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Your ref

By Email: tom.selwynsharpe@cma.gov.uk

Mr Tom Selwyn Sharpe
The Competition and Markets Authority

Completed acquisition of a controlling interest in 247 Home Furnishings Ltd (247) by Hunter Douglas N.V. (Hunter Douglas)

Response to the Competition and Markets Authority's possible remedies.

Dear Sirs

We act on behalf of Decora Blind Systems Limited (**Decora**). We note the Competition and Markets Authority's (**CMA**) provisional finding that the above detailed acquisition has resulted, or may be expected to result, in a substantial lessening of competition (**SLC**) in online retail supply of made-to-measure (**M2M**) blinds in the UK. Our client agrees with the position the CMA has reached. We are authorised by our client to submit a response to the CMA's proposed remedies published on 16 July 2020.

In a spirit of openness and transparency, Decora wishes to make the CMA aware of corporate developments since its last interactions with the CMA in relation to this matter. As the CMA is aware Decora's principle business is in the manufacture and wholesale supply of blinds. As detailed in previous interactions with the CMA, Decora is interested in entering into the retail supply of blinds. Decora became aware of the opportunity to acquire Swift Direct Blinds (**Swift**), in furtherance of its objective to enter the retail sphere, Swift was acquired by Decora on 1 May 2020

Please find set out below Decora's response using the headings and questions set out by the CMA. Where a specific question has not been responded to, this will be as a result of it having been addressed in a subsequent section.

1 Divestiture

1.1 It is considered that the only viable remedy to address the provisional SLC is a 100% divestiture of the ordinary share capital of 247. Further, that any divestiture should be absent of any of the potential additional rights in 247 set out within the CMA's annex.

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- 1.2 Decora has arrived at this position because Hunter Douglas is not only dominant in the online retail supply of M2M blinds¹ but has a significant presence in both related horizontal and vertical markets. As the CMA has identified, Hunter Douglas is a global entity whose interests span manufacturing, wholesale and retail sale of window coverings. Should it be allowed to retain its 100% interest in 247 it will it will have an unassailable market position in the relevant market, which will limit competition.
- 1.3 It is considered that as a result of Hunter Douglas' presence in related markets, that should it be allowed to retain a 49% holding with the annex rights in 247, that it will still be able to exert effective control over 247. Therefore, a 100% divestiture is the only means by which to ensure that it does not leverage its position to exacerbate the already identified SLC.
- 1.4 In assessing whether this divestiture would be viable and of interest to a purchaser Decora reiterates its previous representations that the market has significant barriers to entry and expansion. This includes the considerable amount of investment needed for the development and maintenance of IT software. Further, the level expenditure needed for such things as Google price-per-click marketing will be prohibitively expensive for any new entrants. As noted by Decora within its previous representations to the CMA, even if a company is able to enter this market it is likely to be loss making for at least five to seven years. These factors combined with the fact that the merged entities and Interior Goods Direct share upwards of 90% of the market mean that there will be few companies that are able and willing to enter the market.

1.5	Decora is of the belief that its experience in the wider market and with the introductory market share provided by the Swift acquisition – places it in the position of being a viable market operator.
	Identification of a suitable purchaser

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¹ The CMA's analysis estimate that the Hunter Douglas company Blinds2go (incl. Web Blinds) holds 50-60% of the market share.

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1.14 In respect of the CMA's request for views on any other factors the CMA should consider when assessing a suitable purchaser – Decora has no further representations to make other than to encourage the CMA to not consider a purchaser which will reinforce the predominance of the existing two leading market operators. Should a purchaser come forward which has an existing corporate relationship with these two entities it is suggested that this will likely stifle the development of this market.

Effective divestiture process

- 1.15 A well-documented repercussion of the COVID-19 pandemic has been the increase in online shopping within the UK. According to the latest figures provided by the Office of National Statistics the online sale of household goods (which the market subject to the CMA's investigation falls into) have continued to grow during this time². It is suggested that the main parties will have likely seen an increase in their own user traffic and sales during this time.
- 1.16 Further as Hunter Douglas is a global entity with established platforms in the manufacturing and distribution of blinds it is placed in a stronger position compared to other competitors to weather any supply chain disruption caused by the COVID-19 pandemic.
- 1.17 For the above reasons we consider that the CMA should attempt to resolve the divestiture process in as timely a manner as possible. Until a divestiture is achieved the main parties will continue to grow at an

 $\underline{\text{https://www.ons.gov.uk/businessindustryandtrade/retailindustry/bulletins/retailsales/may2020\#stores-selling-online}$

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² Retail sale, Great Britain, May 2020, available at:

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enhanced rate due to current market conditions and their positions – as such it will become increasingly difficult for any new entrants to establish themselves in the market.

Should you wish for Decora to expand upon any aspect of this submission it requested that contact is made with Micaela Diver of this office either by email or telephone
Yours faithfully
A&L Goodbody Northern Ireland

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