these terms and criteria continued to be met. It told us that under a potential divestiture remedy scenario, it did not have 'any plans to make material changes' to its 'existing supply of branded products' to Footasylum. However, it added that [REDACTED] could not guarantee how its commercial and strategic approach might change in the future given that its 'terms and conditions', together with its segmentation and distribution policies were subject to 'regular review'; and
 - (b) in response to our question to [REDACTED] on the extent to which it would be willing to provide assurances (contractual or otherwise) regarding the continuation of Footasylum's access to [REDACTED] branded products, [REDACTED] told us that it was 'not inclined' to provide assurances on the future relationship as [REDACTED] also did not provide such assurances to other retailers. [REDACTED]. It added that it had no reason to assume that [REDACTED] would wish to discontinue the relationship with Footasylum on the grounds of change of ownership alone.

Glossary

Phrase	Definition
the Act	The Enterprise Act 2002
adidas	Adidas AG
Apparel	Sports-inspired casual apparel
Athleisure	Sports apparel and footwear worn for both sport and other activities
Brand	Supplier of apparel and footwear
Brick and mortar store	Physical retail outlet
Clicks and bricks	Retailer with a mix of instore and online outlets
CMA	Competition and Markets Authority
Counterfactual	The counterfactual is a benchmark against which the expected effects of the Proposed Merger can be assessed. The counterfactual takes events of circumstances and their consequences into account to the extent that they are foreseeable
COVID-19	Coronavirus (COVID-19) See the GOV.UK website .
Deterioration	Any worsening in absolute terms of the Merged Entity's PQRS offering and/or any lack of improvement that might have happened faster or to a greater extent, absent the Merger
DJS Research	Independent market research agency commissioned by the CMA to conduct a store exit survey and online survey .
DTC	Direct-to-consumer; direct transaction between supplier and individual consumer
Fascia	The fascia on a store front is any surface on the outside of the store that displays the company name, company logo and company colour scheme. By fascia we refer to different retailers (eg JD Sports, Footasylum, Foot Locker, Sports Direct).
Footasylum	Footasylum Limited (formerly, Footasylum plc)
Footwear	Sports-inspired casual footwear
Foreseeable future	The relevant period over which we could reasonably assess future market developments, ie broadly the next two years
Frasers Group	Frasers Group plc (formerly Sports Direct International plc until 17 December 2019).
Higher-tier branded products	Branded footwear and apparel products which are most in demand by consumers in the relevant markets , including exclusive limited supply products.
Inquiry Group	The appointed Panel Members and decision-makers of the CMA's phase 2 investigation into the Merger .
In-store	Physical retail outlet
Initial Enforcement Order	Initial Enforcement Order made by the CMA on 17 May 2019 pursuant to section 72(2) of the Act and addressed to Pentland Group plc and JD Sports .
Interim Order	Interim Order made by the CMA on pursuant to section 81 of the

	Act and addressed to Pentland Group Limited (Jersey), Pentland Group Limited and JD Sports
Issues statement	Issues Statement on the Merger published on 24 October 2019
JD Sports	JD Sports Fashion plc
Key suppliers	adidas and Nike
CMA Guidance	Merger assessment guidelines (CC2/OFT1254), published 1 September 2010
Mono-brand retailer	Retailer which sells one brand.
Multi-brand retailer	Retailer which sells multiple different brands
Multi-channel	Use of both in-store and online channels to sell products to consumers
Nike	Nike, Inc.
Online	Selling of products via the internet
Online survey	The online survey that DJS Research conducted on behalf of the CMA with a sample of the Parties' online customers
Pentland	Pentland Group Limited (Jersey), formerly known as Pentland Group plc, the majority owner of JD Sports
PQRS	Price, quality, range or service
Relevant markets	In-store and online retail supply of sports-inspired casual footwear and sports-inspired casual apparel in the UK
SLC	Substantial lessening of competition
Sports-inspired casual products	Sports-inspired casual apparel and footwear [this covers athletic-inspired products primarily used for leisure purposes]
Store exit survey	The face-to-face store exit survey that DJS Research conducted on behalf of the CMA at a sample of the Parties' stores.
Suppliers of sports-inspired casual products	Suppliers of apparel and/or footwear to retailers i.e. adidas, Nike, Puma, Under Armour.
The Merged Entity	The combined business following the completed merger between JD Sports and Footasylum .
The Parties	JD Sports and Footasylum
The Merger	The completed acquisition by JD Sports of Footasylum

