

## **Appendices and glossary**

### *Appendices*

A: Terms of reference and conduct of the inquiry

B: Internal documents (Competitive monitoring and benchmarking)

C: Market shares

D: Customer evidence

E: Competitor hearings summary

### *Glossary*

# Appendix A: Terms of reference and conduct of the inquiry

## Terms of reference

1. In exercise of its duty under section 33(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) arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation, in that:
    - (i) enterprises carried on by Yorkshire Purchasing Organisation will cease to be distinct from enterprises carried on by Findel Education Limited<sup>1</sup>; and
    - (ii) the condition specified in section 23(1)(b) of the Act is satisfied; and
  - (b) the creation of that situation may be expected to result in a substantial lessening of competition within a market or markets in the United Kingdom (**UK**) for goods or services, including the supply of educational resources to educational institutions in the UK by generalist distributors.
2. Therefore, in exercise of its duty under section 33(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 14 December 2020, on the following questions in accordance with section 36(1) of the Act:
  - (a) whether arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation; and
  - (b) if so, whether the creation of that relevant merger situation may be expected to result in a substantial lessening of competition within any market or markets in the UK for goods or services.

**Andrea Gomes da Silva**  
**Executive Director, Markets and Mergers**  
**Competition and Markets Authority**  
**30 June 2020**

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<sup>1</sup> YPO is a public sector buying organisation which operates under the Local Authority (Goods & Services) Act 1970 and is governed by 13 'Founder Member' local authorities which control YPO in equal parts. The Council of the City of Wakefield acts as the 'Lead Authority' of YPO. The other 12 Founder Member local authorities are (i) Barnsley Metropolitan Borough Council; (ii) The Borough Council of Bolton; (iii) City of Bradford Metropolitan District Council; (iv) Borough Council of Calderdale; (v) Doncaster Borough Council; (vi) The Council of The Borough Of Kirklees; (vii) Knowsley Metropolitan Borough Council; (viii) North Yorkshire County Council; (ix) Rotherham Borough Council; (x) St Helens Borough Council; (xi) Wigan Borough Council; (xii) Council of The City of York.

## Conduct of the inquiry

3. On 30 June 2020, the CMA [referred](#) the anticipated acquisition by Yorkshire Purchasing Organisation of Findel Education Limited (the Merger) for an in-depth phase 2 investigation.
4. The CMA published the biographies of the members of the inquiry group conducting the phase 2 inquiry on the inquiry [webpage](#) on 1 July 2020 and the administrative timetable for the inquiry was published on the inquiry [webpage](#) on 27 July 2020.
5. We invited interested parties to comment on the Merger. We sent detailed questionnaires to various third parties including, Devolved Nations Framework Bodies, competitors and customers. We also sent questionnaires to YPO members. A number of third parties provided us with further information by telephone or videoconference hearings as well as responding to supplementary written questions. Evidence submitted during phase 1 was also considered in phase 2.
6. We received written evidence from the Parties in the form of submissions and responses to information requests. The Parties' [response to the Phase 1 Decision](#) was published on the inquiry webpage on 27 July 2020.
7. On 27 July 2020, the CMA published an [Issues Statement](#) on the inquiry webpage setting out the areas on which the phase 2 inquiry would focus. The Parties' [response to our Issues Statement](#) was published on the inquiry webpage on 19 August 2020.
8. On 29 July 2020 members of the inquiry group, accompanied by CMA staff, 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.
9. During our inquiry, we sent the Parties a number of working papers for comment. We also provided the Parties and third parties with extracts from our working papers for comments on accuracy and confidentiality. The Parties were also sent an annotated issues statement, which outlined our thinking prior to their respective hearings.
10. We held a joint hearing and separate hearings with each of the Parties on 16 September 2020.
11. A non-confidential version of our provisional findings report has been published on the inquiry [webpage](#). As we have provisionally concluded that the Merger may be expected to result in an SLC within a market or markets in

the UK for goods or services, including the supply of educational resources to educational institutions in the UK by generalist suppliers, a notice of possible remedies has also been published on the inquiry [webpage](#). Interested parties are invited to comment on both of these documents.

12. We would like to thank all those who have assisted in our inquiry so far.

## **Appendix B: Internal documents (Competitive monitoring and benchmarking)**

### **Introduction**

1. Internal documents are a useful source of evidence as they reflect how the merging parties assess the market in the ordinary course of business and when making strategic decisions.
2. We have reviewed the Parties' internal documents to understand their assessment of competitive conditions in the supply of Educational Resources to Educational Institutions.
3. This appendix analyses these internal documents to understand which competitors the Parties typically monitor and benchmark. This can indicate who the Parties consider to be their main competitors. It is particularly relevant for understanding market definition, in addition to unilateral horizontal effects and coordinated effects. The Parties' view of their main competitors is relevant evidence for market definition and our analysis of horizontal unilateral effects and coordinated effects.
4. The appendix reflects evidence from internal documents received both during the phase 1 investigation and phase 2 inquiry. Whilst some documents were requested and considered over a longer or shorter period, the document review focused particularly on documents produced in the period 2018 and 2019 (on the basis that this reflects the Parties' business operations in the relatively recent past, whilst excluding the period whilst the CMA's review was ongoing). Internal documents considered include:
  - (a) approximately 600 internal documents received from the Parties as part of the phase 1 investigation. This includes internal documents submitted with the Merger Notice (which requests internal documents relating to competitive conditions, market conditions, market shares, competitors and the Parties' business plans) and further to document requests relating to (amongst other topics) tenders and frameworks, growth strategies, pricing reviews/strategies, competitor benchmarking, strategy plans and board documents. These documents have been reviewed manually and in-depth.
  - (b) a further c.5000 internal documents received as part of the phase 2 investigation in response to document requests relating to (amongst other topics) recent benchmarking exercises, customer wins/losses, regional variation in the Parties' offerings, responding to competitors' regional

marketing/sales efforts and reports prepared by regional/area sales managers, and further regular reporting documents. Within this set, we identified certain documents and categories of document that were particularly relevant and prioritised these in our review.

5. We have also considered the evidence from the Parties' internal documents in other parts of our provisional findings (such as the transaction rationale, the nature of competition, other aspects of the coordinated effects analysis, and entry and expansion).

## **A note on competitor names**

6. A number of the key suppliers of Educational Resources operate under several brands. In the Parties' documents, these suppliers are sometimes referred to by the overall corporate entity (e.g. Findel, RM), and sometimes by reference to certain of their brands (e.g. Hope, GLS, Consortium). To aid in comparison across documents, this appendix lists the corporate entity first, and then where relevant, in brackets lists the individual brands mentioned.

7. The following list provides a non-exhaustive list of some of the suppliers in the market, and how they might be grouped. This list is intended simply as an aide-memoir of some of the key suppliers and their respective brands:

- (a) **National/regional Generalist Suppliers:** ESPO, Findel (GLS, Hope), KCS, RM (Consortium and TTS), YPO.
- (b) **Local Generalist Suppliers:** Herts Fullstop, Hampshire County Council, East Riding.
- (c) **Online Generalist Suppliers:** in particular Amazon.
- (d) **Specialist Suppliers:** Findel (Davies Sports, Philipp Harris, LDA); Wall Family (WFE) (TSL, Timstar, Maude Sport, Demco); amongst a large number of others – eg Bishop Sports, Science 2 Education, Egan Reid, Lyreco, Office Depot/Viking.
- (e) **Other retailers:** supermarkets, other high street retailers (e.g. Rymans).

## **Parties' submissions**

8. The Parties submitted that they each frequently monitor, price benchmark and compete against a wide range of competitors, including Generalist Suppliers, Specialist Suppliers, online retailers (Amazon) and others (including Rymans, Argos, and Tesco, as well as manufacturers who supply end customers directly). The Parties submit further that these internal documents also clearly

show the Parties reacting to competitive offerings by competitors as well as losing to them.

9. With respect to benchmarking, YPO submitted that [REDACTED]. [REDACTED]<sup>1,2,3,4,5,6</sup>
10. YPO further submitted that its field sales reports, [REDACTED].
11. Findel submitted that its board papers [REDACTED].
12. Finally, Findel submitted that it also reacts to competitor activity by [REDACTED].

## Summary of evidence reviewed

13. In the remainder of this appendix, we set out the key documents reviewed in reaching our assessment.
14. The documents reviewed are grouped broadly under four headings, with YPO and Findel documents reviewed in turn:
  - (a) Any regularly produced competitor monitoring or benchmarking exercises;
  - (b) Any other regular reporting documents where competitors are typically discussed;
  - (c) Any important, one-off competitor monitoring or benchmarking exercises;
  - (d) Any important, one-off documents where competitors are discussed.

### ***YPO internal documents***

#### *Overview of key competitor monitoring and benchmarking activities*

15. The key YPO documents reviewed are as follows:
  - (a) *Any regularly produced competitor monitoring or benchmarking exercises:* [REDACTED];
  - (b) *Any other regular reporting documents where competitors are typically discussed:* [REDACTED];

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<sup>1</sup> [REDACTED]  
<sup>2</sup> [REDACTED]  
<sup>3</sup> [REDACTED]  
<sup>4</sup> [REDACTED]  
<sup>5</sup> [REDACTED]  
<sup>6</sup> [REDACTED]

(c) Any important, one-off competitor monitoring or benchmarking exercises: [REDACTED].

(d) Any important, one-off documents where competitors are discussed: [REDACTED].

[REDACTED]

16. [REDACTED]

17. [REDACTED]

18. [REDACTED]<sup>7</sup>

19. [REDACTED]

20. [REDACTED]

21. [REDACTED]

22. [REDACTED]:

(a) [REDACTED];<sup>8</sup>

(b) [REDACTED]; and

(c) [REDACTED].

23. [REDACTED]:

(a) [REDACTED];<sup>9</sup> and

(b) [REDACTED].<sup>10</sup>

[REDACTED]

24. [REDACTED]<sup>11</sup>

25. [REDACTED]<sup>12</sup>

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<sup>7</sup> [REDACTED]  
<sup>8</sup> [REDACTED]  
<sup>9</sup> [REDACTED]  
<sup>10</sup> [REDACTED]  
<sup>11</sup> [REDACTED]  
<sup>12</sup> [REDACTED]



26. [✂]<sup>13,14</sup>

27. [✂]

28. [✂]<sup>15,16,17</sup>

29. [✂]

30. [✂]:<sup>18</sup>

(a) [✂]

(i) [✂]<sup>19,20,21,22,23,24</sup>

(ii) [✂]<sup>25,26,27</sup>

(iii) [✂]<sup>28,29</sup>

(b) [✂]<sup>30,31</sup>

(c) [✂]<sup>32,33,34,35,36</sup>

(d) [✂]<sup>37,38</sup>

31. [✂]<sup>39</sup>

- 
- 13 [✂]
  - 14 [✂]
  - 15 [✂]
  - 16 [✂]
  - 17 [✂]
  - 18 [✂]
  - 19 [✂]
  - 20 [✂]
  - 21 [✂]
  - 22 [✂]
  - 23 [✂]
  - 24 [✂]
  - 25 [✂]
  - 26 [✂]
  - 27 [✂]
  - 28 [✂]
  - 29 [✂]
  - 30 [✂]
  - 31 [✂]
  - 32 [✂]
  - 33 [✂]
  - 34 [✂]
  - 35 [✂]
  - 36 [✂]
  - 37 [✂]
  - 38 [✂]
  - 39 [✂]

- 32. [REDACTED]
- 33. [REDACTED]<sup>40</sup>
- 34. [REDACTED]
- 35. [REDACTED]
- 36. [REDACTED]<sup>41</sup>
- 37. [REDACTED]<sup>42</sup>
- 38. [REDACTED]
- 39. [REDACTED]
- 40. [REDACTED]<sup>43,44</sup>

[REDACTED]

- 41. [REDACTED]

[REDACTED]

- 42. [REDACTED]
- 43. [REDACTED]<sup>45</sup>
- 44. [REDACTED]

**Figure 1: [REDACTED]**

[REDACTED]

Source: [REDACTED].

**Figure 2: [REDACTED]**

[REDACTED]

Source: [REDACTED].

- 45. [REDACTED]

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40 [REDACTED]  
41 [REDACTED]  
42 [REDACTED]  
43 [REDACTED]  
44 [REDACTED]  
45 [REDACTED]

## **Findel internal documents**

### *Overview of key competitor monitoring and benchmarking activities*

46. The key Findel documents reviewed in this appendix are as follows:
- (a) *Any regularly produced competitor monitoring or benchmarking exercises:* [REDACTED].
  - (b) *Any other regular reporting documents where competitors are typically discussed:* [REDACTED].
  - (c) *Any important, one-off competitor monitoring or benchmarking exercises:* [REDACTED].
  - (d) *Any important, one-off documents where competitors are discussed:* [REDACTED].

[REDACTED]

47. [REDACTED]

48. [REDACTED]

49. [REDACTED]

50. [REDACTED]

51. [REDACTED]

[REDACTED]

52. [REDACTED]

(a) [REDACTED]

**Figure 3:** [REDACTED]

[REDACTED]

Source: [REDACTED].

(b) [REDACTED]

(c) [REDACTED]

53. [REDACTED]

54. [REDACTED]

55. [✂]

56. [✂]

57. [✂]<sup>46</sup>

58. [✂]

59. [✂]<sup>47,48,49,50,51,52</sup>

60. [✂]

(a) [✂]:

(i) [✂]<sup>53,54,55,56,57</sup>

(ii) [✂]<sup>58,59,60</sup>

(b) [✂]

(i) [✂]<sup>61</sup>

(ii) [✂]<sup>62,63</sup>

(iii) [✂]

(c) [✂]

(i) [✂]<sup>64,65,66,67</sup>

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- 46 [✂]
  - 47 [✂]
  - 48 [✂]
  - 49 [✂]
  - 50 [✂]
  - 51 [✂]
  - 52 [✂]
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  - 54 [✂]
  - 55 [✂]
  - 56 [✂]
  - 57 [✂]
  - 58 [✂]
  - 59 [✂]
  - 60 [✂]
  - 61 [✂]
  - 62 [✂]
  - 63 [✂]
  - 64 [✂]
  - 65 [✂]
  - 66 [✂]
  - 67 [✂]

(ii) [REDACTED]<sup>68,69</sup>

(d) [REDACTED]<sup>70</sup>

(e) [REDACTED]<sup>71,72,73,74,75,76</sup>

[REDACTED]

61. [REDACTED]

62. [REDACTED]

(a) [REDACTED]

(i) [REDACTED]<sup>77</sup>

(ii) [REDACTED]

(iii) [REDACTED]

(b) [REDACTED]

(i) [REDACTED]<sup>78</sup>

(ii) [REDACTED]

(iii) [REDACTED]

**Figure 4:** [REDACTED]

[REDACTED]

Source: [REDACTED].

(c) [REDACTED]

(d) [REDACTED]

63. [REDACTED]

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68 [REDACTED]  
69 [REDACTED]  
70 [REDACTED]  
71 [REDACTED]  
72 [REDACTED]  
73 [REDACTED]  
74 [REDACTED]  
75 [REDACTED]  
76 [REDACTED]  
77 [REDACTED]  
78 [REDACTED]

(a) [X]<sup>79</sup>

(i) [X]

(ii) [X]

(iii) [X]<sup>80</sup>

(iv) [X]

(b) [X]

(i) [X]

(ii) [X]

(iii) [X]<sup>81</sup>

[X]

64. [X]:

(a) [X]<sup>82</sup>

(b) [X]

65. [X]

**Figure 5:** [X]

[X]

Source: [X].

66. [X]

(a) [X]

**Figure 6:** [X]

[X]

Source: [X].

(b) [X]

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<sup>79</sup> [X]

<sup>80</sup> [X]

<sup>81</sup> [X]

<sup>82</sup> [X]

(c) [REDACTED]<sup>83</sup>

67. [REDACTED]

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<sup>83</sup> [REDACTED]

## Appendix C: Market shares

1. In this appendix we explain the methodology we used for calculating market shares and present the results. Market shares are used in Chapter 10 to give an indication of the presence that different Suppliers have in the market and how the Merger may change the market structure, including the potential post-Merger degree of concentration in particular Regions.

### Market shares

2. We calculated market shares in the Relevant Market<sup>1</sup> on the basis of the value of sales. We decided alternative approaches such as the volume of sales or customer numbers would be inappropriate:
  - (a) **Volumes of sales** would not allow for meaningful comparisons because of the wide range of differentiated products that Generalist Suppliers sell.
  - (b) **Customer numbers** would be unsuitable because of wide variation in customer spend levels.
3. Geographic differentiation between competitors is strong which means that national market shares may not capture variation in competitors' presence and associated competitive pressure across the UK. We have therefore calculated market shares at both the national and regional levels.

### Data Sources

4. We examined market shares based on the value of sales in the Relevant Market.<sup>2</sup> We collected sales data from Generalist Suppliers during both phase 1 and phase 2 of the inquiry. This data came from three different sources:
  - (a) Customer-level datasets supplied to the CMA by Generalist Suppliers.<sup>3,4</sup>
  - (b) Sales data supplied to the CMA by BESA.

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<sup>1</sup> See Chapter 9, paragraph 9.3 on market definition for details on the CMA's approach to defining the relevant market in this case.

<sup>2</sup> A phase 2 questionnaire was sent out to 55 suppliers. We have included Generalist Suppliers to be Suppliers that self-identified as a Generalist Supplier within the questionnaire or who fit our criteria to be Generalist Suppliers. The criteria for Generalist Suppliers are described in Chapter 9 on market definition. We acknowledge that there may be some local Generalist Suppliers who are not included within this analysis but given their limited size we believe their exclusion has had minimal impact on the results.

<sup>3</sup> We received customer datasets containing information on revenues from the following Suppliers: [REDACTED].

<sup>4</sup> [REDACTED]



- (c) Questionnaire responses from third party suppliers which included national and regional revenue figures.<sup>5,6</sup>

### **Data limitations**

5. We note that the time periods used in the different data sources do not all match. This is because the sales data from BESA and Generalist Suppliers' datasets were based around the calendar year whereas the questionnaire responses were based around the financial year.
6. It was not possible to use only one data source when estimating these market shares. However, given that we were able to use the same time period for most Suppliers (including the largest Suppliers), the stability of the market and the inclusion of the peak summer period of sales in all datasets, it is unlikely to influence market shares in any material way.

### **National Market Shares**

7. We recognise that it is feasible to calculate market shares on the basis of different data sources, which may contain variations in the products included, customers served or other methodological differences (e.g. inclusion or exclusion of returned products). We calculated market shares under a number of different approaches and found no material differences between them.<sup>7</sup> In the approach shown in Table 1 below we used the following sources of data:
- (a) ESPO, Findel, KCS, RM and YPO's sales data were based upon the data provided by BESA.
  - (b) Amazon, East Riding and Herts FullStop sales data were based upon the datasets they submitted to the CMA.
  - (c) Hampshire County Suppliers and HBS Half Moon Group sales data were based upon their questionnaire responses.
8. Table 1 below presents the resultant national market shares:

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<sup>5</sup> We sent a phase 2 questionnaire to 55 suppliers in which we asked for information on revenues in the Relevant Market. The relevant question read as follows: "If possible, please provide us with your company's turnover (after deduction of any discounts) from sales of Educational Resources to Educational Institutions in the UK as a whole, for each UK region, and by type of Educational Institution, for your 3 most recent financial years (in £'000)".

<sup>6</sup> Herts FullStop provided a consolidated response covering both Herts FullStop and County Supplies both of which are trading names of Hertfordshire County Council.

<sup>7</sup> We found that if, for relevant BESA members, instead of data submitted to BESA we used transaction data for Findel and YPO, and questionnaire responses for other Suppliers (along with transaction data or questionnaire responses for non-BESA members), the 2019 market shares differed by no more than 1 percentage point for any individual Supplier and that for the Parties, [X] and [X].

**Table 1: National market shares<sup>8</sup>**

£'000	2017	2018	2019	2017	2018	2019
YPO	[REDACTED]	[REDACTED]	[REDACTED]	[20-30%]	[20-30%]	[20-30%]
Findel	[REDACTED]	[REDACTED]	[REDACTED]	[10-20%]	[10-20%]	[10-20%]
YPO & Findel	[REDACTED]	[REDACTED]	[REDACTED]	[30-50%]	[30-50%]	[30-50%]
Amazon	[REDACTED]	[REDACTED]	[REDACTED]	[0-10%]	[10-20%]	[10-20%]
East Riding	[REDACTED]	[REDACTED]	[REDACTED]	[0-10%]	[0-10%]	[0-10%]
ESPO	[REDACTED]	[REDACTED]	[REDACTED]	[10-20%]	[10-20%]	[10-20%]
Hampshire County Supplies	[REDACTED]	[REDACTED]	[REDACTED]	[0-10%]	[0-10%]	[0-10%]
HBS Half Moon Group	[REDACTED]	[REDACTED]	[REDACTED]	[0-10%]	[0-10%]	[0-10%]
Herts Full Stop	[REDACTED]	[REDACTED]	[REDACTED]	[0-10%]	[0-10%]	[0-10%]
KCS	[REDACTED]	[REDACTED]	[REDACTED]	[0-10%]	[0-10%]	[0-10%]
RM (TTS & Consortium)	[REDACTED]	[REDACTED]	[REDACTED]	[20-30%]	[20-30%]	[20-30%]
<b>Total</b>	<b>[REDACTED]</b>	<b>[REDACTED]</b>	<b>[REDACTED]</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: CMA analysis.

9. Our calculations of UK market shares show that YPO and RM are the largest Generalist Suppliers, with market shares of [20-30%] and [20-30%] respectively in 2019. The next largest are Amazon at [10-20%], Findel at [10-20%] and ESPO at [10-20%]. Combined, YPO and Findel would possess the largest share in the market at [30-50%]. We note that for the reasons given at Chapter 9, paragraph 9.39 we do not think the shares of Amazon provide a good indication of its role in the Relevant Market nor of its closeness of competition to the Parties.
  
10. On the basis of BESA data only (and covering only ESPO, Findel, KCS, RM and YPO), we have further analysed the evolution of these Suppliers shares by looking at their shares on a monthly basis as well as cumulative shares over the calendar year (at monthly intervals). The resulting graphs are shown in Figure 1 and Figure 2 below.

**Figure 1: [REDACTED]**

[REDACTED]

Source: [REDACTED].

**Figure 2: [REDACTED]**

[REDACTED]

Source: [REDACTED].

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<sup>8</sup> [REDACTED].

11. Figure 1 shows that monthly shares vary over time. This is consistent with the Parties' submission that differences in school terms can lead to differences in share throughout the year.<sup>9</sup> Figure 2 further shows that, when seen cumulative over a calendar year, shares are relatively stable.

### ***Regional shares of supply***

12. There is strong geographic differentiation between competitors which means that national market shares may present a more competitive picture than is the case in individual Regions. We therefore also calculated regional market shares to provide an indicator of the regional strengths for each Generalist Supplier, including the potential post-Merger degree of concentration in particular Regions.
13. To calculate regional shares of supply we used the following sources of data:
- (a) Amazon,<sup>10</sup> Findel and YPO's sales data was based upon the datasets they submitted to the CMA.
  - (b) All remaining Generalist Supplier's sales data were based upon their questionnaire responses which provided sales data at the regional level.
14. As before we note that while questionnaire responses are based around the financial year and the Generalist Supplier datasets are based around the calendar year, as noted at paragraph 6, we believe that the overall stability of this market means any discrepancy is minimal.
15. Table 2 (a-c) presents shares of supply for the 12 Regions within the UK:

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<sup>9</sup> The Parties submitted that there are differences in the seasonality of revenues of suppliers due to different school holidays in different regions.

<sup>10</sup> [REDACTED]

**Table 2a: Regional shares of supply (1)**

	<i>East Midlands</i>			<i>East of England</i>			<i>London</i>			<i>North East</i>		
	<i>17/18</i>	<i>18/19</i>	<i>19/20</i>	<i>17/18</i>	<i>18/19</i>	<i>19/20</i>	<i>17/18</i>	<i>18/19</i>	<i>19/20</i>	<i>17/18</i>	<i>18/19</i>	<i>19/20</i>
YPO	[10-20%]	[10-20%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[80-90%]	[70-80%]	[60-70%]
Findel	[0-10%]	[0-10%]	[0-10%]	[10-20%]	[10-20%]	[10-20%]	[40-50%]	[30-40%]	[30-40%]	[0-10%]	[0-10%]	[0-10%]
YPO & Findel	[10-30%]	[10-30%]	[0-20%]	[10-30%]	[10-30%]	[10-30%]	[40-60%]	[30-50%]	[30-50%]	[80-100%]	[70-90%]	[60-80%]
Amazon	[0-10%]	[0-10%]	[10-20%]	[0-10%]	[10-20%]	[10-20%]	[0-10%]	[10-20%]	[10-20%]	[0-10%]	[0-10%]	[10-20%]
East Riding	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]
ESPO	[70-80%]	[60-70%]	[50-60%]	[20-30%]	[20-30%]	[20-30%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]
Hampshire County Supplies	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]
HBS Half Moon Group	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[10-20%]	[10-20%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]
Herts Full Stop	[0-10%]	[0-10%]	[0-10%]	[30-40%]	[30-40%]	[20-30%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]
KCS	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[10-20%]	[10-20%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]
RM (TTS & Consortium)	[10-20%]	[0-10%]	[0-10%]	[10-20%]	[10-20%]	[10-20%]	[20-30%]	[10-20%]	[10-20%]	[10-20%]	[10-20%]	[10-20%]

Source: CMA analysis.

**Table 2b: Regional shares of supply (2)**

	<i>North West</i>			<i>Northern Ireland</i>			<i>Scotland</i>			<i>South East</i>		
	<i>17/18</i>	<i>18/19</i>	<i>19/20</i>	<i>17/18</i>	<i>18/19</i>	<i>19/20</i>	<i>17/18</i>	<i>18/19</i>	<i>19/20</i>	<i>17/18</i>	<i>18/19</i>	<i>19/20</i>
YPO	[70-80%]	[60-70%]	[60-70%]	[0-10%]	[0-10%]	[0-10%]	[30-40%]	[30-40%]	[30-40%]	[0-10%]	[0-10%]	[0-10%]
Findel	[0-10%]	[0-10%]	[0-10%]	[90-100%]	[80-90%]	[80-90%]	[30-40%]	[30-40%]	[40-50%]	[10-20%]	[10-20%]	[10-20%]
YPO & Findel	[70-90%]	[60-80%]	[60-80%]	[90-100%]	[80-100%]	[80-100%]	[60-80%]	[60-80%]	[70-90%]	[10-30%]	[10-30%]	[10-30%]
Amazon	[0-10%]	[10-20%]	[10-20%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[10-20%]	[10-20%]
East Riding	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]
ESPO	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]
Hampshire County Supplies	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[10-20%]	[0-10%]	[0-10%]
HBS Half Moon Group	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]
Herts Full Stop	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]
KCS	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[20-30%]	[20-30%]	[20-30%]
RM (TTS & Consortium)	[10-20%]	[10-20%]	[10-20%]	[0-10%]	[10-20%]	[0-10%]	[20-30%]	[20-30%]	[10-20%]	[20-30%]	[10-20%]	[10-20%]

Source: CMA analysis.

**Table 2c: Regional shares of supply (3)**

	<i>South West</i>			<i>Wales</i>			<i>West Midlands</i>			<i>Yorkshire and The Humber</i>		
	<i>17/18</i>	<i>18/19</i>	<i>19/20</i>	<i>17/18</i>	<i>18/19</i>	<i>19/20</i>	<i>17/18</i>	<i>18/19</i>	<i>19/20</i>	<i>17/18</i>	<i>18/19</i>	<i>19/20</i>
YPO	[10-20%]	[10-20%]	[10-20%]	[10-20%]	[10-20%]	[10-20%]	[10-20%]	[10-20%]	[10-20%]	[70-80%]	[60-70%]	[60-70%]
Findel	[10-20%]	[0-10%]	[0-10%]	[10-20%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]
YPO & Findel	[20-40%]	[10-30%]	[10-30%]	[20-40%]	[10-30%]	[10-30%]	[10-30%]	[10-30%]	[10-30%]	[70-90%]	[60-80%]	[60-80%]
Amazon	[0-10%]	[10-20%]	[10-20%]	[0-10%]	[0-10%]	[10-20%]	[0-10%]	[10-20%]	[10-20%]	[0-10%]	[0-10%]	[10-20%]
East Riding	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[10-20%]	[10-20%]	[0-10%]
ESPO	[0-10%]	[0-10%]	[0-10%]	[20-30%]	[20-30%]	[20-30%]	[30-40%]	[30-40%]	[30-40%]	[0-10%]	[0-10%]	[0-10%]
Hampshire County Supplies	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]
HBS Half Moon Group	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]
Herts Full Stop	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]
KCS	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]	[0-10%]
RM (TTS & Consortium)	[60-70%]	[60-70%]	[50-60%]	[40-50%]	[40-50%]	[40-50%]	[30-40%]	[30-40%]	[30-40%]	[0-10%]	[0-10%]	[0-10%]

Source: CMA analysis.

16. YPO and Findel's combined share varies substantially between Regions. Our calculations of shares of supply suggest that YPO and Findel would possess high combined shares in five Regions – London, North East, North West, Scotland and Yorkshire and The Humber. While the increment for Yorkshire and The Humber is low at below [0-10%].
17. We also note that other Suppliers have relatively high shares in specific Regions. Suppliers strongest Regions are as follows:
  - (a) Amazon has [redacted];
  - (b) East Riding is strongest in [redacted];
  - (c) ESPO is strongest [redacted];
  - (d) Hampshire County Suppliers is strongest [redacted];
  - (e) HBS Half Moon Group is strongest [redacted];
  - (f) Herts FullStop is strongest in [redacted];
  - (g) KCS is strongest in [redacted];
  - (h) RM is strongest in [redacted].

## **Parties' view**

### ***Phase 1 submissions***

#### *Parties' views*

18. The Parties submitted an estimate of the size of the total market during phase 1.<sup>11</sup> They estimated the size of the market by multiplying the average budget per student in English maintained primary and secondary schools by published pupil numbers.<sup>12</sup> This resulted in a market size estimate of £955 million for primary and secondary schools. The market size estimate for nurseries was based on a third-party report and was estimated at £221 million.

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<sup>11</sup> This data is based on 2018.

<sup>12</sup> The average budget is £[redacted] for primary schools and £[redacted] for secondary schools and is based upon the BESA English Maintained Schools Survey 2019.

## *Our assessment*

19. In regard to the Parties' phase 1 view, we consider there are several reasons why the Parties' estimated market size is significantly larger than our estimated market size:
- (a) It is not limited to Generalists and includes all spend by Educational Institutions on Educational Resources (excluding IT) from Suppliers of all types, which brings a wider set of Suppliers into the market.
  - (b) It is likely to include products that the Parties do not sell, such as specialised equipment.
  - (c) Spend per pupil appears to be very high in contrast to third party estimates which range between £15-35 per school pupil.<sup>13</sup>

## **Phase 2 submissions**

### *Parties' views*

20. In phase 2 the Parties' submitted new estimates of the market size for Educational Resources. The methodology for this analysis was as follows:
- (a) First, the analysis assumed that large customers in Generalist Suppliers' heartland regions spend close to all of their Educational Resource budget with their main supplier.
  - (b) Second, YPO's, Findel's and a third party's [redacted] data were used to calculate spend per pupil for each Generalists' core region, broken down by school type and size.
  - (c) Third, schools were classified as 'Retained' if they spend with the same Generalist Supplier in 2017/18 and 2018/19 in order to mitigate against including spend that relates to brand new schools.
  - (d) Fourth, within each category, per pupil spend for the 'top 10% retained customers' is extracted and then multiplied by pupil numbers to calculate total market size.<sup>14</sup> It estimates the total market size to be around £1 billion, split as £80 million for Early Years, £537 million for Primary,

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<sup>13</sup> [redacted]

<sup>14</sup> There are adjustments made to the data afterwards, but these do not have a large effect on the data.

£246 million for secondary and the remainder from Full Age Range, Post 16 and Special sectors.<sup>15</sup>

### *Our assessment*

21. Our approach to calculating market shares is based on actual sales data from Generalist Suppliers. It therefore minimises uncertainty in estimating revenues and is consistent with our market definition. We consider this to be an appropriate basis for calculating market shares and consider approaches based on estimating the market size from per pupil spend to be, at best, sense checks only.
22. We placed limited weight on the Parties' phase 2 approach as we do not believe that using the top 10% of customers provides an accurate estimation of per pupil spend. This is because the top 10% of customers within each heartland region are highly likely to be outliers. For example, secondary schools who spend £60,000 per year with YPO and Findel are included in the calculation of per pupil spend. This type of spend is most likely to be representative of one-off spend such as school refurbishments.
23. The inclusion of the top 10% of customers results, on average, in a per pupil spend of £[redacted] for primary schools and £[redacted] for secondary schools. [redacted]. This appears to be considerably higher compared to estimates we have received from third parties:
  - (a) One third party [redacted] told us that they would expect a school spending £35 per pupil to be spending most of their budget with them.
  - (b) Another third party [redacted] explained that spend per pupil varies depending on setting when looking at general consumables, but they would expect a spend of £15.
  - (c) A further third party [redacted] indicated spend per pupil varies across institutions and estimated it to be £25 for Primary schools and £15 for Secondary schools.
24. Multiplying the lowest and highest per pupil spend estimates above by the total UK school pupil numbers resulted in a market size for primary and secondary schools somewhere in the range between £145 million to £335 million. This is much lower than the Parties' estimates for these segments and more in line with the actual level of sales by Generalist

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<sup>15</sup> EDCO, UK Education Learning Resources Market Sizing, August 2020, slide 32, provided as Annex 1 to the Parties' response to the Statement of Issues.



Suppliers' and our estimate of the market size. Given the per pupil spend estimates are based on customers who might be spending most, but not all of their spend with a Supplier, these estimates intentionally do not include spend with Specialists.

### ***Submission in response to Annotated Statement of Issues***

#### *The Parties' view*

25. In regard to the market size and market shares, the Parties said that other smaller Generalists they have identified and who they believe fulfil the CMA's criteria have not been considered by the CMA. The Parties believe that this represents an omission from the perspective of market size and market share.
26. The Parties also submitted that the CMA's approach to consider per pupil spend based on the estimates of three third parties excludes spend by schools on the types of products which the Parties sell. The Parties state that in contrast '[T]he independent Analysis of EDCO... starts from consideration of products which the Parties sell, thus extrapolating to properly consider spend by customer on those items.'
27. In response to our concerns that the estimates for market size provided by the Parties in phase 2 used outliers, the Parties stated they had removed outliers by excluding the very largest spending schools from the methodology.
28. The Parties also stated it was incorrect to criticise the inclusion of spend on 'one-off' purchases, as these represent items the Parties sell to schools and compete hard to win. Therefore, the Parties argued that, while an individual school may not purchase these items each year, different schools will purchase these items every year and, therefore, excluding these purchases from the market is artificial and conflates the assessment of closeness of competition with that of market definition.
29. The Parties stated that the CMA has over-weighted Findel in its analysis, as Findel is made up of five Generalist Supplier brands and three Specialist brands. The Parties claim this has two implications:
  - (a) The CMA should analyse the Parties' data at brand level as opposed to group level, and
  - (b) the CMA should exclude Findel's specialist brands from its assessment, which, if done, drops Findel's and the Parties combined share by a couple of percentage points.

## CMA response

30. In response to the Parties' submission that we have not included all Generalists within our market share calculations, we note that we identified the pool of Suppliers we consider to be Generalists based on our own assessment of their offers, supplemented by evidence from third parties on the most relevant competitors, the Parties' own internal documents and questionnaires to third party competitors. We believe we have identified all substantial Generalist Suppliers and included them.
31. The Parties specifically named some Suppliers it considered belonged within the Relevant Market. We have included East Riding and HBS Half Moon Group within our Relevant Market. We do not include WFE in our market as we consider it ([REDACTED]) as a Specialist. The Parties also identified Supplies for Schools as a relevant Generalist. We have limited information on this Supplier. However, on the basis of its published accounts it had net assets of £263,000 as at 30 Sept 2019<sup>16</sup> which is very small compared to, for example, Findel's net assets of £[REDACTED] as at 29 March 2019.
32. We acknowledge the Parties' claims that there may be other smaller Generalist Suppliers we have not included within our analysis. However, we have reviewed the Parties' submission detailing a wider set of Suppliers that they consider to be competitors. We consider that:
- (a) aside from those we have included within the market, it is not clear that any of these other Suppliers meets our criteria for being a Generalist. We sent questionnaires to 55 of these Suppliers, and all respondents that self-identified as a Generalist have been included within our market share estimates; and
  - (b) to the extent that any other Suppliers could be considered a Generalist, given their likely small scale (as evidenced by limited references by other market participants and documents about the market) we do not believe that their inclusion or exclusion has a material effect on our estimates.
33. In response to the Parties' submission that the CMA's use of three third parties' estimates of average spend per pupil is self-fulfilling, we note that these third-party estimates are used solely as a sense-check in support of the estimates that we have calculated from Generalists actual revenues. Given our market definition is based on a Generalist market, we consider it appropriate to identify spend with Generalists for inclusion within that market, rather than to focus on all spend by customers, as suggested by the Parties.

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<sup>16</sup> Supplies for Schools Ltd, [Financial Statement for year ended 30 September 2019](#).

In any case, where relevant we consider spend outside of Generalists as an 'out-of-market' constraint within our competitive assessment.

34. In response to the Parties' representation that the analysis of the market conducted on their behalf had removed outliers, EDCO has clarified that [X]. We therefore continue to consider that their analysis may be unduly influenced by the inclusion of outliers.
35. We acknowledge the Parties' claim that 'one-off' purchases represent items the Parties compete to win and that they should be included. However, we also acknowledge that transactions with very large 'one-off' purchases most likely occur in relatively infrequently circumstances, such as very large refurbishments. As such we believe these transactions represent outliers that can only be sensibly included when the full distribution of customer spend is included (i.e. not just the top 10%).
36. We do not believe that Findel should be assessed at the brand level nor that Findel's specialist brands be excluded from Findel's market share analysis:
  - (a) We do not believe that Findel's brands, including their specialist brands, are sufficiently distinct from one-another to justify treating them separately. For example, Findel submitted that they have featured all main categories, plus the three specialist brands, on all of their websites in order to maximise the 'reach' of each brand and category for the past three years. These specialist brands therefore feature alongside other products on Findel's websites.
  - (b) Even though Findel sells Specialist products under Specialist brands, it does not follow that they should be excluded from the Generalist market. Market definition is a process of identifying the most relevant constraints and does not require development of a mutually exclusive set of defined markets. As such, it is feasible that Findel competes within a Generalist market across its portfolio, while also being present within certain specific Specialist markets (e.g. Science equipment, if such was an appropriate definition, which we have not tested).
  - (c) In addition, as the Parties' submitted, excluding Findel's specialist brands only changes the Parties' combined share by a couple of percentage points which we do not consider makes a material difference to our assessment.

## **Appendix D: Customer evidence**

### **Introduction**

1. This appendix describes our customer evidence:
  - (a) First, we discuss the methodology used, including both the limitations of our customer evidence and the process we used for selecting and contacting a sample of customers.
  - (b) Second, we discuss the results of our customer research with respect to the key topics explored.

### **Methodology**

2. The Parties have around 40,000 customers in total. We received 65 written questionnaire responses and held eleven calls with customers from across phase 1 and phase 2.
3. At phase 2, we opted for a qualitative approach, focusing on holding videoconference/telephone hearings where possible, supplemented by our email questionnaire questions.

### **Limitations**

4. Given the size of our sample the responses are not statistically representative, and it is not appropriate to use these responses to draw firm quantitative (i.e. statistically robust) conclusions about the wider population of customers. We have only used the results of this research to draw qualitative conclusions where appropriate, alongside other evidence.

### **Phase 1 customer research**

5. We contacted a limited number of customers at phase 1.
  - (a) We obtained contact details for a selection of c.170 customers (the largest customers, some customers with average spend and a selection of academies).
  - (b) We sent a short, written email questionnaire to these customers and received 30 responses.
  - (c) We held calls with two customers.

6. The calls allowed us to pose follow-up questions to customers and more thoroughly explore some individual issues.

### **Phase 2 customer research**

7. We identified that enhancing our evidence base on customer views at phase 2 would be beneficial and therefore decided to seek videoconference or telephone hearings with customers. However, we recognised that customer availability was likely to be low (given the school term timings and the ongoing COVID-19 pandemic) and that there were limits to our own capacity to hold a large number of videoconference/telephone hearings.
8. We therefore chose to supplement our calls with a short email questionnaire to customers.
9. We took the following approach to contacting customers.
  - (a) We contacted all customers (c.170) whose contact details we had at phase 1, since we were able to contact them starting from Day 1 of the phase 2 investigation, which maximised the remainder of the summer school term;
  - (b) Customers with a low spend<sup>1</sup> and those contacted at phase 1 were removed from our sample;
  - (c) We defined 18 strata on the basis of region and educational tier. This was in order to provide sufficient variation across the customers contacted to capture different types of customers' behaviour;<sup>2</sup>
  - (d) We randomly selected nine customers within each of these strata to contact from each of the Parties' customer lists (18 strata x 2 Parties x 9 sampled customers = c.320 customers in total).
10. From all of these customers (the phase 1 contacts (c.170) and the phase 2 contacts (c.320)), we emailed our questions to each of these customers and alerted them that we may seek to arrange a call with them:
  - (a) During phase 2, we sent out a total of c.490 email questionnaires (sent out in two waves) and received 35 responses to our questions. Customer availability for follow-up calls was generally low due to a range of reasons,

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<sup>1</sup> Those with a spend in the lowest 20<sup>th</sup> percentile.

<sup>2</sup> The strata grouped some regions where market shares appeared similar. This created six supra-regional areas namely, 1) North East, North West, Yorkshire and Humber; 2) East Midlands, East of England and South East; 3) London; 4) South West, Wales and West Midlands; 5) Scotland and 6) Northern Ireland. For each of these six regions we had separate strata for nurseries, primary and secondary and all-years institutions.

primarily due to no response, but also due to challenges on school staff's time, staff being on holiday and being unable to reach the appropriate contact.

- (b) We arranged and held an additional nine videoconference/telephone hearings.

## Results

11. In this section, we discuss the results of our customer research with respect to the key topics explored, namely (i) purchasing behaviour; (ii) procurement approaches; (iii) systems used; (iv) views on switching; (v) current purchasing; (vi) next closest alternative to YPO/Findel; and (vii) views on the Merger.

### *Purchasing behaviour*

#### *Spend levels<sup>3</sup>*

12. There is a wide range in levels of spend across customers, driven by the variation in customer types, primarily their size, but also the nature of their requirements (e.g. some schools require specialist scientific equipment, special educational needs resources or sports equipment). For example, one customer's annual budget for Educational Resources [redacted] a year, [redacted]. One customer spends around [redacted] a year. Additionally, new schools can incur large, one-off, set-up spend. One customer had a set-up budget of [redacted], compared to ongoing spend of around [redacted] per year on stationery.
13. This variation in the level of spend may influence both customer behaviour, e.g. how customers organise their procurement (see discussion of procurement approaches below) and the actions of Suppliers.

#### *Frequency of purchases<sup>4</sup>*

14. Three out of 11 customers we spoke to explicitly said that they make purchases on an ongoing basis throughout the year with some larger orders at particular times. For example, one customer said it tries to place bulk orders termly and another customer said that bulk orders are more prominent at the end of May and prior to the start of the new school year in September. A further customer said it typically spends a large proportion of its annual expenditure on educational resources between May and September.<sup>5</sup> One

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<sup>3</sup> This sub-section is based on our customer calls only.

<sup>4</sup> This sub-section is based on our customer calls only.

<sup>5</sup> [redacted]

customer told us that it tends to spread its spend across the year in small amounts.

15. Several (4 out of 11) customers emphasised that timely delivery was important, again indicating that at least some purchases are made at short-notice and on a frequent basis. This might imply that some purchases do not necessarily need to be part of a large single purchase from a single Supplier, such as a Generalist.

#### *Factors influencing purchasing decisions<sup>6</sup>*

16. We asked customers to identify the three most important factors in choosing to purchase from YPO/Findel.<sup>7</sup> The following factors were identified by at least 10 out of 31 customers: 'low prices/discounts', 'good quality of product', 'ease of ordering', 'good level of service' and 'wide range'. We discuss some of these factors, alongside some of the less frequently identified factors, in further detail below.
17. 18 out of 31 customers highlighted that low prices were important to them, often due to the tight budgets that they faced. The importance of low prices was also reflected in customer behaviour with customers indicating that they would do price comparisons or shop around (see discussion on switching below). For example, one customer said it will look for the Supplier<sup>8</sup> with the best-priced items and another customer compares Suppliers' prices and discounts and these influence its spending decisions (e.g. last year it received a discount from Hope, a Findel brand, that influenced its choice of Hope).
18. 11 out of 31 customers said that 'good quality of product' is important. 11 out of 31 customers also said that 'good quality of service is important.' Several of the customer we spoke to highlight the importance of getting good value for money and a quality product or service, in addition to low prices. One customer told us that Hope (Findel) offers more in terms of customer service than other suppliers, and that this is an important factor for such suppliers.
19. 2 out of 31 customers said 'having always purchased from YPO/Findel' was an important factor in their decision. One customer mentioned that it has purchased from ESPO for historical reasons (the school is located within the ESPO core region). Conversely, although another ([X]) has purchased from Hampshire County Suppliers, it had actively switched to them rather than

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<sup>6</sup> This sub-section is based on our email questionnaire and customer calls.

<sup>7</sup> Respondents were asked to select three reasons from a list given to them.

<sup>8</sup> We define Suppliers to be companies that sell Educational Resources to Educational Institutions. It includes Generalists, Specialists and retailers. Suppliers are not typically the manufacturers of the products, except where the products are their own-brand products.

having historically purchased from them for a long time ([X]). Overall this could indicate that customers are not strongly loyal to specific Suppliers.

20. 4 out of 17 YPO customers gave 'being publicly owned' as an important factor in their purchasing decision. One customer noted that it had a preference for purchasing from a publicly-owned body. Another customer, who procured from YPO and ESPO, also flagged this as being important. Another customer said that a Supplier being publicly owned was an important factor for them as it interpreted public ownership as a signal that the PSBO was trying to find the best value for schools.
21. 3 out of 17 YPO customers mentioned OJEU compliance<sup>9</sup> as being a relevant factor in their decision. This may exclude some smaller Suppliers and Specialists from being constraints on YPO for these customers.
22. Some customers did refer to third party recommendations influencing their decision – but no customer referred to recommendations from Local Authorities. One customer referred to recommendations of the [X] hub funded by the Department for Education), another customer said it would contact other local headteachers for recommendations, and another customer switched Suppliers on recommendation from their network of School Business Managers (**SBMs**).
23. No respondents indicated that the location of the Supplier was important, although one customer said it tended to buy more from ESPO because it represented their geographical area. Another customer noted that, because of where it is situated, delivery charges can be a factor; but it confirmed that this was a factor for all Suppliers, and locally-based Suppliers were not necessarily cheaper.
24. In general, the reasons for choosing to purchase from YPO/Findel provided by customers are consistent with relatively active, engaged customers indicating few barriers to switching. However, a number of customers who indicated that price was important and that they have shopped around/switch were not familiar with or have not sought quotes from some of YPO's and Findel's main competitors.
25. For example, one customer who switched from Findel to YPO and indicated that price was an important factor were familiar but did not engage with ESPO or KCS. Another customer indicated the importance of achieving value for

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<sup>9</sup> This refers to the fact that large spend orders do not have to be put out to tender in line with OJEU rules as PSBOs go through the compliance process with their Suppliers.



money but could not recall sourcing or engaging with any of the large Generalists.

### *Importance of a single Supplier/one-stop shop<sup>10</sup>*

26. We asked customers about the importance of being able to source a range of different products across different categories from a single Supplier. The majority of customers (29 out of 31) stated that it was important to be able to order a range of products from a single Supplier (one-stop shop), with 6 of these customers stating that one-stop shop was essential, 13 considering it to be very important and 10 indicating it was fairly important.
27. Customers further commented on why or for which items one-stop was important. One customer mentioned that a one-stop shop was important, but that this was for aggregating smaller items (e.g. types of stationery), and it did purchase larger items from other Suppliers. Similarly, another customer mentioned that the school uses a range of different Suppliers (in its questionnaire it listed five Generalists, including Amazon, in addition to one Specialist and high-street stores)<sup>11</sup>, depending on the department it is purchasing for, although noting that for general supplies like stationary and exercise books, it will tend to use just one or two Suppliers. One customer said that bulk orders from the same Supplier lead to discounts, simplify the invoicing process and reduce the logistical challenges, while another told us that it is seeking to consolidate spend to a few suppliers, as this improves oversight of spend, reduces the logistical challenges and may help facilitate discounts.
28. While customers generally told us a one-stop shop was important, we note that all customers bought from a number of Suppliers, including the six customers who indicated in their written response that a one-stop shop was 'Essential' (five customers showed this and one was a nil return for this question). However, this should be caveated by the following points: (i) all customers indicated that they had a main Supplier or a small number of main Suppliers, (ii) in some cases products (or their volumes) bought from other Suppliers were different to products bought from their main Supplier (this was particularly the case for purchases from Amazon), and (iii) customers may have interpreted 'one-stop shop' in different ways in their responses to our written questionnaire.

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<sup>10</sup> This sub-section is based on our email questionnaire in addition to customer calls.

<sup>11</sup> The questionnaire gave prompted answers: 8 named Generalists (including Amazon), 1 named Specialist, high-street stores and supermarkets) and an 'other' category. All the Suppliers listed by [§] had named prompts, except for 'high-street stores' which was named as a broad category.

29. We have considered how customers interpret the meaning of ‘one-stop shop’. The responses outlined above suggested that a one-stop shop within a category is important for some customers (e.g. to avoid separate orders for pencils, folders etc). One customer indicated that they require a one-stop shop across different categories for their school. This factor also appeared to be driving consolidation of Suppliers amongst larger customers. The fact that most customers have a main one-stop shop Supplier supports at least some degree of importance attached to this by most customers.
30. Overall, customer responses indicated that a having a single Supplier that can supply across product categories is important. This would imply that Generalists (which are able to act as a single Supplier across multiple categories) are distinct from Specialists (who cannot), which has implications for the market definition and competitive effects with implications for both theories of harm (as it would suggest that Specialists may not place a strong constraint on large multi-category purchases). However, we note that the evidence from this question may not appear consistent with other evidence (including from the same customers) showing customers purchasing from multiple Suppliers and seeking to shop around and we therefore recognise customers may have interpreted ‘one-stop shop’ in different ways. We take this into account when relying on this evidence.

### ***Procurement approaches<sup>12</sup>***

31. Of the eleven customers we spoke to, approaches to procurement differed across the range of institutions. We have categorised these approaches into the three broad types below.
- (a) Mini-frameworks (larger customers, e.g. [X]).
- (i) The larger customers we spoke to had centralised procurement departments that appoint a number of Suppliers to a list of approved Suppliers that will be the default Suppliers presented to staff ordering Educational Resources. Prices are therefore determined by the centralised procurement team and the Supplier and are present in the system used by teaching staff. Teaching staff may be able to order from other non-approved Suppliers, but this may require special permission. One customer said that teachers tend to make repeat orders and not always check prices.
- (ii) For example, one customer [X]. It aims to have no more than three Educational Resources Suppliers. Another customer indicated that it

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<sup>12</sup> This sub-section is based on our customer calls.

was going through a similar process of consolidation, although it did not appear to use the tender process for this.

- (iii) A possible consequence of these 'framework' type arrangements is that it is likely to reduce the constraint from smaller or Specialist Suppliers, where they are unable to get on such a framework. Conversely, if the framework covers a number of categories and a Specialist is able to be appointed in its category, then its constraint may be stronger, since the 'search cost' aspect is dealt with by central procurement rather than teachers. However, the customers we have spoken to indicated that they were looking for a small number of Suppliers (e.g. one customer indicated they were looking to move to ordering from either YPO or ESPO) and therefore it is unlikely they would be interested in Specialists as this would not allow them to limit their number of Suppliers.

(b) Ad-hoc formal procurement (medium-sized customers, e.g. [X]).

- (i) Three medium-sized customers operated with teachers deciding what is required and submitting an order request to the finance department. The finance department may conduct some price comparisons and may advise if they think a better Supplier can be found, but typically the teacher will decide (see paragraph 42(d)) and then the finance department will place the order.
- (ii) Under this approach, the extent of shopping around is likely influenced by the capacity and engagement of the finance department. The Finance Officer of one customer said they may look to source the product from another Supplier to that selected by the budget holder, if they know that the product can be sourced elsewhere more cheaply (they would not expect teachers to do this). These comparisons by SBMs or other administrative or finance staff appear to be mostly done for larger orders – see paragraph 42.

(c) Ad-hoc in-formal procurement (small-sized customers, e.g. [X]).

- (i) For smaller customers teachers/headteachers/managers typically have more discretion, since the schools often do not have dedicated procurement teams or finance officers, and may often both decide what is needed and place the orders themselves. For example, one Educational Institution owner/manager told us that they did the purchasing of Educational Resources themselves (and that they could often find better deals by searching online).

(ii) Where teachers have more discretion, we note that this may mean teachers are more willing to shop around because they are not restricted in their choice; on the other hand, as smaller organisations, they may be restricted in having the time to do so. The customer research did not provide indicative evidence either way.

32. We note that Framework Agreements are of significance in Scotland, Northern Ireland and, to some extent, Wales, where there is a greater centralisation of the procurement process. However, our customer research indicates that not all Educational Institutions based in these regions use them. [redacted].

### **Systems<sup>13</sup>**

33. Customers told us that they use a range of different systems to help meet their procurement needs.<sup>14</sup>

34. Some customers told us that they have a central procurement function which more than one Educational Institution could use.

35. Several schools use systems to place orders which generate an electronic order which is sent to a Supplier.<sup>15</sup> These types of systems facilitate purchasing from Suppliers which have already been approved by customers, but are not prohibitive of placing orders with other Suppliers.

36. For some smaller orders, customers use debit or credit cards (for example, purchasing from supermarkets and Amazon). One customer said that whether an order is placed by debit card or via an invoice system does not affect the ease of placing that order. We found that larger customers are seeking to consolidate spend to a few Suppliers to improve oversight of this.

37. In general, we found little evidence that the use of automated systems was particularly widespread and therefore we do not have sufficient evidence from customer evidence to conclude, on the basis of the customer calls in isolation, that it played an important part in locking customers into certain Suppliers. Customers that use automated systems did not express specific difficulties with purchasing from alternative Suppliers, regardless of whether or not they

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<sup>13</sup> This sub-section is based on our customer calls.

<sup>14</sup> Customers' procurement functions can include assessing the suitability of Suppliers and negotiating credit terms, managing internal purchase orders, comparing Suppliers' prices, placing orders with Suppliers, and arranging for Suppliers to be paid

<sup>15</sup> The order may be in the form of an email. [redacted] has an in-house system for managing, processing and checking orders. Orders then have to be approved by the school's finance officer which generates an automated order letter.

were on an automated system. However, we note that the use of such automated systems may lead to a preference for previously used Suppliers.

### **Views on switching<sup>16</sup>**

38. As discussed above (paragraph 31), customers' approaches to procurement differ across the range of Educational Institutions. The approach that they use to shop around, and who is responsible for this, varies between institutions. However, some similarities could be observed in their approaches to shopping around which is generally (i) done more extensively for larger orders; (ii) usually limited to checking a small number of Suppliers (often two to three of those they have on their 'framework' or see as preferred Suppliers); and (iii) results in larger purchases and a tail of smaller ones.
39. Many of the customers we had calls with at phase 1 and phase 2 told us that they shop around for the best deal. For example, one customer said that it will always look around for competitive prices, and that it compares across Suppliers to check that it is getting products at a good price. Another customer told us that [✂].
40. This is supported by evidence gathered from the written phase 1 customer questionnaire. We asked a limited number of YPO and Findel customers whether they had looked at alternative Suppliers before deciding to purchase from YPO/Findel.<sup>17</sup> All respondents told us that they had looked at alternative Suppliers first.
41. The rigour of this shopping around appears to vary between customers, as noted by some of the Educational Institutions we had calls with. One customer indicated that they largely rely on their Finance Officer/ Business Manager's knowledge of different Suppliers.
42. Customer calls provided some indication that shopping around may be particularly prevalent for higher value purchases. For example:
  - (a) One customer told us that it buys its general classroom items from YPO and ESPO and does not compare their prices with other competitors [✂]. However, for more specialised equipment, such as for sports and furniture, it would shop around to find the most suitable Supplier. For

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<sup>16</sup> This sub-section is based on our email questionnaire and customer calls.

<sup>17</sup> Response options were: 'Yes, looked closely' / 'Yes, looked at some alternatives' / 'No, did not look at alternatives'. All respondents to this question ticked either 'Yes, looked closely' or 'Yes, looked at some.' Base: 11 Findel, 17 YPO respondents.

purchases over £[redacted] they look for multiple quotations and for purchased over £[redacted] they issue a tender.

- (b) Another customer told us that if a single item costs over £[redacted], three quotes will be collected before a decision is made, however it said most items purchased are below this value.
  - (c) Another customer told us that it does not have the capacity to compare prices for every order but does this for larger orders. They added that very large purchases between the value of £[redacted] and £[redacted] require the school to source a minimum of five quotes due to OJEU rules.
  - (d) Another customer told us that whilst the finance team may intervene in particular purchases if it feels they can be obtained cheaper, department heads generally have authority to choose Supplier.
43. Not all customers we had calls with actively shop around. For example, one customer explained that its teachers tend to make repeat orders and do not always check prices. The Business Manager did not have any specific tools in place for checking prices.
44. Many customers that we had calls with at phase 2 told us that they would switch Supplier if they knew they could get better value for money elsewhere. Many customers also told us that they had previously switched some or all of their spend to a different Supplier because they knew they could get a better deal elsewhere.
45. We note, however, that several of the customers we had calls with told us that they had been purchasing from the same Supplier for a number of years (note this is slightly at odds with the finding that few customers purchased from a Supplier because they had always done so (see paragraph 19)). Most (23 out of 30) of the YPO and Findel customers that responded to our phase 1 written question on how long they had been buying from the merging Parties had been buying from YPO/Findel for four years or longer.<sup>18</sup> It is not clear from these written responses whether the amount customers spent with them had changed or remained constant over this period. At phase 1, the Parties submitted that Findel's average customer tenure is [redacted] years while YPO's is [redacted] years.
46. There do not appear to be significant barriers to switching amongst the Educational Institutions we had customer calls with. However, we note that:

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<sup>18</sup> Findel and YPO customers were asked the tick box question 'How long have you been a customer of Findel/YPO?' ('Less than 1 year/year/ 2 years/3 years/4 years or longer').

- (a) As discussed in paragraph 31 onwards, the larger customers with centralised procurement departments have a list of approved Suppliers that they have been looking to reduce to consolidate and simplify the process. This limits the extent to which individual institutions can shop around, but the centralised procurement departments review Suppliers every few years. These larger customers told us that they are aiming to consolidate the number of Suppliers they use in order to achieve efficiencies. For example, one larger customer told us that it has recently made a conscious decision to reduce the number of Suppliers it uses, [REDACTED].
- (b) Some customers highlighted the importance of a Supplier's reputation or recommendations from another Educational Institution.
- (c) A few customers highlighted that teachers may have a preference for a particular brand or Supplier.
- (d) One customer highlighted that for furniture, it would generally wish to keep purchases with the same Supplier ([REDACTED]), given these match its existing set, but it would be willing to switch purchases of other items. Another large customer told us that it would only steer purchasing decisions to [REDACTED] exclusively in the case of [REDACTED].
- (e) One school noted that a [REDACTED] was an additional factor in their choice of [REDACTED] as a Supplier. However, they also told us that they would switch Supplier if they could get a better deal elsewhere.

### ***Current purchasing***<sup>19</sup>

- 47. There is variation between customers as to how many Suppliers they currently shop with, and which Suppliers these are.
- 48. To assess this further, we asked YPO's and Findel's customers about their current spend with other Suppliers of educational resources, and collected responses through both our phase 1 and phase 2 written questionnaires.<sup>20</sup>
- 49. As discussed in more detail below, the written questionnaire responses alone do not clarify the extent to which customer spend with other Suppliers is comparable to their spend with the Parties in terms of product categories purchased. Some customer calls demonstrated that spending on Educational Resources can be interpreted loosely, with some customers giving examples

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<sup>19</sup> This sub-section is based on our email questionnaire and customer calls.

<sup>20</sup> We note that with respect to our phase 1 written questionnaire, Suppliers named may not necessarily be limited to those with current spend but may also include Suppliers that that customer has heard of or would consider purchasing from.

related to purchases for members of staff or food purchases. Given that this nuance cannot be captured in written responses, these results may not be comparing like-for-like purchases and should be interpreted with caution.

50. When interpreting the responses, it is also important to note the following:
- (a) Only respondents to the second wave of our phase 2 questionnaire (which accounts for 25 of the 65 responses by YPO and Findel customers across phases 1 and 2) were asked whether their spend with each Supplier was 'main', 'moderate' or 'minimal.' For respondents to our phase 1 and the first wave of phase 2 questions, the level of spend with each Supplier is not known ('unspecified').
  - (b) Both the phase 1 and phase 2 questionnaires included a list of Suppliers and asked respondents to mark those they had purchased from with an 'x'. They also included an option of 'Other (please specify).' At phase 1, Amazon, supermarkets and high-street retailers were not listed as named options.<sup>21</sup> At phase 2, only one Specialist Supplier (WFE, which owns several specialist brands) was included in the list of Suppliers. Amazon, high-street retailers and supermarkets were listed as options.
51. We received responses from 25 YPO customers. For YPO's customers that reported having 'main' or 'moderate' spend with one or more other Supplier, this was mostly with another Generalist Supplier (primarily Findel, Amazon, RM and ESPO).<sup>22</sup> One respondent also reported having 'moderate spend' with Supermarkets. No YPO customers reported having 'main' or 'moderate' spend with a Specialist Supplier. Across all types of spend (and both phase 1 and phase 2 responses), Findel and RM were the two most mentioned Suppliers that YPO customers also purchased from, being mentioned by 21 and 17 customers, respectively. Amazon and supermarkets follow with 13 mentions each.
52. We received responses from 27 Findel customers. Amongst Findel's customers that reported having 'main' or 'moderate' spend with one or more other Supplier, there is more variation – with several customers (mostly

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<sup>21</sup> Suppliers listed in the phase 1 written questionnaire: Davies Sport, Demco, ESPO, Herts FullStop / Nottinghamshire County Supplies, Hope / GLS / Findel, KCS, LDA, Maudesport, Philip Harris, RM / Consortium / TTS, Timstar, Other (please specify). Suppliers listed in the phase 2 written questionnaire: YPO, Findel Education (including any of its brands: Hope Education, GLS, Philip Harries, Davies Sports and LDA), ESPO, East Riding of Yorkshire Council, Hampshire County Supplies, Herts FullStop, KCS, RM (including any of its brands: Consortium and TTS), Wall Family Europe (including any of its brands: Technology Supplies Ltd, Timstar, Maude and Demco Europe), Amazon, High-street retailers, Supermarkets, Other – please specify.

<sup>22</sup> 6 customers reported 'main spend' or 'moderate spend' with Findel, 5 with Amazon, 4 with RM and 2 with ESPO. Additionally, 1 customer each reported 'main spend' or 'moderate spend' with Hampshire, Herts FullStop and Supermarkets.



nurseries and pre-schools) reporting 'main' or 'moderate' spend with high-street retailers and supermarkets, as well as other Generalist Suppliers, including Amazon. Two customers also reported having 'moderate spend' with WFE, which owns several specialist brands.<sup>23</sup> Across all types of spend, the Suppliers most mentioned were RM, Amazon and YPO, being mentioned by 18, 15 and 13 customers, respectively. High-street retailers and supermarkets follow with 12 and 11 mentions each.

53. Around half of YPO (13 out of 25) and Findel (15 out of 27) customers responding to our written questionnaires told us that they had bought Educational Resources from Amazon. Among the customers responding to wave 2 of our phase 2 questionnaire who mentioned Amazon as a current Supplier, 5 out of 8 YPO customers and 10 out of 12 Findel customers described this as 'main' or 'moderate' spend. A broad range of customers told us that they purchased from Amazon, including schools, nurseries, a City Council and a Multi-Academy Trust. It is not possible to robustly determine, based on this small sample, whether particular types of customers are more likely to use Amazon.
54. It is unclear from these written questionnaire responses what the degree of overlap is between the product categories supplied by the merging Parties and the product categories purchased from Amazon. However, several customer calls indicated that, although spend with them can be moderate, the products purchased from Amazon may be different to those purchased from other Generalist Suppliers. For example:
- (a) One customer told us that, in general, the items it buys on Amazon are different from the everyday items sold by ESPO and YPO and answer more specific needs.
  - (b) Another customer told us that the type of products purchased from Amazon tend to be different from other Suppliers, for instance live plants for science labs.
  - (c) Another customer told us that it tends to purchase different kinds of products from Amazon, and that these were not comparable to the staples they need to deliver the curriculum (that they mainly purchase from YPO).

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<sup>23</sup> 10 customers reported 'main spend' or 'moderate spend' with Amazon. 5 customers each reported 'main spend' or 'moderate spend' with YPO, RM and high-street retailers. 3 customers each reported 'main spend' or 'moderate spend' with ESPO and supermarkets. 2 customers each reported 'main spend' or 'moderate spend' with KCS and Wall Family Europe, while 1 customer reported 'main spend' or 'moderate spend' with East Riding of Yorkshire.

- (d) Another customer told us it would not place a large resource order on Amazon, as they don't see them as a school specialist and mainly use them for price comparison.
  - (e) Another customer, told us that it has a business account with Amazon and works closely with them for the procurement of certain goods, but not similar goods to those it buys from Findel.
  - (f) Another customer told us that it only buys low value low volume items from Amazon, and generally items it might need quickly.
55. Several customers told us that Amazon does not provide an alternative for the large, bulk orders they make with other Generalist Suppliers. Customers referred to benefits of using Amazon, such as speed of delivery, that it can sometimes be cheaper, and the availability of specialist equipment. However, customers also noted disadvantages, such as difficulties tracking individual purchases or returning products, and that purchases are made on credit card and so do not go through the standard invoicing process. One customer noted that Amazon can be more expensive.
56. Most customers responding to our phase 2 written questionnaire bought from high-street retailers (19 out of 35) and supermarkets (24 out of 35), but this was largely described as minimal spend.<sup>24</sup> They do not appear to be strong substitutes except, potentially, for some very small private nurseries. It is also unclear from the written responses what the degree of overlap is between the product categories supplied by the merging Parties and the product categories purchased from high-street retailers and supermarkets. For example, one larger customer we spoke to told us that its 'minimal' spending at supermarkets 'is purely food for breakfast clubs and equivalents'.
57. Several of the customers we had calls with indicated that they largely order their core products from Generalist Suppliers but may supplement these with additional products from Amazon (who they mentioned separately from other Generalists), Specialist Suppliers and/or other retailers.

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<sup>24</sup> Of the 12 respondents to wave 2 of our phase 2 written questionnaire that said they purchased from high-street retailers, 7 described this as 'minimal', 4 as 'moderate', and 1 as 'main'. Of the 16 respondents to wave 2 of our phase 2 written questionnaire that said they purchased from supermarkets, 12 described this spend as 'minimal', 2 as 'moderate', 2 as 'main'.

### ***Next closest alternative to YPO/Findel<sup>25</sup>***

58. There is variation across customers in who they say they would switch to if the merging Party they currently buy from was no longer active in this industry.
59. To improve our understanding of who customers see as the Parties' next closest alternative, we asked who they would place their orders with instead if YPO/Findel were no longer active in this industry. We explored this with customers through both the phase 1 and phase 2 written questionnaires, and customer calls. Respondents were able to list one or more alternative Suppliers. We received a range of different types of responses to this question reflecting both customers' ability to engage with it and also different views on alternatives to the Parties.
60. The responses can broadly be categorised as follows.
- (a) Multiple Suppliers – Most (29 out of 42) customers who provided a response to the relevant questions in our written phase 1 or phase 2 questionnaires listed multiple alternatives rather than a single Supplier, or told us they would go with various Suppliers. It is not clear in all the responses whether they would split their spend between these Suppliers or are listing them as a range of options for single-alternative Supplier.
  - (b) Single Suppliers – Several customers (9 out of 42) who provided a response to the relevant questions in our written phase 1 or phase 2 questionnaires named a single alternative Supplier. Those listed include RM, Banner, KCS, Findel (by a YPO customer), Hampshire County Suppliers and ESPO.
  - (c) Categories of Suppliers – One customer responding to our written phase 2 questionnaire did not name an alternative Supplier but specified that they would place their orders with another PSBO and online.
  - (d) Don't know – Several customers told us, either in response to the written questionnaires or during calls, that it was unknown at this time who they would switch to. For example, one customer told us that they would speak to other headteachers for recommendations.
61. Of the customers that responded to our written phase 1 and phase 2 questionnaires and named at least one Supplier they would switch to, most (31 out of 35) mentioned a Generalist Supplier other than Amazon (eg the

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<sup>25</sup> This sub-section is based on our email questionnaire and on customer calls.

other merging Party, RM, ESPO, KCS as well as Generalists that are active on a more regional level such as Hampshire County Supplies), while 12 out of 35 submitted that they would switch to Amazon. A number of customers also mentioned Specialists Suppliers (8 out of 35).

62. In terms of individual Suppliers, YPO customers most often mentioned Findel (9 customers), RM (7 customers) and ESPO and Amazon (both 6 customers). Findel customers most often mentioned RM (10 customers), Amazon (6 customers) and YPO (5 customers).
63. However, and as discussed in more detail in paragraph 4, it is important to note that these responses are not statistically representative and, as such, must be interpreted with caution. In particular, we recognise that these responses include a very limited number of customers in some regions where the Parties' overlap is relatively high, such as Scotland. We also acknowledge that the geographic location of customers responding to our questionnaire may have influenced their responses. However, given the small sample, it would not be robust to analyse how responses differ between customers in different regions.

### ***Views on the Merger***

64. The ten customers we spoke to did not express any direct concerns about the Merger, although some customers predicated their view on the Merger not affecting the YPO/Findel offer.
65. In the phase 2 written responses, two out of 35 customers expressed a specific concern. [✂].
66. Another customer explicitly stated that it was not concerned. It said '[it] Does not see the merger as particularly impactful to the market, we believe there is a wealth of alternative Suppliers to purchase from and the acquisition would not give YPO a stranglehold on the market.'

## Appendix E: Competitor hearings summary

1. During the phase 2 inquiry, we held third party hearings with seven of the Parties' Generalist and Specialist competitors (competitors), covering national, regional and online suppliers. We spoke to an additional three competitors in the phase 1 investigation.<sup>1</sup> This is in addition to information provided by these competitors (and other competitors) through other means, such as questionnaires.
2. These hearings allowed us to pose follow-up questions to competitors and explore some individual issues.
3. The competitors views provided during both the phase 1 and phase 2 investigations are considered throughout the provisional findings. This appendix provides a summary of the competitors' views provided in the phase 2 inquiry.

### **COVID-19**

4. In the hearings, the impact of the COVID-19 pandemic was discussed.
5. All competitors estimated that sales were down. Two competitors who provided a percentage stated that their sales were both likely down [X] from prior year revenues due to the pandemic. Another estimated a [X] reduction in sales.
6. Competitors appeared uncertain on the extent to which the market would improve. One competitor said they expected an uptick in September. Two others, however, noted that it depended on whether schools fully re-opened, or whether there would be a so called 'second wave' respectively.
7. Competitors were divided on whether COVID-19 would impact the type of products purchased in the short or long term. One predicted that demand for traditional educational resources would be lower, while another said they had noted an increasing focus on digital products in its sales. Another, however, said it was not expecting a significant change in goods purchased.

### **Market features**

8. Competitors offered a broadly consistent view on customer purchasing patterns.

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<sup>1</sup> [X]

9. The majority [X] of competitors noted that summer was the peak spending period by customers, with competitors considering this period to be broadly from May to June. Competitors within this noted that these tended to be large bulk orders, encompassing a whole range of supplies and special projects.
10. A small number [X] of competitors noted that there was a second, smaller peak in September and October. One noted this was likely due to schools realising there were still supplies they needed despite the summer orders.
11. Competitors generally noted that, during the rest of the year, customers made far fewer orders. A small number [X] of competitors noted that August and Christmas were quiet periods.
12. One competitor priced the difference between these sales periods, with a typical order ranging in value from [£0-500] to [£5000-10000] in peak periods.

### ***One-stop shop***

13. In general competitors supported the view that a one-stop shop remains important.
14. Nevertheless, a competitor [X] said that no one Supplier could truly be a one-stop shop because no Supplier could hold all items that may be required (for warehousing reasons).

### ***Customer loyalty***

15. In our hearings, we found that these competitors generally saw customer loyalty as present and important.

### ***Marketing and generating new business***

16. Competitors outlined attempts to generate new business and variety of different methods to do so were detailed.
17. A small number [X] emphasised 'cold calling', through which the competitor would hope to arrange face-to-face visits to discuss customer spends and wider purchasing. One competitor mentioned email marketing as a particular method they used.
18. One competitor said that they focused marketing efforts through its catalogues, sending them out to customers across a number of regions in the UK.

19. One competitor said that it was moving its focus to digital marketing; seeking to feature on a range of social media and digital content. The competitor said this was because they felt that increasingly customers come to the business, not the other way around, and so branding and visibility was very important.

### ***Public sector procurement rules***

20. The role of public sector procurement rules was mentioned. Competitors were divided on the effect of the public sector procurement rules.
21. Some competitors said that public sector procurement rules were a factor:
- (a) [X] said that the rules were an influencer among staff that have the final decision, principally school business managers.
  - (b) [X] emphasised its role in allowing customers to buy goods with a procurement shield.
  - (c) [X] said it considered in general that ‘public sector bodies are very conscious of public procurement regulations’.
22. [X]. One of these competitors said that, except for a couple of instances, there was no impact of public sector procurement rules on the strength of competition between PSBOs and private organisations.

### ***Views on the Merger***

23. We asked competitors for views on the effect of the Merger. 11 out of 14 competitors responded.<sup>2</sup>
24. We summarise the types of views, with example quotes, below.

#### ***Described a competition problem arising from the Merger***

- (a) Reduced choice for customers (three competitors).
  - (i) For example, one competitor said “Ultimately this merger would reduce choice for schools.” Another said “The merger would decrease the current competition, particularly in certain specialist commodities groups, such as PE and Sport and Science Equipment. YPO and Findel currently appear to have a large proportion of that market, choice would become limited for customers.”

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<sup>2</sup> [X]

(b) Creation of monopoly (or one very large player) (four competitors).

- (i) For example, one competitor said “This will create a YPO monopoly which is not in the interests of SMEs nor the end users who may be forced to use them due to their aggressive pricing yet resulting in the end user not receiving the service or quality levels. YPO already have a monopoly in the North and if they acquire Findel this will create a YPO monopoly in the South”.

*Described concerns about effect on themselves*

(c) More competitive pricing making it harder to compete (four competitors).

- (i) In two of these cases this concern was linked explicitly to YPO’s public sector nature. [X].
- (ii) In one case this was linked to the Merger creating purchasing economies. [X].

(d) Threat of being targeted [X].

- (i) [X]

*Described no concerns*

(e) Explicitly no concerns (four competitors)

- (i) For example, one competitor said “The change in size of the combined organisations would not immediately appear to change their underlying capabilities to the point that existing competitors could not compete in terms of service or quality. Nor would the merge provide the combined organisation a significant product range advantage as both organisations ranges are largely substitutable, but there would likely be cost advantages through scale, which may result in lower customer pricing. It would expand the combined organisation further into the specialist educational resources supplier area.” [X].



## Glossary of key terms

<b>the 2012 Act</b>	Public Services (Social Value) Act 2012.
<b>the Act</b>	The Enterprise Act 2002.
<b>Amazon</b>	Amazon.com Inc and its subsidiaries, including Amazon Eu S.À.R.L.
<b>BESA</b>	British Educational Suppliers Association.
<b>BESA product categories</b>	The nine BESA product categories (Core Curriculum (inc. SEN), Foundation Curriculum, Sport, Art & craft, Furniture, ICT & A/V, EY/EYFS/Outdoor, Stationery and Consumables).
<b>Business Case</b>	YPO's internal document.
<b>Circular</b>	Studio's circular to Shareholders and Notice of General Meeting dated 20 December 2019.
<b>Connect</b>	The education and care business of Connect Group plc acquired by RM Plc in 2017.
<b>coordinating group</b>	See hypothetical coordinating group.
<b>core regions</b>	Core geographic areas of strength where local shares of supply are higher.
<b>Consortium</b>	A brand of RM, which focuses on commodity products.
<b>COVID-19</b>	Coronavirus ( <b>COVID-19</b> ) pandemic.
<b>CMA</b>	Competition and Markets Authority.
<b>CPB</b>	Central purchasing body.
<b>DfE</b>	Department for Education.
<b>distribution channels</b>	All methods through which sales are made (eg online sales and telephone sales) but excluding bricks and mortar only stores.
<b>Edtech</b>	Edtech Impact Limited.

<b>Educational Resources</b>	Resources used by <b>Educational Institutions</b> to assist the teaching of children or to facilitate a safe learning environment. Educational Resources encompasses a variety of product categories including stationery, furniture, art and craft materials, sports equipment, science and special educational needs and other curriculum products, as well as office-related and cleaning products.
<b>Educational Institutions</b>	Providers of the following levels of education provided to pupils: (1) nursery (also referred to as early years), (2) primary, and (3) secondary.
<b>ESPO</b>	Eastern Shires Purchasing Organisation.
<b>Findel</b>	Findel Education Limited.
<b>Founder Members</b>	The 13 local authorities who are joint committee members of YPO <sup>1</sup> .
<b>Framework Agreement</b>	In the context of public procurement, a Framework Agreement is an overarching agreement between a contracting authority (which may for example include a school, a MAT, an LA or a CPB) and one or more suppliers, the purpose of which is establish the terms on which the supplier will provide goods or services to public purchasers, and which public purchasers can utilise in order to call off their requirements without the need for further OJEU tendering procedures.
<b>Generalist(s)</b>	See <b>Generalist Supplier(s)</b> .
<b>Generalist Supplier(s)</b>	Suppliers who sell a wide range of <b>Educational Resources</b> across all or the majority of product categories to all types of <b>Educational Institutions</b> in the UK.
<b>Hampshire County Supplies</b>	County Supplies, a business unit of Hampshire County Council. A supplier of <b>Educational Resources</b> .
<b>Herts FullStop</b>	Herts FullStop Ltd.

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<sup>1</sup> The Founder Member local authorities are the following: (i) Barnsley Metropolitan Borough Council; (ii) The Borough Council of Bolton; (iii) City of Bradford Metropolitan District Council; (iv) Borough Council of Calderdale; (v) Doncaster Borough Council; (vi) The Council of The Borough Of Kirklees; (vii) Knowsley Metropolitan Borough Council; (viii) North Yorkshire County Council; (ix) Rotherham Borough Council; (x) St Helens Borough Council; (xi) Wakefield Metropolitan District Council; (xii) Wigan Borough Council; (xiii) Council of The City of York.

<b>Hypothetical coordinating group</b>	Hypothetical coordination in relation to the supply of Educational Resources between YPO, Findel, ESPO, KCS and RM.
<b>CMA Guidance</b>	Merger Assessment Guidelines ( <a href="#">CC2 Revised</a> ).
<b>CMA Jurisdictional Guidance</b>	CMA's Jurisdictional and Procedural Guidance ( <a href="#">CMA2</a> ).
<b>ICT</b>	Information and Communication Technology.
<b>Inquiry Group</b>	Group of CMA panel members conducting this inquiry.
<b>Issues Statement</b>	Statement of 27 July 2020, in which the CMA set out the main issues envisaged to be relevant to its phase 2 investigation.
<b>KCS</b>	A trading unit of Commercial Services Trading Ltd and Commercial Services Kent Ltd, wholly owned by Kent County Council.
<b>Lead Authority</b>	One of the <b>Founder Members</b> acting as the <b>Lead Authority</b> of YPO. The current lead is <b>Wakefield</b> .
<b>main supplier</b>	One or two Generalist Suppliers used by a customer for the majority of their needs.
<b>MAT</b>	Multi-Academy Trust.
<b>Manufacturers</b>	Companies that create and produce <b>Educational Resources</b> .
<b>Merger</b>	The anticipated acquisition by <b>YPO</b> of the whole share capital of <b>Findel</b> .
<b>Merged Entity</b>	<b>YPO</b> and <b>Findel</b> collectively.
<b>national Generalist Supplier</b>	Generalist Suppliers which supply a large number of regions across the UK.
<b>OFT</b>	Office of Fair Trading.
<b>OJEU</b>	Official Journal of the European Union.
<b>PSBO</b>	Public sector buying organisation.

<b>Parties</b>	<b>YPO</b> and <b>Findel</b> collectively.
<b>Phase 1 Decision</b>	CMA Decision to refer the <b>Merger</b> for a phase 2 inquiry.
<b>PQRS</b>	Price, quality, range, service.
<b>Provisional Findings</b>	Provisional findings on the <b>Merger</b> , a non-confidential version of which was published on the inquiry webpage.
<b>PwC's Valuation</b>	PwC's valuation of Findel prepared on behalf of YPO dated September 2019.
<b>Region</b>	The 12 Government Office Regions of the UK: East of England, East Midlands, London, North East, North West, Northern Ireland, Scotland, South East, South West, Wales, West Midlands and Yorkshire and the Humber.
<b>regional Generalist Supplier</b>	Generalist Suppliers which are regionally focused.
<b>Relevant Market</b>	The market for the supply of Educational Resources to Educational Institutions in the UK by Generalist Suppliers.
<b>RM</b>	RM Plc.
<b>SKU</b>	Stock keeping unit.
<b>SBM</b>	School Business Managers.
<b>SIMS</b>	School Information Management System.
<b>SLC</b>	Substantial lessening of competition.
<b>Specialist(s)</b>	See <b>Specialist Supplier</b> .
<b>Specialist Supplier(s)</b>	Suppliers who sell one or a small number of product categories of <b>Educational Resources</b> .
<b>Studio</b>	Studio Retail Group plc (formerly known as Findel P.L.C.).
<b>Suppliers</b>	Firms that sell <b>Educational Resources</b> to <b>Educational Institutions</b> including <b>Generalists</b> , <b>Specialists</b> and retailers. Suppliers are not typically the manufacturers of the products, except where the products are their own-brand products.

<b>SXL</b>	Scotland Excel.
<b>TTS</b>	A brand of RM.
<b>UK</b>	United Kingdom.
<b>Wakefield</b>	The Council of the City of Wakefield, otherwise known as Wakefield Metropolitan District Council.
<b>WFE</b>	WF Education Group Holdings Limited, also known as Wall Family Enterprise. A supplier of <b>Educational Resources</b> .
<b>YPO</b>	Yorkshire Purchasing Organisation.
<b>YPO Procurement</b>	YPO Procurement Holdings Limited.