

Anticipated acquisition by DPDgroup UK of CitySprint

Decision on relevant merger situation and substantial lessening of competition

ME/6952/21

The CMA's decision on reference under section 33(1) of the Enterprise Act 2002 given on 16 December 2021. Full text of the decision published on 1 February 2022.

Please note that [X] indicates figures or text which have been deleted or replaced in ranges at the request of the parties or third parties for reasons of commercial confidentiality.

SUMMARY

1. DPDgroup UK Limited (**DPD**) has agreed to acquire CitySprint (UK) Limited (**CitySprint**) (the **Merger**). DPD and CitySprint are together referred to as the **Parties**.
2. DPD is wholly owned by La Poste SA which also wholly owns Stuart Delivery Ltd (**Stuart**), and thus DPD and Stuart are under common control. The Competition and Markets Authority (**CMA**) believes that it is or may be the case that each of La Poste SA (which includes DPD and Stuart) and CitySprint is an enterprise; that these enterprises will cease to be distinct as a result of the Merger; and that the turnover test is met. Accordingly, arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation. References to the Merged Entity for statements related to the future include DPD, CitySprint and Stuart.
3. The Parties overlap in the supply of delivery services and certain logistics services in the UK. The CMA has therefore assessed the impact of the Merger in relation to the supply of these services in the UK, distinguishing between next-day and same-day delivery services.
4. The CMA has found that the Parties are not currently close competitors. The CMA has found that while DPD focuses on next-day delivery services, CitySprint has only limited activity in the supply of next-day services and instead concentrates on same-day delivery services.

5. The CMA has also considered the activities of Stuart. While CitySprint and Stuart are both active in same-day delivery services, the CMA has found that they are active in different customer segments and that there is therefore currently only very limited competition between them. However, the CMA also found evidence that demand for same-day delivery services in the retail sector is evolving and, therefore, considered whether CitySprint and Stuart might become closer competitors in the future. The CMA found that CitySprint and Stuart may be well-positioned to compete in this segment in the future but also found that other providers are well-placed to respond to these developments. As such, neither CitySprint nor Stuart appear to be uniquely advantaged in terms of their ability to compete in this emerging area and would be constrained by alternative providers. The CMA therefore found that the Merger does not give rise to a realistic prospect of a substantial lessening of competition (**SLC**) as a result of horizontal effects.
6. In respect of vertical or conglomerate concerns, the CMA found that the Merged Entity would be unable to foreclose other competitors due to the availability of alternative suppliers of the delivery services that DPD, CitySprint and Stuart supply.
7. Consequently, the CMA believes that the Merger does not give rise to a realistic prospect of a SLC as a result of horizontal, vertical or conglomerate effects.
8. The Merger will therefore **not be referred** under section 33(1) of the Enterprise Act 2002 (the **Act**).

ASSESSMENT

PARTIES

9. DPD is active in the supply of national and international freight and parcel delivery services. DPD's UK turnover in 2020 was £[<].¹
10. DPD is a wholly owned subsidiary of La Poste SA. La Poste SA also wholly owns Stuart. Stuart is active in the supply of ultrafast delivery services, predominantly in the restaurant food and grocery sectors. Stuart's UK turnover in 2020 was £[<].
11. CitySprint is active in the supply of courier services for packages and other items. CitySprint's UK turnover in 2020 was approximately £[<].

TRANSACTION

12. DPD and the current shareholders of CitySprint entered into an agreement for the sale and purchase of CitySprint (**SPA**) on 6 August 2021. Pursuant to the SPA, DPD will acquire 100% of the issued share capital of CitySprint from its current shareholders.²
13. The Merger is not subject to review by any other competition authority.

JURISDICTION

14. The CMA believes that the Merger (as described in paragraph 12) is sufficient to constitute arrangements in progress or contemplation for the purposes of the Act.³
15. Each of La Poste SA (which includes DPD and Stuart) and CitySprint is an enterprise. As a result of the Merger, these enterprises will cease to be distinct.
16. The UK turnover of CitySprint exceeds £70 million, so the turnover test in section 23(1)(b) of the Act is satisfied.

¹ DPD is a wholly owned and controlled subsidiary of GeoPost S.A, which is in turn wholly owned and controlled by La Poste SA (a public postal operator in France). La Poste SA is in turn majority owned and controlled by Caisse des Dépôts et Consignations, a public entity in France, with the remainder of La Poste SA being owned by the French State. The turnover of La Poste SA in 2020 was £[<] in Great Britain and was £[<] worldwide.

² Via the acquisition of the entire issued share capital of Project Bolt Newco 1 Limited, an intermediate parent company of CitySprint.

³ Section 33(1)(a) of the Act.

17. The CMA therefore believes that it is or may be the case that arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation.
18. The initial period for consideration of the Merger under section 34ZA(3) of the Act started on 29 October 2021 and the statutory 40 working day deadline for a decision is therefore 23 December 2021.

COUNTERFACTUAL

19. The CMA assesses a merger's impact relative to the situation that would prevail absent the merger (ie the counterfactual). For anticipated mergers, the counterfactual may consist of the prevailing conditions of competition, or conditions of competition that involve stronger or weaker competition between the merger firms than under the prevailing conditions of competition.⁴
20. In determining the appropriate counterfactual, the CMA will generally focus only on potential changes to the prevailing conditions of competition where there are reasons to believe that those changes would make a material difference to its competitive assessment.⁵ The CMA also seeks to avoid predicting the precise details or circumstances that would have arisen absent the merger. For example, the CMA might assess the likelihood that one of the merger firms would have entered or significantly expanded, but not the precise characteristics of the product or service it would have introduced or the level of sales it would have achieved.⁶
21. The Parties submitted that the CMA should assess the Merger against the prevailing conditions of competition and that the CMA's analysis should take account of the closure of CitySprint's 'On the Dot' business, which focused on ultrafast restaurant food, grocery and retail deliveries.⁷
22. The CMA has not received evidence that indicates it should base its assessment on a counterfactual other than the prevailing conditions of competition. As discussed further at paragraph 125 onwards, the CMA has received evidence, including internal documents from Stuart, showing that there is a realistic prospect that Stuart will expand its same-day delivery services, particularly [X]. The CMA has also received evidence that demand in the retail segment is evolving, with consumers demanding faster and more precise deliveries (for example, timed

⁴ See [Merger Assessment Guidelines \(CMA129\)](#), March 2021, paragraph 3.2.

⁵ See [Merger Assessment Guidelines \(CMA129\)](#), March 2021, paragraph 3.9.

⁶ See [Merger Assessment Guidelines \(CMA129\)](#), March 2021, paragraph 3.11.

⁷ Final Merger Notice submitted by Parties on 22 October 2021 (**FMN**), paragraphs 5.1 and 5.2.

slots)⁸ and that CitySprint and Stuart, as well as their competitors, are responding to these market developments.⁹

23. The counterfactual does not seek to ossify the market at a particular point in time and an assessment based on the prevailing conditions of competition can reflect that, absent the merger, a merger firm would have continued making investments in improvements, innovations or new products.¹⁰ Therefore, the CMA considers that the prevailing conditions of competition in this case include strategies to meet growing and changing demand for delivery services, including the potential expansion by Stuart of its same-day service offering.
24. In this case, the CMA has therefore assessed the Merger against the prevailing conditions of competition. However, the CMA has considered as part of the competitive assessment growing and changing demand in the retail sector and the Parties' and their competitors' strategies and plans for responding to these developments.

BACKGROUND

Delivery services

25. Suppliers of delivery services collect (or receive) packages and other items in order to deliver them to an end location or recipient.

Speed of delivery

26. Delivery services can be distinguished by the length of time it takes to deliver a package. For instance, packages can be delivered on a 'standard' basis whereby they are delivered a number of days after they have been picked up or received by the delivery provider. Delivery can also occur on a next-day basis, whereby delivery occurs the day after pick up or receipt by the delivery provider; or on a same-day basis whereby the package is picked up or received by the delivery provider and delivered on the same day.
27. Within same-day delivery services, there is a growing category of ultrafast delivery characterised by delivery time frames of less than one hour. Ultrafast delivery is used to fulfil end customers' immediate needs, for example to receive restaurant food or small baskets of groceries. Given the activities of DPD, Stuart and

⁸ See further paragraph 36.

⁹ See further paragraphs 38 and 39.

¹⁰ See [Merger Assessment Guidelines \(CMA129\)](#), March 2021, paragraph 3.3.

CitySprint, the CMA has focused its assessment on the provision of next-day and same-day services, including ultrafast services.¹¹

Operating model

28. There are two main operating models used by providers to supply delivery services: (i) hub-and-spoke, where items are collected at the point of origin and then taken to a hub to be sorted before being delivered; and (ii) point-to-point delivery where items are collected at the point of origin and transported directly to the end location.
29. Next-day services generally rely on a hub-and-spoke model.¹² This may involve the use of multiple hubs, as well as scheduled local van routes and heavier vehicles to transport items to and between hubs.
30. Same-day services generally rely on a point-to-point model.¹³ Suppliers operate a network of couriers with different types of vehicles to cater for different journey lengths and types of package; for instance, vans and cars for long journeys and bulky items, as well as bicycles, motorbikes and mopeds for shorter trips within cities. Same-day services may include some more limited use of local hubs to consolidate multiple orders into a single delivery route,¹⁴ or to sort and split a consignment of items into more efficient routes.¹⁵
31. Ultrafast services also generally rely on a point-to-point model. Given the short delivery times and distances that characterise ultrafast services, there is limited opportunity for sortation through hubs. Ultrafast providers predominantly use two-wheeled vehicles, such as bicycles and motorcycles. Deliveries may also be made on foot and using cars, where appropriate and depending on the size of the product to be delivered and the distance involved.

Pricing

32. Same-day delivery suppliers often charge on the basis of a flat delivery fee plus a cost for each mile that a package is transported.¹⁶ Same-day providers may charge different prices depending on vehicle type such that, for example, delivery by a van costs more than delivery by a bicycle.¹⁷ A mix of standard tariffs and individually negotiated pricing structures for large customers is common.¹⁸

¹¹ Although DPD is active in the supply of standard delivery services, CitySprint is not active in the supply of these services.

¹² FMN, paragraph 13.8.

¹³ FMN, paragraph 13.8.

¹⁴ For example, see CitySprint's response to Q2 (Table 1) of the CMA's s109 notice dated 6 October 2021.

¹⁵ Note of call with [§<].

¹⁶ See FMN, Appendix 1, paragraphs 19.3 and 19.10; and note of call with [§<].

¹⁷ FMN, Appendix 1, paragraphs 19.3 and 19.11.

¹⁸ FMN, paragraph 12.23.

33. By contrast, although next-day providers factor the distances from (i) collection point to sortation hub and (ii) (final) sortation hub to delivery point into prices, they are generally less concerned with the overall distance that a package is transported than the volume and weight of packages. The type of vehicle used does not impact pricing.¹⁹
34. Given the economies of scale inherent in running a hub-and-spoke model (such as scheduled trips between hubs that combine the movement of multiple items), a single package that is sent on a next-day basis will generally be cheaper than a package sent the same distance on a same-day basis.²⁰

Customer type

35. In relation to customer groups, same-day and next-day suppliers undertake both business to business (**B2B**) and business to consumer (**B2C**) deliveries.
36. The Parties' internal documents,²¹ and evidence from retailers and competitors indicate that same-day B2C delivery services have been rapidly evolving to meet changing consumer expectations, particularly for faster or more convenient deliveries (ie deliveries within specified time slots or in the evenings).^{22, 23} The Parties submitted that the Covid-19 pandemic has impacted the trajectory of this development.²⁴ Industry analysis supports the Parties' submissions.²⁵ While there has been a surge in demand for B2C (largely retail) deliveries, two retail customers noted that at least in the short term there has also been a reduction in demand for convenient fulfilment options that had been growing in popularity before the pandemic, as a result of the increasing number of people working from home. The future development of the market in this regard remains uncertain, and it is currently not clear whether the growth in the B2C delivery market will be sustained or whether demand for convenient deliveries will return as consumers spend more time away from their homes.

Delivery services activities of DPD, Stuart and CitySprint

37. DPD provides small package delivery services. It focuses on the supply of domestic next-day delivery services, which accounted for the majority ([§<]%) of its

¹⁹ FMN, paragraph 19.4 to 19.7.

²⁰ See comparison between the DPD, CitySprint and Stuart prices; FMN, Appendix 1 at paragraphs 19.8 to 19.11.

²¹ See for example, FMN, Annex 5, '[§<]' and Annex 116, '[§<]'.

²² Notes of calls with [§<] and third-party responses to CMA questionnaire.

²³ Note of call with [§<].

²⁴ FMN, paragraph 13.14.

²⁵ See IMRG, 'Consumer Home Delivery Review 2020/21' ([Consumer Home Delivery Review 2020/21 - IMRG](#)); and Apex Insights, 'UK Parcels Market Insight Report 2020' ([UK Parcels Market Insight Report 2020 - Apex Insight \(apex-insight.com\)](#)).

turnover in 2020.²⁶ DPD operates a hub-and-spoke model with [X] depots throughout Great Britain (including [X] main hubs and [X] hub).²⁷ DPD provides services to businesses in all sectors as well as consumers.²⁸ It operates through two main brands: DPD UK supplies large corporate customers whilst DPD Local focuses on smaller businesses.²⁹

38. Stuart focuses on ultrafast delivery services in the restaurant food and online groceries sectors, which accounted for [X]% and [X]% of its 2020 revenue respectively. Stuart currently operates in approximately 35 cities and towns in the UK.³⁰ Stuart uses an algorithm to allocate deliveries to its couriers, who predominantly use two-wheeled vehicles. For these deliveries, Stuart operates a point-to-point model and, on average, performs deliveries within [X] minutes of an order for a restaurant food delivery and within [X] minutes of an order for a grocery delivery. The mean average distance travelled by Stuart's couriers for a delivery is [X] miles. Stuart's main customer is [X], which accounted for the vast majority ([X]%) of its 2020 revenue in the UK.³¹ Stuart's next largest customers in the UK are supermarkets, namely [X]. Together with [X], these companies accounted for almost all ([X]%) of Stuart's 2020 revenue.³² Stuart also provides delivery services to retailers, such as department stores and clothing retailers. Stuart is actively growing these operations, but these deliveries accounted for only a negligible share ([X]%) of Stuart's 2020 revenue in the UK.³³ Stuart's deliveries for retailers take place on either a next-day or same-day basis. For these services, Stuart operates both a hub-and-spoke model in which goods are either injected into Stuart's central London hub or collected from the retailer's own hub (known as Hub-to-Home or **H2H**), and a point-to-point model in which goods are collected directly from a store and delivered to a consumer (known as **Ship-from-Store**).³⁴
39. CitySprint predominantly provides same-day delivery services using a point-to-point model,³⁵ although in some instances may use its 'service hubs' to sort or

²⁶ FMN, paragraph 12.13 and Table 4. DPD also offers standard or deferred delivery (where delivery takes place at a point between next-day to within 72 hours in Great Britain ie its 'Day Probable' service), which accounted for approximately [X]% of its 2020 turnover, as well as international outbound delivery services, which accounted for [X]% of its 2020 turnover. (Inbound delivery services account for [X]% of DPD's turnover).

²⁷ FMN, paragraphs 12.14 to 12.17.

²⁸ FMN, paragraphs 12.12 and 12.14. DPD covers parcel flows between businesses (B2B), between consumers (C2C), from businesses to consumers (B2C) and from consumers to businesses (C2B).

²⁹ FMN, paragraph 12.16.

³⁰ Please see: [About Stuart and our vision to empower your businesses.](#)

³¹ FMN, Appendix 1, paragraph 11.3.

³² FMN, Appendix 1, paragraphs 24.1 and 24.2.

³³ FMN, Table 5 and Appendix 1, paragraph 21.2.

³⁴ FMN, Appendix 1, paragraph 21.4.

³⁵ CitySprint provides some next-day delivery services, which account for less than [X]% of its revenue. The majority of these deliveries have late collection times that cannot be provided by standard next-day providers, such as DPD. CitySprint also provides these services where a customer requires a single provider for same-day and next-day deliveries. CitySprint mainly subcontracts these deliveries to next-day suppliers or overnight trucking services. A small proportion of deliveries are undertaken by CitySprint's courier network. FMN, Appendix 1, paragraphs 12.1 to 12.5.

consolidate orders before delivery.³⁶ CitySprint offers these services on a nationwide basis including intercity deliveries. CitySprint's deliveries are typically made around [X] hours following collection or around [X] hours from the booking being made.³⁷ The mean average distance travelled by its couriers for a delivery is [X] miles.³⁸ CitySprint does not impose a size or weight limit for its deliveries and its fleet consists of a mix of small and large vehicles to enable it to transport a wide variety of items.³⁹ CitySprint predominantly focuses on the healthcare, retail, business services and facilities management sectors, with B2B deliveries constituting the majority ([X]%) of its deliveries in 2020.⁴⁰ Unlike Stuart, CitySprint is not active in restaurant food or groceries deliveries.

Logistics services

40. Logistics services are services that form part of an organisation's supply chain management system. Logistics services comprise a variety of services provided to an organisation outsourcing its logistics functions and processes. For instance, logistics suppliers may collect items from customers and deliver them, or may offer 'forward stock location' (**FSL**) services where the supplier stores stock or spare parts on behalf of customers at its own warehouses, to facilitate delivery on behalf of the customer when needed.
41. Suppliers often tailor these services to the exact needs of a customer, for instance acquiring a warehouse in a specific location to use as a FSL or creating a new scheduled delivery route in order to fit in with a customer's business. In addition, a supplier may supply one customer with a mix of logistics services, for example delivering stock and spare parts, as well as managing warehouses or transporting goods for other parts of the organisation's supply chain.

Logistics services activities of DPD and CitySprint

42. DPD holds [X] to [X] weeks of stock for its logistics customers at [X] of its [X] warehouses and then injects goods into its delivery network for standard next-day delivery when a need arises. More specifically, the parcels are injected into DPD's hub sortation process overnight and transported to delivery depots in the early hours of the morning. In the morning, DPD's drivers pick up logistics parcels for their allocated postcodes, alongside standard next-day parcels for those postcodes. Once a driver has completed its allocated deliveries, the driver will pick

³⁶ CitySprint's response to Q2 (Table 1) of the CMA's s109 notice dated 6 October 2021.

³⁷ FMN, Appendix 1, paragraph 11.4.

³⁸ FMN, Appendix 2, paragraphs 7.1 and 7.2.

³⁹ FMN, Appendix 2, paragraph 12.2.

⁴⁰ Specifically, CitySprint provides delivery services to customers active in the following sectors: healthcare ([X]% of CitySprint's UK 2020 turnover); general business services and public sector ([X]% of CitySprint's UK 2020 turnover); online retail and trade ([X]% of CitySprint's UK 2020 turnover); and logistics ([X]% of CitySprint's UK 2020 turnover). FMN, Appendix 2, paragraph 12.36.

up any parcels for collection in its assigned area. DPD also has [X]. The parcels that are collected are then taken to the depot for onward transportation.⁴¹

43. By contrast, CitySprint provides same-day logistics services. CitySprint holds stock for customers in FSLs and delivers that stock on request to a designated location at short notice.⁴² For instance, CitySprint holds [X] in FSLs so that it is able to deliver replacement [X] to [X] customers within a few hours if the customer's [X]. In addition, CitySprint collects and delivers items to and from locations that are known in advance or on a scheduled basis. For example, CitySprint delivers and collects items from primary healthcare providers in England and [X]. Neither DPD nor Stuart offer this type of service.⁴³

FRAME OF REFERENCE

44. Market definition provides a framework for assessing the competitive effects of a merger and involves an element of judgement. The boundaries of the market do not determine the outcome of the analysis of the competitive effects of the merger, as it is recognised that there can be constraints on merging parties from outside the relevant market, segmentation within the relevant market, or other ways in which some constraints are more important than others. The CMA will take these factors into account in its competitive assessment.⁴⁴
45. DPD and Stuart on the one hand, and CitySprint on the other hand, overlap in the supply of delivery services within the UK. The Parties submitted that these services are complementary and differentiated by operating models and different delivery time frames.

Product scope

46. The Parties submitted that there are separate markets for:
- (a) next-day and standard small package delivery services;
 - (b) same-day courier services; and
 - (c) ultrafast delivery services,
- on the basis of both supply-side and demand-side differentiation.⁴⁵

⁴¹ FMN, Appendix 1, paragraphs 17.1 to 17.5.

⁴² FMN, paragraph 12.5.

⁴³ FMN, Appendix 1, paragraph 17.4.

⁴⁴ [Merger Assessment Guidelines \(CMA129\)](#), March 2021, paragraph 9.4.

⁴⁵ FMN, paragraph 13.29.

47. In addition, the Parties submitted that they are both active, to a minor degree, in FSL services.

Next-day and same-day delivery services

48. Third party evidence supports the view that same-day and next-day delivery services should not be included in the same product frame of reference. Customers indicated that these services are generally not substitutable. The majority of CitySprint's customers said that they could not switch to DPD's next-day service for their same-day needs which are time-critical. DPD's customers highlighted the considerable difference in the prices for next-day and same-day services which precludes a same-day service being used for next-day needs,⁴⁶ and the lack of capacity for same-day providers to handle large volumes.⁴⁷
49. On the supply side, a number of competitors indicated that it would be difficult for a next-day provider to use its existing assets to supply same-day delivery services, given the different operating models used (point-to-point for same-day and hub-and-spoke for next-day).⁴⁸ One competitor said that a next-day provider would need to invest in vehicles, drivers and technology to supply same-day services. A number of competitors said that it would be difficult for a same-day supplier to provide next-day services, given the scale of resources needed. Consistent with this, most delivery providers supply either next-day delivery services or same-day delivery services, but not both, suggesting a lack of supply-side substitutability.
50. However, the CMA notes that there are some circumstances where there is some degree of substitutability between next-day and same-day services. As an example, both a customer and a competing delivery service provider stated that the delivery of meal-kit boxes can be provided by both same-day and next-day providers, despite supply-side differences, with no impact on the service received by the end consumer. The CMA notes that this substitutability can be limited by differences in geographic coverage and density of operations in an area.
51. Both CitySprint and Stuart are also active in the provision of late-order next-day delivery services, which enable a consumer to place an order with a retailer many hours after the standard order cut-off times for next-day delivery and still receive the item the following day. In practice, the CMA understands that providers such as CitySprint and Stuart treat these orders as a same-day delivery service in which the goods are collected from the retailer in the morning and delivered that same day.⁴⁹ This service differs from the operating model for standard next-day

⁴⁶ Third party responses to CMA delivery questionnaire.

⁴⁷ Third party responses to CMA delivery questionnaire.

⁴⁸ [Merger Assessment Guidelines \(CMA129\)](#), March 2021, paragraph 9.8(a).

⁴⁹ CitySprint's response to Q2 of the CMA's s109 notice dated 6 October 2021 and FMN, Appendix 2, paragraph 12.6 describing CitySprint's delivery service for [§<] for orders to be placed late into the night for CitySprint to pick up the order the following morning and deliver the item between 6pm to 10pm. See also

deliveries which require the goods to be injected into sortation hubs early in the day before delivery. The CMA understands that ‘standard’ next-day delivery providers cannot readily provide late order services; the Parties submitted that next-day providers have earlier cut-off times in order to meet scheduled sortation and transportation times.⁵⁰ The CMA has not seen any evidence of DPD providing late-order services or facilitating collection of packages beyond its standardised cut-off times. Consequently, the CMA believes that late-order next-day deliveries should be considered as part of the same product frame of reference as same-day delivery services.

52. Evidence from delivery providers and customers also indicates that delivery services will continue to adapt to changing consumer preferences. The CMA considers that this could lead to more discrete areas of overlap between these services.
53. Overall, based on the available evidence, the CMA has considered it appropriate to distinguish between same-day delivery services and next-day delivery services in its assessment of the Merger, due to overall demand- and supply-side differences. However, the CMA has taken account of the evidence of changing consumer preferences and the introduction of certain services, for example late-order next-day deliveries, which straddle the distinction between same-day and next-day delivery in the competition assessment where relevant. However, as no competition concerns arise on any plausible basis, the CMA did not have to conclude on this point.

Same-day and ultrafast delivery services

54. The CMA considers that third party evidence indicates that substitutability between same-day and ultrafast delivery services varies by customer segment.
55. Several competitors and customers commented on the fast-growing demand for same-day services, particularly in B2C, and the increasing expectation for ever-faster deliveries from consumers.
56. This evolution in demand is particularly relevant to the distinction between same-day and ultrafast deliveries in the retail segment. Whilst retail deliveries need not be as rapid as deliveries of hot food, for example, evolving consumer demand may require these deliveries to be made in shorter time frames or specified slots, rather than at any point on the same day. These changes in demand suggest that, in the future, there may be fewer differences between ultrafast delivery services and

FMN, Appendix 3, paragraphs 3.2 and 3.6 regarding Stuart’s same-evening Hub-to-Home deliveries where orders can be placed late the day before delivery and for Stuart to pick-up the item [X] hours before the delivery window of [X] to [X] on the day of delivery.

⁵⁰ FMN, paragraph 13.8.

same-day retail delivery services. Future competition for same-day services is discussed further at paragraph 125 and onwards.

57. The CMA has received evidence indicating that there is the potential for greater convergence between same-day and ultrafast delivery providers in the future. For example, two ultrafast providers indicated to the CMA that they have contemplated offering delivery services beyond the food and groceries segments to include the retail segment.
58. This emerging demand indicates a potential for greater overlap between the types of same-day services supplied by CitySprint and Stuart.
59. Consequently, the CMA has taken a forward-looking approach to determining the appropriate product frame of reference.

Market segmentation

60. The CMA found that the same-day delivery services provided by CitySprint and Stuart can be broadly segmented in the following way:⁵¹
 - (a) Restaurant food and online convenience grocery services (food B2C): the delivery of restaurant food, or on-demand groceries, within very short time frames and geographic radius, usually on a two-wheeled vehicle. These services tend to be more widely available in densely populated areas.⁵² Online convenience groceries were considered in *Amazon/Deliveroo*,⁵³ where the CMA considered that the relevant product market in which to assess the effect of the transaction was the market for the supply of online convenience groceries (ie groceries ordered online for delivery within a few hours). In this case, the CMA has considered restaurant food and online convenience grocery services together in its assessment of the Merger because many of the same firms compete to supply these services and the conditions of competition for the supply of the services are similar.⁵⁴ Currently, almost all ([X]%) of Stuart's deliveries are in this segment, while CitySprint is not active in this segment.⁵⁵
 - (b) Retailers (**retail B2C**): delivery to consumers, often as a 'premium' option offered alongside slower alternatives. Retail customers indicated that customers in this segment may have additional requirements, for example requirements that deliveries be made within specified time slots.⁵⁶ Within this

⁵¹ The CMA notes that there may be other customer groups or segments but given that neither of CitySprint nor Stuart are active in these other segments, the CMA did not consider this further.

⁵² FMN, Appendix 1, paragraph 16.1.

⁵³ [Amazon/Deliveroo](#); CMA, Final Report, paragraph 5.225.

⁵⁴ [Merger Assessment Guidelines \(CMA129\)](#), March 2021, paragraph 9.8.

⁵⁵ FMN, Table 5.

⁵⁶ Third party responses to CMA delivery questionnaire.

segment, there is considerable variation in the operating models used for delivery. Suppliers may use a combination of sortation hubs and last-mile delivery (usually for large quantities of goods for a retailer) or point-to-point delivery (for smaller quantities), and may consolidate and stack orders, which may be scheduled or ad hoc.⁵⁷ Both CitySprint and Stuart have some presence in this segment.⁵⁸

- (c) Healthcare B2B and B2C: the delivery of healthcare related consignments, including pharmaceuticals, diagnostic samples and equipment. This segment is characterised by specialist requirements for delivery service providers, often with bespoke operational arrangements and accreditation requirements for handlers.⁵⁹ These services can be offered on a scheduled or ad hoc basis and can require either local or national coverage. While there are several specialist delivery providers for healthcare, CitySprint and other diversified providers are also active in this segment.⁶⁰ Stuart is not active in this segment, and the CMA has seen no evidence indicating that Stuart is planning to offer delivery services in this segment.
- (d) B2B: deliveries during business hours between businesses or between a business' different locations (and increasingly to employees' homes). CitySprint is active in this segment.⁶¹ Stuart is not active in this segment, and the CMA has seen no evidence indicating that Stuart is planning to offer delivery services in this segment.

- 61. The CMA considered whether it would be appropriate to segment the product frame of reference by customer type.
- 62. The CMA found that different customer groups have different needs and priorities, which has resulted in significant differentiation between providers (including CitySprint and Stuart), with providers generally set up to service the needs of some, but not all, same-day delivery customers. For instance, restaurant food and online convenience grocery deliveries typically involve lighter weight packages and shorter delivery distances and times (in order to keep food at the required temperature and because of the immediate nature of such orders). Therefore, suppliers in this segment use more two-wheeled vehicles, such as bicycles and scooters and require a denser network of couriers.⁶² By contrast, other same-day deliveries (eg retail deliveries and B2B deliveries) may involve heavier items or

⁵⁷ FMN, Appendix 1, paragraphs 21.1 to 21.7. See, for example, Stuart's use of both its Hub-to-Home model, which involves the use of sortation hubs, and its Ship-from-Store model, which involves the use of point-to-point delivery from a retail stores to delivery locations.

⁵⁸ FMN, paragraph 12.7. Services within this segment accounted for [X<] % of CitySprint's 2020 turnover. FMN, Table 5. Services within this segment accounted for [X<] % of Stuart's 2020 turnover.

⁵⁹ FMN, paragraph 21.5.

⁶⁰ FMN, paragraph 12.7. Services within this segment accounted for [X<] % of CitySprint's 2020 turnover.

⁶¹ FMN, paragraph 12.7. Services within this segment accounted for [X<] % of CitySprint's 2020 turnover.

⁶² FMN, Appendix 1, paragraph 16.1.

involve longer distances and, therefore, providers may rely more on larger vehicles, such as light vans or cars.⁶³

63. However, the CMA also notes that some providers are active across several segments, and in different combinations, and have structured their operations accordingly.
64. The CMA therefore considers it appropriate to assess the effects of the Merger on the supply of same-day delivery services as a whole, but also to have particular regard to those segments where Stuart and CitySprint currently overlap, or may do so in the future, in its competitive assessment.

Logistics services, including FSL

65. Logistics services are provided to organisations outsourcing their logistics functions and processes. In particular, DPD and CitySprint both provide FSL services. These services could be distinguished from typical delivery services in that they involve the storage of customers' stock or spare parts by the supplier. As discussed at paragraphs 40 to 43, both DPD and CitySprint store customers' stock in their own warehouses and then deliver the stock when needed. DPD provides logistics services using its next-day delivery infrastructure so that deliveries are made on a next-day basis. By contrast, CitySprint provides same-day delivery of these items. Further, unlike DPD (and Stuart), CitySprint also provides services to collect and deliver items to and from locations that are known in advance or on a scheduled basis.
66. The CMA found that it is not necessary to reach a view on the product frame of reference in relation to the FSL (and wider logistics) activities of the Parties because no competitive concerns arise in this regard on any plausible basis. The CMA has taken a broad approach in its competitive assessment and has considered the extent to which the Parties are constrained by each other and by other providers of similar services.

Geographic scope

67. The Parties submitted that it is not necessary to reach a determination on the geographic scope of the markets, but suggested that competition takes place at a national level, while noting that particularly within ultrafast delivery there is an important local element to competition.
68. With respect to pricing as a parameter of competition, the evidence indicates that prices are generally set nationally. For example, DPD has a [X] pricing structure largely determined by [X] and Stuart has a [X] pricing structure largely determined by [X] but also [X]. However, the CMA notes there are some

⁶³ FMN, paragraph 13.8.

instances of geographic variation in prices. For instance, CitySprint operates different tariffs for (i) London and (ii) the rest of the UK (and approximately [X]% of customers have bespoke pricing arrangements).⁶⁴ Further, Stuart has an arrangement in place with its largest customer in which a [X] is applied to all deliveries outside of [X] depending on the [X].

69. With respect to geographic coverage and where providers are present, different providers have different coverage. Some suppliers have national coverage, for example DPD and CitySprint both operate on a nationwide basis. Other suppliers have a local or regional presence or may focus on densely populated areas. For example, ultrafast providers only offer deliveries across relatively short distances and time frames and therefore only operate in specific towns or cities; Stuart is active in approximately 35 towns and cities.
70. The vast majority of customers that responded to the CMA's merger investigation indicated that national presence was an important factor when choosing both a next-day and same-day delivery supplier. Customers requiring national coverage for either same-day or next-day deliveries submitted that demand for national coverage is motivated by achieving administrative efficiency and brand consistency; and avoiding supply chain complexity and increased operational costs. The CMA notes that some customers have nevertheless deliberately chosen a multi-carrier strategy and prefer to maintain an ongoing relationship with regional providers even where a national supplier like CitySprint would be able to meet their demands.
71. From a supply-side perspective, most of the delivery providers that responded to the CMA's merger investigation indicated that national coverage was an important factor when competing for national contracts (though this was more evenly split when ultrafast competitors were surveyed). Further, competitors, as well as Stuart, provided evidence to suggest that, while operations tend to be launched in London, expanding geographic coverage to the rest of the UK is an important growth target, suggesting that national coverage – at least coverage in other large cities – is an important element of competition.
72. The CMA notes that there are many more competitors present in London, particularly in the supply of ultrafast deliveries, compared to other regions in the UK. The CMA considers it is to be expected that larger cities would sustain more competitors in segments with a higher minimum efficient scale and that the density of demand may result in national coverage being less important in those specific locations.

⁶⁴ FMN, paragraph 19.4.

Conclusion on geographic scope

73. On the basis of the above, the CMA believes that the appropriate geographic frame of reference for both the supply of next-day delivery services and the supply of same-day delivery services is the UK as a whole. The evidence indicates that parameters of competition are generally not flexed at the local level and that many providers are competing to scale their offerings across the UK. However, the CMA also recognises that there is variation in competitive conditions across the UK, reflecting local and regional features in demand and supply of same-day delivery services. The CMA has taken account of this variation in its competitive assessment where relevant.

COMPETITIVE ASSESSMENT

Horizontal unilateral effects in the current and future supply of same-day delivery services.

74. Horizontal unilateral effects may arise when one firm merges with a competitor that previously provided a competitive constraint, allowing the merged firm profitably to raise prices or to degrade quality on its own and without needing to coordinate with its rivals.⁶⁵ Horizontal unilateral effects are more likely when the merging parties are close competitors. The CMA assessed whether it is or may be the case that the Merger has resulted, or may be expected to result, in an SLC in relation to horizontal unilateral effects in the supply of same-day delivery services in the UK.
75. CitySprint and Stuart overlap in the supply of same-day delivery services. As described in paragraph 60, CitySprint and Stuart primarily supply these services to customers active in different segments, although both supply delivery services to retail customers.
76. As set out paragraph 62, same-day delivery providers are differentiated in terms of the service they provide and the segments where they are active. As such, the CMA considers that the competitive conditions for same-day delivery services may differ by segment. The CMA has therefore considered in its assessment both competition between CitySprint and Stuart in the supply of same-day services overall as well as in the retail segment where they overlap.
77. Furthermore, the CMA has received evidence indicating that demand for same-day delivery services is evolving, particularly within the retail segment. As set out below, CitySprint and Stuart appear to be responding to this demand, which may result in them becoming closer competitors in future. The CMA has therefore also

⁶⁵ [Merger Assessment Guidelines \(CMA129\)](#), March 2021, paragraph 4.1.

considered the effect of the Merger on future competition, focusing on the retail segment.

78. In summary, the CMA has considered in its assessment of same-day delivery services, and in particular in the retail segment:
- (a) the possible loss of current competition between CitySprint and Stuart, as well as the significance of alternative constraints; and
 - (b) the possible loss of future competition between CitySprint and Stuart as well as the significance of alternative constraints.

Current competition between CitySprint and Stuart

79. The CMA has considered the following in its assessment of the possible loss of current competition between CitySprint and Stuart:
- (a) the closeness of competition between CitySprint and Stuart; and
 - (b) what constraint is imposed by other providers of same-day delivery services and potential entrants.

Closeness of competition

80. The CMA has assessed the current closeness of competition between CitySprint's and Stuart's same-day delivery services and has considered within its assessment evidence including:
- (a) the Parties' submissions;
 - (b) CitySprint and Stuart's internal documents; and
 - (c) third party views.

The Parties' submissions

81. The Parties submitted that CitySprint's and Stuart's services only overlap 'in the sense that both relate to point-to-point deliveries',⁶⁶ with CitySprint and Stuart being generally active in different segments, delivering different items, and providing different services particularly in terms of delivery time frames. In particular, CitySprint provides delivery services to different types of customers (healthcare, business services, online retail and logistics) to Stuart, which predominantly focuses on restaurant food and groceries.

⁶⁶ FMN, paragraph 12.35.

82. The Parties submitted that these ‘fundamental differences’ in CitySprint’s and Stuart’s offerings result in numerous additional demand- and supply-side differences, indicating that they are not close competitors.
83. On the demand-side, the Parties submitted the following.
- (a) Stuart’s average delivery time is [X] minutes for restaurant food and [X] minutes for groceries, whereas the average delivery time for CitySprint is [X] hours.⁶⁷ Also, the vast majority of Stuart’s deliveries are completed in less than one hour. By contrast, the quickest guaranteed option currently offered by CitySprint is delivery within [X] hours of an order being placed.⁶⁸
 - (b) Stuart’s deliveries are typically made over shorter distances, with its ‘ultrafast’ time frame constraining the scope of delivery services to within a city. By contrast, the longer delivery time frames offered by CitySprint permit deliveries across longer distances.^{69, 70}
 - (c) Prices differ ‘to a significant extent’. The average delivery cost to a CitySprint customer is £[X], whereas Stuart’s standard grid prices range from £[X] to £[X] per delivery depending on distance.⁷¹
 - (d) Customers of Stuart’s ultrafast services have higher expectations regarding technology and want their customers to be able to order via a delivery platform or directly via their website (and for the website to integrate with Stuart’s technology in order to enable rapid deliveries).⁷²
84. On the supply-side, the Parties submitted the following.
- (a) Stuart’s technology is [X], with Stuart using sophisticated logistics technology and algorithms to facilitate the efficient allocation of drivers and rapid deliveries.⁷³ By contrast, CitySprint mostly takes orders by phone or via its website, and allocates drivers to deliveries manually.⁷⁴
 - (b) Stuart’s courier network is far denser than CitySprint’s, and this density is required to provide Stuart’s ultrafast services. Stuart has roughly [X] couriers

⁶⁷ CitySprint’s response to Q11 of the CMA’s request for information dated 19 August 2021, paragraph 11.4.

⁶⁸ CitySprint’s response to Q5 of the CMA’s request for information dated 4 October 2021, paragraph 5.4.

⁶⁹ FMN, paragraph 13.25.

⁷⁰ The vast majority of Stuart’s ultrafast deliveries have a distance of 2.5 miles ([70-80]%). By contrast only [X]% of CitySprint’s same-day deliveries have a distance of three miles or less. FMN, Appendix 2, paragraph 7.5.

⁷¹ FMN, paragraph 13.23.

⁷² FMN, paragraph 13.32.

⁷³ FMN, paragraph 13.24.

⁷⁴ FMN, paragraphs 13.24 and 15.13.

available in London alone, whilst CitySprint has roughly [X] couriers across the entirety of the UK.⁷⁵

- (c) Stuart's vehicle fleet comprises mainly bikes and mopeds ([X]%), whereas [X]% of CitySprint's deliveries are made by van/car and [X]% are made by bike.^{76, 77} The Parties submitted that CitySprint's fleet is therefore suited to larger consignments of irregular dimensions and weight.⁷⁸ The Parties submitted that bulky items cannot not be delivered by two-wheeled vehicles (which make up [X]% of Stuart's fleet).^{79, 80}
- (d) Stuart's and CitySprint's deliveries are focused on different geographic regions within the UK, with London accounting for [X]% of Stuart's UK deliveries and [X]% of CitySprint's UK 2020 revenue being generated through jobs originating in London.⁸¹ Whilst CitySprint offers its customers national geographic coverage, Stuart provides services in London and other major cities in the UK.^{82, 83}

85. The Parties also submitted the results of an analysis of 36,500 customer entries in CitySprint's and Stuart's databases conducted by the Parties' advisers. This analysis showed that there is only minimal customer overlap between CitySprint and Stuart.⁸⁴ Specifically, the Parties' advisers identified only 43 customers that are common to CitySprint and Stuart. The Parties submitted that even amongst these customers, CitySprint and Stuart did not always supply comparable services and that the needs and requirements of the customer may also have changed over time.⁸⁵ Whilst the CMA considers that the methodology employed by the Parties' advisers has some shortcomings and may understate the number of customers that CitySprint and Stuart have in common, the CMA notes that the analysis is generally consistent with other evidence suggesting that CitySprint and Stuart are highly differentiated and target different customers.

86. CitySprint submitted that it has made [X] not to offer any instant restaurant food and grocery deliveries, after its past attempt to do so through its 'On the Dot' brand

⁷⁵ FMN, paragraph 13.26.

⁷⁶ FMN, paragraph 13.37.

⁷⁷ CitySprint's response to Q18 of the CMA's request for information dated 19 August 2021, paragraph 18.12.

⁷⁸ FMN, paragraph 5.2.

⁷⁹ CitySprint's response to Q4 of the CMA's s109 dated 6 October 2021.

⁸⁰ FMN, paragraph 13.27.

⁸¹ FMN, paragraph 13.40.

⁸² FMN, paragraph h 12.28.

⁸³ Please see a list of UK locations where Stuart is active here: [Stuart delivery zones – Slerp Help Centre](#).

⁸⁴ FMN, Appendix 2, paragraphs 10.11 *et seq.*

⁸⁵ Of these 43 customers, only 7 generated revenues exceeding £[X] for each of CitySprint and Stuart, and in each of these cases, the services provided by Stuart and CitySprint were different. For example, two retailers used Stuart for ultrafast deliveries of their products to consumers, while using CitySprint for ad hoc deliveries of IT equipment to its staff or marketing materials. The Parties' advisers further submitted that they have been unable to identify any instance in which CitySprint and Stuart competed for the same contract between 2016 and 2020.

failed. CitySprint submitted that this failure was due to CitySprint's [X] to provide these services and its [X] which was designed to support these services.⁸⁶ Conversely, Stuart stated that it had not considered developing a 'general point-to-point same-day delivery service such as the one offered by CitySprint', ie a service intended to address customer demand across a wide range of segments.⁸⁷

87. However, Stuart submitted that it has started to offer new delivery services to retail customers, such as its H2H offering, and now '[X]'.⁸⁸ [X], retail delivery only accounted for [X]% of Stuart's 2020 revenue.⁸⁹ As noted above, CitySprint is also currently active in the retail segment. Indeed, CitySprint's largest customer is [X], for which CitySprint provides a store-to-home delivery service. Other retail customers include [X].⁹⁰ CitySprint also submitted that it was approached by [X] about a possible contract for same-day delivery services⁹¹ and that it had participated in a tender to provide same-day delivery services for [X].⁹² CitySprint has also been in discussions with [X] retailer [X] to provide two-hour delivery for [X] products.⁹³

Internal documents

88. Internal documents submitted by CitySprint make very few references to Stuart as a competitor. CitySprint's documents sometimes include Stuart in portrayals of the wider competitive landscape of logistics and delivery providers.⁹⁴ However, the CMA does not consider that such instances indicate that CitySprint considers itself to be competing closely with Stuart, as several other competitors are depicted as being closer to CitySprint than Stuart in these documents.
89. There is also no evidence in the internal documents reviewed by the CMA of CitySprint facing competition from Stuart to win customer contracts. In particular, the CMA has not seen any evidence in the internal documents of CitySprint winning contracts from Stuart, losing contracts to Stuart or participating in tenders against Stuart.
90. Additionally, as set out below in paragraph 145, the internal documents reviewed by the CMA confirm CitySprint's submissions regarding the closure of its 'On the Dot' business.

⁸⁶ FMN, paragraph 16.2.

⁸⁷ Stuart's response to Q1 of the CMA's s109 dated 21 September 2021, paragraph 1.23.

⁸⁸ Stuart's response to Q4 of the CMA's s109 dated 6 October 2021, paragraph 4.3.

⁸⁹ FMN, Table 5 and Appendix 1, paragraph 21.2.

⁹⁰ These services involve CitySprint delivering items on a same-day basis within the hours of 6pm and 10pm. These services are only provided in London.

⁹¹ CitySprint's response to Q2 of the CMA's s109 dated 6 October 2021.

⁹² CitySprint's response to Q1 of the CMA's request for information dated 15 November 2021.

⁹³ CitySprint's response to Q2 of the CMA's s109 dated 6 October 2021.

⁹⁴ See, for example, FMN, Annex 91, '[X]'.

91. The internal documents submitted by Stuart do not typically discuss competitors to Stuart. The CMA has found only two references to CitySprint in internal documents submitted by Stuart, both in relation to services that Stuart has decided not to pursue, namely [redacted].
92. Internal documents submitted by Stuart describe its recent launch of H2H and 'Ship-from-Store', and its desire to expand these services. The CMA notes that these documents are consistent with Stuart's narrative submissions that it is actively targeting retail customers. These are discussed in greater detail in the section on future competition at paragraph 125 onwards.
93. The CMA considers that the internal documents submitted by both CitySprint and Stuart are consistent with the Parties' submissions that CitySprint and Stuart do not currently compete closely.

Third party views

94. Third party submissions also indicated that there is currently limited competitive interaction between CitySprint and Stuart.
95. Submissions from Stuart's customers did not identify CitySprint as a strong alternative to Stuart's delivery services. One Stuart customer, which also occasionally uses CitySprint's delivery services, explained that CitySprint and Stuart are weak alternatives as 'CitySprint's strength isn't ultrafast'.⁹⁵ Submissions from Stuart's other customers indicated that slower same-day deliveries, such as those provided by CitySprint, would not be a viable substitute for the 'ultrafast' deliveries provided by Stuart.
96. Likewise, submissions from CitySprint's customers did not generally identify Stuart as a strong alternative to CitySprint. Indeed, the majority of CitySprint customers' responses made no reference to Stuart when asked about competitors, with two CitySprint customers (including [redacted]) submitting that they were not aware of Stuart.⁹⁶
97. While around half of CitySprint's customers indicated that 'ultrafast' delivery services, such as those provided by Stuart, could be an alternative to CitySprint's services, a number of these customers explained that the use of ultrafast services was 'unlikely to be cost effective'⁹⁷ and limited by the geographic coverage of ultrafast service providers. They also said that the 'resilience' of ultrafast services is not yet known, as the provision of these services is 'in its infancy'.⁹⁸

⁹⁵ Third party response to CMA delivery questionnaire.

⁹⁶ Note of the call with [redacted] and third party response to CMA delivery questionnaire.

⁹⁷ Third party response to CMA delivery questionnaire.

⁹⁸ Third party response to CMA delivery questionnaire.

98. Specifically in relation to the retail segment, one retailer told the CMA that whilst CitySprint and Stuart both provide same-day delivery services it would not expect that CitySprint would be 'able to deliver the same online checkout experience as Stuart'. Another retailer told the CMA that it currently uses Stuart to fulfil two-hour or time slot deliveries from [redacted], and that 'in theory' a company such as CitySprint may be used to fulfil these deliveries.⁹⁹ A further retailer told the CMA that it had [redacted].¹⁰⁰
99. However, one retailer told the CMA that it was considering both CitySprint and Stuart for its same-day store-to-store delivery trial, and that the '[s]ervice provided between Stuart and CitySprint are closely matched in terms of cost and customer service'.^{101, 102}
100. Competitor submissions relating to the closeness of competition between CitySprint and Stuart were mixed. Around half of the delivery providers that responded to the CMA indicated that CitySprint and Stuart currently compete closely. However, a comparable number of competitors indicated that CitySprint and Stuart do not currently compete closely, with one stating that CitySprint's and Stuart's delivery propositions are currently differentiated. Two of these competitors indicated that Stuart's recent expansion into retail delivery has made it a closer competitor to CitySprint.

CMA Assessment

101. The CMA considers that CitySprint and Stuart both have a strong presence in the provision of point-to-point same-day services. However, their offerings are currently highly differentiated. Specifically, Stuart is focused on cost-effective 'ultrafast' same-day delivery services to restaurant food and groceries customers (where it generates [redacted]% of its revenues) in densely populated areas. By contrast, CitySprint is focused on providing a higher cost service that is capable of delivering parcels of varying size and weight anywhere in the UK to a broad customer base, and has no presence in the restaurant food and groceries verticals following the closure of its 'On The Dot' business.
102. The evidence indicates that, as a result of this high degree of differentiation, CitySprint and Stuart do not currently tend to interact competitively. In particular, the CMA has seen limited evidence of CitySprint and Stuart currently competing for customers.
103. Both CitySprint and Stuart are present in the provision of same-day delivery services to retail customers, but their offerings to these customers are also

⁹⁹ Third party response to CMA delivery questionnaire.

¹⁰⁰ Note of a call with [redacted].

¹⁰¹ Note of a call with [redacted].

¹⁰² Third party response to CMA delivery questionnaire.

differentiated. For example, CitySprint provides delivery services to retailers requiring delivery of bulky items, which Stuart cannot currently provide due to its fleet. Conversely, CitySprint does not have the local network density and capacity to match Stuart's 'ultrafast' delivery times. The operational differences between CitySprint and Stuart also result in differences in their cost structures, which are reflected in differences in the standard pricing they offer customers.

104. The CMA has also seen limited evidence of Stuart and CitySprint bidding against each other for retail contracts. The only exception to this is in relation to [X]: Stuart currently provides [X] customers with 30-minute ultrafast deliveries of 'click and collect orders',¹⁰³ and CitySprint submitted proposals to [X] in May 2021 for a two-hour ship-from-store service for non-prescription retail.¹⁰⁴
105. Moreover, whilst some retailers identified Stuart and CitySprint as alternatives, others did not.
106. As such, the CMA does not consider that CitySprint and Stuart are currently competing closely, even in the retail segment. However, given the Parties' submissions regarding Stuart's expansion plans, the CMA considers that this may change in future. This is further considered below.

Competitive constraints

107. The CMA has assessed current constraints on CitySprint's and Stuart's same-day delivery services and has considered within its assessment evidence including:
 - (a) the Parties' submissions;
 - (b) CitySprint and Stuart's internal documents; and
 - (c) third party views.

The Parties' submissions

108. The Parties submitted that CitySprint's closest competitor is Rico, due to the similarity in services provided by Rico and its national geographic coverage,¹⁰⁵ and that other close competitors include Crown Couriers (particularly in relation to logistics contracts), Addison Lee, eCourier and Absolutely.¹⁰⁶
109. The Parties submitted that CitySprint also faces competition from smaller, regional, same-day providers. The Parties submitted that there are over 1,000 such providers in the UK, which are capable of providing services to customers requiring

¹⁰³ FMN, Appendix 2, paragraph 10.15.

¹⁰⁴ CitySprint's response to Q2 of the CMA's s109 notice dated 6 October 2021.

¹⁰⁵ FMN, paragraph 15.14.

¹⁰⁶ FMN, paragraphs 15.14 and 15.15.

national coverage, through sub-contracting arrangements with other same-day delivery providers.¹⁰⁷

110. The Parties submitted that Stuart faces competition from Deliveroo, Uber(Eats), Gophr and Amazon.¹⁰⁸ In relation to retail in particular, the Parties noted that Stuart also faces competition from ‘new specialist entrants’ including Paack and Swoopin.¹⁰⁹

Internal documents

111. CitySprint’s internal documents reviewed by the CMA are consistent with the Parties’ submissions and indicate that CitySprint mainly competes with same-day delivery providers such as Rico, Absolutely, eCourier, Crown and Addison Lee. These providers are mentioned much more frequently than Stuart. Other providers mentioned in internal documents include Gophr and regional same-day providers.
112. CitySprint’s internal documents do however note CitySprint’s status as the market leader in same-day delivery services. For example, one CitySprint business plan describes CitySprint as the ‘[I]argest player in same-day highly fragmented market – offering a unique national coverage’, and as ‘the leader in specialist urgent same-day delivery’.
113. As noted above, the internal documents submitted by Stuart contained very few references to any competitors. The CMA identified some references to ‘[<]’ providers competing in the food and groceries segments.¹¹⁰ Another Stuart internal document noted in relation to Stuart’s retail/e-commerce ‘[<]’ offering that this ‘[<]’.¹¹¹

Third party views

114. CitySprint’s customers identified a wide range of alternatives to CitySprint in their submissions: Deliverymates, DHL, ERS, eCourier/Royal Mail, Fedex, GSG, Job & Talent, Karhoo, OTL, Productiv, Rico, WeBringg, local taxi companies, as well as Stuart.¹¹² The CMA considers that the diversity in these providers reflects the wide range of industries / segments in which these customers are active, and for which CitySprint provides delivery services.

¹⁰⁷ Parties response to Q8 of the CMA’s request for information dated 16 September 2021, paragraph 8.5.

¹⁰⁸ FMN, paragraphs 15.14 and 15.27.

¹⁰⁹ Stuart’s response to Q1 of the CMA’s first s109 dated 21 September 2021, paragraph 1.45.

¹¹⁰ See for example, Annex 15, ‘[<]’, to Stuart’s response to the CMA’s s109 dated 6 October 2021, slides 6 and 16.

¹¹¹ Annex 10, ‘[<]’, to Stuart’s response to the CMA’s s109 dated 6 October 2021, slide 10.

¹¹² Third party responses to CMA delivery questionnaire.

115. CitySprint's competitors identified the following companies as competing against CitySprint: Addison Lee, Crown, eCourier/Royal Mail, Rico, Speed Couriers, as well as Stuart.¹¹³
116. The CMA asked CitySprint's customers and competitors about the extent to which regional providers may offer a close alternative to CitySprint's services. Although the evidence was mixed, the majority of customers indicated that regional providers could fulfil the deliveries for which they currently use CitySprint. Further, the majority of competitors submitted that regional companies compete against national providers like CitySprint, although many noted that the constraint from regional players would be stronger in major urban areas, such as London.
117. Customers and competitors submitted that they considered Stuart to compete with providers such as Deliveroo, Gophr, Zoom, Ryders, eCourier, Job & Talent, eBringg, Productiv, OTL and Karhoo.
118. As regards the retail sector in particular, a number of retailers told the CMA that they currently use a number of different providers to supply or trial new delivery services. These retailers submitted that they had considered various providers other than the Parties to supply these services. Alternatives considered by retailers included: Hived, Paack, eCourier, Hermes, Quiver, DHL SameDay, Uber and Deliveroo.
119. The CMA has seen evidence that Boots is trialling deliveries using Deliveroo;¹¹⁴ Currys is trialling deliveries using Uber;¹¹⁵ [redacted] trialling deliveries using [redacted]; and [redacted] has recently launched [redacted].
120. No retailers raised concerns about the Merger in their submissions.
121. The CMA considers that the evidence summarised above indicates that post-Merger CitySprint and Stuart will continue to be constrained by a large number of alternative providers.

Conclusion on current horizontal competition between CitySprint and Stuart

122. For the reasons set out above, the CMA considers that both CitySprint and Stuart have a strong presence in the provision of same-day delivery services. However, their offerings are highly differentiated, and there is currently only very limited competition between them.
123. Moreover, there are a large number competitors active in same-day deliveries that will continue to constrain CitySprint and Stuart post-Merger.

¹¹³ Third party responses to CMA delivery questionnaire.

¹¹⁴ Please see further: [Boots launches on Deliveroo](#).

¹¹⁵ Please see further: [Currys teams up with Uber for 30-minute deliveries - BBC News](#).

124. Accordingly, the CMA found that the Merger does not give rise to a realistic prospect of an SLC as a result of horizontal unilateral effects in relation to the current supply of same-day delivery services in the UK.

Future competition between CitySprint and Stuart

125. In assessing whether a merger leads to a loss of future competition between the merger firms, the CMA will consider evidence on: (a) whether either merger firm would have entered or expanded absent the merger; and (b) whether the loss of future competition brought about by the merger would give rise to an SLC, taking into account other constraints and potential entrants.¹¹⁶

126. The CMA has considered whether CitySprint and Stuart have the incentive and ability to respond to the emerging demand for faster and more precise delivery services in the B2C retail segment and, in particular, whether either has well-developed plans or has already taken significant steps towards doing so.¹¹⁷

127. As noted above, Stuart submitted that it has not considered offering a wider range of same-day services beyond its 'core' segments of food, groceries and retail. Additionally, CitySprint submitted that it has not considered (re)entering in the food or grocery segments. These submissions are consistent with the internal documents reviewed by the CMA, as set out further at paragraphs 144 to 147. The CMA therefore considers that the Merger's only impact on future competition would be within the retail segment.

128. The CMA has therefore considered the following in its assessment of the possible loss of future competition between CitySprint and Stuart:

- (a) the ability and incentive of Stuart to respond to emerging demand from retailers for faster and more precise delivery, including its pre-existing plans;
- (b) the ability and incentive of CitySprint to compete for these contracts; and
- (c) what constraint would be imposed by other providers of same-day delivery services and potential entrants.

Stuart's incentive and ability to expand its retail B2C delivery services and plans

129. Stuart submitted that it is attempting to expand within its 'core verticals', which includes providing a wider range of retail delivery services. As described above at paragraph 38, Stuart's attempts to expand in the retail segment include its H2H and Ship-from-Store offerings.

¹¹⁶ See [Merger Assessment Guidelines \(CMA129\)](#), March 2021, paragraph 5.7.

¹¹⁷ In line with [Merger Assessment Guidelines \(CMA129\)](#), March 2021, paragraph 5.10.

130. The CMA has assessed Stuart's ability and incentive to expand its retail B2C offering, including through its H2H and Ship-from-Store services, and has considered within its assessment evidence including:

(a) Stuart's internal documents; and

(b) third party views.

Internal documents

131. Stuart's internal documents are supportive of Stuart having the incentive to expand its offering in B2C deliveries in the retail segment. The internal documents indicate that this is primarily to [redacted] experienced in the restaurant food and grocery segments. For example, one document reviewed by the CMA states that the '[redacted]' is the '[redacted]'.¹¹⁸

132. Documents reviewed by the CMA set out well-developed plans detailing how Stuart plans to accomplish this in the near future. For example, one internal forecast projected that the volumes of Stuart's H2H deliveries in the UK would [redacted].¹¹⁹ This expansion would be facilitated by Stuart's [redacted]¹²⁰ and the [redacted]. Another document sets out a pricing structure for Stuart's [redacted].¹²¹

133. Stuart also submitted that its existing technology (particularly for [redacted] and its [redacted]) and courier fleet can be leveraged with minimal adaptation for use in an expanded retail B2C service.¹²²

134. Internal documents also demonstrate that Stuart plans to launch its [redacted].¹²³ This service is aimed at delivering [redacted]. [redacted].¹²⁴

135. Moreover, Stuart's internal documents present evidence that consumers are increasingly demanding faster and more precise services across a range of segments.¹²⁵ The CMA considers that Stuart's assessment of emerging demand for faster and more precise delivery services in the retail sector is consistent with Stuart having both the incentive and ability to offer enhanced delivery services in the retail sector.

¹¹⁸ Annex 18, '[redacted]' to Stuart's response to Q7 of the CMA's s109 notice dated 6 October 2021.

¹¹⁹ Annex 13, '[redacted]' to Stuart's response to Q7 of the CMA's s109 notice dated 6 October 2021.

¹²⁰ Stuart's response to Q5 of the CMA's s109 notice dated 6 October 2021.

¹²¹ Annex 19, '[redacted]' to Stuart's response to Q7 of the CMA's s109 notice dated 6 October 2021, slide 56.

¹²² Stuart's response to Q4 of the CMA's s109 notice dated 21 September 2021.

¹²³ Stuart's response to Q2 of the CMA's s109 notice dated 21 September 2021.

¹²⁴ Annex 21 to Stuart's response to Q3 of the CMA's follow-up question dated 19 October 2021.

¹²⁵ See for example: Annex 18, '[redacted]' to Stuart's response to Q1-3 of the CMA's s109 notice dated 6 October 2021; Annex 14, '[redacted]' to Stuart's response to Q1-3 of the CMA's s109 notice dated 6 October 2021; Annex 10, '[redacted]' to Stuart's response the CMA's s109 notice dated 21 September 2021.

Third party views

136. The evidence submitted to the CMA by third parties is also supportive of Stuart having both the incentive and the ability to expand its offering in the retail sector. As noted at paragraph 100, two competitors noted in their submissions that Stuart has already begun to expand in this way.
137. One of Stuart's retail B2C delivery customers submitted that Stuart was selected to provide retail delivery services based on its pricing, reliability and resilience.¹²⁶ The customer indicated that it was confident that Stuart had the requisite reliability and resilience based on its previous experience [§]. Another retailer told the CMA that it considered Stuart has the ability to provide a same-day [§] retail delivery service that it is currently trialling.
138. On the basis of the evidence presented above, the CMA considers that Stuart has both the incentive and ability to grow its same-day delivery presence in the retail vertical and has plans to do so. Stuart also has the advantage of being an established delivery provider.¹²⁷

CitySprint's incentive and ability to compete for retail B2C contracts

139. As part of its assessment, the CMA has also considered the likelihood of CitySprint offering a wider range of services to compete for retail B2C contracts in response to retailers' emerging demand for faster and more precise services.
140. CitySprint submitted that it is not considering offering a wider range of delivery services, including [§].¹²⁸
141. CitySprint submitted that the key impediment to providing such services is that CitySprint requires [§]. CitySprint indicated that it does use a third-party 'off-the-shelf' software ('[§]') to supply certain customers with 'premium' delivery options involving time slot deliveries. However, CitySprint also submitted that [§].¹²⁹
142. As noted in paragraphs 86 and 145, CitySprint also submitted that it had previously offered ultrafast services in the restaurant food and grocery convenience segments through its 'On the Dot' brand, but that this was unsuccessful due to the [§] in its [§] and the [§] suitability of [§] to provide such services.

¹²⁶ Note of a call with [§].

¹²⁷ Note of the call with [§].

¹²⁸ CitySprint's response to Q5 of the CMA's request for information dated 4 October 2021. CitySprint's response to Q3 and 4 of the CMA's s109 notice dated 6 October 2021.

¹²⁹ CitySprint's response to Q2 of the CMA's follow-up questions dated 19 October 2021.

143. The CMA has assessed CitySprint's ability and incentive to offer retailers delivery services that would compete closely with Stuart's and has considered within its assessment evidence including:

(a) CitySprint's internal documents; and

(b) third party views.

Internal documents

144. The CitySprint internal documents reviewed by the CMA do not set out any plans to expand in the retail (B2C) sector, nor do they detail strategies to enhance CitySprint's delivery offering.

145. Additionally, a business review document produced by [redacted] on CitySprint's behalf supports the Parties' submissions regarding the closure of 'On the Dot'. The document addresses CitySprint's investment into the 'COSMO' operating platform, which was intended to support faster, timed deliveries.¹³⁰ It notes that [redacted].¹³¹

146. One further document, a market research report produced for CitySprint by [redacted], indicates that mainstream retail B2C does not '[redacted]' to CitySprint.¹³²

147. Notwithstanding these documents, the CMA notes that CitySprint does currently provide some (B2C) delivery services in the retail segment.

Third party views

148. As described in paragraph 36, there is some uncertainty around how retail demand for faster and more precise same-day delivery services will evolve. For example, a number of retailers currently offering, or considering offering, trials of faster or more precise services submitted that it was currently unclear where within the UK these services would ultimately be offered, the time frame within which deliveries would have to be made and what levels of integration between retailers' and delivery providers' IT systems would be needed. The ultimate requirements of retailers will affect how closely CitySprint and Stuart might compete for these contracts. For example, if retailers require deliveries to be made within one hour, CitySprint's ability to compete for these contracts could be more limited.

149. Submissions from some retail customers, as described at paragraph 98, indicated that CitySprint and Stuart may be alternatives for retail delivery services. The CMA notes that none of the retailers currently offering trials of faster or more precise services that responded to CMA are using CitySprint to fulfil these services. Also,

¹³⁰ CitySprint's response to Q1 of the CMA's s109 notice dated 21 September 2021.

¹³¹ FMN, Annex 164, '[redacted]' to the Parties' response to Q9 of the CMA's request for information dated 16 September 2021, slide 8.

¹³² FMN, Annex 116, '[redacted]', slide 41.

two retailers submitted that they had invited CitySprint to participate in tenders for these services, but that CitySprint had either declined to bid or did not offer a commercially viable proposition. However, one retailer that submitted it was intending to trial a faster and more precise delivery service in future identified CitySprint as a possible delivery provider. A number of delivery competitors indicated that CitySprint would be capable of competing for retailers' same-day delivery contracts.

150. Moreover, a next-day delivery provider submitted that the technology required to offer a same-day service is available 'off the shelf'. This suggests that CitySprint may be able to source any required software, should enhanced software be required to compete effectively in future.

CMA assessment

151. The CMA considers that the evidence regarding CitySprint's incentive and ability to compete for retail B2C contracts is mixed. On the one hand, the CMA has seen no evidence in CitySprint's internal documents of plans to develop CitySprint's technical capabilities in a manner that would facilitate faster, or otherwise 'enhanced', delivery options on a broader scale. Nor has the CMA reviewed any internal documents indicating that CitySprint intends to expand in the retail vertical. However, CitySprint already supplies B2C delivery services for some retailers, and has been active in tenders for others.
152. Additionally, the specifics of the faster and more precise delivery services being demanded by retailers are still emerging and will also affect how well-placed CitySprint will be to compete for these contracts. On the one hand, CitySprint is a well-established delivery provider with a strong reputation, wide geographic coverage and pre-existing access to couriers. These features may strengthen its competitive position in the retail segment and may make it well-placed to respond to evolving demand. On the other hand, demand may emerge in ways that CitySprint is less well placed to serve.

Competitive constraints

153. As discussed above, retailers and competitors all stressed that there is a high degree of uncertainty as to the specifics of how these services will evolve. How these emerging demands evolve could be a factor in determining how well-placed competing providers of delivery services are to compete for these services.
154. Notwithstanding this uncertainty, third parties consistently indicated that there are a number of providers already active in the provision of delivery services that would have the capability to supply faster and more convenient B2C retail services.
155. As described at paragraph 118, a number of retailers are currently using various delivery providers for trials of new same-day delivery services, primarily within [X].

All of these retailers had considered either Stuart or CitySprint to provide these services, and a couple had considered both Stuart and CitySprint. These retailers submitted that they had considered a number of alternatives to their chosen delivery providers, including: Hived, Paack, eCourier, Hermes, DHL Sameday, Quiver, Uber and Deliveroo.

156. Some of these providers, such as [X] submitted that they currently provide [X] delivery services in a wide range of locations throughout the UK. Specifically, [X] submitted that [X] is active in [X],¹³³ and [X] submitted a list of [X] UK geographical locations where [X] products are available.¹³⁴ As such, the CMA considers that these providers may be able to offer delivery services with geographic coverage that is similar to CitySprint's and superior to Stuart's. The CMA also notes that retailers have submitted that some alternative providers benefit from high levels of brand awareness and one retailer noted [X] technology as providing a competitive advantage.
157. Some of the other providers mentioned in paragraph 155 above have more limited geographic coverage as compared to CitySprint. For example, as discussed in paragraph 72, a relatively larger number of same-day delivery providers operate in London, suggesting that there may be greater competition for these contracts there, with retailers having a larger number of alternative delivery providers.
158. As discussed above, retailers are currently predominantly trialling these new services in [X]. A couple of retailers indicated that if they were to expand these same-day delivery services outside of [X] they would be willing to contract with multiple suppliers. As such, the CMA considers that even providers with more limited geographic coverage will provide some constraint as retailers would not necessarily require that a single supplier to be able fulfil deliveries at every location where the retailer may wish to provide a same-day service.
159. Evidence received from competitors was also consistent with there being a large number of competitors who would be well placed to respond to emerging demand for faster and more convenient B2C retail services. Each of the following competitors indicated that they are currently offering same-day delivery services in the retail sector and are looking to expand their offering in this space:
 - (a) One competitor submitted that it considers itself to be a strong competitor for same-day delivery services in the retail sector and plans to grow and expand in the UK. The competitor has a presence in [X] locations in the UK and is capable of supplying 'fast' deliveries. It currently provides retail store to home

¹³³ Third party response to the CMA delivery questionnaire.

¹³⁴ Third party response to the CMA delivery questionnaire.

delivery services and told the CMA that it will continue to offer these services to new potential clients [redacted].¹³⁵

- (b) Another competitor submitted that it is currently trialling a pilot for 'rapid delivery' with a retailer, and is also supplying delivery services to a significant number of other retailers through [redacted]. Deliveries for these retailers do not involve guaranteed delivery times, but are typically completed within [redacted] of when the products are ordered. This competitor also stated that it is considering supplying delivery services to more retailers and is currently in active discussion with a few retailers to do so.¹³⁶
- (c) Another competitor submitted that it currently provides same-day retail delivery services to retailers. This competitor indicated that it has strategic plans to expand, in particular by offering [redacted].¹³⁷
- (d) Another competitor submitted that it is currently in a trial with a retailer whereby the retailers' products are offered [redacted]. It submitted that the main feature of the trial was providing delivery in as little as [redacted]. It also submitted that its priority is to its [redacted]. Its future plans in this space remain subject to further testing.¹³⁸
- (e) The competitors that responded to the CMA also indicated that there were a number of alternative suppliers that could compete for same-day retail services, should the demand from retailers for these services increase in the future. In addition to CitySprint and Stuart, they named: Addison Lee, Deliveroo, eCourier, Rico, Uber and Zedify; as well as ultrafast competitors such as Gopuff, Gorillas, Getir, Jiffy and Weezy that are active in groceries and may be able to expand in a similar fashion to Stuart, as well as Deliveroo and Uber as mentioned at paragraph 119. One respondent also mentioned that there would also be competition from regional players such as Santis, GLH and Crawfords.¹³⁹

160. Moreover, the CMA received some evidence indicating that there may be new entry in the provision of same-day delivery services. One delivery provider expected that 'there will be innovative new start-up businesses that will want to provide these services'. As noted at paragraph 141 above, one supplier indicated that the software required to offer a same-day service is available off-the-shelf.

161. Specifically in relation to the retail segment, a competitor in same-day services stated that 'any competitor that currently offers delivery services in the UK would, in principle, be able to expand into same-day retail delivery services including in

¹³⁵ Note of call with [redacted] and email response to follow-up questions.

¹³⁶ Email response from [redacted] to questions.

¹³⁷ Email response from [redacted] to questions.

¹³⁸ Email response from [redacted] to questions.

¹³⁹ Email responses from [redacted] to questions.

light of low barriers to entry for delivery services as well as on the basis of existing market knowledge and brand awareness’.

162. Many respondents referred to the large number of entrants to the ultrafast grocery delivery segment to exemplify the low barriers to entry faced by delivery providers. Competitors identified a large number of recent entrants in ultrafast grocery delivery services, including Gorillas, Getir, Jiffy, Wheezy and Zapp. One competitor submitted that these recent entrants would be able to compete for same-day retail delivery services. One recent entrant to the online grocery segment described the segment as ‘dynamic’ and unpredictable, with ‘lots of different players entering the industry’.
163. The CMA therefore considers that existing providers beyond CitySprint and Stuart are well-positioned to respond to retailers’ emerging demand for faster and more precise delivery services. As such, the CMA considers that these providers can be expected to impose a strong competitive constraint on the Merged Entity as regards this emerging demand in future. Some of the competitors identified by customers and competitors would be capable of exerting this constraint on a national basis and may benefit from additional advantages such as strong technological capabilities and brand awareness. Others may be capable of providing a constraint at a more limited number of locations. In addition to existing competitors, it is possible that CitySprint and Stuart may also face competition from new entrants.
164. The CMA therefore considers that neither CitySprint nor Stuart is uniquely well-positioned to compete for contracts in the evolving same-day retail delivery segment.

Conclusion on future horizontal competition

165. For the reasons set out above, the CMA believes that both Stuart and CitySprint may be well-positioned to compete for same-day retail delivery contracts in future. However, there are a number of competitors with a wide range of capabilities that will also be well-placed to compete for these contracts in future. As such, neither CitySprint nor Stuart appear to be uniquely advantaged in terms of their ability to compete for these contracts. Accordingly, the CMA found that the Merger does not give rise to a realistic prospect of an SLC as a result of horizontal unilateral effects in relation to the future supply of same-day delivery services in the UK.

Conclusion on horizontal unilateral effects in same-day delivery services

166. For the reasons set out above, the CMA believes that CitySprint and Stuart are not currently close competitors and will be constrained by other competitors should they become closer competitors in response to increasing retail demand for faster and more precise same-day delivery services in future. Accordingly, the CMA found that the Merger does not give rise to a realistic prospect of an SLC as a

result of horizontal unilateral effects in relation to the current or future supply of same-day delivery services in the UK.

Horizontal unilateral effects in the supply of next-day delivery services

167. DPD and CitySprint overlap in the provision of next-day delivery services. DPD is primarily a next-day delivery provider, with these services accounting for approximately [X]% of revenues in 2020.¹⁴⁰ In comparison, next-day delivery represented less than [X]% of CitySprint's turnover in 2020,¹⁴¹ with much of this sub-contracted to third party providers.
168. The Parties submitted that DPD is a large player in the next-day delivery services market, and faces competition from firms including Hermes, Royal Mail, DHL, UPS and DX.¹⁴² DPD was unable to identify any instances of either winning or losing clients to CitySprint during 2020.¹⁴³ Throughout DPD's internal documents the CMA found only one reference to CitySprint as a competitor in a '[X]' from June 2021.¹⁴⁴ Generally all other detailed competitor analysis made no reference to CitySprint,¹⁴⁵ or specifically excluded CitySprint as a same-day provider from the analysis.¹⁴⁶ These internal documents indicate that DPD closely monitors the activities of its main competitors and is consistent with the submission that DPD does not consider CitySprint to be a close competitor.
169. The Parties submitted that CitySprint only provides next-day delivery services 'to a very limited extent' where a customer requires a single provider for same-day and next-day deliveries, or where a customer requires goods to be collected later than a standard next-day delivery provider can accommodate through its hub-and-spoke model.¹⁴⁷
170. The CMA has seen no suggestion in CitySprint's internal documents that it intends to expand its next-day delivery services in the future. There are also limited references to DPD within CitySprint's internal documents analysing competitors – in one instance DPD was listed among 41 'competitors', noting that DPD did not offer same-day services;¹⁴⁸ while another references DPD only in the logistics

¹⁴⁰ FMN, Table 4. Note that this figure also includes weekend and Swap-It services which collectively make up DPD's 'domestic day certain' services.

¹⁴¹ FMN, paragraph 12.9.

¹⁴² FMN, paragraph 15.14.

¹⁴³ FMN, paragraph 16.6.

¹⁴⁴ FMN, Annex 44.

¹⁴⁵ For example, FMN, Annexes 5, 26, 30, 32 and 33, none of which reference CitySprint as a competitor to DPD within DPD's competitor analysis.

¹⁴⁶ FMN, Annex 42, '[X]'.

¹⁴⁷ FMN, paragraph 12.9.

¹⁴⁸ FMN, Annex 89, '[X]'.

vertical.¹⁴⁹ DPD is referenced rarely within CitySprint's [REDACTED], and in only one instance was this in relation to discussions with a current DPD customer.¹⁵⁰

171. As highlighted in paragraph 48 above, the CMA considers that there is a distinction between 'standard' next-day services (described at paragraphs 25 and 29) and a late-order next-day delivery services in which orders can be placed late in the evening on the day prior to delivery. Late-order and standard next-day delivery services have key supply-side differences and the CMA considers that the former are better assessed as part of the same frame of reference as same-day delivery service, as set out above in paragraph 51. The CMA has not seen any evidence of DPD providing late-order services or facilitating the collection of packages beyond its standardised cut-off times.
172. A rare example of CitySprint providing a comparable service to DPD is the delivery of meal-kit boxes. The Parties both deliver meal-kit boxes to end consumers on Sundays; however, CitySprint only delivers to consumers in specific London postcodes. The meal-kit company 'injects' the boxes into a local CitySprint warehouse on Saturday evening and CitySprint delivers the boxes the next day. [REDACTED].¹⁵¹ [REDACTED].¹⁵² The CMA also received third party evidence that there are a number of competitors well placed to supply next-day delivery services for meal-kit boxes, such as Yodel, Hermes, Gophr and e-cargobikes.
173. The majority of third party evidence reflected CitySprint's limited activities in the supply of next-day delivery services. Almost all of CitySprint's and DPD's customers stated that they did not consider that the two providers compete against each other. Only one competitor noted that CitySprint had a 'competitive' next-day service for B2C and C2X (customer to everyone) and was a close competitor to DPD, while another noted that while DPD and CitySprint do not generally compete, the distinction between their services is less clear for some overnight or next-day deliveries.
174. The evidence submitted by the Parties and third parties indicates that DPD and CitySprint are not close competitors in next-day delivery services, with DPD facing closer competition from a number of specialist next-day delivery competitors as noted in paragraph 168.¹⁵³ Accordingly, the CMA found that the Merger does not give rise to a realistic prospect of an SLC as a result of horizontal unilateral effects in relation to the supply of next-day delivery services in the UK.

¹⁴⁹ FMN, Annex 91, [REDACTED].

¹⁵⁰ FMN, Annex 76, [REDACTED].

¹⁵¹ Note of a call with [REDACTED].

¹⁵² Third party response to the CMA delivery questionnaire.

¹⁵³ FMN, Table 9.

Horizontal unilateral effects in the supply of logistics services

175. DPD and CitySprint both provide a form of FSL service. DPD holds [X] to [X] weeks of stock for its logistics customers at [X] of its [X] warehouses and then injects goods into its delivery network for standard next-day delivery when there is demand for an item. This service accounted for less than [X]% of DPD's UK turnover in 2020.¹⁵⁴
176. CitySprint holds stock at most of its service centres and delivers these goods on-demand, either as a standard same-day delivery or within a guaranteed time frame. This service accounts for approximately [X]% of CitySprint's overall turnover.¹⁵⁵ CitySprint also offers certain logistics services where it does not store stock but makes scheduled collections and deliveries on a same-day basis.

Closeness of competition

177. DPD submitted that it does not have the capability to provide a comparable FSL service to CitySprint because it would need to [X],¹⁵⁶ [X].¹⁵⁷
178. The CMA found only limited references to logistics services in the Parties' internal documents. As noted in paragraph 170, there is only one instance in which CitySprint refers to DPD as a logistics competitor.¹⁵⁸
179. Customers consistently indicated that DPD is not a close competitor to CitySprint for its logistics/FSL services, largely because DPD only offers a next-day delivery and does not have comparable storage facilities. Some of CitySprint's customers were unaware that DPD provides logistics services.
180. Competitors provided mixed evidence on the closeness of competition between the Parties. Two competitors indicated that DPD and CitySprint closely compete in the provision of FSL services, however neither competitor provided an explanation for this conclusion. Two other competitors indicated that the Parties do not compete and highlighted the high degree of specialised differentiation within the market.

Competitive constraints

181. The Parties identified a list of 'major companies' that offer 'a full range of contract logistics services' including DHL Supply Chain, Wincanton, XPO and Kuehne&Nagel in addition to others including Clipper Logistics, James and James,

¹⁵⁴ FMN, paragraph 12.24.

¹⁵⁵ FMN, paragraph 12.5.

¹⁵⁶ FMN, Appendix 1, paragraph 17.5.

¹⁵⁷ Parties' response to Q17 of the CMA's request for information dated 19 August 2021, paragraph 17.5.

¹⁵⁸ FMN, Annex 91, '[X]'.

Sheldon Clayton, TVS SCS Rico, UPS SCS, ByBox, Carousel and ‘hundreds of small local and regional competitors’.

182. Third party evidence from both customers and competitors indicated that there are many competitors that supply FSL services, and that several compete closely with CitySprint, including in particular Rico, Crown Couriers and Royal Mail.
183. The CMA received limited information on the alternatives to DPD’s logistics services from its merger investigation. However, there was a mixed response from logistics customers and competitors as to whether DPD’s logistics services constitute FSL, with one competitor suggesting that FSL only applied to time-critical deliveries (and not those processed as next-day deliveries), and three others noting that they do not compete with DPD in this regard. This is consistent with DPD’s suggestion that its logistics services are differentiated from CitySprint’s services and only represent a minor aspect of its overall services.

Conclusion on horizontal unilateral effects in the logistics market

184. The CMA found that the Parties do not compete to any material degree in the supply of logistics services. The services offered by the Parties are not generally substitutable.
185. The CMA understands that the supply of logistics is highly differentiated as providers create bespoke solutions for individual customers. While this specialisation may make it more difficult or costly for customers to switch to an alternative provider, the CMA considers the evidence suggests that there are many alternative suppliers to DPD and CitySprint. Accordingly, the CMA found that the Merger does not give rise to a realistic prospect of an SLC as a result of horizontal unilateral effects in relation to the supply of logistics services in the UK.

Vertical effects

186. Vertical effects may arise when a merger involves firms at different levels of the supply chain, for example, a merger between an upstream supplier and a downstream customer.
187. Non-horizontal mergers do not involve a direct loss of competition between the merger firms. Instead, a common concern is that they may result in the foreclosure of current or potential rivals – that the merged entity will be able to use its position in one market to harm the competitiveness of its rivals in the other. This would weaken the constraints that the merged entity faces and as a result harm competition and therefore customers.¹⁵⁹ The CMA only regards such foreclosure to

¹⁵⁹ [Merger Assessment Guidelines \(CMA129\)](#), March 2021, paragraph 7.2.

be anticompetitive where it results in an SLC in the foreclosed market(s), not merely where it disadvantages one or more competitors.¹⁶⁰

188. Next-day delivery service providers sometimes use same-day delivery services; for instance, in order to meet a scheduled delivery time where there has been a delay in their usual delivery process. The CMA has therefore considered whether the Merged Entity would have the ability and incentive to foreclose suppliers of next-day delivery services from accessing same-day delivery services.
189. The CMA's approach to assessing possible input foreclosure is to analyse (a) the ability of the merged entity to use control of its inputs to harm the competitiveness of its rivals, (b) its incentive to do so, and (c) the overall effect of the strategy on competition.¹⁶¹ This is discussed below.

Ability

190. In order to assess whether the Merged Entity would have the ability to foreclose suppliers of next-day delivery services, the CMA has considered the following factors:
- (a) the extent of CitySprint's strength in same-day delivery services and the availability of alternative providers for the supply of same-day delivery services;¹⁶² and
 - (b) the importance of same-day delivery services as an input to next-day providers.
191. The CMA has taken account of:
- (a) the Parties' views; and
 - (b) third parties' views.

Strength in same-day services and availability of alternative providers

192. The Parties submitted that neither DPD, CitySprint nor Stuart has a sufficiently strong position in any relevant market for a foreclosure strategy to be profitable.¹⁶³ The Parties estimated that CitySprint has a share of supply of [10-20]% for the supply of same-day courier services in the UK. The Parties listed alternative suppliers including Rico Logistics, Crown Couriers, Addison Lee, Absolutely and

¹⁶⁰ In relation to this theory of harm 'foreclosure' means either foreclosure of a rival or to substantially weaken a rival competitively.

¹⁶¹ [Merger Assessment Guidelines \(CMA129\)](#), March 2021, paragraph 7.10.

¹⁶² Neither Stuart nor DPD supplies same-day delivery services to next-day delivery providers.

¹⁶³ FMN, paragraph 20.2.

eCourier, as well as a large category of other suppliers, such as regional players, that hold a combined share of around [70-80]% for these services.¹⁶⁴

193. Evidence from third parties indicated that alternatives to CitySprint are available if required.
- (a) One same-day delivery provider indicated that Crown Couriers, CitySprint and Rico are the three main suppliers active in same-day delivery services and that they compete strongly against each other.
 - (b) One next-day provider that is a customer of CitySprint indicated it could easily switch to alternative providers, including Rico and multi-source from multiple regional providers.
 - (c) More generally, the majority of CitySprint's customers indicated that regional competitors could fulfil the deliveries for which they currently use CitySprint.
194. Further, as indicated above at paragraphs 123 and 166, in relation to the CMA's assessment of horizontal unilateral effects, the CMA has found that there are a number of viable alternative competitors for the supply of same-day delivery services.

Importance of same-day services as an input to next-day providers

195. The Parties submitted that CitySprint and DPD only interact with each other 'occasionally'; for instance, if DPD has an urgent need for a rapid point-to-point delivery service to meet a scheduled delivery time after a delay in the standard delivery process. The Parties indicated that CitySprint has a similar relationship with other next-day providers. In 2020, next-day suppliers accounted for less than [X]% of CitySprint's revenues.¹⁶⁵
196. The CMA has not received evidence from next-day suppliers to indicate that same-day delivery services are an important service that they rely on to provide next-day delivery services. One next-day provider submitted that it only uses same-day services for a 'very small proportion' of its work.
197. The CMA received submissions from three major providers of next-day delivery services in response to its investigation, and none of these expressed concerns relating to input foreclosure. Moreover, none of the next-day suppliers that use CitySprint's same-day services and that responded to the CMA's merger investigation indicated that they had any concerns regarding access to same-day delivery services post-Merger.

¹⁶⁴ FMN, Table 6.

¹⁶⁵ FMN, paragraphs 12.38 and 12.39.

198. The CMA considers that the evidence indicates that the Merged Entity would not have the ability to foreclose next-day suppliers. Next-day providers only have a limited need for same-day delivery services and, following the Merger, there are alternative providers that suppliers could turn to if they require same-day services.

Incentive and effect

199. The CMA has not considered the Merged Entity's incentive to engage in or the effect of any foreclosure strategy on the basis that the CMA does not believe that the Merged Entity would have the ability to engage in foreclosure.

Conclusion on vertical effects

200. For the reasons set out above, the CMA believes that the Merged Entity would lack the ability to foreclose suppliers of next-day delivery services because these suppliers have limited need for same-day services and have alternative same-day suppliers they can use if they do require such services. Accordingly, the CMA found that the Merger does not give rise to a realistic prospect of an SLC as a result of vertical effects in relation to the supply of same-day services in the UK, in particular the foreclosure of suppliers of next-day delivery services in the UK.

Conglomerate effects

201. Conglomerate effects may arise in mergers of firms that are active in the supply of goods or services that do not form part of the same markets but which are nevertheless related in some way. For example, this may be because their products target similar customers or may be purchased alongside each other.¹⁶⁶

202. As with vertical mergers, a conglomerate merger can result in the merged entity foreclosing rivals. The concern with a conglomerate theory of harm is that the merged entity may restrict its rivals in one 'focal' market from accessing customers using its strong position in an 'adjacent' market.¹⁶⁷ The merged entity could do this through linking the sales of the two products in some way, thereby encouraging customers who want its product in the adjacent market to also purchase its product in the focal market, at the expense of rivals.¹⁶⁸ Any loss of sales by competitors is not problematic in and of itself, and linked sales of related products can result in efficiencies. However, competition concerns may arise if such a strategy would result in rivals in the focal market becoming less effective competitors, which may result in higher prices or lower quality in the longer term.¹⁶⁹

¹⁶⁶ [Merger Assessment Guidelines \(CMA129\)](#), March 2021, paragraph 7.1.

¹⁶⁷ [Merger Assessment Guidelines \(CMA129\)](#), March 2021, paragraph 7.30.

¹⁶⁸ [Merger Assessment Guidelines \(CMA129\)](#), March 2021, paragraph 7.30.

¹⁶⁹ [Merger Assessment Guidelines \(CMA129\)](#), March 2021, paragraph 7.31.

203. In the present case, the CMA has considered whether the Merged Entity would be able to use CitySprint's strength in the supply of same-day delivery services to engage in anti-competitive bundling (of same-day and next-day delivery services) so as to foreclose suppliers of next-day delivery services.¹⁷⁰
204. The CMA's approach to assessing conglomerate theories of harm is to analyse (a) the ability of the merged entity to foreclose competitors, (b) its incentive to do so, and (c) the overall effect of the strategy on competition. These are discussed below.

Ability

205. In order to assess whether the Merged Entity would have the ability to foreclose competitors, the CMA has considered:
- (a) the post-Merger strategy of the Merged Entity; and
 - (b) whether CitySprint has market power in the supply of same-day delivery services and whether the Merged Entity would be able to use any such market power to encourage customers to purchase next-day delivery services.
206. The CMA has taken account of:
- (a) the Parties' views;
 - (b) the Parties' internal documents; and
 - (c) third parties' views.
207. The Parties submitted that the rationale for the Merger was to generate efficiencies, in particular by cross-referring customers. However, the Parties submitted that the strength of competition in these markets mean the Merged Entity would be unable to restrict rivals in one market from accessing customers in an adjacent market.¹⁷¹ The Parties submitted that CitySprint does not have a sufficiently strong position in the supply of same-day services and provided shares of supply estimates that indicate CitySprint has share of around [10-20]% and that there are many alternative suppliers for these services.¹⁷² The Parties also submitted that neither DPD nor Stuart have market power in any relevant market.¹⁷³ The Parties also provided evidence to show that there is limited

¹⁷⁰ The CMA does not consider that the Merged Entity would have the ability to leverage DPD's position in next-day delivery services to foreclose suppliers of same-day delivery services as DPD is constrained by multiple large national competitors (see paragraph 168 and 172 above).

¹⁷¹ FMN, Appendix 1, paragraph 20.1.

¹⁷² FMN, paragraph 14.1 and Table 6.

¹⁷³ FMN, Appendix 1, paragraph 20.1.

customer overlap between DPD, Stuart and CitySprint: none of them have a common customer within their top 30 customers.¹⁷⁴

208. Internal documents from DPD identify that the 'strongest rationale' for the Merger is the opportunity to cross sell CitySprint's B2C solutions to DPD's existing customer base. Cross-selling is identified as the largest potential synergy in the long-run.¹⁷⁵
209. However, third party evidence generally indicates that the Merged Entity would not have the ability to foreclose rivals. As discussed at paragraphs 114 to 120, both competitors and customers indicated that there are many alternative suppliers of same-day services. This suggests the Merged Entity would not be able to use its strength in same-day services to force customers to purchase its next-day services. Any attempt to do so may result in customers buying the products from CitySprint's same-day rivals instead.
210. Moreover, the CMA received submissions from three major providers of next-day delivery services in response to its investigation, with none of these submissions expressing concerns relating to anti-competitive bundling or foreclosure.
211. The CMA notes that cross-selling is an important part of the Parties' rationale for pursuing the Merger. However, the CMA believes that the evidence overall does not support a finding that this would provide the Merged Entity with the ability to foreclose next-day suppliers, given the availability of alternative suppliers of same-day services whose services could be combined with those of rival next-day suppliers.

Incentive and effect

212. The CMA has not considered the Merged Entity's incentive to engage in or the effect of any anti-competitive bundling on the basis that the CMA does not believe that the Merged Entity would have the ability to engage in such a strategy.

Conclusion on conglomerate effects

213. For the reasons set out above, the CMA believes the Merged Entity would not have the ability to foreclose competitors by engaging in anti-competitive bundling of next-day and same-day delivery services, given the number of alternative suppliers available. Accordingly, the CMA found that the Merger does not give rise to a realistic prospect of an SLC as a result of conglomerate effects in relation to the supply of next-day and same-day delivery services.

¹⁷⁴ FMN, Appendix 1, paragraph 24.2.

¹⁷⁵ See, for example, FMN, Annex 12, '[S<]'].

BARRIERS TO ENTRY AND EXPANSION

214. Entry, or expansion of existing firms, can mitigate the initial effect of a merger on competition, and in some cases may mean that there is no SLC. In assessing whether entry or expansion might prevent an SLC, the CMA considers whether such entry or expansion would be timely, likely and sufficient.¹⁷⁶
215. However, the CMA has not had to conclude on barriers to entry or expansion as the Merger does not give rise to competition concerns on any basis.

THIRD PARTY VIEWS

216. The CMA contacted customers and competitors of DPD, CitySprint and Stuart. A few competitors submitted that the Merger could give the Merged Entity a competitive advantage because it would be able to reduce costs by consolidating orders. They expressed concerns that smaller providers might find it difficult to replicate low prices and could become less competitive.
217. The CMA's guidance indicates that efficiencies that induce merger firms to act as stronger competitors to their rivals would typically support the case for a merger to be cleared.¹⁷⁷ A merger might raise concerns, however, if an increase in scale could enable the merged entity to drive out rivals and subsequently increase prices once it faces less competition. However, a number of competitors said that, although the Merger would give the Merged Entity a competitive advantage, they would continue to be able to compete with the Merged Entity.¹⁷⁸ Moreover, as discussed above at paragraphs 161 and 162, the CMA received some evidence from delivery providers indicating that there are low barriers to entry and expansion for the supply of certain same-day delivery services.
218. No other third parties raised concerns about the Merger.
219. Third party comments have been taken into account where appropriate in the competitive assessment above.

¹⁷⁶ [Merger Assessment Guidelines \(CMA129\)](#), March 2021, from paragraphs 8.28 *et seq* and 8.40 *et seq*.

¹⁷⁷ [Merger Assessment Guidelines \(CMA129\)](#), March 2021, paragraphs 8.4 and 8.5.

¹⁷⁸ Note of a call with [redacted] and note of a call with [redacted].

DECISION

220. Consequently, the CMA does not believe that it is or may be the case that the Merger may be expected to result in an SLC within a market or markets in the United Kingdom.

221. The Merger will therefore **not be referred** under section 33(1) of the Act.

Naomi Burgoyne
Director, Mergers
Competition and Markets Authority
16 December 2021