

# Completed acquisition by Morrisons of McColl's

## Decision on relevant merger situation and substantial lessening of competition

ME/7002/22

### SUMMARY

1. The Competition and Markets Authority (**CMA**) has found that the completed acquisition by Alliance Property Holdings Limited (**Alliance**), a wholly owned subsidiary of WM Morrison Supermarkets Limited (**Morrisons**), of the assets and business of McColl's Retail Group plc, Martin McColl Limited, Clark Retail Limited, Dillons Stores Limited, Smile Stores Limited, Charnwait Management Limited, and Martin Retail Group Limited (these assets are collectively referred to as **McColl's**) (the **Merger**) gives rise to a realistic prospect of a substantial lessening of competition (**SLC**) as a result of horizontal unilateral effects in the retail supply of convenience groceries in a number of local areas.
2. Morrisons, Alliance, and McColl's are together referred to as the **Parties** or the **Merged Entity**.
3. Morrisons is a British supermarket active in the retail and wholesale supply of groceries, as well as the retail supply of apparel and general merchandise products throughout the UK. It operates stores of different sizes, typically mid-size and large grocery stores. Its ultimate parent company is Clayton, Dubilier & Rice (**CD&R**), a private equity group that controls the Motor Fuel Group (**MFG**). MFG owns and operates over 900 petrol filling stations (**PFS**), which usually have a convenience store attached to them.
4. McColl's operates over 1,100 convenience stores and newsagents across England, Scotland, and Wales. The convenience stores operate under the trading name 'McColl's', and its newsagents are typically branded 'Martin's' in England and Wales and 'RS McColl' in Scotland. More than 250 McColl's stores operate under the 'Morrisons Daily' franchise brand.

5. The CMA had jurisdiction to review the Merger because McColl's turnover in the UK exceeds £70 million and, therefore, the turnover test is met.
6. Given that McColl's operates convenience stores, the CMA assessed the impact of the merger on the retail supply of convenience groceries in the UK at a national and local level. In line with previous cases, the CMA found that convenience grocery stores face competition from other convenience stores, as well as from larger grocery stores (ie, mid-size and large grocery stores).
7. At the national level, the CMA found no competition concerns because the Parties would have a very low share of supply (less than 5%) with a small increment arising from the Merger (less than 1%). They would also continue to face strong competition from other supermarkets, such as Asda, Sainsbury, and Tesco.
8. At the local level, the CMA considered the impact of the Merger in the areas surrounding each of McColl's and MFG's convenience stores (a 5-minute drive time for all stores, as well as a 1-mile radius for standalone stores not attached to a PFS, in line with the approach in previous cases such as CD&R/Morrisons). The CMA counted the competitors in each area, giving each a 'weight' according to their competitive strength (for example, large supermarket chains like Tesco and Asda were given a higher weight than symbol group stores like Spar or independent stores). The CMA found a concern in any local area where, as a result of the Merger, the weighted number of competitors would be three or fewer.
9. On this basis, the CMA found that it is or may be the case that the Merger has resulted, or may be expected to result, in an SLC as a result of horizontal unilateral effects in relation to the retail supply of convenience groceries in the 35 local areas.
10. The Parties accepted that the test for reference is met in respect of the retail supply of convenience groceries in those 35 local areas and requested that the CMA proceed directly to a consideration of undertakings in lieu (**UILs**). The CMA accepted this request.
11. The CMA is therefore considering whether to accept undertakings under section 73 of the Enterprise Act 2002 (the **Act**). Morrisons has until 15 September 2022 to offer an undertaking to the CMA that might be accepted. If no such undertaking is offered, then the CMA will refer the Merger pursuant to sections 22(1) and 34ZA(2) of the Act.