

Appendices and glossary

Appendices

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Glossary

Appendix A: Terms of reference and conduct of the inquiry

Completed acquisition by Hunter Douglas N.V. of convertible loan notes and certain rights in 247 Home Furnishings Ltd. in 2013 and the completed acquisition by Hunter Douglas N.V. of a controlling interest in 247 Home Furnishings Ltd. in 2019

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) two separate relevant merger situations have been created, in that:
 - (i) enterprises carried on by Hunter Douglas N.V (Hunter Douglas) ceased to be distinct from enterprises carried on by 247 Home Furnishings Ltd. (247) as a result of Hunter Douglas acquiring convertible loan notes and certain rights in 247 in 2013 (the 2013 Transaction), which conferred on Hunter Douglas the ability to exercise material influence over 247;
 - (ii) enterprises carried on by Hunter Douglas ceased to be distinct from enterprises carried on by 247 when Hunter Douglas acquired a controlling interest in 247 in 2019 (the 2019 Transaction); and
 - (iii) the condition specified in section 23(2)(b) of the Act is satisfied in relation to both the 2013 and the 2019 Transactions.
 - (b) the creation of each relevant merger situation has resulted, or may be expected to result, in a substantial lessening of competition (SLC) within a market or markets in the United Kingdom for goods or services, including the online retail supply of made-to-measure blinds in the UK.
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 15 September 2020, on the following questions in accordance with section 35(1) of the Act
 - (a) whether two separate relevant merger situations have been created; and

- (b) if so, whether the creation of each of those relevant merger situations have resulted, or may be expected to result, in an SLC within any market or markets in the United Kingdom for goods or services.

Colin Raftery
Senior Director, Mergers
Competition and Markets Authority
1 April 2020

Conduct of the Inquiry

1. On 1 April 2020 the CMA referred the completed acquisition by Hunter Douglas N.V. of convertible loan notes and certain rights in 247 Home Furnishings Ltd. in 2013 and the completed acquisition by Hunter Douglas N.V. of a controlling interest in 247 Home Furnishings Ltd. in 2019 for an in-depth phase 2 inquiry.
2. We published the biographies of the members of the inquiry group conducting the inquiry on 8 April 2020 and the Administrative Timetable on 22 April 2020.
3. On 30 April 2020, we published an Issues Statement on the inquiry case page setting out the areas of concern on which the inquiry would focus.
4. On 27 April 2020 we attended virtual 'site visits' with the Parties and their advisers held via video conference. These arrangements were made because of the COVID-19 pandemic and the Government's associated guidelines.
5. We invited a wide range of interested parties to comment on the merger. We conducted telephone interviews with a number of the parties' competitors and other interested parties. Evidence was also obtained from third parties using written requests. We also used evidence from the CMA's phase 1 investigation into the merger.
6. We received written evidence from the Parties and a non-confidential version of the Parties' main submission is published on the [case page](#).
7. In the course of our inquiry we sent the Parties a number of working papers for comment. We also provided third parties extracts from our working papers for comment on accuracy and confidentiality. The Parties were also sent an annotated issues statement, which outlined our thinking prior to their respective hearings.
8. We held a hearing with 247 Home Furnishings Ltd on 17 June 2020, and a hearing with Hunter Douglas, including representatives from Blinds2Go on 18 June 2020.

9. A non-confidential version of our provisional findings report was published on the inquiry case page on 17 July. As we provisionally concluded that the completed acquisition by Hunter Douglas N.V. of a controlling interest in 247 Home Furnishings Ltd. in 2019 may be expected to result in an SLC within a market or markets in the UK for goods or services, a notice of possible remedies was also been published on the case page.
10. We received responses to our Notice of Possible Remedies and Provisional Findings and published non-confidential versions on the inquiry webpage.
11. We held hearings with the Parties on 6 August 2020. A remedies working paper was sent to the Parties on 19 August 2020 for comment. We also held calls with third parties on our remedy proposals.
12. A non-confidential version of the final report has now been published on the inquiry webpage.
13. We would like to thank all those who have assisted in our inquiry.

Appendix B: Assessment of the ability of Hunter Douglas to block a sale by the 247 Founding Shareholders of their shares in 247

1. As noted in our Provisional Findings, in response to question 1 of the CMA's request for information of 30 June 2020 (the 30 June RFI Response) Hunter Douglas submitted that it had the ability to block a sale by the 247 Founding Shareholders in circumstances where '(i) the put and call options had not been exercised by the 247 founding shareholders and Hunter Douglas; and (ii) Hunter Douglas had not otherwise acquired the shares retained by the' 247 Founding Shareholders.
2. In support of these submissions, Hunter Douglas cited clause 3.2 of the Second Schedule of the Loan Note Instrument (Clause 3.2 SS of LNI) and the bad leaver provisions in clause 1 of each of the Call Option Agreements (the Bad Leaver Provisions), in conjunction with clause 3 of the Stakeholders Agreement.
3. We agree that these provisions would have given Hunter Douglas the ability to veto any sale by the 247 Founding Shareholders while Hunter Douglas still held the convertible loan notes issued by 247. However, as noted in the counterfactual section of the final report, these loan notes were due to mature and would have been redeemed by 30 June 2020. For the reasons set out in the that section, we therefore find that Hunter Douglas was likely to have exercised its right to convert the loan notes to equity sometime before 30 June 2020. In its Response to our Provisional Findings, Hunter Douglas expressly agrees with this finding.¹ However, subsequently in its response, Hunter Douglas raises the possibility that, in order to maintain its rights, 'it may have considered not converting its loan notes but extending the term of those notes (and therefore retaining its rights under the Loan Note Instrument). Alternatively, it may have agreed to a sale of shares by one or both of the Founding Shareholders on condition that it held the same rights as those set out in the Stakeholder Agreement.'² Hunter Douglas have submitted no evidence establishing that they have and a review of the agreements relating to the 2013 Transaction documents provided by Hunter Douglas does not suggest that Hunter Douglas had any unilateral right to extend the terms of the loan notes. Doing so would therefore have required the consent of the 247 Founding Shareholders. However, we cannot see any incentive for the 247 Founding Shareholders to voluntarily agree to such an extension. Doing so would only have extended Hunter Douglas' ability to veto a sale by the 247

¹Paragraph 3.15: '*Hunter Douglas agrees with the CMA's conclusion that it would have been able to prevent the sale by the 247 Founding Shareholders of their 51% shareholding to a third party under clause 3.2 of the Conditions to the Loan Note Instrument for so long as it remained a Noteholder –which would be until 30 June 2020 at the latest, at which point it would have been likely to convert its shares to equity.*'

² Response to Provisional Findings, paragraph 3.37.

Founding Shareholders, which would not have been in the 247 Founding Shareholders' interests. It would have limited their ability to exit the business, while not providing them with any material advantage. In relation to Hunter Douglas' submission on only agreeing to a sale on condition that they retained their rights under the Stakeholder Agreement there does not appear to be any incentive for a third-party buyer or the 247 Founding Shareholders to voluntarily agree to this either. Doing so would limit any buyer's ability to independently determine the competitive strategy and policy of 247, which would be an unattractive prospect for any buyer. As noted at paragraph 23 below, in our view, the potential benefits of doing so are not sufficient to incentivise a buyer to grant such substantial rights to Hunter Douglas voluntarily. Thus, absent any ability to veto a sale by the 247 Founding Shareholders, we are unconvinced that Hunter Douglas would be able to condition any sale in this way, subject to paragraphs 22 and 23 below.

4. As soon as the loan notes were either redeemed or converted to equity, Hunter Douglas would have lost the ability to veto and, therefore, could not have prevented the 247 Founding Shareholders from selling their shares in 247 to a third-party. As such, as noted above, Hunter Douglas would have (subject to paragraphs 22 and 23 below) lost any material leverage to impose any conditions or obligations, including imposing the additional rights it held under the Stakeholder Agreement, against any such third-party buyer. We have set out the reasons for our conclusion below.

The LNI only benefits Hunter Douglas while it holds the loan notes

5. As noted by Hunter Douglas in their submissions, Clause 3.2 SS of the LNI states that 247 'shall not allot or issue any new shares in the capital of the Company, register the transfer of any shares and/or reduce the share capital of the Company, (whether by share buyback, reduction of capital or otherwise) without the prior written consent of the Noteholders.'
6. 'Noteholders' is defined in clause 1 of the LNI as 'means the person or persons for the time being entered on the Register as the holders of the Notes,' with 'Notes' being defined in the same clause as the specific loan notes issued to Hunter Douglas as a result of the 2013 Transaction ('GBP 98 Series A Subordinated Participating Convertible Loan Notes 2020').
7. Once these loan notes are converted to equity or redeemed, Hunter Douglas would no longer hold any 'Notes' and would, thus, not be 'Noteholder.' It would therefore, at that point, no longer benefit from Clause 3.2 SS of the LNI, as this provision is expressed as only benefitting 'Noteholders.'

8. In their Response to our Provisional Findings, Hunter Douglas expressly agree with the above interpretation.³

The Bad Leaver Provisions are unlikely to extend the term of the Call Option Agreements beyond 1 June 2019

9. The Bad Leaver Provisions state that ‘As soon as the Vendor [i.e. the 247 Founding Shareholders] is a Bad Leaver, the Option becomes immediately exercisable by written notice to Vendor’ with ‘Bad Leaver’ being defined as one of the following scenarios: ‘Vendor has either: (i) committed embezzlement or another crime against the company which could lead to Vendor’s disqualification as a director; (ii) voluntarily left the employment of the Company and formed, joined or assisted a competitor with a B2C internet site for the sale of made to measure window covering products, or (iii) commits a serious and wilful breach of his obligations to honour the veto rights of the Optionee set forth in the Stakeholders Agreement and/or the Series A Loan Note Instrument each of even date.’
10. We note that the Bad leaver provision does not directly restrict a sale of shares by the 247 Founding Shareholders. The only way it could do so is if a sale were ‘a serious and wilful breach of his obligations to honour the veto rights of the Optionee set forth in the Stakeholders Agreement and/or the ... Loan Note Instrument.’ As noted above, Hunter Douglas would no longer have the veto right in Clause 3.2 SS of the LNI once it has converted the loan notes to equity or they have been redeemed. The only other relevant provision in the LNI or Stakeholder Agreement that we are aware of, and is cited by Hunter Douglas, is clause 3 of the Stakeholder Agreement.
11. Clause 3 of the Stakeholder Agreement states that ‘Without detracting from the Pledge set forth in the Put Option Agreement and Call Option Agreement among the parties of even date, neither David nor Jason shall sell or dispose of their Shares except by operation of law (i.e. succession on death) during the term of the Call Option Agreement or the Put Option Agreement.’
12. We are unconvinced that a breach of this clause would trigger the Bad Leaver Provisions. Looking at each of the circumstances set out in the definition at paragraph 9 of this Annex, the clause is clearly not within circumstances (i) and (ii). In relation to circumstance (iii), this is expressly limited to ‘veto rights’. However, clause 3 is not expressed as a veto right, instead it is expressed as a time limited absolute restriction. Even if a breach did trigger the Bad Leaver

³ Paragraph 3.15: ‘Hunter Douglas agrees with the CMA’s conclusion that it would have been able to prevent the sale by the 247 Founding Shareholders of their 51% shareholding to a third party under clause 3.2 of the Conditions to the Loan Note Instrument for so long as it remained a Noteholder –which would be until 30 June 2020 at the latest, at which point it would have been likely to convert its shares to equity.’

Provisions, as noted below, our view is that the Bad Leaver provisions expire on 1 June 2019 with the Call Option Agreements. In any event, the effect of triggering the Bad Leaver Provisions would be that Hunter Douglas would have the immediate option to purchase the shares held by the 247 Founding Shareholders. As noted at paragraph 6.17 above, we do not consider a counterfactual scenario where Hunter Douglas holds all the shares in 247 to be the most likely scenario.

13. We agree that clause 3 of the Stakeholder Agreement restricts a sale by the 247 Founding Shareholders, however this restriction is expressly time limited by the 'term of the Call Option Agreement or the Put Option Agreement.'
14. As Hunter Douglas notes, the Call Option Agreements do not contain an express provision defining their 'term'. However, this does not imply to us that the term is indefinite. Leaving aside the Bad Leaver Provisions, the other avenues to exercise the call option⁴, are expressly time limited, with the option needing to be exercised in the period between 1 March 2019 and 1 June 2019. In the absence of an express provision extending the term of the Call Option Agreements, we find that the term of the Call Option Agreements are likely to have ended on the latter date, as this is the final date on which the option could be exercised.
15. For the reasons set out below, we are unconvinced that the Bad Leaver Provision affects the term of the Call Option Agreements:
 - (a) We are unconvinced that the Bad Leaver Provision is intended to have effect beyond 1 June 2019. We disagree with Hunter Douglas' submission that the lack of express time limit in the Bad Leaver Provision implies that it is 'not time limited' and 'would have remained in force post 1 June 2019.'⁵ In our view, the definition of the Bad Leaver Provision indicates that its purpose is to protect the value of the shares held by Hunter Douglas from any malfeasance by the 247 Founding Shareholders before the call or put option could be exercised on 1 March 2019. This purpose would no longer be relevant once the period for exercising the call or put options passed on 1 June 2019 and so, in our view, in the absence of any express provisions to the contrary, it is more likely that the Bad Leaver Provisions would have expired at the same time.
 - (b) In its submissions, Hunter Douglas assert that 'the Bad Leaver provision was intended to act as a form of first refusal, ensuring that Hunter Douglas could protect its investment by calling for the remaining 51% of

⁴ Set out in clause 1 of each of the Call Option Agreements.

⁵ This submission was repeated in the Response to our Provisional Findings (paragraph 3.18) where Hunter Douglas stated that 'the Bad Leaver provisions contained in the Call Option Agreement were not time limited' and therefore the provisions, and thus, the Call Option Agreements would have remained in force after 1 June 2019.

shares should the Bad Leaver provisions apply.’ Even if this was true, as noted at paragraph 11 of this Annex, we are unconvinced that a sale of shares by the 247 Founding Shareholders would trigger the Bad Leaver Provisions after the loan notes held by Hunter Douglas were converted to equity or redeemed. We are also unconvinced that this was the intent of the Bad Leaver Provisions. We note that clause 1 of the Stakeholder Agreement expressly provides for the 247 Founding Shareholders to have a right of first refusal in relation to any sales of shares or loan notes by Hunter Douglas. If it had been intended that Hunter Douglas should also have such a right, in our view, a similar express provision would have been included in the Stakeholder Agreement. The absence of such a provision indicates that this was not the intention. Given that, it is, in our view, unlikely that the purpose of the Bad Leaver provision was to provide such rights to Hunter Douglas.

- (c) Even if the Bad Leaver Provisions were intended to extend beyond 1 June 2019, this does not imply that the term of the Call Option Agreement is also extended beyond that date. Just because a residual provision of an agreement continues to be effective, does not imply that the agreement itself continues. There are various examples of such provisions in other agreements e.g. restrictive covenants in employment contracts that prevent employees working for a competitor even after the term of the employment has ended, and thus the employment contract has lapsed. In our experience, such provisions are normally expressly stated to survive the termination of the agreement. Accordingly, the absence of such a statement in relation to the Bad Leaver provisions does not imply to us that the term of the Call Option Agreements is intended to be extended but rather that the Bad Leaver Provisions are intended to expire with the Call Option Agreements, as per our view in (a) above. Hunter Douglas submits that the absence of an express statement that the Bad Leaver Provisions were intended to survive the termination of the Call Option Agreement does not mean that they were intended to end on 1 June 2019. We accept that the absence of such an express statement is not determinative as to the term of the Bad Leaver Provisions and have not argued as much. Instead, we simply note that the absence of such a provision is consistent with our interpretation of the term of the Call Option Agreements.

16. In its Response to our Provisional Findings, Hunter Douglas submits that the above interpretation is flawed and that the Call Option Agreements would have remained in force indefinitely after 1 June 2019 if the call option had not been exercised. For the reasons set out below we are unconvinced by these submissions.

17. Hunter Douglas submitted that ‘the period 1 March 2019 to 1 June 2019’ which limits the other avenues for exercising the call option are ‘not relevant’⁶ because the Bad Leaver Provisions are ‘not time limited’ and are not an event of ‘Normal Exercise.’ We disagree that the Bad Leaver Provisions are not time limited for the reasons set out at paragraph 15(a) above. While the Bad Leaver Provisions are not an avenue through which the call option would be ‘normally exercised,’ as noted at paragraph 15(a) above, in our view, the purpose of the Bad Leaver Provisions is to protect the value of the shares held by Hunter Douglas from any malfeasance by the 247 Founding Shareholders before the call or put option could be exercised on 1 March 2019. This purpose would no longer be relevant once the period for exercising the call or put options passed on 1 June 2019. As such, we find that the better interpretation is that the Bad Leaver Provisions would have expired at the same time.
18. Hunter Douglas argues that our interpretation of the Bad Leaver Provision being time limited breaches the ‘general rules of contract interpretation which would be utilised by the English Courts,’⁷ referring to the judgment of Lord Neuberger in *Arnold v Britton*.⁸ However, in our view, an application of all the principles set out by Lord Neuberger in that case (and indeed across the case law of England and Wales more generally), as opposed to the limited extract quoted by Hunter Douglas supports our interpretation of the Bad Leaver Provisions.
19. In his judgment, Lord Neuberger made clear that the interpretation of a provision in a written agreement will be determined by the objective rather than subjective intent of that provision in the context of the agreement in light of the background knowledge of the contracting parties at the time⁹. In this case the question is what the objective intent of Bad Leaver Provisions in the context of the 2013 Transaction was when the Call Option Agreements were agreed.

Lord Neuberger went on to set out the principles for determining this intent by interpreting the meaning of the words of a contractual provision.¹⁰ Applying each of those principles in turn:

- (a) the natural and ordinary meaning of the clause: In this case, as Hunter Douglas acknowledges, the Call Option Agreements do not have an express term provision so there is no ordinary meaning to assess;

⁶ Response to Provisional Findings, Paragraph 3.20.

⁷ Response to Provisional Findings, Paragraph 3.22

⁸ [2015] UKSC 36, para 17

⁹ Paragraph 15

¹⁰ Paragraph 15

- (b) any other relevant provisions of the agreement: in this case this leads us to the Bad Leaver Provisions and the question of whether they extend the term of the Call Option Agreements beyond 1 June 2019. The Bad Leaver Provisions do not have an express term so there is nothing we can draw from that. For the reasons noted at paragraph 15 above, the absence of an express time limit does not imply to us that the Bad Leaver Provisions or the Call Option Agreements were intended to last indefinitely and nothing in the judgment contradicts this;
- (c) the overall purpose of the clause and the agreement: for the reasons set out in paragraph 15 above, in our view the overall purpose of the Bad Leaver provisions supports an interpretation that it, and thus the Call Option Agreements, expire on 1 June 2019;
- (d) the facts and circumstances known or assumed by the parties at the time that the agreement was executed but disregarding subjective evidence of any party's intentions: In assessing the purpose of the Bad Leaver Provisions in paragraph 15 above, and the Call Option Agreements we took account of the relevant facts and circumstances we are aware of surrounding the 2013 Transaction. It is also worth noting that, even if it was the subjective intent of Hunter Douglas and the 247 Shareholders that that the Bad Leaver Provisions should 'act as a form of first refusal, ensuring that Hunter Douglas could protect its investment by calling for the remaining 51% of shares should the Bad Leaver provisions apply,' this is not relevant to the interpretation of the Bad Leaver Provisions; and
- (e) commercial common sense: In our view, the expiry of the Bad Leaver Provisions and the Call Option Agreements are also consistent with commercial common sense. Hunter Douglas has not disputed this.

20. Contrary to Hunter Douglas' submission, the CMA is not therefore reinterpreting the Bad Leaver Provisions 'retrospectively so as to give them an implied meaning that is not clearly stated in the wording of the text.'¹¹ The text of the Bad Leaver Provisions and the Call Option Agreements do not contain any words specifying the term. The question then is, in the absence of express wording, which implied meaning is more likely and consistent with the principles above: Hunter Douglas' submission that the absence implies that the Bad Leaver Provisions and, thus, the Call Option Agreements remain in force indefinitely or ours that both expire on 1 June 2019. For the reasons set out above, in our view, our interpretation is the more likely and consistent with the above principles.

¹¹Response to the Provisional Findings, paragraph 3.23.

21. Hunter Douglas submits that our interpretation of the Bad Leaver Provisions and the Call Option Agreements does not take account of the ‘flexible nature of the documents and the purpose of that flexibility.’¹² The ‘flexibility’ that Hunter Douglas refers to is a scenario where one of the 247 Founding Shareholders decides to remain as a shareholder rather than exercising their put option (or Hunter Douglas exercising their call option in relation to that 247 Founding Shareholder).¹³ In such a scenario, Hunter Douglas asserts that the continuation of the Bad Leaver Provisions ‘would provide protection for Hunter Douglas in ensuring that Jason did not leave the business for a competitor or breach any of the veto rights in the Stakeholders’ Agreement.’¹⁴ This submission, in effect, repeats the previous submission by Hunter Douglas that the Bad Leaver Provisions should be interpreted as a form of first refusal. For the reasons set out in paragraph 15(b) above, we do not accept this interpretation. In addition, it is not clear why Hunter Douglas would need such protection in the above scenario. Under that scenario Hunter Douglas would hold 74.5% of the shares in 247, giving it the ability to exercise the veto rights covered in the Stakeholder Agreement through their majority shareholding. Finally, as noted above, the fact that Hunter Douglas subjectively intended the Bad Leaver Provisions to provide such protection is not relevant to the interpretation of the provisions or the Call Option Agreements.

Hunter Douglas’ ability to condition a sale absent a legal right to do so

22. In its Response to our Provisional Findings Hunter Douglas submitted that ‘Regardless of whether or not Hunter Douglas had the ability to block a sale of shares by the Founding Shareholders... Hunter Douglas’ ability to bring considerable commercial pressure to bear as part of any negotiation with the 247 Founding Shareholder(s) or with a third party on the basis of continuing/new joint venture arrangements should be properly recognised... the remaining 247 Founding Shareholders and any hypothetical third party would have had strong incentives to avoid any disputes with Hunter Douglas and would have wanted to have a working relationship with Hunter Douglas given its continuing 49% stake.’¹⁵
23. We accept that, even without a legal right to veto a sale by the 247 Founding Shareholders, Hunter Douglas, as the remaining minority shareholder, would have some leverage to negotiate protections from a third-party buyer in the interest of maintaining good relations and avoiding disputes. However, in our view, this would, at most, be limited to having rights that protected the value in

¹² Response to the Provisional Findings, paragraph 3.26(ii)

¹³ Response to the Provisional Findings, paragraphs 3.24 and 3.26(ii).

¹⁴ Response to the Provisional Findings, paragraphs 3.24.

¹⁵ Paragraph 3.29.

Hunter Douglas' remaining equity stake in 247 and would not extend to being able to negotiate rights that would have a material impact on the ability of the purchaser to be able to pursue an independent competitive strategy with 247 from Hunter Douglas' other business interests, including Blinds2Go.

Appendix C: CMA analysis of survey methodology

1. The Parties submitted an online survey of their customers commissioned for the purpose of providing evidence for the phase 2 merger case. Their submission included a description of the survey methodology, questionnaire and covering email sent to sampled customers, a full survey dataset and a slide deck of results prepared by BVA BDRC, the market research agency who conducted the research.
2. The survey was based on customer lists provided by the Parties to the research agency. Survey invitations were sent by email to customers who had placed an order for made to measure blinds between specific reference dates earlier this year; 13 January to 26 January for Blinds2Go customers and 1 January to 16 February for 247 customers. Sampled customers were asked to click on a link to the survey questionnaire and were offered entry into a prize draw as an incentive to complete it.
3. Invitations were sent to 7,177 (39%) of the 18,314 of the 247 customers who were eligible for the survey as the parties only had the appropriate permissions from these customers. Of those customers invited, 484 questionnaires were completed representing a response rate of 6.7%. We have considered whether the limited coverage of the 247 sample, arising from lack of relevant permissions is likely to give rise to significant bias and provisionally find that there is no clear reason why it should. There were 1,618 responses from the 31,289 Blinds2Go customers who were sent survey invitations; a 5.2% response rate. While response rates among both Parties' customers are low, BDRC's analysis comparing average number of items and average spend shows that there is little difference between responding and non-responding customers from the sample. This gives some comfort that non-response bias may not be a significant factor in the interpretation of results.
4. Fieldwork took place in May about orders that were placed in January and February and so customer recall is a potential issue. However, the proportion of 'Don't know' responses to questions is low, suggesting that this was not the case. Fieldwork took place just before lockdown at a time when growing concern about the spread of COVID-19 was affecting shopping behaviour. However, this was the period before shops shut and the survey asked explicitly about the order placed earlier in the year and about decision making made at that time. We therefore provisionally find that the survey results are unlikely to have been materially affected by fieldwork timing.
5. The survey questionnaire was generally well designed, with many questions following the structure of those used by the CMA for surveys in previous

merger cases and, as with other aspects of the survey, consistent with the principles set out in the CMA's 'Good Practice in the Design and Presentation of Customer Surveys in Merger Cases'. Some individual questions, or the analysis or interpretation of them we have received from the Parties, are problematic and where this is the case in places where specific results are discussed in this report appropriate caveats are added. That aside, we provisionally find that this is a good quality survey from which robust inferences about the Parties' customers may be drawn.

6. All diversion ratios referred to in this report have been calculated using the full survey dataset provided by the Parties and following the CMA's published good practice. In this regard, we note that 'Don't Know' responses have been allocated in the same proportions as the explicit responses (responses other than 'Don't Know') for that particular question.

Appendix D: Price analyses

1. Our price analyses are based on the pricing information [redacted]. This data records weekly prices for a number of different retailers for different window coverings (primarily M2M blinds) over the period from May 2016 to April 2020 (although we note that there are some missing weeks in the dataset and that for some retailers, prices are only recorded for a certain time period).
2. For our analyses, we excluded any products other than M2M blinds and further excluded motorised blinds. Following these exclusions, the dataset includes 13 M2M blind products and the following retailers: Blinds2Go, Web Blinds, 247, Interior Goods Direct (namely the websites Blinds Direct, Wilsons and Wooden Blinds Direct), Swift Direct Blinds, Concept Blinds and Next – although we note that not all products are included for all retailers.
3. We note that the pricing data included some extreme observations (eg a price recorded as greater than £1,000). While the results set out below include all observations, we note that our conclusions are robust to excluding such anomalies.

Price comparison analysis

4. For our price comparison analysis, we initially calculated the average price per product per retailer per year and compared the resulting prices. [redacted].
5. Additionally, we conducted the following analysis:
 - (a) We calculated the yearly average prices (as well as the average across the entire period) by retailer for each of the M2M blind products.¹⁶
 - (b) For each product, we then calculated the difference between the average price of each retailer and the average price of the cheapest retailer in the respective year (or overall time period).
 - (c) Finally, we calculated the average of these price differences to the cheapest retailer for each retailer across products.
6. Results are presented in Table 1 below:

Table 1: Average price differences compared to the cheapest retailer

[redacted]

Source: [redacted]

¹⁶ We excluded Double Roller Blind given the small number of retailers offering this product.

Price correlation analysis

7. [✂]:
8. The Parties submitted that their analysis does not suggest that Blinds2Go and 247 track each other's prices any more closely than other competitors.¹⁷ The Parties further conclude from their analysis that there is no clear relationship in price changes between any of the retailers, including between the Parties.
9. We consider that the analyses submitted by the Parties are not suitable for determining to what extent prices of different retailers move together. In particular, their analyses do not seek to measure the extent to which the prices of two retailers are correlated with one another, but rather they measure the extent to which the rates of change in the prices of two retailers are correlated. This means that their analyses only consider simultaneous price changes and ignore the possibility that the prices of two retailers may move together over time, but not at exactly the same time (in this case within the same week).¹⁸
10. We therefore conducted two analyses to assess to what extent prices of different retailers move together, using the same data source as the Parties [✂].
11. First, for each of the products, we plotted the prices of all retailers over time (covering the period from May 2016 to March 2020) and visually examined the evolution of prices.
12. On the basis of this visual examination of the data, we find that there is little clear evidence of a consistent pattern to price changes: price increases / decreases by one retailer are not consistently followed by others. However, we acknowledge the limited robustness of such visual examination and place very limited weight on this evidence.
13. Second, we calculated the correlation coefficient between the weekly prices (in contrast to the correlation of weekly price changes submitted by the Parties) of each of the Parties and the other retailers, for the entire period from May 2016 to March 2020.¹⁹ In particular:

¹⁷ [Main submission](#), 20 May 2020, paragraph 6.81.

¹⁸ For example, if two retailers consistently implemented similar price rises, but not at exactly the same time, the Parties' analyses would suggest that the prices of these two retailers are uncorrelated, even though this would evidently not be the case.

¹⁹ A correlation coefficient is a number between -1 and 1 that measures the extent to which two variables are linearly related. A positive correlation coefficient implies that if one variable increases, the other variable also increases, while a negative correlation coefficient implies that if one variable increases, the other variable tends to decrease. The larger the value of the correlation coefficient, the stronger the relationship between the two

- (a) For each product and for each of Blinds2Go and 247, we calculated the pairwise correlation between the weekly prices of the respective Party and the weekly prices of each other retailer, over the period from May 2016 to April 2020.
- (b) We then calculated the simple average of the correlation coefficients obtained between two retailers across all products.

14. The resulting average correlation coefficients across all products are shown in Table 2 below.

Table 2: Average correlation coefficients across products

<i>Competitor</i>	<i>Blinds2Go</i>	<i>247</i>
247 Blinds	[REDACTED]	[REDACTED]
Blinds2Go	[REDACTED]	[REDACTED]
Concept Blinds	[REDACTED]	[REDACTED]
Direct Blinds	[REDACTED]	[REDACTED]
Web Blinds	[REDACTED]	[REDACTED]
Wilson's Blinds	[REDACTED]	[REDACTED]
Wooden Blinds Direct	[REDACTED]	[REDACTED]
Blinds Direct	[REDACTED]	[REDACTED]
Next	[REDACTED]	[REDACTED]

Source: CMA analysis of data from Parties. [REDACTED]

15. On the basis of this price correlation analysis, we find that correlations are relatively low, especially between 247 and other retailers, but that the Parties have a higher correlation with each other than other retailers have with either of them (with the exception of the correlation between Blinds2Go and Concept Blinds, which is higher than the correlation between Blinds2Go and 247). However, we also acknowledge that the correlation coefficient between the Parties' prices is still relatively low and that correlation coefficients may be sensitive to a range of factors, for example to the level of aggregation chosen (in our case weekly data).

variables. In the case at hand, a high (and positive) correlation coefficient indicates that the prices of two retailers tend to move together.

Appendix E: Online presence on Google

Introduction and purpose

1. This Annex covers our analysis of competition for online traffic and of closeness of competition with respect to Google search.
2. As noted in the competitive assessment section of the main body of the report, the search behaviour of customers as well as the importance of online presence in this market implies that if a website is not well represented on the first page (and to some extent even the first results), it is unlikely to obtain significant traffic and therefore be able to effectively compete. This is especially important in a context where brand is not a key driver of choice.
3. In particular, we have established, that Google paid search is the most important channel of traffic, followed by organic search. Accordingly, in this Annex, we focus our analysis on Google Ads and Google organic search results.
4. This Appendix complements the Competitive Assessment section, and presents in more detail the following pieces of analysis:
 - (i) An analysis of how well the Parties and their competitors rank on Google paid search and Google organic search;
 - (ii) An analysis of the Parties' Google ad campaigns performance and how this compares to their competitors; and
 - (iii) An analysis of the Parties and their competitors' ad search word bidding behaviour.
5. Before presenting these analyses, we first briefly introduce the key aspects of each of paid search and organic search, and present some general observations on the data we used on revenues and conversions.

Google search

6. Paid search includes, among others, both Google Ads and Google Shopping/Product Listing Ads (PLA):
 - (a) Google Ads are links that tend to be shown on both the top and bottom of the search results page. Advertisers set up an ad campaign based on a search word and pay Google every time a user clicks on the ad pay-per-click (PPC). Campaigns can be set to target specific locations, devices, times, customer profiles, etc. Ranking of a search advertisement depends

on a number of factors including, among others, (i) the maximum price an advertiser has indicated it is willing to pay for each click on its search advertisement and (ii) the quality of the ad/landing page, (iii) the context of the search.

(b) Google Shopping can be reached by clicking on the “Shopping” link at the top of the search results page, while PLA tends to be shown either on the right side of the search results page or on top (the latter occurs when no ads are displayed). Both feature images and include links to specific products (rather than websites more generally). Advertisers need to provide Google with a product feed to be able to sell through this channel instead of working on the basis of search words. Similarly to Google Ads, it also works on a PPC basis and campaigns can also be set to target a number of different aspects.²⁰ Ranking of Google Shopping results is based on a combination of advertiser bids and relevance (such as a user’s search words and activity), but users can sort or filter by price, product category, and brand.

7. Paid search includes other channels other than Google Ads and Google Shopping/PLA, like display ads – other types of Google paid search do not necessarily work on a PPC basis.
8. Organic search results are typically situated below Google Ads or below PLA. Retailers do not need to set up any campaigns to show in these results and there is no charge or payment to influence ranking. The ranking of organic search results is affected by a number of factors, including, relevance/quality, freshness of the content, user experience with website, trustworthiness of website and personalisation (depending on metrics about the searcher).

General observations on conversion and revenue data

9. When comparing revenues and/or conversions, throughout our assessment, we ensured that we compared these on the same basis for all retailers and, where this was not possible, we considered the impact of any discrepancies on our conclusions. In particular, it is noteworthy that:
 - (a) Google Analytics can split revenue and conversions by channels based on different attribution models and this can significantly affect the allocations of revenues and conversions to a certain sales channel.²¹ Regarding this we have established that:

²⁰ Google Shopping is currently part of paid search. From December 2020, Google Shopping will consist primarily of free listings. See <https://www.blog.google/products/shopping/its-now-free-to-sell-on-google/>

²¹ An attribution model is ‘the rule, or set of rules, that determines how credit for sales and conversions is assigned to touchpoints in conversion paths.’ See <https://support.google.com/analytics/answer/1662518?hl=en>

- (i) Both Parties use 'Last Interaction Attribution' model;²²
 - (ii) [REDACTED] uses 'Last Interaction Attribution' model.²³
 - (iii) [REDACTED] uses 'Last Interaction Attribution' model.²⁴
 - (iv) [REDACTED] uses the 'Last Non-Direct Click Attribution' model.^{25 26}
- (b) Revenues measured by Google Analytics can include or exclude shipping costs or VAT. Regarding this we have established that:
- (i) Both Parties provided revenues that include both VAT and shipping costs.²⁷
 - (ii) [REDACTED] provided revenues that exclude VAT but include shipping costs.²⁸
 - (iii) [REDACTED] provided revenues that include both VAT and shipping costs.²⁹
 - (iv) [REDACTED] provided revenues that include both VAT and shipping costs.³⁰
- (c) Revenues and conversions will differ depending on whether orders of samples are also included in these metrics. Regarding this we have established that:
- (i) Blinds2Go and Web Blinds provided values inclusive of samples, whereas 247 provided values excluding samples.
 - (ii) [REDACTED] provided conversions including samples but revenues excluding samples (in any case it would not make a difference for the latter as samples free of charge).³¹
 - (iii) [REDACTED] provided conversions excluding samples but revenues including samples.³²
 - (iv) [REDACTED] provided values inclusive of samples.³³

²² The Last Interaction model attributes 100% of the conversion value to the last channel with which the customer interacted before buying or converting.

²³ [REDACTED].

²⁴ [REDACTED].

²⁵ The Last Non-Direct Click model ignores direct traffic and attributes 100% of the conversion value to the last channel that the customer clicked through from before buying or converting.

²⁶ [REDACTED].

²⁷ [REDACTED].

²⁸ [REDACTED].

²⁹ [REDACTED].

³⁰ [REDACTED].

³¹ [REDACTED].

³² [REDACTED].

³³ [REDACTED].

10. Throughout our analyses, where relevant, we explained how any differences between data provided by retailers is likely to affect results and our corresponding interpretation.

Ranking in Google search results

11. In the phase 1 decision, the CMA considered the position of the Parties' websites in Google's search results, by conducting a simple analysis of search results for the search word 'blinds' on Google UK and recording how many times the Parties appeared on the first page of results and their corresponding position in that page at two points in time (4 February 2020 and 17 February 2020).^{34 35} The CMA's phase 1 decision concluded the following:

The CMA found that the Parties appear frequently and rank prominently in paid-for search, organic search and Google shopping results. The CMA considered that the frequency and prominence of the Parties suggested that their competitive significance is greater than their shares of supply might suggest. The CMA believes this indicates that the Parties are competing closely for 'clicks' on Google UK [...].³⁶

12. The Parties noted in their Main Submission in phase 2 that they agree that advertising in search engines is important for their businesses – given they do not have strong brand names – and they also agree that they appear frequently and rank prominently in paid-for search, organic search and Google shopping results. However, the Parties explained that they strongly disagree with the CMA's statement that: 'the frequency and prominence of the Parties suggested that their competitive significance is greater than their shares of supply might suggest.'³⁷
13. The Parties submitted that:
 - (a) Customers' purchasing journeys are not limited to focusing on paid Google Ads for generic search words such as blinds, they also search directly for certain suppliers – Blinds2go being the first, but also other retailers, more than they search for 247;³⁸

³⁴ The CMA is aware that these results depend on a number of parameters which it cannot control for and that these change over time, including the time of the day, day of the week, IP location, browser used and web browsing history.

³⁵ The primary importance of Google as a search engine as opposed to other options like Bing or Yahoo is also discussed in CMA (2019) Online platforms and digital advertising (market study interim report), p. 66 which indicates that Google had a share of supply in general search between 89 and 93% throughout the last 10 years.

³⁶ [SLC decision](#), paragraph 161.

³⁷ [Main submission](#), 20 May 2020, paragraph 6.27.

³⁸ [Main submission](#), 20 May 2020, paragraph 6.28-6.30.

- (i) Google Trends data suggest that customers are performing a variety of searches in one search session, including omni-channel providers;³⁹
 - (ii) the Parties' use of PPC advertising simply reflects their specific market strategies and while paid search is an important source of traffic to the Parties' websites, this should not be exaggerated or over interpreted compared to other channels. Other channels are increasing in importance over time and remain a cost-effective way to grow a business. In addition, they submitted that Google Shopping is moving to a model with primarily free listings, which will help smaller suppliers to reach customers at low cost.⁴⁰
- (b) The Parties concluded by noting that 'This is based on three mistaken premises – that consumers' researching is limited to online generic word traffic search [...], that 247's Google prominence somehow automatically renders 247 better at attracting and winning customers [...] and that visits to 247's website translates directly into sales.'⁴¹
14. Since the phase 1 enquiry, we have conducted a more extensive analysis of rankings, analysing different sets of information.
15. In response to the Parties' arguments, we note that:
- (a) We did not take into account ranking when searching for branded words in our analysis, as we assumed such searches already reflect a customer's pre-disposition to buy a certain brand, and therefore tried to keep the analysis of ranking focused on more generic search words (those most searched according to Google Trends). We have also undertaken analysis that looks at ranking when considering top search words for each retailer – some of these did include branded search words so, to that extent, our analysis has covered a wide range of search words and results still point to same conclusions.
 - (b) We consider the relative importance of each traffic channel in our interpretation of our analysis of rankings in Google results. In particular, despite other channels being relevant, paid (generic or branded) search accounts for around half of traffic to the Parties' websites (by revenue), with organic search being the second most prominent traffic channel for both Parties in recent years. This is also in line with most important channels for other competitors in the market – in particular, is also the

³⁹ [Main submission](#), 20 May 2020, paragraph 6.31.

⁴⁰ [Main submission](#), 20 May 2020, paragraph 6.32-6.34.

⁴¹ [Main submission](#), 20 May 2020, paragraph 6.35.

case for [X], [X] and [X]. Therefore, we have analysed ranking both in Google Ads and organic search results, which we consider are the main channels we should be focusing on as these are the channels through which retailers obtain the biggest revenue.

- (c) Only a relatively small proportion of paid search revenues (less than 15%) relates to Google Shopping and PLA and therefore, we think it is unlikely that changes to Google Shopping would materially affect results. It is also noteworthy that our analyses covered in this Appendix focus only on Google Ads (and not Google Shopping) except where we analyse organic search rankings.

Analysis of Google Ads and organic search rankings – top 10 industry search words 2020

- 16. The first piece of analysis consisted of recording the position of the Parties and competitors in the first page of Google Web results (including both Google Ads and organic search), covering more search words and a longer period of time than that undertaken by the CMA in phase 1. In particular, the analysis systematically recorded results for:
 - (a) 10 search words – ‘blinds’, ‘blind’, ‘window blinds’, ‘blinds uk’, ‘roller blinds’, ‘venetian blinds’, ‘roman blinds’, ‘vertical blinds’, ‘wooden blinds’, ‘blackout blinds’;⁴² and
 - (b) Four times per day for a period of one week – 18 May 2020 to 24 May 2020 at 10h, 13h, 16h, and 19h (except Saturday and Sunday, when only 16h and 19h were considered).⁴³
- 17. The observation that these results depend on a number of parameters which cannot be controlled for and that these change over time, including the time of the day, day of the week, IP location, browser used and web browsing history will apply for this analysis.⁴⁴ While our analysis is only based on selected values for the different parameters and thereby only constitutes a sample, we do not expect this to unduly limit the robustness of the analysis:
 - (a) While we understand that (at least some) retailers selling online M2M blinds vary their ad campaigns by location, given that we are looking at

⁴² We obtained this list of search words by analysing the most popular related search queries (excluding branded search queries) for the word ‘blinds’ (based on Google Trends data for 2019, UK). We also checked that these search queries broadly coincide with the non-branded Google Ads search words the Parties [X] get most impressions from and spend the largest amount of money on in 2019. This exercise is therefore not made-to-measure specific.

⁴³ To establish timings for the analysis, we looked at times of day there seemed to be more traffic on Parties’ sites and simultaneously including other times in case those times corresponded to heavier traffic in the case of other retailers. The timings recorded also were chosen to accommodate team availability.

⁴⁴ See footnote 34 above.

UK-wide online retailers, not controlling for different locations within the UK is unlikely to cause substantial biases;

- (b) While companies may change the allocation of their marketing budget across different channels over time, a retailer not consistently bidding on the main search words is in and of itself an indication of a weaker constraint;
 - (c) The IP addresses that were used for the analysis are not linked to the CMA and were not used for any case-related research, such that there is no clear link between browsing history and specific retailers;
 - (d) The analysis was recorded on a computer using a tool that mimics Chrome, hence constituting a common device / browser combination in the UK.
18. The analysis did not cover PLA and Google Shopping as these have relatively low importance compared to other traffic channels.
19. The results of this analysis are shown in the subsequent tables 3 to 6. We first describe results on rankings regarding top of page Google Ads, and then results on rankings of organic search results.

Table 3: Google Ads on top of page - Proportion of time and search word combinations containing ads that a given retailer ranked in a certain position in first page of results

<i>Retailer</i>	<i>Position</i>			
	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>
Blinds2go	38%	39%	7%	
247	51%	22%	11%	
<i>Wilsons Blinds**</i>	5%	5%	4%	5%
<i>Terrys Fabrics</i>	3%			
<i>Blinds Direct*</i>	1%	12%	30%	6%
<i>MakeMyBlinds</i>	1%	3%	7%	2%
<i>Blindsbypost</i>	1%		1%	1%
<i>Swift Direct Blinds</i>			3%	22%
<i>BlindsUK</i>				6%
<i>No Ad**</i>		19%	37%	54%

Source: CMA analysis of publicly available data.

Notes:

Other retailers that never feature in the top position and have a share of lower than 5% in all other positions are not shown

*Part of Interior Goods Direct

**While we have excluded time and search word combinations where no ads were shown at all, combinations where just certain ad positions were missing were kept in the analysis.

20. The Parties rank very frequently among the top two positions of Google Ads (with respect to the first ad position, Blinds2Go shows up 38% of the times, whereas 247 appears 51% of the times; regarding the second ad position, Blinds2Go appears 39% of times and 247 22% of times). Interior Goods Direct (in this case Blinds Direct and Wilsons Blinds) is the only competitor that has a notable share of the two top positions (appearing in the first ad position 6% of times and second position 17% of times). Interior Goods Direct outperforms all other retailers regarding the third ad position, whereas Swift Direct Blinds outperforms all other retailers regarding the fourth ad position.
21. We have also considered ranking of retailers with respect to bottom of page Google Ads. This analysis showed that there are no additional competitors that feature frequently (Tuiss, a Hunter Douglas brand, and Wilsons Blinds feature the most frequently when it comes to top and second positions of bottom Google Ads).

22. We have also considered the extent to which the Parties' brands⁴⁵ appear in the top ranks for Google Ads. The results are shown in the table below.

Table 4: Google Ads on top of page - Proportion of time and search word combinations in which the Parties' brands appeared

	Total number of combinations	Proportion of combinations Parties appear in...				
		In 4 of top ads	In 3 of top ads	In 2 of top ads	In 1 of the top ads	In 0 of the top ads
Combinations with 1 ad	26	-	-	-	69%	31%
Combinations with 2 ads	25	-	-	72%	24%	4%
Combinations with 3 ads	23	-	0%	91%	9%	0%
Combinations with 4 ads	64	0%	5%	94%	2%	0%

Source: CMA analysis of publicly available data.

23. Results show that the Parties' brands tend to appear in several of the top ads results. When more than one ad is shown, the Parties' brands tend to feature in 2 of them most of the times (corresponding to a minimum of 50%⁴⁶ share of top ads for most cases). We note that, where this analysis finds that the Parties' brands appear in more than one ad, this could either be due to Hunter Douglas and 247 appearing simultaneously, or Hunter Douglas appearing under several brand names. As such, this analysis does not directly inform us on how frequently both Parties appear simultaneously in the top rankings; though, it is likely that many of the instances where the Parties feature in 2 or more of the top ads will relate to 247 and Hunter Douglas appearing simultaneously, given the prevalence of 247 in the top rankings more generally.

24. Turning to organic search results, the table below shows ranking results with respect to organic links. Each of the Parties, Dunelm and Interior Goods Direct features frequently in the top positions. The only other competitors that rank frequently, but only on lower positions, are Argos, Swift Direct Blinds, The Range and Next.

⁴⁵ Including the several Hunter Douglas' brands (Blinds2Go, Web Blinds, Hillarys, Thomas Sanderson and Tuiss) and 247.

⁴⁶ This is because there can be only a maximum of 4 ads show on the top ads of Google search results pages.

Table 5: Organic links - Proportion of time and search word combinations that a given retailer ranked in a certain position in first page of results

Retailer	Position							
	1	2	3	4	5	6	7	8
Blinds2go	33%	39%	15%	6%	3%	2%	2%	
247	14%	15%	20%	18%	21%	8%	2%	0%
Dunelm	20%	19%	23%	18%	7%	0%		
Woodenblindsdirect*	10%							
Romanblindsdirect*	10%							
Blinds Direct*	4%	22%	30%	19%	8%	10%	3%	3%
Argos		1%	4%	18%	25%	20%	2%	2%
Hillarys		3%	6%	18%	15%	21%	20%	12%
Swift Direct Blinds				4%	17%	20%	7%	3%
The Range			1%	0%	2%	14%	24%	17%
Amazon							5%	9%
Blinds4uk						3%	8%	
Englishblinds							5%	5%
Londonwindowblinds						0%	7%	1%
Next					1%	0%	5%	18%
Terrysfabrics						0%	7%	5%
Verticalblindsdirect*							0%	7%
Unknown	5%	1%	2%		1%	3%	4%	5%

Source: CMA analysis of publicly available data.

Notes: Other retailers that have a share of lower than 5% in any organic position not shown in the table.

Blinds-direct and Blinds Direct Online may have been mistakenly marked as Blinds Direct – this might lead to an overestimation of situations where Blinds Direct appears.

*Part of Interior Goods Direct

25. The table below shows the extent to which the Parties' brands⁴⁷ appear in the top ranks for organic links in the first page of results. Results indicate that for most cases (94%), the Parties' brands show in at least 2 of top 5 organic links and in 30% of cases in 3 of the 5 top organic links. We note that, where this analysis finds that the Parties' brands appear in more than one of the top 5

⁴⁷ Including the several Hunter Douglas' brands (Blinds2Go, WebBlinds, Hillarys, Thomas Sanderson and Tuiss) and 247.

organic results, this could either be due to Hunter Douglas and 247 appearing simultaneously, or Hunter Douglas appearing under several brand names. As such, this analysis does not directly inform us on how frequently both Parties appear simultaneously in the 5 top organic links; though, it is likely that many of the instances where the Parties feature in 2 or more of the top ads will relate to 247 and Hunter Douglas appearing simultaneously, given the prevalence of 247 in top organic links more generally.

Table 6: Organic links - Proportion of time and search word combinations in which the Parties' brands appeared

<i>Proportion of combinations Parties show in...</i>					
<i>In all of top 5 organic links</i>	<i>In 4 of top 5 organic links</i>	<i>In 3 of top 5 organic links</i>	<i>In 2 of top 5 organic links</i>	<i>In 1 of top 5 organic links</i>	<i>In 0 of top 5 organic links</i>
0%	0%	30%	64%	6%	0%

Source: CMA analysis of publicly available data.

26. With respect to this analysis, the Parties raised the following concerns:⁴⁸
- (a) The week considered for analysis is not representative as it took place during the COVID-19 related nationwide lock-down, which had a significant effect not only on store openings but also on supply chains more generally.
 - (b) Carrying out the analysis from only one IP address will distort results shown due to search history and personalisation profile biases.
 - (c) The analysis focusing on London induces bias because '[redacted].'
 - (d) Some retailers might only bid at certain times of the day and the analysis does not cover every time of the day.
 - (e) The analysis is limited to only 10 search words. Smaller competitors who may focus their budgets on less common search words are thus excluded from the CMA's snapshot analysis.
 - (f) The analysis, which focuses only on generic search words, omits the relevance of marketplaces and omni-channel retailers who have substantial direct or branded search traffic.

⁴⁸ Parties' response to Provisional Findings, 7 August 2020, paragraph 4.54.

27. With regard to the Parties' comments, we note the following:
- (a) While we acknowledge that that the COVID-19 related nationwide lock-down constitutes exceptional circumstances, it is not unclear from the Parties' submission how exactly this would bias our results. We also note that we have not received any evidence that would suggest that the Parties were affected differently by COVID-19 than any of the other online M2M blind retailers. Moreover, the fact that our results are broadly consistent with (i) the results obtained from the CMA's analysis undertaken at phase 1 (which was not based on a period during the COVID-19 pandemic) and (ii) the results obtained from our analysis of ranking metrics with respect to different retailers' Google Ads campaigns (see paragraphs 28 to 31 below), which covers the period 2017 to 2019 (and is therefore also unaffected by COVID-19) suggests that our results are not materially affected by our analysis using data from a week during the COVID-19 related nationwide lock-down.
 - (b) We used several IP addresses in our analysis (five IP addresses, same IP address used throughout a given day). Therefore, the effects of history and profiling should be spread out. Additionally, after every time session, cookies were deleted, meaning any sessions later in the day did not get biased from cookies saved earlier in the day. Also, there was no additional activity in any way related to blinds and we have also not clicked on any links, so it is unclear how any effects of history and profiling would make any googling of generic words (such as 'blinds') bias results in favour of the Parties.
 - (c) While the IP addresses used in our analysis all relate to London, we do not agree with the Parties' submission that this induces bias. First, if both Parties focus on London while other retailers do not, this in and of itself shows that the Parties are competing more closely with each other than with other retailers (as they are focusing on the same region). More generally, any competitor that only bids on certain locations instead of nationally will in effect not be as close a competitor as retailers that do. Second, we note that the Parties did not submit any evidence with respect to the extent to which our conclusions on rankings would shift when looking at other geographic locations in the relevant market. Third, the fact that our results are consistent with the results obtained from our analysis of ranking metrics with respect to different retailers' Google Ads campaigns (see paragraphs 28 to 31 below) suggests that our results are not biased. Fourth, given the size of London, even London-specific results capture a significant part of the market.

- (d) We covered a wide window of time in our analysis, and selected times of day where there seemed to be more traffic on Parties' sites, as well as including other times in case those times corresponded to heavier traffic for other retailers, so expect this to be representative. Also, as the process of buying M2M blinds involves an iterative process of several searches, the importance of being consistently in top ranks is increased. This means that if there are some retailers that are only able to bid at some points of the day, they are likely not to be as close competitors.
- (e) The analysis covers the top search words at industry level – to the extent that other competitors are not bidding on these, this would indicate that these are not likely to come up frequently in relevant searches. Also, we checked that these search words largely coincide with the top generic search words of the Parties as well as of [X] in 2019.
- (f) With respect to Google Trends, we did not look at branded search words because it may indicate less predisposition to search around and compare across competitors.
- (g) Finally, insofar as there may be any biases introduced from our selection of times of the day, the week considered and IP address of the computer used, we note that these caveats do not apply to the analysis that follows, which analyses Google analytics data over a longer time period, and finds similar results.

Analysis of Google Ads rankings – top 10 search words of each retailer 2017-2019

- 28. The second piece of analysis involved analysing ranking metrics for the top 10 search words by number of impressions for **each** of the Parties (Blinds2Go, Web Blinds and 247) and two other competitors (Blinds Direct and [X]) in the period 2017 to 2019 with respect to their Google Ads campaigns.⁴⁹
- 29. A given retailer holds the following metrics, among others,⁵⁰ on both itself and other retailers:

⁴⁹ The analysis focus on blinds-related search words only. The impressions indicate how often the ad is shown. An impression is counted each time the ad is shown on a search result page or other site on Google. For the avoidance of doubt by this we mean that the analysis focused on the search words of each retailer as opposed to just looking only at the search words of Blinds2Go and 247. The analysis is for the period 2017 to 2019 combined (we do not hold the data separately for each year), meaning that competitors that have grown recently may be underrepresented. We understand that both Interior Goods Direct and [X] have grown significantly in the last three years. The analysis is for the period 2017 to 2019 combined (we do not hold the data separately for each year), meaning that competitors that have grown recently may be underrepresented. We understand that both Interior Goods Direct and [X] have grown significantly in the last three years.

⁵⁰ Additional metrics that were provided are 'position above rate' and 'outranking share', but we did not think they were as insightful and has therefore not analysed them in further detail.

- (a) Impression share – Percentage of impressions that a retailer’s ad receives compared to the total number of impressions that the retailer’s ad is eligible for.⁵¹ An impression share provides information on how often an ad is shown rather than on the positions in which it is shown.
- (b) Overlap rate – How often another retailer’s ad received an impression while a given retailer also received an impression
- (c) Top of page rate – How often a retailer’s ad shows at the top of the page (within the group of top ads – rather than the first ad that shows) above the organic results for a particular search word.
- (d) Absolute top of page rate – How often a retailer’s ad shows at the absolute top of the search page (first ad that shows) above the organic results for a particular search word.

30. For simplicity, below we present the results of the analysis focusing on impression shares and top and absolute top of page rate, as analysis of overlap rate yields similar insights.

Table 7: Average impression shares of each retailer with respect to top 10 search words of a given retailer

<i>Retailer</i>	<i>Top 10 search words 247</i>	<i>Top 10 search words Blinds2Go</i>	<i>Top 10 search words Web Blinds</i>	<i>Top 10 search words Blinds Direct</i>	<i>Top 10 search words [X]</i>
<i>Blinds2Go*</i>	[X]	[X]	[X]	[X]	[X]
<i>247*</i>	[X]	[X]	[X]	[X]	[X]
<i>Web Blinds*</i>	[X]	[X]	[X]	[X]	[X]
<i>Tuiss*</i>	[X]	[X]	[X]	[X]	[X]
<i>Hillarys*</i>	[X]	[X]	[X]	[X]	[X]
<i>Thomas Sanderson*</i>	[X]	[X]	[X]	[X]	[X]
<i>Blinds Direct**</i>	[X]	[X]	[X]	[X]	[X]
<i>Swift Direct Blinds***</i>	[X]	[X]	[X]	[X]	[X]
<i>Directblinds.co.uk***</i>	[X]	[X]	[X]	[X]	[X]
<i>MakeMyBlinds</i>	[X]	[X]	[X]	[X]	[X]
<i>Amazon</i>	[X]	[X]	[X]	[X]	[X]
<i>Dunelm</i>	[X]	[X]	[X]	[X]	[X]
<i>Wilson's Blinds**</i>	[X]	[X]	[X]	[X]	[X]
<i>Blinds4uk</i>	[X]	[X]	[X]	[X]	[X]
<i>Kingston Blinds Direct</i>	[X]	[X]	[X]	[X]	[X]
<i>Argos</i>	[X]	[X]	[X]	[X]	[X]

Source: CMA analysis of Hunter Douglas and 247, Response to CMA Questionnaire, Annexes 0020, 0060, 20 April 2020; [X].
Notes: * indicates the Parties. ** Both belonging to Interior Goods Direct. *** Both belonging to Swift Direct Blinds.
Values are simple averages across the respective top 10 search words.

⁵¹ 'Eligible for' in this case means that the given retailer participated in the auction for this search word.

Where values were indicated as "<10%" in the dataset, these were replaced by 10%.
Some retailers with generally low percentages have been excluded.

Table 8: Average top of page rate of each retailer with respect to top 10 search words of a given retailer

Retailer	Top 10 search words 247	Top 10 search words Blinds2Go	Top 10 search words Web Blinds	Top 10 search words Blinds Direct	Top 10 search words [%]
<i>Blinds2Go*</i>	[<10%]	[<10%]	[<10%]	[<10%]	[<10%]
<i>247*</i>	[<10%]	[<10%]	[<10%]	[<10%]	[<10%]
<i>Web Blinds*</i>	[<10%]	[<10%]	[<10%]	[<10%]	[<10%]
<i>Tuiss*</i>	[<10%]	[<10%]	[<10%]	[<10%]	[<10%]
<i>Hillarys*</i>	[<10%]	[<10%]	[<10%]	[<10%]	[<10%]
<i>Thomas Sanderson*</i>	[<10%]	[<10%]	[<10%]	[<10%]	[<10%]
<i>Blinds Direct**</i>	[<10%]	[<10%]	[<10%]	[<10%]	[<10%]
<i>Swift Direct Blinds***</i>	[<10%]	[<10%]	[<10%]	[<10%]	[<10%]
<i>Directblinds.co.uk***</i>	[<10%]	[<10%]	[<10%]	[<10%]	[<10%]
<i>MakeMyBlinds</i>	[<10%]	[<10%]	[<10%]	[<10%]	[<10%]
<i>Amazon</i>	[<10%]	[<10%]	[<10%]	[<10%]	[<10%]
<i>Dunelm</i>	[<10%]	[<10%]	[<10%]	[<10%]	[<10%]
<i>Wilsons Blinds**</i>	[<10%]	[<10%]	[<10%]	[<10%]	[<10%]
<i>Blinds4uk</i>	[<10%]	[<10%]	[<10%]	[<10%]	[<10%]
<i>Kingston Blinds Direct</i>	[<10%]	[<10%]	[<10%]	[<10%]	[<10%]
<i>Argos</i>	[<10%]	[<10%]	[<10%]	[<10%]	[<10%]

Source: [%]; [%].

Notes: * indicates the Parties. ** Both belonging to Interior Goods Direct. *** Both belonging to Swift Direct Blinds.
Values are simple averages across the respective top 10 search words.
Some retailers with generally low percentages have been excluded.

Table 9: Average absolute top of page rate of each retailer with respect to top 10 search words of a given retailer

Retailer	Top 10 search words 247	Top 10 search words Blinds2Go	Top 10 search words Web Blinds	Top 10 search words [%]	Top 10 search words [%]
<i>Blinds2Go*</i>	[%]	[%]	[%]	[%]	[%]
<i>247*</i>	[%]	[%]	[%]	[%]	[%]
<i>Web Blinds*</i>	[%]	[%]	[%]	[%]	[%]
<i>Tuiss*</i>	[%]	[%]	[%]	[%]	[%]
<i>Hillarys*</i>	[%]	[%]	[%]	[%]	[%]
<i>Thomas Sanderson*</i>	[%]	[%]	[%]	[%]	[%]
<i>Blinds Direct**</i>	[%]	[%]	[%]	[%]	[%]
<i>Swift Direct Blinds***</i>	[%]	[%]	[%]	[%]	[%]
<i>Directblinds.co.uk***</i>	[%]	[%]	[%]	[%]	[%]
<i>MakeMyBlinds</i>	[%]	[%]	[%]	[%]	[%]
<i>Amazon</i>	[%]	[%]	[%]	[%]	[%]
<i>Dunelm</i>	[%]	[%]	[%]	[%]	[%]
<i>Wilsons Blinds**</i>	[%]	[%]	[%]	[%]	[%]
<i>Blinds4uk</i>	[%]	[%]	[%]	[%]	[%]
<i>Kingston Blinds Direct</i>	[%]	[%]	[%]	[%]	[%]
<i>Argos</i>	[%]	[%]	[%]	[%]	[%]

Source: [%]; [%].

Notes: * indicates the Parties. ** Both belonging to Interior Goods Direct. *** Both belonging to Swift Direct Blinds.

Values are simple averages across the respective top 10 search words.

Some retailers with generally low percentages have been excluded.

31. Overall this analysis shows that:

- (a) Blinds2Go consistently (ie, across all retailers' data) has the highest average impressions share ([%]%), average top of page rate ([%]%) and average absolute top of page rate ([%]%). Other Hunter Douglas brands (in particular Hillarys) tend to have high percentages on all these three metrics too.⁵²
- (b) 247 is typically the runner up to Blinds2Go, although it is sometimes outperformed by Blinds Direct in terms of impression share and top of page rate. Blinds Direct always outperforms 247 when it comes to absolute top of page rate.
- (c) Other than the Parties and Blinds Direct, there are no other retailers with significantly high values for any of the metrics analysed.

⁵² This is in contrast to the ranking analysis we conducted on the basis of publicly sourced information, where Hillarys does not frequently feature in Google Ads. If Hillarys recently changed its marketing approach, the observed differences could be explained by the different time periods considered (2017-2019 vs 2020).

Analysis of Google Ads rankings – search words of each retailer 2019

32. The third piece of analysis involved analysing metrics related to ranking for **each** retailers' top 3, 5, 10, 30 and 50 search words (by number of impressions in the year) as well as all search words in 2019 of the Parties (Blinds2Go, Web Blinds and 247) and two other competitors (Blinds Direct and [X]).^{53 54} In particular, we assessed:
- (a) Impression share;⁵⁵ and
 - (b) Quality score – this provides insights on the quality of a certain retailer's ad. The score has values of 1-10 (1 lowest, 10 highest) and is reported for each search word, providing an estimate of the quality of a retailer's ad and the landing pages triggered by it. Three factors determine quality score: expected click-through rate, ad relevance, landing page experience.^{56 57}
33. We focused our analysis on the performance of retailers' top 3, 5, 10, 30 and 50 (by number of impressions in the year) as well as all search words in 2019. The table below shows the results for the top 10 search words for each retailer, given that results were broadly similar for other number of top search words.⁵⁸

⁵³ For the avoidance of doubt by this we mean that the analysis focused on the search words of each retailer as opposed to just looking only at the search words of Blinds2Go and 247.

⁵⁴ The analysis focus on blinds-related search words only.

⁵⁵ There are several reasons that can lead to different results in this analysis versus the one previously discussed with respect to the metrics they both report on (in this case, impression shares). Differences in impression shares between this analysis and the previous one may stem from:

- Top 10 search words for each retailer do not necessarily need to be the same when considering overall period of 2017 to 2019 versus top 10 words in 2019 only.
- The previous analysis shows simple averages impression shares, whereas this analysis shows weighted averages (weighted on the basis of impressions).
- There might in general be some differences in impression shares even for same search words over the years.

⁵⁶ See <https://support.google.com/google-ads/answer/7050591> and <https://support.google.com/google-ads/answer/2454010>

⁵⁷ Null Quality Scores, designated by "NA" in the table, appear when there aren't enough impressions or clicks to accurately determine a search word's Quality Score.

⁵⁸ We also assessed whether these results held when considering top search words by costs rather than number of impressions and verified that results are broadly similar.

Table 10: Retailers’ average impression share, quality score of Google Ad search word campaigns for 2019 for top 10 search words (by number of impressions in the period)

Retailer	Average impression share (weighted by number of impressions)	Average quality score (weighted by number of impressions)
Blinds2go	[✂]	[✂]
247	[✂]	[✂]
Web Blinds	[✂]	[✂]
[✂]	[✂]	[✂]
[✂]	[✂]	[✂]

Source: [✂].

Values are weighted averages across the respective top 10 search words, based on number of impressions. Where values were indicated as “<10%” in the dataset, these were replaced by 10%.

34. Despite impression shares not informing on ranking in the ads shown, it does show the extent to which a retailer’s ads are shown and therefore allows to draw implications about at least reaching some position in the rankings, although not knowing exactly which. Quality scores are also informative in the sense that, despite not directly used in the ad ranking algorithm, they are based on much of the same data that is considered regarding quality in the Ad ranking algorithm. In particular, Google explains that when determining quality as part of the ad rank calculations, it looks at a number of different factors:

‘By improving the following factors you can help to improve the quality components of your Ad Rank:

- a) Your ad's expected click-through rate: This is partly based on your ad's historical clicks and impressions (adjusting for factors such as ad position, extensions, and other formats that may have affected the visibility of an ad that someone previously clicked)
- b) Your ad's relevance to the search: How relevant your ad is to what a person searches for
- c) The quality of your landing page: How relevant, transparent and easy-to-navigate your page is’

35. Google also explains that its Ad ranking algorithm will take into consideration quality components of retailers’ ads in a number of different ways and will feed through different channels.⁵⁹

⁵⁹ <https://support.google.com/google-ads/answer/1722122>

- a) 'Ad auction eligibility: Our measures of ad quality help determine the Ad Rank thresholds for your ad, and therefore whether your ad is qualified to appear at all.
- b) Your actual cost per click (CPC): Higher quality ads can often lead to lower CPCs. This means that you pay less per click when your ads are higher quality.
- c) Ad position: Higher quality ads often lead to higher ad positions, meaning that they can show up higher on the page.
- d) Eligibility for ad extensions and other ad formats: Ad Rank determines whether or not your ad is eligible to be displayed with ad extensions and other ad formats, such as sitelinks.

Overall, higher quality ads typically lead to lower costs, better ad positions and more advertising success. [...]

- 36. With respect to the top 10 search words of each retailer, [X] and Blinds2Go are the best performing retailers when it comes to both impression shares ([X]%) and quality scores ([X]%). 247 performs comparatively worse on both basis ([X]). [X] performs the worst, with a [X]% impression share.
- 37. Results are similar when considering all search words (rather than only the top 10) of each retailer: impression shares remain broadly the same (247 being the retailer for which there is the biggest percentage difference, increasing impression share by [X]% compared to when considering the top 10 search words only). Quality scores also remain broadly the same, although it is smaller for all (Blinds2Go being the retailer for which there is the biggest percentage difference, decreasing quality score by [X]% compared to when considering the top 10 search words only).

Analysis of Google Ads rankings – information from Parties' internal documents

- 38. We reviewed the 'Auction Insights' reports and 'Account Health' reports contained in Blinds2Go's internal documents.
- 39. 'Auction Insights' reports show Blinds2Go's and its competitors' rankings with respect to Blinds2Go's Google Ads campaigns. The reports contain a number of metrics, with us focusing on the following ones:⁶⁰
 - (a) Impression share;


⁶⁰ Additional metrics were provided but these do not provide significant incremental information and, therefore, were not analysed in further detail.

- (b) Top of page rate;
- (c) Average position - average rank of the ad in the auctions, which determines the order of the ads on the search results page; and
- (d) Win rate - How often the retailer showed in a higher position than a given competitor.

40. We have only identified three complete ‘Auction Insights’ reports, each covering a few months within the period from 2016 to 2018.⁶¹ Below, we set out a screenshot of the most recent one of these reports, relating to the period from 30 November 2017 to 27 February 2018.⁶²

Figure 1: Overview of ranking metrics for period from 30 November 2017 to 27 February 2018, with respect to Blinds2Go’s Google Ads.

[]

Notes: Footnote 2 in the picture indicates that data presented relates to Google Ads only.
Source: [].


- 41. Figure 1 above shows that Blinds2Go ranks higher than all other competitors considered – with a much higher impression share than others, as well as higher top of page rates and smaller average position. Additionally, Blinds2Go’s win rates are quite high compared to all competitors considered ([]). Other than Hillarys (which is part of Hunter Douglas), 247 is the runner up, followed by Tuiss and Web Blinds (both part of Hunter Douglas) and then Swift Direct Blinds. We note that Blinds Direct is not mentioned in this report.
- 42. ‘Account Health’ reports show Blinds2Go’s and its competitors’ ranking metrics (in particular, impression shares and top of page rates) with respect to Blinds2Go’s Google Ads campaigns.
- 43. We have only identified two complete ‘Account Health’ reports, each covering at least a week in 2018.⁶³ Below, we set out a screenshot of the most recent one of these reports, relating to the period from 23 September 2018 to 22 October 2018.⁶⁴

Figure 2: Overview of ranking metrics for period 23 September 2018 to 22 October 2018, with respect to Blinds2Go’s Google Ads.

[]

⁶¹ [].

⁶² We note that older reports consistently show that Blinds2Go performs particularly well with respect to ranking. However, the position of competitors (and indeed which competitors are included in the older reports) varies.

⁶³ [].

⁶⁴ We note that older reports consistently show that Blinds2Go performs particularly well with respect to ranking. However, the position of competitors (and indeed which competitors are included in the older report) varies.

44. Figure 2 above shows that Blinds2Go has a much larger impression share than all other competitors listed, with 247 being the follow up when discarding Hillarys (which is part of Hunter Douglas). With respect to the top of page rate, Blinds Direct has the highest rate, slightly outperforming Blinds2Go. The remaining listed competitors (Hillarys, Swift Direct Blinds, Thomas Sanderson and 247) perform similarly with respect to desktop search, but 247's top of page rate for mobile and tablet is worse.

Performance on Google Ads campaigns – search words of each retailer 2019

45. We analysed the performance of the Parties' and other retailers' Google paid search campaigns by looking at a number of performance metrics for their ad campaigns. In particular, we assessed data from both Parties, [redacted] and [redacted], regarding their Google Ad search words campaigns, looking at:
- (a) Costs;
 - (b) Impressions, ie views – how often the ad is shown. An impression is counted each time the ad is shown on a search result page or other site on Google;⁶⁵
 - (c) Interactions, ie clicks – the main user action associated with an ad format, in this case, clicks;⁶⁶
 - (d) Conversions, ie sales – an action that has been defined as valuable to the business, such as an online purchase;⁶⁷ and
 - (e) Costs per impression, interactions and conversions.
46. We focused our analysis on the performance of **each** retailers' top 3, 5, 10, 30 and 50 search words (by number of impressions in the year) as well as all search words in 2019.^{68 69} The table below shows the results for the top 10 search words for each retailer, given that results were broadly similar for other number of top search words.⁷⁰

⁶⁵ See <https://support.google.com/google-ads/answer/6320?hl=en-GB>

⁶⁶ See <https://support.google.com/google-ads/answer/6281923?hl=en-GB>

⁶⁷ See <https://support.google.com/google-ads/answer/6365?hl=en-GB>

⁶⁸ For the avoidance of doubt by this we mean that the analysis focused on the search words of each retailer as opposed to just looking only at the search words of Blinds2Go and 247.

⁶⁹ The analysis focus on blinds-related search words only.

⁷⁰ We also assessed whether these results held when considering top search words by costs rather than number of impressions and verified that results are broadly similar.

Table 11: Retailers' performance of Google Ad search word campaigns for 2019 for top 10 search words (by number of impressions in the period)

<i>Retailer</i>	<i>Costs (Sum of all CPC paid)</i>	<i>No. of impressions</i>	<i>Number of interactions (as a proportion of impressions)</i>	<i>Number of conversions (as a proportion of interactions)</i>	<i>Cost per impression</i>	<i>Cost per interaction</i>	<i>Cost per conversion</i>
<i>Blinds2go</i>	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<i>247</i>	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<i>Web Blinds</i>	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Source: CMA analysis of Hunter Douglas and 247, Response to CMA Questionnaire, Annexes 0018, 0058, 20 April 2020; [REDACTED].

47. Blinds2Go spends the most on Google Ads ([REDACTED]), whereas 247 spends slightly over £[REDACTED]. [REDACTED] spends a similar amount to Blinds2Go and significantly more than 247. [REDACTED] spends much less than all other retailers (less than £[REDACTED]).
48. Blinds2Go's and 247's ads outperform those of both [REDACTED] and [REDACTED] on number of views by a large extent ([REDACTED]). [REDACTED] has the most interactions and conversions by far ([REDACTED]), followed distantly by [REDACTED] and [REDACTED]. [REDACTED] has a very small amount of interactions and conversions compared to the other retailers considered, [REDACTED].
49. Although [REDACTED] has a much smaller number of interactions than [REDACTED], it is the retailer that performs best when it comes to generating traffic from views (as measured by interactions as a proportion of impressions). However, and crucially, [REDACTED] is the best at converting when considering conversions as a proportion of interactions, distantly followed by [REDACTED], [REDACTED] and [REDACTED].
50. Despite overall costs not informing directly on amounts bid on auctions or effectiveness of overall campaigns at generating traffic or at converting, they allow us to understand the effectiveness of retailers' campaigns marketing spend when compared against the effective amount of impressions, interactions and conversions achieved by such campaigns. We compared the extent to which retailers' performances are comparable, with respect to costs per impression, costs per interaction and costs per conversion.
51. Blinds2Go pays less per impression compared to [REDACTED] and [REDACTED], but more than [REDACTED] (which pays the least). The other retailers considered are paying similar or higher amounts per interaction to those of the Parties. However, they pay much more per conversion than the Parties, especially when compared to

[redacted], suggesting that other retailers are not as successful at converting (and their marketing spend therefore is less effective) compared to the Parties [redacted].

52. When we consider the analysis with respect to all search words instead of the top 10 search words for each retailer, conclusions are broadly similar. The only notable differences are as follows:

- (a) Blinds2Go spends the most (over £[redacted]), whereas 247 spends around £[redacted]. [redacted] spends around £[redacted] (much less than Blinds2Go in contrast with top 10 search words analysis). [redacted] spends much less than all other retailers (less than £[redacted]).
- (b) The Parties' ads (Blinds2Go and 247) substantially overperform those of both competitors on number of views by a large extent ([redacted]). Blinds2Go has the most interactions and conversions, followed by 247, [redacted] and [redacted]. Costs per interaction and costs per conversion are always higher for competitors compared to the Parties.

53. We note that retailers' values for conversions were not all provided on the same basis. In particular, conversions included samples for all retailers except [redacted] and 247 (for which samples were excluded from conversions). This suggests that the number of conversions for the other retailers is likely to be overestimated compared to these retailers – leading, in turn, to an underestimation of costs per conversion for Blinds2Go, Web Blinds and [redacted]. In any case, even if we adjust conversions to exclude sample sales,⁷¹ this still shows that costs per conversion are considerably smaller for the Parties than for other competitors. Similarly, the findings on the absolute and relative numbers of conversions set out above also continue to hold when removing samples from conversions.

Google Ads search words bidding behaviour

54. We assessed the Parties' and other retailers' bidding behaviour, with respect to:

- (a) The extent to which the search words they bid on overlap;
- (b) The extent to which branded search words are bid on, and the non-brand bidding agreements present in the market.

⁷¹ Conversions can be adjusted to exclude samples as we have information of the percentage of conversions that represent samples for these retailers. In particular, we used the assumption that [redacted]% of conversions corresponded to samples for both Blinds2Go and Web Blinds and [redacted]% for [redacted], as according to their responses to CMA's Questionnaires on number of sales and samples in 2019.

Search word and spending overlap analysis

55. The extent to which retailers bid on the same search words can, among other factors, inform on closeness of competition between the Parties and also on effectiveness of other retailers as competitors – ie, if two retailers largely bid on the same search words, this may suggest that they are particular close competitors, while if this is not the case, it may suggest the two retailers may be more distant competitors.
56. We considered overlaps by analysing the extent to which the Parties' search words overlap with each other and the extent to which the Parties' search words overlap with those of other retailers. In order to conduct this analysis, we used Google Analytics data received from **each** of Blinds2Go, 247, Blinds Direct and [X] for their 2019 Google Ads search words⁷² campaigns.^{73 74}
57. In order to conduct this analysis, we first had to clean the data on search words to make sure that data was comparable across retailers and that we matched search words across retailers appropriately. In particular, we did the following alterations to the data:
- (a) Removed capitalisation of search words,⁷⁵ and
 - (b) Eliminated [] and "" from search words. This will in essence mean that we are considering broad match, exact match and phrase match search

⁷² Blinds-related search words only.

⁷³ For the avoidance of doubt by this we mean that the analysis focused on the search words of each retailer as opposed to just looking only at the search words of Blinds2Go and 247.

⁷⁴ We analysed overlaps by assessing pairs of two retailers: both all pairs of retailers where Blinds2Go was the 'first' retailer and each of the other retailers was the 'second' retailer in the pair and all pairs of retailers where 247 was the 'first' retailer and each of the other retailers was the 'second' retailer in the pair.

⁷⁵ This is because capitalisation does not affect Google Ad search word campaigns. See <https://support.google.com/google-ads/thread/1468569?hl=en>

words as the same in the overlap analysis.^{76 77}

58. Overlap rates are:

(a) Expressed as the proportion of the first retailer's search words/search word expenditure on which the second retailer also bids on.

(b) Calculated separately for:

(i) All search words bid for by each retailer in the pair in 2019;

(ii) The top 10 search words (by number of impressions) bid for by each retailer in the pair in 2019.⁷⁸

(c) Calculated separately on the basis of:

(i) Number of search words;

(ii) Marketing spend on those search words.

59. The results of this analysis are shown in the table below.

⁷⁶ In Google Ad search word campaigns, there is a particular notation that is used so that Google knows which campaigns to show depending on what a certain user browsed. In particular, there are a number of different notations, which will correspond to different matching types:

- Broad match (example: *search word*) - When bidding on this search word, a retailer is bidding to show ads for searches that include the words in the search word phrase, as well as synonyms of those words, in any order with or without the addition of more words in the search.
- Modified broad match (example: *+search word*) - When bidding on this search word, a retailer is bidding to show ads for searches that include the words in the search word phrase, as well as synonyms of those words (except for those words with a "+" sign in beginning - for these, it needs to be that words and not a synonym), in any order with or without the addition of more words in the search
- Exact match (example: *[search word]*) - When bidding on this search word, a retailer is bidding to show ads for searches for the exact search word phrase and nothing else.
- Phrase match (example: *"search word"*) - When bidding on this search word, a retailer is bidding to show ads for searches containing all of the words in the search word phrase in that exact order, but can contain searches with extra words in them before or after the "phrase".
- Negative match (example: *-search word*) - When bidding on this search word, a retailer is bidding to show ads for searches that include the words in the search word phrase, as well as synonyms of those words and that simultaneously do NOT contain any search words corresponding to the word with the "-", in any order with or without the addition of more words in the search.

⁷⁷ The reason that "[]" and "" have been removed to calculate overlaps can be explained through an example: if someone searches for 'roman blinds', a retailer bidding for "roman blinds" and a retailer bidding for [roman blinds] would both be competing for the auction of ad ranks for that search. We have checked to what extent not removing "[]" and "" changed results: we found this only impacted results related to overlaps between each of the Parties and [X]. [X]. [X].

⁷⁸ The overlap analysis based on top 10 search words was done based on to what extent the top 10 search words of second retailer coincide with top 10 of first retailer and not the extent to which the second bids (across all its search words) on the top 10 search words that the first bids on.

Table 12: Google Ad search words overlap between the Parties and between Parties and other retailers, 2019

Pair of retailers	All ad search words bid for by each retailer in the pair in 2019			Top 10 search words (by number of impressions) bid for by each retailer in the pair in 2019		
	Number of overlapping search words	Overlap rate (# of search words)	Overlap rate (marketing spend)	Number of overlapping search words	Overlap rate (# of search words)	Overlap rate (marketing spend)
Blinds2Go & 247	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Blinds2Go & [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Blinds2Go & [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
247 & Blinds2Go	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
247 & [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
247 & [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED]. Notes: Rates are calculated with respect to the **first** named retailer of each pair, in this case: B2Go with respect to first three rows and 247 with respect to last three rows of the table.

Overlap rate (# of search words) = Number of overlapping search words/Number of search words **first** retailer bid on

Overlap rate (marketing spend) = **First** retailer's spend on overlapping search words/**first** retailer's total spend on all search words

60. Focusing on overlap calculations based on the top 10 search words by number of interactions, the Parties overlap considerably with each other as well as others by marketing spend (between [REDACTED]%, and in most cases around [REDACTED]% or more) and, to a significant although lesser extent, by number of search words (between 40% and 50%, trending at 50%).

61. Regarding overlap calculations based on all search words, the Parties still overlap considerably with each other as well as others by marketing spend ([REDACTED]%). This is not the case when considering overlap rates based on number of overlapping search words ([REDACTED]%).

62. The results of the analysis indicate that:

(a) In general, the overlap rate between retailers is considerably larger when taking into consideration the top 10 search words each retailer bids on than when considering all search words bid on by each retailer. This is likely driven by there being a long tail of search words (eg longer combination of search words or uncommon search words) that only certain retailers bid on.

(b) The overlap rate between retailers is considerably larger when considering spend on search words rather than number of search words. This suggests that the overlap rate by number of search words understates the importance of overlapping search words and shows that retailers are spending most of their money on the same search words. This also suggests that it is not the case that retailers are spending substantial amounts of money on search words other retailers do not bid on, even if they do bid on many search words others do not bid on.

63. The analysis does not give a clear indication that there is one retailer that has a particularly high overlap with either of the Parties: Blinds2Go and 247 overlap with the other two retailers (Blinds Direct and [REDACTED]) to a broadly similar extent as they overlap with each-other.
64. We also note that, in this analysis, certain overlapping search words will not be counted as an overlap due to different ordering of the same words (for example, '+roller +blinds' or '+blinds +roller' should be considered as an overlap but this is not currently being picked up by the analysis).

Branded search words and non-brand bidding agreements

65. Bidding on Google Ad search words that include a retailer's brand name or, on the other hand, having a non-brand bidding agreement in place with one or more retailers could suggest that there is some competitive interaction between these retailers.⁷⁹
66. As explained in the phase 1 decision,⁸⁰ the Parties have been coordinating on branded search words that should not be bid on, relating to their respective businesses' brands, since July 2016. These discussions appear to have been initiated by 247, with both Parties electing not to bid on certain search words that included the other retailers' name – these were mutually agreed upon.⁸¹
67. [REDACTED].

Figure 3: [REDACTED]

Source: [REDACTED]

68. Hunter Douglas submitted [REDACTED].
69. [REDACTED] suggesting either at least some extent of competitive interaction between retailers not part of same ownership group or anti-cannibalistic strategies from retailers within same ownership group.
70. [REDACTED]. This could potentially suggest that Hunter Douglas believes it is in competition with all these retailers regarding made-to-measure blinds.
71. However, this does not inform on the strength of such retailers as a competitive force in the market, on the closeness of competition between the

⁷⁹ Non-brand bidding agreements (NBBAs) are advertising restrictions between undertakings related to paid search engine results. Namely, these agreements prohibit each party from bidding on the other's brand name (or variations thereof) as search words in search advertising auctions to prevent their advertisements from appearing in response to search queries that include their rival's brand name.

⁸⁰ [SLC Decision](#), 20 March 2020.

⁸¹ [REDACTED].

Parties or on the extent to which other retailers are able to successfully compete against the Parties.

Appendix F: Generating traffic as a potential barrier to entry and expansion

Paid search

1. As set out in 'How competition works in the market', paid search tends to be the largest source of traffic for online M2M blind retailers, accounting for between 32% and 60% of each of the main online M2M blind retailers' overall traffic by revenue in 2019.

The Parties' view

2. The Parties argued that paid search is an important source of traffic to the Parties' websites, although they also submitted that consumers use a mixture of organic search results, email, display and referral sources to find the Parties' e-commerce websites.
3. The Parties further submitted that PPC costs are entirely variable, require no or limited working capital and are not subject to any economies of scale.⁸² More specifically, they submitted that a website's ranking is not affected by its turnover or Google PPC spend.⁸³
4. The Parties also submitted that PPC can be outsourced to an advertising agency, and that even building advertising expertise in-house would not constitute a substantial barrier to entry.
5. Finally, the Parties submitted that it is wrong to focus on Blinds2Go's performance in PPC advertisement, the market leader by a substantial margin that is over five times the size of 247. In particular, the Parties argued that this would lead to an overstatement of the hurdles that an entrant or small existing competitor would need to overcome, as the question for the CMA's assessment must be whether the rivalry from 247 could be replicated.

Our assessment

6. Google is the main search engine used in the UK, with a market share of approximately 90%.⁸⁴ We have therefore focussed our assessment on Google search results.

⁸² [Main submission](#), 20 May 2020, paragraph 7.16;.

⁸³ [Main submission](#), 20 May 2020, paragraph 7.25.

⁸⁴ See

https://assets.publishing.service.gov.uk/media/5efc57ed3a6f4023d242ed56/Final_report_1_July_2020_.pdf

7. While we have not received evidence that the pricing mechanism for Google PPC in and of itself exhibits economies to scale, this does not necessarily mean that there are no barriers to entry and expansion associated with paid search.
8. In the sub-sections below, we assess the different mechanisms that appear to benefit larger and/or established players with respect to paid search, while at the same time providing a barrier to entry and expansion for new entrants and smaller players.

Efficacy of marketing spend

9. We assessed the efficacy of marketing spend with respect to a number of different metrics across different retailers.⁸⁵ As set out in Appendix E: Online presence on Google, Google PPC accounts for the largest proportion of marketing spend, with Google PPC including Google Ads, Google Shopping and video and display advertising. We focus our assessment on Google Ads, the most important category for online M2M blind retailers.^{86 87}
10. First, we compared the return on investment (ROI) across different online M2M blind retailers.

Table 13: ROI with respect to Google Ads across different online M2M blind retailers, 2019

ROI	B2G	Web Blinds	247	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes: ROI calculated across all Google Ads related to blinds by subtracting the cost from the revenue obtained through this channel only for 2019 and then dividing this by cost.

For [REDACTED], we increased revenues to include VAT (at 20%) prior to calculating ROI. The revenues of all other retailers in the analysis already included VAT and were hence not adjusted.

Source: [REDACTED]; [REDACTED].

11. Table 13 above shows that Blinds2Go, the largest online M2M blind retailer, has a significantly higher return on investment than the smaller players ([REDACTED]). It also shows that 247 has a higher ROI than [REDACTED] and [REDACTED].⁸⁸

⁸⁵ In addition to the analyses set out below, we have considered a comparison of different retailers' proportion of revenue spend on (i) marketing or (ii) Google PPC with the respective retailer's growth. However, as the Parties themselves submit, such simple comparisons may be limited by the fact that yearly data is considered (rather than more granular data) and that there may be various other factors that influence growth. We have therefore reached the view that such analysis would not allow for conclusions on whether there are economies of scale in marketing.

⁸⁶ The Parties submitted that [REDACTED]. By focusing on Google Ads only, we avoid mix effects from different retailers allocating their Google PPC differently between the different categories.

⁸⁷ We briefly discuss Google Shopping below.

⁸⁸ We note that our calculations for ROI shown in Table 13 for the Parties use revenues obtained by summing the individual revenues obtained through each search word of the Parties' Google Ads campaigns in the same year, while for third parties, we used aggregate revenues obtained through Google Ads. However, we have also

12. Second, we compared the cost per acquisition (CPA)⁸⁹ and the cost per click (CPC) across different online M2M blind retailers.

Table 14: CPA and CPC with respect to Google Ads across different online M2M blind retailers, 2019

	B2G	Web Blinds	247	[REDACTED]	[REDACTED]
CPA	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
CPC	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Source: [REDACTED].

13. Table 14 above shows that Blinds2Go, the largest online M2M blind retailer, has a significantly lower CPA than any of the other retailers considered (less than half that of others). 247's CPA is similar to that of [REDACTED], but substantially lower than that of [REDACTED].⁹⁰
14. Table 14 above further shows that Web Blinds has the lowest CPC, followed by Blinds2Go and 247, while [REDACTED] and [REDACTED] both have a significantly higher CPC.
15. The Parties submitted that a comparison of CPA, CPC and ROI could be misleading if measurements are not calibrated in the same way across competitors or if other factors influence the measures considered (eg different attribution models), that conversions and revenues measured by Google Analytics are not always accurate (because VAT may or may not be included and because samples may or may not be counted as conversions) and that non-Google spending likely affects Google PPC performance and must thus be taken into account.⁹¹
16. We find that neither of these factors is likely to significantly distort our analysis, for the reasons summarised below:
- (a) We confirmed that all retailers in our analysis use the same attribution model.
- (b) In relation to VAT, we confirmed that, with the exception of [REDACTED], all retailers in our analysis include VAT in their revenue data. In order to

checked how these results changed if we use aggregate revenues obtained through Google Ads for the Parties as well (ie use the same methodology across retailers). We find that this adjustment results in the difference in ROI between the Parties and the other retailers being even more pronounced.

⁸⁹ We understand that the cost per acquisition is the same as the cost per conversion.

⁹⁰ The Parties submitted that the CMA states that 247 performs worse on a CPA basis than one of the two competitors. We note that 247's CPA being lower than one of the two competitors (and similar to that of the other one) shows that 247 performs better rather than worse. [Parties' response to Provisional Findings](#), 7 August 2020, paragraph 5.28.

⁹¹ The Parties also submitted amended figures for their own ROI and CPA on the basis of adjusting Blinds2Go's, Web Blinds' and 247's conversion and revenue figures based on the ratio between actual orders and sales (as per the Parties' internal systems) and orders and sales as recorded by Google Analytics. However, we are not able to use these amended figures as they are calculated on a different basis than competitors' ROI and CPA. Still, we note that broad results remain unchanged using the Parties' amended figures.

account for the exclusion of VAT in [redacted] data, we have added a VAT of 20% to [redacted] revenue data and conducted our analysis on the basis of this adjusted revenue data.

- (c) With respect to revenue obtained from samples, we confirmed that all retailers in our analysis include revenues from samples to the extent that they charge for samples. Additionally, we note that in any case, revenue obtained from samples is likely to constitute a very small proportion of overall revenue and is therefore unlikely to affect results in any material way.
- (d) With respect to the extent to which samples are counted as conversions, 247 and [redacted] told us that their data does not count samples as conversions, while the remaining retailers (ie Blinds2Go, Web Blinds and [redacted]) told us that samples were counted as conversions. Accordingly, the CPA of Blinds2Go, Web Blinds and [redacted] is likely to be understated (as the number of conversions is biased upwards due to the inclusion of samples).⁹² We have therefore done the following adjustment to our analysis:
- (i) Blinds2go submitted that [redacted]% of its conversions relate to samples. We have used this proportion for each of Blinds2Go and Web Blinds to exclude samples from conversions. For [redacted], the proportion of conversions related to samples is [redacted].⁹³ We have used this proportion for [redacted] to exclude samples from conversions.
- (ii) Following this adjustment, we obtain a CPA of £[redacted] for Blinds2Go, £[redacted] for Web Blinds and £[redacted] for [redacted]. We note that our finding that Blinds2Go has by far the lowest CPA still holds.
- (e) With respect to non-Google spending, we acknowledge that this might be impacting the results of our analysis to some extent, but, as noted in the competitive assessment section of the main report, it is unlikely that this is the only or main driver for the results we observe.
17. On the basis of the analyses above, we find that Blinds2Go, the largest online M2M blind retailer, has a significantly higher ROI and lower CPA and CPC than the smaller online M2M blind retailers we analysed (and that 247 tends to perform better than the other retailers we analysed).

⁹² The extent to which samples are counted as conversions should not affect the CPC or the ROI.

⁹³ [redacted].

This indicates that Blinds2Go gets more out of its marketing spend than its smaller competitors.⁹⁴

18. Blinds2Go being more effective with respect to Google paid search is also supported by a Board paper prepared in the context of Hunter Douglas' acquisition of 65% of the shares in Blinds2Go in 2016, which notes that 'B2G's metrics and US experience have shown us that leading internet sites develop a strong competitive moat, especially in their ability to buy Google search clicks more aggressively and effectively'.
19. Similarly, third parties have repeatedly made comments consistent with marketing being more effective and/or cheaper for larger and/or established players (see section on Third party comments, paragraphs 71 to 72).
20. [REDACTED] (ie [REDACTED]) [REDACTED]. However, the Parties submitted that this can be explained by [REDACTED]. [REDACTED] that CPA and ROI have 'nothing to do' with PPC advertising or the ability to generate traffic.⁹⁵ [REDACTED].
21. We agree that PPC in and of itself does not appear to exhibit economies of scale. We also acknowledge that, given CPA and ROI are measures that relate to sales rather than clicks, they are not necessarily directly related to PPC advertising and the ability to generate traffic as such. However, we still find that they are important measures:
 - (a) A higher ROI / lower CPA shows that a retailer is more effective with respect to its marketing spend, meaning that such retailer will get more (in terms of sales volume or sales value) out of a given marketing spend than a retailer with a lower ROI / higher CPA.
 - (b) ROI and CPA are related to PPC advertising and generating traffic: for a given CPC, a higher ROI / lower CPA indicates that a retailer is either better at converting traffic in general or that it attracts traffic that is more likely to convert – both meaning that the retailer would need to generate less overall traffic to obtain a similar outcome than a retailer with a lower ROI / higher CPA.
22. We also agree that a key factor driving the results of our analysis of the efficacy of marketing spend appears to be Blinds2Go being better at converting traffic into sales than its competitors (as also highlighted in

⁹⁴ While our analysis only covers a selected number of retailers, we note that, combined, they account for more than 75% of the online M2M blind market. Additionally, we do not have any reason to believe that smaller retailers would perform better than the competitors considered.

⁹⁵ Parties' response to Provisional Findings, 7 August 2020, paragraph 5.28.

the competitive assessment section of the main report). For the reasons set out below, it is our view that developing sufficient ability to convert traffic into sales is in and of itself a barrier to entry and expansion.⁹⁶

23. First, a poor conversion rate could be driven by factors including:
- (a) an inferior website (with new entrants or less established retailers being more likely to have an inferior website, given their lack of industry experience on what works, and their websites not yet having received the benefits of iterative improvements over time);⁹⁷ and
 - (b) a worse product offering in terms of price, quality and range (in which case, the assessed retailers are unlikely to be able to expand in any case) and/or positioning.
24. Such factors indicate the existence of a knowledge barrier (for example in relation to website construction and product offering). Without this knowledge, retailers are less able to effectively compete (and hence grow), given they need to spend more on marketing per conversion. [X].
25. Second, a poor conversion rate could also be driven by a lack of brand recognition. In particular, visitors to a website may be less inclined to purchase from a website which has only a comparatively small number of Trustpilot reviews or the website of a brand or company they have never heard of before. We note that the Parties themselves submitted that the conversion rate for branded keyword searches is higher. While this is consistent with brand recognition having a positive effect on conversion, we also acknowledge that the higher conversion rate for branded keyword searches may, at least to some extent, be explained by customers having previously conducted generic search and returning to the website through branded search to make their purchase.⁹⁸ We also note that established websites are likely to benefit from a degree of brand recognition: the BDRC Survey indicates that 66% of Blinds2Go customers and 51% of 247 customers were aware of the brand before they started looking for blinds.
26. In addition to the challenges of converting traffic, we also consider there to be the following other barriers.

⁹⁶ While we discuss the conversion of traffic in the context of paid search, similar arguments also apply to converting traffic originating from organic search.

⁹⁷ For a discussion of the role of website improvements, including A/B testing, please see section on website setup costs.

⁹⁸ A similar point was also raised by the Parties; [Parties' response to Provisional Findings](#), 7 August 2020, paragraph 5.32.

27. First, we consider that a knowledge barrier exists with respect to expertise on which keywords to bid on, with at least a certain level of expertise in advertisement being required and more data and experience on what works being beneficial.
28. Second, retailers with lower brand recognition are likely to have to spend more on traffic generation, given that, as the Parties submitted, CPC is generally lower for branded keywords.
29. Third, we note that smaller retailers may face a higher CPC, driven by a worse quality score ([REDACTED]), as discussed in the competitive assessment section of the main report). We have considered the Parties' submission that Blinds2Go achieved a maximum quality score across its top 10 key words within a month of launching its Irish website.⁹⁹ However, this does not imply that players without the expertise that Blinds2Go has from its presence in other countries would necessarily manage to quickly obtain a good quality score in a similar timescale.
30. Overall, we find that there appear to be at least some knowledge barriers to entry and expansion and that new entrants and smaller retailers are at a further disadvantage due to a lack of brand recognition.
31. With respect to knowledge barriers, the Parties submitted that there are digital advertising agencies that 'can do the job' (ie decide on which keywords to bid) and that retailers can rely on free services such as the Google Keyword Planner. The Parties also submitted that the costs of such services are not substantial and that it is common in the digital advertising sector that advertising agency spend is set as a percentage of total PPC expenditure. Additionally, the Parties submitted that the CMA did not explain why any hypothetical knowledge advantage could not be addressed by poaching existing staff from 247, Interior Goods Direct or Blinds2Go.
32. We agree that outsourcing is a possibility, but it remains unclear how effective digital advertising agencies would be in addressing the above knowledge barrier. In particular, [REDACTED].
33. [REDACTED], we also note that the Parties do not provide any evidence to show that agencies can perform as well as an in-house team.
34. We acknowledge the Parties' submission that 247's significant improvement in PPC spending effectiveness since 2016 – the year in which it first engaged a digital advertising agency – shows that the

⁹⁹ [Main submission](#), 20 May 2020, paragraph 7.16.

agency clearly outperformed its in-house team.¹⁰⁰ However, it does not appear to be the case that the work of the agency alone is sufficient to overcome the identified knowledge barriers. In particular, we note that Hunter Douglas stated during the remedies hearing that 247 cannot be run without Jason and that the business would be severely degraded without Jason. We note that such an improvement is not necessarily linked to the use of agency – could also stem from knowledge in connection with relationship with Blinds2Go or a number of other factors.

35. While we acknowledge that it may in principle be possible to hire experienced staff from other online M2M blind retailers, this does not mean that retailers are in practice able to overcome knowledge barriers. In particular, we note that for most types of ‘knowledge’, it is possible to hire someone, yet we still see that knowledge barriers exist in many industries. Reasons for knowledge barriers persisting despite the possibility to hire staff could include to what extent a new hire will actually be able to provide the firm-specific expertise needed as well as difficulties in attracting the respective staff to your firm (which may in particular be difficult for new entrants given the risks of failure associated with new firms). With respect to the latter, we note that Hunter Douglas acknowledged during the remedies hearing that it would be hard to find someone willing to live and work in a small business in Huddersfield.
36. Finally, we also note that comments from third parties confirmed the existence of knowledge barriers with respect to online marketing (see Third party comments).
37. The Parties further submitted that the CMA’s description of conversion rates ignores the fact that higher conversion rates may be driven by factors that have nothing to do with any ‘knowledge barrier’. In particular, the Parties argued that conversion rates fall in response to a deterioration in the offering, and that any deterioration of (or failure to improve) the Parties’ offering would lead to a decline in their conversion rates, which would open up an opportunity for entrants to outperform them in terms of conversions.¹⁰¹ The Parties further submitted that as a consequence of the Parties’ decline in conversion rates, the Parties would generate a lower return on their PPC spend than is currently the case. According to the Parties, they would thus not be able to maintain their PPC budget and would fail to maintain their prominent position on Google, such that competitors could take advantage and outcompete the Parties for traffic.

¹⁰⁰ Parties' response to Provisional Findings, 7 August 2020, paragraph 5.37.

¹⁰¹ Parties' response to Provisional Findings, 7 August 2020, paragraph 5.29.

38. While we acknowledge that, as noted in paragraph 23, the product offering impacts the conversion rate, we do not agree with the Parties' wider submission. First, the Parties' arguments appear to rely on the Parties suffering a decrease in profit following a deterioration in offering. However, and as explained in our Competitive Assessment, we find that it would be profitable for the Parties to deteriorate their offering following the 2019 Transaction (ie that profits would increase rather than decrease). Second, we do not hold any evidence that shows that competitors would be able to outperform the Parties in terms of conversions and/or outcompete the Parties for traffic should the Parties experience a deterioration in their conversion rate and efficacy of marketing spend. In fact, given other competitors have not been particularly successful at converting and generating traffic effectively previously, it is unclear how they would achieve this in the future.
39. With respect to brand recognition, the Parties submitted that the CMA's assessment exaggerates the importance of brand recognition in the context of barrier to entry and expansion. The Parties further submitted that the brand value of the Parties is no more significant than their online rivals and significantly less than omni-channel retailers such as Dunelm, John Lewis and Next.¹⁰² However, other than a vague reference to Trustpilot reviews, the Parties do not provide any evidence that their brand recognition is no more significant than their online rivals. With respect to the brand recognition of multi-channel retailers, we defer to our discussion in paragraphs 9.30 to 9.36 of the main body.
40. Our finding that there appear to be at least some knowledge barriers to entry and expansion and that new entrants and smaller retailers are at a further disadvantage due to a lack of brand recognition is consistent with evidence from internal documents:
- (a) An internal Hunter Douglas e-mail exchange [REDACTED].
 - (b) [REDACTED].
41. [REDACTED]:
- (a) '[REDACTED]'
 - (b) '[REDACTED].'
42. [REDACTED].

¹⁰² [Parties' response to Provisional Findings](#), 7 August 2020, paragraph 5.32 and 5.33.

43. Finally, and in response to the Parties' submission that we should not focus on Blinds2Go's performance as the question for the CMA's assessment must be whether the rivalry from 247 could be replicated, we agree with the Parties that the assessment is whether the rivalry from 247 could (and would) be replicated. Indeed, various parts of our assessment explicitly reference 247 (rather than being limited to Blidns2Go). Additionally, we consider that Blinds2Go's performance shows that, even for established websites, there are a number of barriers to be able to effectively compete in this market, although we acknowledge that the barriers would be less for established players than for small existing retailers or new entrants. Our analysis of the timeliness, likeliness and sufficiency of expansion by established existing competitors is set out in the countervailing factors section of the main report.

*Limited number of top Google Ad positions*¹⁰³

44. According to Google's published policy, it is not allowed to 'show more than one ad at a time for your business, app, or site'.¹⁰⁴ For retailers with only one website, this means that these retailers can at most feature once in Google Ads.
45. In contrast, as Hunter Douglas owns various companies and websites (including Blinds2Go, Webblinds, Hillarys, Thomas Sanderson and Tuiss), Hunter Douglas companies can take up a number of Google Ads positions. With there being, at most, four Google Ads shown at the top a Google search results page (ie above the organic results), Hunter Douglas companies could conceivably occupy all of these positions. In line with this, third parties have submitted that, post-merger, Hunter Douglas companies would or could occupy large parts of the first Google search page. In particular:
- (a) Decora noted that Hunter Douglas companies occupy top positions on search engines.
 - (b) Interior Goods Direct told us that the Parties could, if they chose to, increase their Google budget and push Interior Goods Direct lower in the paid search rankings.

¹⁰³ While this section discusses the limited number of top Google Ad positions (ie focusing on paid search), a similar argument holds for organic search results, given a website is unlikely to obtain significant traffic if it does not feature in the top results.

¹⁰⁴ <https://support.google.com/adspolicy/answer/6020954?rd=1> accessed on the 1 June 2020.

- (c) [X] told us that because Hunter Douglas (post-merger) owns several websites and has a significant marketing budget, it has the ability to occupy the entire first page of Google search results, noting that subsequent pages of search results receive relatively very little traffic.¹⁰⁵
46. The Parties submitted that they do not believe that a limit of four top positions generates a natural barrier to entry or expansion. First, they submitted that Google Ads is only one of many potential routes to market and websites do not have to appear within the top four positions to generate traffic.¹⁰⁶ Second, the Parties submitted that a crowding out concern is unwarranted as the 2019 Transaction does not change the number of websites competing for the top positions.
47. Additionally, the Parties submitted that the first four Google Ads are not reserved for established competitors and that Hunter Douglas does not have the incentive to crowd out competitors. In particular, the Parties submitted that (i) the only way to crowd out a competitor from the top four positions is to increase bids above its level and (ii) if Hunter Douglas companies were to increase their bids above the profitable level, they would become loss making as the cost of attracting a customer would exceed the return.¹⁰⁷
48. With respect to Google Ads only being one of many potential routes to market, we note that, as discussed in section ‘How competition works in the market’ in the main body of the report, paid search is the most important source of traffic in terms of revenue generation for online M2M blind retailers (with paid search primarily relating to Google Ads). With respect to not having to appear in the top four positions, we note that, as again discussed in that section, a website is unlikely to obtain significant traffic if it does not feature in the top results.
49. Regarding the impact of the 2019 Transaction, it is not necessary for the merger to change the number of websites in order for the limited space on Google Ads to constitute a barrier to entry and expansion. Even pre-merger, the fact that there are at most four Google Ads shown at the top of a Google search results page which are most commonly occupied by the Parties and Interior Goods Direct implies that expansion is already difficult for smaller retailers.¹⁰⁸

¹⁰⁵ [X].

¹⁰⁶ Parties' response to Provisional Findings, 7 August 2020, paragraph 5.40.

¹⁰⁷ Parties' response to Provisional Findings, 7 August 2020, paragraphs 5.41 to 5.43.

¹⁰⁸ As set out in the competitive assessment section of the main report, pre-merger, the Parties' brands tend to appear in several of the top ads results. When more than one ad is shown on the first page, the Parties feature in at least 2 of them in most cases (corresponding to a minimum of 50% share of top ads for most cases).

50. In addition, the merger reinforces the barrier resulting from the limited number of top Ad positions, as Hunter Douglas controlling an additional website (ie 247) increases the prospects of Hunter Douglas crowding out competitors from top Google Ad positions. In particular, rather than only relying on its other companies, Hunter Douglas can also rely on 247 to fill the top Ad positions.
51. With respect to the incentive of Hunter Douglas to crowd out competitors, we note the following: a Hunter Douglas company featuring in a top position not only has the benefit of generating clicks for that company, but further has a positive externality on other Hunter Douglas companies, as it means that these clicks do not go to a competitor.

Financial resources

52. As set out in the competitive assessment section of the main report, spending on paid search appears to be substantial in absolute terms. With there being a certain risk associated with these marketing outlays (namely that they represent an expenditure for which returns are uncertain), better resourced firms, by virtue of having a stronger financial position overall, can reasonably be expected to be more willing to take and able to manage that risk.¹⁰⁹ We would expect Hunter Douglas companies to be better resourced in comparison to small independent online M2M blind retailers.
53. The Parties submitted that the financial risks associated with PPC advertising spending are small and that retailers require no working capital to finance their PPC campaigns. The Parties also submitted 'extremely limited' risks associated with PPC advertising can be managed to an extent that is uncommon to most (if not all) other types of advertising.¹¹⁰
54. While we agree that the financial risks associated with PPC advertising can be managed, at least to some extent, it is our view that at least some risk remains, in particular for retailers that have limited clarity about how successful they are likely to be in terms of conversions when competing against established rivals such as the Parties. We also note that Interior Goods Direct told us that it is very difficult to get online marketing right and that it is easy to spend a lot on it and go out of profit. Similarly, MakeMyBlinds told us, in the context of remedies discussions

¹⁰⁹ We note that a similar argument on financial resources relates to the expenditure on organic search. Indeed, given the likely fixed nature of costs associated with organic search, the argument is arguably stronger for organic search.

¹¹⁰ [Parties' response to Provisional Findings](#), 7 August 2020, paragraph 5.55.

regarding a suitable purchaser for 247, that if the acquirer did not have a clear plan for online marketing, they could lose a lot of money very quickly. Both of these statements indicate that there is a substantial (at least perceived) risk with respect to online marketing.

Organic search

55. As set out in the main report, after paid search, organic search is the next biggest source of traffic for online M2M blind retailers.

The Parties' views

56. The Parties submitted that organic search, which accounts for a significant share of the Parties' website traffic, provides a free route to market. While the Parties acknowledged that some investment in search engine optimisation (SEO) is required,¹¹¹ they also argued the following with respect to SEO:

- (a) SEO costs are relatively limited;
- (b) Public domain articles typically refer to a period of just three to six months until SEO starts to produce results;
- (c) SEO expertise is not required in-house as it can be outsourced; and
- (d) SEO costs are not necessarily fixed.¹¹²

Our assessment

57. With Google being the main search engine used in the UK, we have focussed our assessment on Google search.¹¹³
58. As set out in the competitive assessment section of the main report, ranking highly on Google search results is likely to be an important factor in order to be able to effectively compete. Additionally, ranking is likely to become even more important going forward, given the increasing role mobile devices are playing in generating traffic and the very limited number of search results shown on mobile devices without.
59. While Google organic search is free, retailers may, and often do, engage in SEO to improve their ranking. In the below, we first discuss retailers'

¹¹¹ [Main submission](#), 20 May 2020, paragraph 7.19.

¹¹² [Main submission](#), 20 May 2020, paragraph 7.19.

¹¹³ See

https://assets.publishing.service.gov.uk/media/5efc57ed3a6f4023d242ed56/Final_report_1_July_2020_.pdf

spending on SEO and assess the extent to which this constitutes a barrier to entry and expansion. Second, and relatedly, we present a case study which highlights that where a website ranks on Google organic search is highly sensitive.

SEO

60. Retailers can outsource their SEO by paying an agency or conduct their own SEO. We assessed the spending of online M2M blind retailers on SEO. On the basis of the evidence we have seen, it appears that online M2M blind retailers spend in the region of between £10,000 to £15,000 per month on SEO. In particular:
- (a) [REDACTED].¹¹⁴
 - (b) [REDACTED].^{115 116}
 - (c) [REDACTED].^{117 118}
61. An investment of £10,000 to £15,000 per month (ie £120,000 to £180,000 per year) is material. In particular, we note that it is likely to constitute a substantial proportion of the profit after variable costs of smaller online M2M blind retailers.¹¹⁹
62. While the Parties submitted [REDACTED],¹²⁰ we note that these alternative actions are likely to still require material investment (plus detailed industry knowledge).
63. The Parties submitted that they disagree with our finding that SEO costs are material, noting that even small M2M blind retailers would not be unprofitable due to the costs of SEO and would in fact still generate a material gross profit.¹²¹ However, this does not mean that SEO costs are not material, or that such costs do not constitute a barrier to entry and expansion. Any gross profit remaining after SEO costs had been incurred would still need to cover fixed costs (although we acknowledge the Parties' submission that online M2M blind retailers are businesses

¹¹⁴ [Main submission](#), 20 May 2020, paragraph 6.17.

¹¹⁵ [REDACTED].

¹¹⁶ This fee is not inclusive of the actual spend in Google PPC.

¹¹⁷ [REDACTED].

¹¹⁸ While we acknowledge that PR is not necessarily the same as SEO, this statement still shows the importance of investments to improve organic ranking.

¹¹⁹ While we do not hold data on the profit after variable cost of smaller online M2M blind retailers, we note that for a retailer with sales of £2 million, such SEO expenditure would account for between 38 and 56% of profits after variable cost if assuming a similar percentage contribution margin for M2M blinds as 247 in 2019 (namely 16%).

¹²⁰ [Main submission](#), 20 May 2020, paragraph 6.17.

¹²¹ [Parties' response to Provisional Findings](#), 7 August 2020, paragraph 5.47.

with relatively low fixed costs). Indeed, the Parties' submission does not even take into account certain variable costs, which would also need to be covered from the remaining profit.

64. With respect to the time it takes for investments in SEO to generate returns, the Parties submitted that public domain articles typically refer to a period of just three to six months until SEO starts to produce results. The Parties also submitted that [REDACTED].¹²² While the cited articles may be correct, the wording 'starts to produce results' is vague. In particular, it remains unclear how much return on investment a retailer could expect after three to six months. Similarly, the Parties' submission on a company ranking fifth within five months does not conclusively show what impact the SEO campaign had (for example, it does not comment on the company's position prior to the SEO campaign). Additionally, we note that MakeMyBlinds told us that organic sales generation takes 'years to achieve properly'. We therefore find that, whilst the exact timing may be unclear, investment in SEO is unlikely to generate an immediate substantial return.
65. The Parties further submitted that SEO costs are not necessarily fixed, noting that [REDACTED].¹²³ We acknowledge that this indicates that it is in principle possible to circumvent such investment by entering into a profit-sharing agreement with an SEO provider. However, we have seen no evidence on the potential cost effectiveness of such an agreement for the retailer.

Case Study

66. We have set out below a case study illustrating the impact of a change to a website ([REDACTED]) on organic search rankings.
67. [REDACTED] Given that [REDACTED] and that we were informed that no other significant changes were made by Swift Direct Blinds, we would not expect this change to have had an impact on the propensity of customers to click on the website or their browsing behaviour once they had entered the website.
68. However, Swift Direct Blinds told us [REDACTED]. This is corroborated by data Swift Direct Blinds provided to us on its average Google organic search position in that period, set out below. [REDACTED].

¹²² Parties' response to Provisional Findings, 7 August 2020, paragraph 5.49.

¹²³ Parties' response to Provisional Findings, 7 August 2020, paragraphs 5.51 to 5.52.

Figure 4: Swift Direct Blinds' average Google organic search position

[REDACTED]

Source: CMA analysis of Swift Direct Blinds data

69. [REDACTED].¹²⁴

70. Overall, this case study highlights that where a website ranks on Google organic search is highly sensitive. This emphasises the importance of SEO (or related expertise).

Other channels

The Parties' views

71. The Parties submitted that there are other channels to reach customers online than those discussed above, such as Google Shopping or social media.¹²⁵ By way of example, the Parties noted that they understand that MakeMyBlinds has been growing rapidly, yet rarely features on the first search results page on Google according to the CMA's analysis. According to the Parties, this shows that retailers can operate profitably even if they do not feature prominently on Google's paid or organic search results.¹²⁶

72. With respect to Google Shopping, the Parties further submitted that Google has recently announced that search results on the Google Shopping tab will consist primarily of free listings by the end of the year, which, according to the Parties, is a major policy change that is expected to have a big impact on online retailers. The Parties also argued that the CMA cannot judge Google Shopping's future importance and share of customer traffic based on its current importance.

73. With respect to social media, the Parties submitted that online retailers such as MakeMyBlinds gained a competitive advantage over 247 in the social media channel, with the former having 35,000 followers on Instagram, compared to under 5,000 for the latter.

¹²⁴ [REDACTED].

¹²⁵ [Main submission](#), 20 May 2020, paragraph 8.33.

¹²⁶ [Main submission](#), 20 May 2020, paragraph 6.17.

Our assessment

74. While we acknowledge that online M2M blind retailers generate some traffic through channels other than paid and organic search, such other channels only appear to generate relatively modest amounts of traffic.
75. In relation to the Parties' submission that MakeMyBlinds has grown in recent years despite appearing to not rank highly in Google search results, we note that MakeMyBlinds' sales of online M2M blinds remains small, [REDACTED] in 2019. Additionally, MakeMyBlinds noted in the context of its expansion plans that [REDACTED].¹²⁷
76. With respect to Google Shopping, we acknowledge, as the Parties submitted, that Google has announced that Google Shopping will consist primarily of free listings as of December 2020. We agree that this policy change will mean that, going forward, Google Shopping is likely to enable online M2M blind retailers to obtain traffic without facing costs per click.
77. However, Google Shopping is currently a relatively limited source of traffic for online M2M blind retailers, [REDACTED]. We have not seen any evidence to suggest this is likely to change going forward. Additionally, even with free listings, retailers are – similar to the current situation for Google organic search – still likely to incur costs for SEO in order to rank highly on Google Shopping results. While the Parties submitted that such argument ignores that the Parties would also have to incur these costs once Google switches to the new model,¹²⁸ we note that the Parties, having an established position in other channels, are not reliant on Google Shopping.
78. With respect to social media, we do not dispute that this channel generates some traffic for retailers of online M2M blinds. However, even [REDACTED]. We disagree with the Parties' submission that such traffic share is not an immaterial amount,¹²⁹ and further note that the traffic share social media generates for other retailers is even smaller.
79. Therefore, in our view, social media is not currently capable of generating substantial traffic.

¹²⁷ [REDACTED].

¹²⁸ Parties' response to Provisional Findings, 7 August 2020, paragraph 5.56.

¹²⁹ Parties' response to Provisional Findings, 7 August 2020, paragraph 5.56.

Third party comments

80. All of the online M2M blind retailers from whom we received evidence on barriers to entry and expansion (including those who provided such evidence at phase 1) highlighted the cost of advertising on digital platforms (with advertising relating to pay-per-click advertising and/or SEO) as a barrier to entry and expansion.¹³⁰
81. Three online M2M blind retailers further specifically emphasised the significant advertisement costs.
- (a) Interior Goods Direct told us that its annual expenditure on Google advertising is over £[redacted]m and that ‘this is currently not enough to compete with Blinds2Go and 247’. It further noted that a company would need to spend c.£5m to top Google’s rankings.
 - (b) Swift Direct Blinds told us that it is impossible to achieve this visibility on Google without high spend, which a new entrant or smaller operator would very unlikely be able to afford. Swift Direct Blinds further flagged that it would be virtually impossible for new entrants to compete with the Parties without considerable investment.
 - (c) Wilsons Blinds told us it would be impossible for a new entrant to compete because the cost of advertising on digital platforms is too high, and even established businesses are finding it increasingly difficult to compete.
82. Third parties further pointed out the importance of knowledge in the e-commerce sector for being able to compete effectively.
- (a) Interior Goods Direct told us, in the context of remedies discussions regarding a suitable purchaser for 247, that experience with online marketing and website conversion is very important.
 - (b) MakeMyBlinds told us, in the context of remedies discussions regarding a suitable purchaser for 247, that having a background in e-commerce would be essential.
 - (c) Swift Direct Blinds told us, in the context of remedies discussions regarding a suitable purchaser for 247, that a potential purchaser would need either to have a good amount of e-commerce experience, or to be an existing blinds manufacturer or to have substantial experience within

¹³⁰ Advertising on digital platforms may include various platforms, but Google advertising was highlighted as a particularly significant barrier. [redacted], [redacted], [redacted], [redacted], [redacted], [redacted], [redacted] all saw the required expenditure on digital advertising as a barrier to entry and/or expansion.

the blinds and/or window coverings industry. However, Swift Direct Blinds also told us that expertise can be bought provided sufficient funds are available.

(d) [redacted] more generally commented on the challenges of understanding the complexities of advertising and the need for staff with such understanding as a further barrier for new entrants.¹³¹

83. Decora, a wholesaler interested in entering the retail market, submitted that it would be prohibitively expensive for a new entrant to compete and 'virtually impossible' to obtain the top positions in Google's paid search advertising. Decora also noted that a new entrant would need to be able to withstand losses for at least five to seven years, and that these losses would cumulatively amount to £3.7m before taking into account web costs.

84. The Parties submitted that the claims made by Decora are unsubstantiated.¹³² However, we note that Decora's submissions on losses were substantiated by an analysis showing the projection of the set-up costs and start-up losses to build a scaled platform.¹³³

85. Certain online M2M blind retailers suggested that large retailers have larger funds to invest in digital advertising, which in turn helps them expand further.

(a) MakeMyBlinds told us that it becomes easier to grow as you get bigger. Additionally, MakeMyBlinds noted that as a larger retailer, you are able to afford television advertising, which is important to prove legitimacy and adds weight to a company's proposition.

(b) Swift Direct Blinds told us that to operate at maximum efficiency relative to the larger players in the market, a turnover of approximately £20m would be required so that it can match the levels of spend necessary to rank high in Google results.

86. Finally, several third parties suggested that some platforms (including Google) would give preference to sellers with an established history of sales, marketing spend and/or brand recognition.

¹³¹ [redacted].

¹³² [Parties' response to Provisional Findings](#), 7 August 2020, paragraph 5.57.

¹³³ [redacted].

- (a) MakeMyBlinds told us that even if a new entrant is able to create a 'superior website to the top players' the new entrant's website will not appear at the top of Google's rankings.
- (b) [REDACTED] told us that even if smaller retailers were to bid higher costs-per-click than the Parties, the Parties would still be likely to dominate the top rankings because their history of high expenditure acts as an incentive for Google to maintain their high ranking, and the Parties' brand recognition elevates organic traffic. [REDACTED] also told us that the bigger the brand recognition and the longer a website has been selling for will push organic traffic up.¹³⁴
- (c) [REDACTED] noted that, since machine learning algorithms are data driven, they perform and adapt better with more data. [REDACTED] also stated that for larger brands, the Google Ads platform can 'take many more learnings in a shorter period of time' (which presumably relates to the platform having access to more data to analyse and hence learn from) to optimise the delivery of campaigns. Finally, [REDACTED] noted that when you spend large amounts of money on Google and generate large quantities of conversions, you are also able to access optimal conversion attribution models.¹³⁵
87. No documentary evidence was submitted to corroborate the above comments on how platforms favour larger and/or established players. However, we note that these comments are also consistent with our ROI, CPA and CPC analysis, discussed above these. Overall, this indicates that there appears to be some incumbency advantage with respect to paid search, with Blinds2Go getting more out of its marketing spend than other retailers.

¹³⁴ [REDACTED].

¹³⁵ [REDACTED].

Glossary of defined terms and companies

2013 Transaction	The completed acquisition by Hunter Douglas N.V. of convertible loan notes and certain rights in 247 Home Furnishings Ltd.in 2013.
2019 Transaction	the completed acquisition by Hunter Douglas N.V. of a controlling interest in 247 Home Furnishings Ltd in 2019.
247 Founding Shareholders	Jason Peterkin and David Maher.
AMA Report	AMA Research, Domestic window coverings market report UK 2018-2022.
Call Option Agreement	Call Option Agreements dated 3 May between (separately) 247 Founding Shareholders and Buismetaal B.V..
CPA	Cost per acquisition
GlobalData Report	GlobalData, Window dressings November 2018
IEO	The Initial Enforcement Order issued by the CMA in November 2019 under section 72(2) of the Enterprise Act 2002. The Enterprise Act 2002
Interior Goods Direct	An online M2M blinds retailer incorporating, among other brands, Blinds Direct, Wilsons Blinds and Wooden Blinds Direct.

LNI	Series A subordinated participating convertible loan notes 2020 agreement dated 30 April 2013.
M2M blinds	Made-to-measure blinds.
MAGs	Merger Assessment Guidelines
Main online M2M blind retailers	Blinds2Go, 247, Interior Goods Direct, Swift Direct and MakeMyBlinds.
Multi-channel retailers	Retailers who sell M2M blinds in-store and online
Online M2M blind retailers	Retailers who focus on or solely supply M2M blinds to retail customers through the online channel
Parties/Merged Entity	Hunter Douglas and 247.
PPC	Pay-per-click
Put Option Agreement	Put Option Agreement dated 3 May between (separately) 247 Founding Shareholders and Buismetaal B.V..
Ready-made blinds	Blinds that, unlike M2M blinds, come in complete form and which are available in pre-set sizes.
RMS	Relevant merger situation
ROI	Return on investment
SKUs	Stock Keeping Units.
SLC	Substantial lessening of competition.

SLC Decision	The CMA's phase 1 decision on the Completed acquisition by Hunter Douglas N.V. of convertible loan notes and certain rights in 247 Home Furnishings Ltd. in 2013 and the completed acquisition by Hunter Douglas N.V. of a controlling interest in 247 Home Furnishings Ltd. in 2019, published 20 March 2020.
The 2016 Transaction	The acquisition by Hunter Douglas of a 60% stake in Blinds2Go on 21 June 2016.
The 2017 Transaction	The completed acquisition by Hunter Douglas N.V. of Hillarys in 2017.
The Act	The Enterprise Act 2002.
The Bonus Agreements	The two Bonus Agreements dated 3 May 2013 between (separately) David Maher and 247 Home Furnishings Ltd, and Jason Peterkin and 247 Home Furnishings Ltd.
The Call Option	The option for Hunter Douglas to require the 247 Founding Shareholders to sell 100% of their shares in 247 under each of the Call Option Agreements.
The Put Option	The option for the 247 Founding Shareholders to require Hunter Douglas to purchase 100% of the shares in 247 under the Put Option Agreement.
The Stakeholders Agreement	2013 Stakeholders Agreement between Hunter Douglas and the 247 Founding Shareholders.
The Transactions	The 2013 Transaction and the 2019 Transaction.

Web Blinds

An online M2M blinds retailer wholly owned by Blinds2Go.