

Completed acquisition by Topps Tiles Plc of certain assets of Tildist Realisations Limited (formerly CTD Tiles Limited)

Decision on relevant merger situation and substantial lessening of competition

ME 7123/24

The Competition and Markets Authority’s decision on relevant merger situation and substantial lessening of competition under section 22(1) of the Enterprise Act 2002 given on 17 February 2025. Full text of the decision published on 14 March 2025.

The Competition and Markets Authority (**CMA**) has excluded from this published version of the decision information which the CMA considers should be excluded having regard to the three considerations set out in section 244 of the Enterprise Act 2002 (specified information: considerations relevant to disclosure). The omissions are indicated by [X]. Some numbers have been replaced by a range, which are shown in square brackets.

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SUMMARY

OVERVIEW OF THE CMA'S DECISION

1. The Competition and Markets Authority (**CMA**) has found that the acquisition by Topps Tiles Plc (**Topps**) of certain assets (including the right to occupy 30 stores, selected stock, fixtures and fittings, all intellectual property, and employees transferred under TUPE regulations), formerly of CTD Tiles Limited (**CTD**), gives rise to a realistic prospect of a substantial lessening of competition (**SLC**) as a result of horizontal unilateral effects in the supply of tiles to retail customers and in the supply of tiles to trade customers in four areas in the UK.
2. On 19 August 2024, Topps acquired CTD for £9 million. The CMA refers to this acquisition as the **Merger**. Topps and CTD are together referred to as the **Parties** and, for statements relating to the future, the **Merged Entity**.
3. As the CMA has found that the Merger gives rise to a realistic prospect of an SLC, the Parties have until 24 February 2025 to offer undertakings in lieu of a reference (**UILs**) to the CMA that will remedy the competition concerns identified. If no such undertaking is offered, then the CMA will refer the Merger pursuant to sections 22(1) and 34ZA(2) of the Enterprise Act 2002 (the **Act**).

Who are the businesses and what products/services do they provide?

4. Topps and CTD both supply tiles and related products to various types of customers through a network of stores, direct sales teams, and in the case of Topps, through websites.
5. The CMA's assessment focused on the supply of tiles to retail (eg homeowners) and trade (eg tilers and other tradespeople) customers through the Parties' stores, as this is the main overlap between the Parties' activities.

Why did the CMA review this merger?

6. The CMA's primary duty is to seek to promote competition for the benefit of consumers. It has a duty to investigate mergers that could raise competition concerns in the UK, provided it has jurisdiction to do so. In this case, the CMA has concluded that the CMA has jurisdiction to review this Merger because Topps and CTD are each enterprises that have ceased to be distinct as a result of the Merger, and because the share of supply test is met on the basis of the Parties' combined share of the supply of tiles and related products in the UK.
7. The CMA's mergers intelligence function identified the Merger as warranting an investigation. This initial assessment was made having regard to publicly available

information, information from the Parties, and complaints received from third parties.

What evidence has the CMA looked at?

8. In assessing this Merger, the CMA considered a wide range of evidence in the round.
9. The CMA received several submissions and responses to information requests from the Parties. This included information about the nature of the Parties' businesses and the constraint from other suppliers. The CMA also engaged directly with the Parties throughout the investigation to discuss the CMA's emerging thinking throughout the phase 1 investigation, including discussions on the methodology for the local analysis.
10. The CMA also examined the Parties' own internal documents, which show how they run their businesses and how they view their rivals in the ordinary course of business.
11. The CMA spoke to and gathered evidence from other companies and organisations to understand better the competitive landscape and to get their views on the impact of the Merger. Prior to initiating its investigation, and during its investigation, the CMA received submissions from numerous third parties expressing concerns about the impact of the Merger on competition in the markets in which the Parties are active, which have been thoroughly assessed by the CMA throughout its investigation.

What did the evidence tell the CMA...

...about what would have happened had the Merger not taken place?

12. In order to determine the impact that the Merger could have on competition, the CMA has considered what would have happened had the Merger not taken place. This is known as the counterfactual.
13. In this case, the CMA has assessed the Merger against a counterfactual of one or more alternative purchasers acquiring the CTD business.

...about the effects on competition of the Merger?

14. The CMA looked at whether the Merger would lead to a substantial lessening of competition in the supply of tiles to retail customers and the supply of tiles to trade customers on a local basis.

Horizontal unilateral effects (i) in the supply of tiles to retail customers and (ii) in the supply of tiles to trade customers, arising from a loss of local competition.

15. The CMA assessed whether the Merger has resulted in or may be expected to result in an SLC in the supply of tiles to retail and trade customers.
16. As competition for retail and trade customers takes place at a local level, the CMA first identified the specific areas within which to analyse whether the Merger could give rise to an SLC. This was based on catchment areas around the Parties' stores (where 80% of the Parties' sales came from), and the identification of overlaps between the Parties' stores within those areas.
17. The CMA then applied a decision rule in each local area where the Parties overlap to determine whether there was a realistic prospect of an SLC. It determined, for both the retail and trade market, that the Merger would give risk to competition concerns in a local area if there were two or fewer other effective competitors remaining in the area (ie if the Merger caused the number of players in the area to drop from four to three, or less).
18. The CMA took this approach in the retail market (i) because evidence from the Parties and third parties suggested that the Parties both compete in the retail market at a local level, but are not each other's closest competitor given the presence of other retail-focussed competitors such as other tile specialist chains or DIY sheds, and (ii) to account for the presence of out-of-market constraints such as those from suppliers not included in the effective competitor set, for example single-store independent competitors, and the constraint from sales made online.
19. The CMA took this approach in the trade market (i) because evidence from the Parties and third parties suggested that while the Parties compete closely in the trade market at a local level, other suppliers also provide a constraint, and (ii) to account for the presence of out-of-market constraints such as those from suppliers not included in the effective competitor set, for example single-store independent competitors or builders' merchants.
20. On this basis, the CMA concluded that there was a realistic prospect of an SLC in six local areas for both retail and trade customers, affecting four towns and/or cities in the UK.

What happens next?

21. As a result of these concerns, the CMA believes the Merger gives rise to a realistic prospect of SLC(s) in the supply of tiles to retail customers and the supply of tiles to trade customers in certain local areas. Topps has until 24 February 2025 to offer an undertaking which might be accepted by the CMA to address the SLC(s). If no such undertaking is offered, or the CMA decides that any undertaking offered

is insufficient to remedy its concerns to the phase 1 standard, then the CMA will refer the Merger for an in-depth phase 2 investigation pursuant to sections 22(1) and 34ZA(2) of the Act.

ASSESSMENT

1. PARTIES, MERGER AND MERGER RATIONALE

22. Topps Tiles Plc (**Topps**) is a UK-based retailer and distributor of tiles and related products to homeowners, traders, and commercial customers through a network of stores, direct sales teams, and websites through several brands, including Topps Tiles, Parkside, Pro-Tiler Tools, and Tile Warehouse.¹ Topps has over 300 stores across the UK and is the largest specialist retailer and distributor of tiles and related products in the UK. The turnover of Topps in the financial year ending 30 September 2023 was £262.7 million worldwide, all of which was generated in the UK.²
23. The Target (**CTD**) comprises certain assets (including the right to occupy 30 stores, selected stock, fixtures and fittings, all intellectual property, and employees transferred under TUPE regulations), formerly of CTD Tiles Limited (now Tildist Realisations Limited) (**Tildist**).³ CTD is a UK-based retailer and distributor of tiles and related products to homeowners, traders and commercial customers through a network of stores and direct sales teams.⁴ Prior to the Merger, Tildist had 86 stores across the UK, and was the second largest specialist retailer and distributor of tiles and related products in the UK. The turnover of CTD in the financial year ending 31 December 2023 was £54.8 million worldwide, all of which was generated in the UK.⁵
24. Topps, through its subsidiary Tiles4Less Limited, acquired CTD as part of a pre-pack administration deal for a total consideration of £9 million.⁶
25. Topps submitted that the Merger was [§<]. Topps submitted that the main strategic rationales for the Merger were:
- (a) The Merger adds 30 well-established stores to the Topps estate, and incrementally adds to Topps' existing position in the supply of tiles to homeowners, traders and commercial customers.⁷

¹ Topps' response to the CMA's s109 Notice, 19 September 2024, paragraphs 12.1–12.2; Topps' response to the CMA's s109 Notice, 11 October 2024, paragraph 5.1; Parties' submission to the CMA (**Standalone Submission**), 16 December 2024, paragraph 2.1.

² Standalone Submission, paragraph 2.2; Topps' Internal Document, Annex 017 to Topps' response to the CMA's s109 Notice, 19 September 2024, [§<], page 3.

³ Standalone Submission, paragraph 2.3.

⁴ Topps' response to the CMA's s109 Notice, 19 September 2024, paragraph 12.1–12.2.

⁵ Topps' response to the CMA's s109 Notice, 19 September 2024, paragraph 10.

⁶ Topps' response to the CMA's Information Request, 2 September 2024, paragraph 2.1.

⁷ Topps' response to the CMA's s109 Notice, 19 September 2024, paragraph 2.2.

- (b) The Merger provides Topps with the opportunity to start supplying tiles to national housebuilders in the UK, a business area which Topps has unsuccessfully attempted to enter in the past.⁸
- (c) The CTD brand is complementary to Topps' existing operations, as CTD's stores are more focused on trade customers, with features that allow the stores to deal with bulk orders more easily.⁹

26. While Topps' internal documents are consistent with the rationale relating to the addition of CTD stores to the Topps estate and the supply of tiles to national housebuilders in the UK, the CMA does not consider that these documents reference CTD's trade customer-focused profile and capabilities as a rationale for the Merger.¹⁰

2. PROCEDURE

27. The CMA's mergers intelligence function identified the Merger as warranting an investigation. This initial assessment was made having regard to publicly available information, information from the Parties, and complaints received from third parties.¹¹

28. The CMA commenced its phase 1 investigation on 18 December 2024. As part of its phase 1 investigation, the CMA gathered a significant volume of evidence from the Parties, including internal documents. The Parties also had opportunities to make submissions and comment on the CMA's emerging thinking throughout the phase 1 investigation, including discussions on the methodology for the local analysis. On 23 January 2025 the CMA invited the Parties to attend an Issues Meeting. The Parties also submitted their views in response to the Issues Letter in writing.

29. The CMA also gathered evidence from other market participants, such as competitors and customers via calls and written questionnaires. The evidence the CMA has gathered has been tested rigorously, and the context in which the evidence was produced has been considered when deciding how much weight to give it. Where necessary, this evidence has been referred to within this Decision.

30. The Merger was considered at a Case Review Meeting.¹²

⁸ Topps' response to the CMA's s109 Notice, 19 September 2024, paragraph 2.3; Standalone Submission, paragraph 3.2; Topps' response to the CMA's s109 Notice, 11 October 2024, paragraphs 13.1–13.4.

⁹ Standalone Submission, paragraph 3.2.

¹⁰ Topps' Internal Documents, Annexes 024–027 to Topps' response to the CMA's s109 Notice, 19 September 2024, [redacted], [redacted], [redacted].

¹¹ [Mergers: Guidance on the CMA's jurisdiction and procedure \(CMA2\)](#), 25 April 2024, paragraphs 6.4–6.6.

¹² [CMA2](#), page 47.

3. JURISDICTION

31. Each of Topps and CTD is an enterprise. As a result of the Merger, these enterprises have ceased to be distinct.
32. The Parties overlap in the supply of tiles and related products in the UK, with a combined share of supply of [20-30]% (increment [5-10]%) by value in 2023.¹³ The CMA therefore considers that the share of supply test in section 23 of the Act is met.
33. The Merger completed on 19 August 2024 and was first made public on the same date.¹⁴ The four-month deadline for a decision under section 24 of the Act is 20 February 2025, following extensions under sections 25(1) and 25(2) of the Act.
34. The CMA therefore believes that it is or may be the case that a relevant merger situation has been created.
35. The initial period for consideration of the Merger under section 34ZA(3) of the Act started on 19 December 2024 and the statutory 40 working day deadline for a decision is therefore 17 February 2025.

4. COUNTERFACTUAL

36. The CMA assesses a merger's impact relative to the situation that would prevail absent the merger (ie the counterfactual).¹⁵
37. The counterfactual may consist of the pre-merger conditions of competition, or conditions of competition that involve stronger or weaker competition between the parties to a merger than under the pre-merger conditions of competition.¹⁶ In determining the appropriate counterfactual, the CMA will generally focus on potential changes to the prevailing conditions of competition only where there are reasons to believe that those changes would make a material difference to its competitive assessment.¹⁷
38. At phase 1, the CMA will apply a 'realistic prospect' standard when assessing the counterfactual – that is, it will consider whether it 'is or may be the case' that a particular situation would prevail absent the merger.¹⁸ If the CMA considers that there is a realistic prospect of multiple potential counterfactuals, it will use the one

¹³ Topps' response to the CMA's s109 Notice, 19 September 2024, paragraph 11.3.

¹⁴ Topps' response to the CMA's s109 Notice, 19 September 2024, paragraphs 5 and 7.1.

¹⁵ [Merger Assessment Guidelines \(CMA129\)](#), March 2021, paragraph 3.1.

¹⁶ [CMA129](#), paragraph 3.2.

¹⁷ [CMA129](#), paragraph 3.9.

¹⁸ [CMA129](#), paragraph 3.12.

in which the merger parties exert the strongest competitive constraint on each other.¹⁹

4.1 Parties' submissions

39. Topps submitted that there had been alternative offers for a larger number of Tildist stores (although Topps had no evidence of the scale, seriousness or plausibility of any rival offers),²⁰ and that it is not best placed to make submissions on the most likely outcome if Topps had not proceeded with the Merger.²¹
40. As to the process that led up to the Merger, Topps submitted that:
- (a) In the 12 months prior to the Merger, Tildist's performance was declining due to a downturn in [redacted], and a reduction in [redacted] in the UK, which impacted [redacted].²²
 - (b) Between February and July 2024 Aurelius Investments (**Aurelius**) took various measures, including recapitalisation and engaging with Interpath Advisory (**Interpath**) to assist Tildist with cash and stakeholder management and assess options for recapitalisation.²³
 - (c) Following a failed attempt at further recapitalisation, Interpath was re-engaged on 18 July 2024 to seek external investment, a sale or re-financing of Tildist.
 - (d) Having not received any interest from any buyers for Tildist on a solvent basis, Tildist's Directors filed a Notice of Intention to Appoint administrators on 5 August 2024.²⁴
41. Topps submitted that there was no realistic prospect of any bidder being interested in acquiring Tildist (including CTD) on a going concern basis, but once Tildist was placed into administration, this opened the possibility of acquiring particular stores and assets.²⁵ Topps submitted that the sales process was necessarily accelerated (with the Merger completing on 19 August 2024) as Tildist was rapidly running out of cash.²⁶ Topps selected which Tildist stores to acquire on the basis of the stores' weekly sales and where Topps could forecast a realistic prospect of turning a profit. Topps' reasons for not acquiring other stores included large lease costs,

¹⁹ [CMA129](#), paragraph 3.12.

²⁰ Parties' response to the CMA's Request for Information, 25 October 2024 (**RFI 4**), paragraph 2.4; Standalone Submission, paragraph 3.8. The CMA understands that this supersedes submissions on the counterfactual set out in Topps' response to the CMA's s109 Notice, 19 September 2024, paragraphs 20.1–20.4.

²¹ Standalone Submission, paragraph 3.9.

²² Topps' response to the CMA's s109 Notice, 19 September 2024, paragraphs 20.1–20.4; Parties' response to the CMA's RFI 4, paragraph 1.1.

²³ Topps' response to the CMA's s109 Notice, 28 October 2024, paragraphs 1.1–2.7.

²⁴ Topps' response to the CMA's s109 Notice, 28 October 2024, paragraph 2.4.

²⁵ Parties' response to the CMA's RFI 4, paragraphs 2.1–2.2.

²⁶ Standalone Submission, paragraph 3.1.

marginal or negative profits, smaller sale levels and/or the location of the store.²⁷ Topps also submitted that it was able to revive the CTD business post-Merger thanks to Topps' management team, experience and scale, which an alternative purchaser would have likely lacked.²⁸

4.2 CMA's assessment

42. The CMA considers that while the sale of Tildist as a going concern may not have been possible, there is a realistic prospect that, absent the Merger, CTD would have been acquired out of administration by one or more alternative purchasers.
43. In particular, the evidence received from a range of third parties indicates that there was a large amount of interest in the Tildist sales process, and several alternative purchasers submitted competing offers for many of Tildist's stores and assets.²⁹ Evidence from third parties involved in the sale process confirms that each of the CTD stores was subject to at least one alternative offer.³⁰
44. The CMA believes that there were no existing structural impediments to CTD imposing a material competitive constraint on Topps. This view is supported by Topps' submission that Tildist's weak performance was a consequence of several years of bad management and under-investment by Aurelius.³¹ CTD's trading performance showed significant improvement under Topps' management, and in particular after the appointment of the Hold Separate Manager.³² As such, the CMA considers that CTD would be a viable competitive constraint in the counterfactual under the management of an alternative purchaser.
45. While the CMA considers that there are multiple plausible counterfactuals in which CTD would be acquired by a less-anticompetitive purchaser, it is not necessary to specify which alternative purchaser or purchasers would have been most likely to acquire the CTD business absent the Merger.³³ In any such scenario, the Parties would exert the strongest competitive constraint on each other.³⁴
46. The CMA therefore considers the relevant counterfactual to be the pre-Merger conditions of competition, but reflecting that absent the Merger, the CTD business would likely have been acquired by one or more alternative purchasers and would have continued to operate as an effective competitive constraint on Topps.

²⁷ Topps' response to CMA's s109 Notice, 11 October 2024, paragraph 29.1; Topps' Internal Document, Annex 344 to Topps' response to CMA's s109 Notice, 11 October 2024, [3<].

²⁸ Parties' response to the Issues Letter, 28 January 2025, comment on paragraph 21 of the Issues Letter.

²⁹ Submission to the CMA from a third party, November 2024. Note of a call with a third party, October 2024.

³⁰ Submission to the CMA from a third party, November 2024.

³¹ Standalone Submission, paragraphs 1.3 and 3.10. As evidence of this under-investment, the Parties highlighted CTD's RFI responses that show that (i) [3<], and (ii) over the past 12 months preceding the submission, Tildist's store improvements and refurbishments had [3<]. See Standalone Submission, footnote 24.

³² Fifth Monitoring Trustee report, 9 January 2025.

³³ As consistent with [CMA129](#), paragraph 3.9.

³⁴ [CMA129](#), paragraph 3.12.

5. COMPETITIVE ASSESSMENT

5.1 Market definition

47. Where the CMA makes a substantial lessening of competition (**SLC**) finding, this must be ‘within any market or markets in the United Kingdom for goods or services’. An SLC can affect the whole or part of a market or markets. Within that context, the assessment of the relevant market(s) is an analytical tool that forms part of the analysis of the competitive effects of the merger and should not be viewed as a separate exercise.³⁵
48. Market definition involves identifying the most significant competitive alternatives available to customers of the merger parties and includes the sources of competition to the merger parties that are the immediate determinants of the effects of the merger.³⁶
49. While market definition can be an important part of the overall merger assessment process, the CMA’s experience is that in most mergers, the evidence gathered as part of the competitive assessment, which will assess the potentially significant constraints on the merger parties’ behaviour, captures the competitive dynamics more fully than formal market definition.³⁷

5.1.1 Product market

50. The Parties overlap in the supply of (i) tiles made from various materials (eg ceramic and porcelain tiles, but excluding peel-and-stick solutions) for covering internal walls and floors (**Tiles**) and (ii) related products required to install Tiles, including tools (eg cutters, trowels), adhesives, grout, and accessories (eg trims, levellers, tile spacers, sponges, insulation boards, anti-fracture matting, and levelling systems) (**Essentials**).³⁸ Both Parties sell these products from physical stores and, in the case of Topps, online via its websites.³⁹
51. The Parties both supply Tiles and Essentials to different categories of customers. The Parties overlap in the supply of Tiles and Essentials to homeowners and other end-customers for installation in domestic properties (**Retail**), and to professional

³⁵ [CMA129](#), paragraph 9.1.

³⁶ [CMA129](#), paragraph 9.2.

³⁷ [CMA129](#), paragraph 9.2.

³⁸ Topps’ response to the CMA’s s109 Notice, 19 September 2024, paragraph 11.1; Standalone Submission, paragraphs 4.1–4.2.

³⁹ Topps’ response to the CMA’s s109 Notice, 19 September 2024, paragraph 12.5.

tradespeople (eg tilers, general builders) for installation in domestic or commercial properties (**Trade**).⁴⁰

52. The Parties also overlap in the supply of Tiles for commercial applications through arrangements with architects, designers and other professionals, who design commercial properties and specify the Tiles for projects, which are then purchased and installed by subcontractors (**A&D**).⁴¹ The Parties also overlap, to a limited extent, in the supply of Tiles to property developers specialising in newly built homes and housing developments across the UK, for installation in new domestic properties (ie housebuilders, including national housebuilders). The Parties supply these customer groups through direct sales teams.
53. The CMA focused its investigation on the theories of harm that could give rise to plausible competition concerns based on the evidence it received from the Parties and third parties during the course of its investigation. As such, the CMA does not consider it necessary to conclude on the markets for the supply of Tiles to A&D and other commercial customers, such as property developers and national housebuilders.⁴²

5.1.1.1 *Parties' submissions*

54. The Parties submitted that the single relevant product market is the supply of Tiles and Essentials to homeowners (and other end-customers) and professional tradespeople for installation in domestic properties.
55. The Parties submitted that the supply of Tiles and Essentials should not be segmented because on the demand-side, customers require both categories of products for each project in roughly fixed proportions. The Parties submitted that on the supply-side, Tile retailers almost always offer both Tiles and Essentials due to the highly complementary nature of the products, although the Parties noted that there are a number of retailers who supply Essentials (alongside a broader offering) but do not supply Tiles.⁴³
56. With regard to customer segmentation for Tiles purchased for domestic properties, the Parties submitted that homeowners and tradespeople do not constitute separate markets.⁴⁴ The Parties state that on the demand-side, homeowners and

⁴⁰ Topps' response to the CMA's s109 Notice, 19 September 2024, paragraph 11.1; Standalone Submission, paragraphs 4.1–4.2.

⁴¹ Topps' response to the CMA's s109 Notice, 19 September 2024, paragraphs 11.1; Standalone Submission, paragraphs 4.1–4.2.

⁴² Regarding A&D customers, evidence received by the CMA suggests that the Parties have somewhat differentiated offerings and that there are a significant number of alternative suppliers offering a competitive constraint on both Parties. Regarding property developers including national housebuilders, Topps is currently active only to a limited extent, but even if it were to expand its activities in this customer segment, the Parties would continue to be constrained by several other competitors that have well-established existing relationships with the key customers.

⁴³ Standalone Submission, paragraph 6.1. For completeness, the Parties also submitted that Essentials should not be sub-segmented further. See Standalone Submission, paragraph 6.2.

⁴⁴ Standalone Submission, paragraph 6.3.

tradespeople often shop in combination and exhibit a range of purchasing behaviours.⁴⁵ The Parties submitted that Trade customers often encourage their clients to visit certain stores, and will often accompany homeowners to a certain store to make a choice and purchase the required products.⁴⁶

57. The Parties also stated that on the supply-side, most retailers supply both product categories to both customer groups to some extent, and there are significant similarities between the conditions of competition for both customer groups.⁴⁷
58. The Parties submitted that there is no clear distinction between online and physical store sales. For example, they noted that customers will often browse online but then go to a physical store to get a better sense of what they are buying. Other customers order online but then collect from store.⁴⁸ The Parties also submitted that online-only retailers account for a significant proportion of the market, and Topps regards these retailers as an effective constraint on its pricing.⁴⁹

5.1.1.2 CMA's assessment

59. The CMA believes that it is appropriate to assess the Merger based on separate product markets for the supply of Tiles and Essentials and within each, for separate Retail and Trade customer groups. The CMA believes that online-only sales of Tiles and Essentials (eg by online-only retailers) are not part of the same product market.⁵⁰ The CMA however recognises that there may be a degree of constraint from online sales and considered this when setting its decision rule threshold in paragraphs 149-152 below.

5.1.1.2.1 Product type: Tiles vs Essentials

60. Topps' internal documents frequently distinguish between Tiles and Essentials, including when tracking revenues and profitability and monitoring competitors' pricing.⁵¹ Topps' internal documents summarising Trade surveys also track purchasing patterns for Tiles and Essentials separately.⁵² CTD's internal documents also distinguish between the supply of Tiles and 'non-tiles' (and this

⁴⁵ Standalone Submission, paragraph 6.3.

⁴⁶ Parties' response to the Issues Letter, 28 January 2025, comment on paragraph 40 of the Issues Letter.

⁴⁷ Standalone Submission, paragraphs 6.4–6.5.

⁴⁸ Topps' response to the CMA's s109 Notice, 19 September 2024, paragraph 13.2.

⁴⁹ Parties' response to the Issues Letter, 28 January 2025, comment on paragraph 34 of the Issues Letter.

⁵⁰ Retailers listed in the effective competitor set (see paragraphs 137-141) with a multi-channel offering (ie store and online sales) were considered in the local assessment where their stores are located.

⁵¹ Topps' Internal Document, Annex 242 to Topps' response to the CMA's s109 Notice of 11 October 2024, [redacted], Topps' Internal Documents, Annexes 060–082 (regarding price monitoring for Tiles) and Annexes 083–105 (regarding price monitoring for Essentials) to Topps' response to the CMA's s109 Notice, 19 September 2024.

⁵² Topps' Internal Document, Annex 042.2 to Topps' response to the CMA's s109 Notice, 19 September 2024, [redacted], slides 5-8; Topps' Internal Document, Annex 107 to Topps' response to the CMA's s109 Notice, 19 September 2024, [redacted], slides 4-8.

categorisation also reflects [redacted].⁵³ The CMA also notes that there are a small number of high-end retailers who only supply Tiles (eg Fired Earth), as well as several retailers who only supply Essentials as part of their broader product offering (eg Screwfix and Toolstation).

5.1.1.2.2 *Customer type: Retail vs Trade*

61. Topps' internal documents also distinguish between the supply of Tiles and Essentials to Retail and Trade customers. Topps tracks its results separately between these two customer groups and monitors competitor pricing separately.⁵⁴ Further, Topps' marketing efforts differ between Retail and Trade customers in particular, with separate strategies for customer surveys and online engagement.⁵⁵ The CMA notes that the Parties apply different pricing for Retail and Trade customers, which applies to both Tiles and Essentials.⁵⁶ The CMA notes that the difference in pricing for Retail and Trade customers is often significant, with Trade customers receiving discounts of around [10-20]-[20-30]% from Topps.⁵⁷
62. Third-party evidence suggests that customer requirements differ between the supply of Tiles and Essentials to Retail and Trade customers, which is reflected in the differences in the parameters of competition and customer journeys between each of these segments.⁵⁸ For example, third parties noted that price (for both Tiles and Essentials), relationships and track record are more important for Trade customers than for Retail customers, whereas Retail customers value Tile range more than Trade customers.⁵⁹ Third parties also noted that Trade customers commonly shop for Tiles and/or Essentials frequently (often daily or weekly), while Retail customers shop every few years.⁶⁰ Third parties also indicated that Retail and Trade customers generally pay different prices, with discounts between approximately 10% and 30% for Trade customers seen as common across the industry.⁶¹
63. With regard to the Parties' submission that the market for Tiles should not be segmented by customer group because Tiles are generally chosen by the Retail customer (even if the Trade customer ends up purchasing them), the CMA considers on the basis of third-party evidence and the Parties' internal documents that the choice of Tile retailer can be frequently driven by the Trade customer as

⁵³ See eg Topps' Internal Document, Annex 031 to Topps' response to the CMA's s109 Notice, 19 September 2024, [redacted].

⁵⁴ Topps' Internal Documents, Annexes 060–082 (regarding price monitoring for Tiles) and Annexes 083–105 (regarding price monitoring for Essentials) to Topps' response to the CMA's s109 Notice, 19 September 2024.

⁵⁵ Topps' Internal Document, Annexes 023, 047–048.2, 106–107 to Topps' response to the CMA's s109 Notice, 19 September 2024, [redacted], [redacted], [redacted], [redacted], [redacted], and [redacted].

⁵⁶ Topps' response to the CMA's s109 Notice, 19 September 2024, paragraph 27.1; Topps' response to the CMA's Request for Information, 29 November 2024, paragraphs 13.1–13.2.

⁵⁷ Topps' Internal Document, Annex 049 to Topps' response to the CMA's s109 Notice, 19 September 2024, [redacted].

⁵⁸ Responses to the CMA questionnaire from a number of third parties, December 2024, question 9.

⁵⁹ Responses to the CMA questionnaire from a number of third parties, December 2024, question 6.

⁶⁰ Responses to the CMA questionnaire from a number of third parties, December 2024, question 9.

⁶¹ Responses to the CMA questionnaire from a number of third parties, December 2024, question 9.

well, due to the Trade customer's relationships with retailers, preferences and access to Trade discounts.⁶²

5.1.1.2.3 Sales channel: physical stores vs online sales

64. Topps' internal documents suggest that the vast majority of sales for the Topps Tiles brand involve a store, and that stores remain the primary channel to market.⁶³ Topps' internal documents also suggest that online-only retailers are not seen as close competitors, except when discussed in the context of Topps' own online-only businesses, Tile Warehouse and Pro Tiler Tools.⁶⁴ Topps' Trade customer surveys also indicate that [redacted].⁶⁵ Topps' Retail customer survey also shows that [redacted].⁶⁶
65. Third-party evidence also indicated the importance of local presence when supplying Tiles and Essentials to both Retail and Trade customers, with some noting that Retail customers in particular frequently begin their customer journey researching local suppliers online.⁶⁷
66. While the CMA recognises that customers frequently research online before visiting a store, the Parties' customers primarily purchase in stores locally (with CTD having very limited online sales pre-Merger⁶⁸), and the ability to visit a store is an important part of the customer journey for both Retail and Trade customers purchasing both Tiles and Essentials.⁶⁹

⁶² Responses to the CMA questionnaire from a number of third parties, December 2024, question 9.

⁶³ Topps' Internal Document, Annex 016 to Topps' response to the CMA's s109 Notice, 19 September 2024, [redacted], pages 6 and 17.

⁶⁴ Topps' Internal Document, Annexes 023 to Topps' response to the CMA's s109 Notice, 19 September 2024, [redacted], April 2024, slides 19, 69, 87, 148.

⁶⁵ Topps' Internal Document, Annexes 42.2 and 107 to Topps' response to the CMA's s109 Notice, 19 September 2024, [redacted], slides 9 and 11; [redacted], slides 9 and 10; Topps' Internal Document, Annex 023 to Topps' response to the CMA's s109 Notice, 19 September 2024, [redacted], page 30.

⁶⁶ Topps' Internal Document, Annex 047 to Topps' response to the CMA's s109 Notice, 19 September 2024, [redacted], page 32.

⁶⁷ Responses to the CMA questionnaire from a number of third parties, December 2024, question 8. Responses to the CMA questionnaire from a number of third parties, December 2024, question 9. Responses to the CMA questionnaire from a number of third parties, December 2024, question 6.

⁶⁸ Topps' Internal Document, Annex 028 to Topps' response to the CMA's s109 Notice, 19 September 2024, [redacted], slide 10; Topps' response to the CMA's s109 Notice, 11 October 2024, paragraph 12.2.

⁶⁹ Topps' Internal Document, Annex 023 to Topps' response to the CMA's s109 Notice, 19 September 2024, [redacted], page 30; CTD's Internal Document, Annex 042.2 to Topps' response to the CMA's s109 Notice, 19 September 2024, [redacted], page 9-10; CTD's Internal Document, Annex 016 to Topps' response to the CMA's s109 Notice, 19 September 2024, [redacted], pages 6, 17, and 28.

5.1.2 Geographic market

5.1.2.1 Parties' submissions

67. The Parties submitted that the market for the supply of Tiles and Essentials to homeowners (and other end-customers) and professional tradespeople for installation in domestic properties has both national and local elements.
68. The Parties submitted that on the demand side, customers purchase locally (often after researching online), but on the supply-side the main parameters of competition (eg pricing, product ranges, store features and the nature and volume of advertising) are determined nationally, and decisions on store refurbishments and staffing levels are made centrally without regard to local competition.⁷⁰ However, Topps also submitted that for Trade customers in particular, alongside pricing (including the availability of discounts), relationships, stock availability on short notice and locational convenience are key parameters of competition.⁷¹
69. The Parties also submitted that – while they do not consider these to constitute the flexing of local parameters of competition – they do consider the presence of local competition in relation to store openings, closures and lease terms.
70. Topps submitted that it does not have any price matching policies or guarantees, and the level of product discount controlled or applied at the local store level (ie manual discounting) is limited to approximately [~~3~~] % of a store's sales by value.⁷² The Parties submitted that there is no correlation between the level of manual discounting at a given store and the amount of local competition.⁷³ In relation to store-level customer survey data, Topps also submitted that there is no correlation between the number of competitors in a local area and customer satisfaction rates.⁷⁴
71. The Parties submitted that CTD adopted a national pricing policy in September 2023, under which prices have been determined centrally for 'almost all' products, and stores are not permitted to offer further discounts for any reason, whilst recognising that price matching may have continued beyond this date on a local level.⁷⁵

⁷⁰ Topps' response to the CMA's s109 Notice, 4 November 2024, paragraphs 4.1–4.19; Standalone Submission, paragraph 4.4; Parties' response to the Issues Letter, 28 January 2025, section B.

⁷¹ Topps' response to the CMA's s109 Notice, 2 December 2024, paragraph 13.1.

⁷² Topps' response to the CMA's s109 Notice, 19 September 2024, paragraph 27.3; Topps's response to the CMA's s109 Notice, 23 October 2024, paragraph 1.4.

⁷³ Parties' response to the CMA's questions, 24 January 2025, paragraph 4.4

⁷⁴ Parties' response to the CMA's questions, 24 January 2025, paragraph 3.2

⁷⁵ Topps' response to the CMA's s109 Notice, 23 October 2024, paragraph 1.12-1.13.

5.1.2.2 CMA's assessment

72. The CMA found that on the demand-side, the Parties' customers purchase locally. This is consistent with the Parties' submissions and third-party evidence.⁷⁶
73. The CMA considers that local presence and convenience is a key parameter of competition for the supply of Tiles and Essentials to both Retail and Trade customers. Third parties indicated that both Retail and Trade customers shop primarily on a local basis, and suppliers' local presence is a key parameter of competition in relation to both customer segments.⁷⁷ Topps' internal documents note that Topps' nationwide coverage is a key source of its competitive advantage and show that Topps assesses the presence of local competition when opening and closing stores.⁷⁸
74. On the supply-side, the CMA found that notwithstanding the Parties' national pricing policies, there is evidence of some local flexing, including with regard to pricing through local discounting and important parameters of service such as customer-loyalty schemes and stock availability. Third-party evidence (including from a Tile Specialist Chain with a national pricing policy) also indicated that store managers will sometimes provide local discounts to frequent customers.⁷⁹
75. The CMA notes that the Parties' submissions relied heavily on evidence from Topps' centralised operations which, as evidenced by the internal documents outlined below, may not fully reflect the experience of store or area management. Further, these submissions do not address CTD internal documents that suggest less centralised operations, in which local competition may play a greater role in shaping pricing and other key aspects of CTD's offering.
76. While the Parties' internal documents – prepared by central management – generally appear to monitor competitors at the national level, there is also evidence of Topps store employees monitoring competition in their local areas on a regular basis, and sharing this with others within Topps.⁸⁰ Similarly, CTD's internal documents indicate that pre-Merger, CTD stores were encouraged to monitor local competition.⁸¹
77. With regard to Topps' local discounting practices, the CMA has considered data submitted by Topps on the correlation between manual discounting and the extent

⁷⁶ Response to the CMA questionnaire from a third party, December 2024, question 10 and responses to the CMA questionnaire from a number of third parties, December 2024, question 6.

⁷⁷ Responses to the CMA questionnaire from a number of third parties, December 2024

⁷⁸ Topps' Internal Document, Annex 023 to Topps' response to the CMA's s109 Notice, 19 September 2024, [§<], pages 10-11; Topps' Internal Document, Annex 1289 to Topps' response to the CMA's s109 Notice, 2 December 2024, [§<], page 8.

⁷⁹ Note of a call with a third party, October 2024.

⁸⁰ CTD's Internal Documents, Annexes 484, 485, 490, 554 to Topps' response to the CMA's s109 Notice, 28 October 2024, [§<], [§<], [§<].

⁸¹ CTD's Internal Documents, Annexes 567-571 to Topps' response to the CMA's s109 Notice, 28 October 2024, [§<], [§<], [§<], [§<].

of local competition. This data suggests that there does not appear to be substantial variation in manual discounting that correlates to the level of local competition. However, the CMA does not consider this evidence to be determinative, given that the analysis did not account for other factors that may impact on an individual store's propensity to apply discounting (for example customer behaviour or differentiation between local competitors). The CMA notes that Topps' internal documents also include references to individual Topps stores reacting to CTD prices on a local basis.⁸² On this basis, the CMA considers that evidence of the extent of local price flexing that is collected by Topps' centralised management may understate the practices of individual store or area management.

78. On CTD's local discounting practices, CTD's internal documents – in particular email exchanges between CTD's former CEO and local store managers asked to recollect instances of local price matching – indicate that price matching and/or local discounting [§<] in response to local competition. In certain locations, store managers reported limited [§<] due to limited local competition.⁸³
79. With regard to the quality of service offered to Retail and Trade customers being flexed in response to local competition, the CMA has considered a range of evidence relating to how the Parties, and in particular Topps, may alter its customer engagement in terms of targeted marketing, in-store service levels and stock availability.
80. On the basis of third-party evidence and in line with the Parties' submissions, the CMA considers that customer relationships (which are local in nature) are an important parameter of competition, particularly for Trade customers who shop in store frequently.⁸⁴ Topps collects Trade customer data which allows local store teams to generate reports which are then used to strengthen such local relationships and drive sales. Internal documents suggest that Topps store employees are encouraged to [§<] on a local level, and Topps appears to carry out targeted marketing (including discounts for local Trade customers) to [§<] in local areas.⁸⁵
81. Regarding in-store service levels, the CMA considers that while Topps' store-level customer satisfaction data indicates high levels of customer satisfaction across

⁸² CTD's Internal Documents, Annex 486 to Topps' response to the CMA's s109 Notice, 28 October 2024, [§<].

⁸³ See eg CTD's Internal Documents, Annexes 567, 572, and 575 to Topps' response to the CMA's s109 Notice, 28 October 2024, [§<], [§<], and [§<]; CTD Internal Documents, Annexes 444, 446, 447, 470 to Topps' response to the CMA's s109 Notice, 23 October 2024, [§<], [§<], [§<], [§<].

⁸⁴ See eg Topps' Internal Documents, Annexes 042.2 and Annex 107 to Topps' response to the CMA's s109 Notice, 19 September 2024, [§<] and [§<], and responses to the CMA questionnaire from a number of third parties, December 2024, questions 6 and 9.

⁸⁵ Topps' response to the CMA's s109 Notice, 4 November 2024, paragraph 1.1-1.7; Topps' Internal Document, Annex 308 to Topps' response to the CMA's s109 Notice, 11 October 2024, [§<]; Topps' Internal Document, Annex 517 to Topps' response to the CMA's s109 Notice, 28 October 2024, [§<]; Topps' Internal Document, Annex 578, 580-583, 585-591 to Topps' response to the CMA's s109 Notice, 4 November 2024, [§<], [§<], [§<], [§<], [§<], [§<], [§<], [§<], [§<], [§<], [§<], [§<].

Topps' stores in general, service levels appear to be somewhat higher in stores with a larger number of competitors, which may indicate store- or area-level responses to competition.⁸⁶ The CMA notes that as with the data relating to manual discounting discussed in paragraph 77, there may be a range of additional factors that could contribute to the service levels of individual stores which have not been accounted for in this analysis, and as such considers this evidence is indicative only of the extent to which aspects of Topps' offering may reflect the autonomy of store or area management rather than determinative of a direct correlation between service levels and local competition.

82. Third parties as well as Topps' internal documents indicate that stock availability at relatively short notice is another important parameter of competition. Topps' internal documents indicate that Retail customers expect to wait a short period for Tiles, while Trade customers generally require immediate availability and convenience.⁸⁷ Topps' internal documents show examples of Topps stores near [redacted], indicating that Topps was competing locally for the demand of these [redacted].⁸⁸
83. The CMA therefore considers that the appropriate geographic market is local, whilst recognising that there are significant national elements. The CMA did not undertake a detailed assessment of a national theory of harm in this case on the basis that the acquisition of the 30 CTD stores was unlikely to have a material impact on the Merged Entity's incentives with regard to those aspects of their competitive offering that are set on a national basis only.
84. The CMA sets out its views in relation to the relevant geographic boundaries for the Parties' stores in the Retail and Trade markets in paragraphs 99 to 106 below.

5.2 Theories of harm

85. The CMA assesses the potential competitive effects of mergers by reference to theories of harm. Theories of harm provide a framework for assessing the effects of a merger and whether or not it could lead to an SLC relative to the counterfactual.⁸⁹
86. In its investigation of this Merger, the CMA has considered the following theories of harm:
- (a) Horizontal unilateral effects in the supply of Tiles to Retail customers arising from a loss of local competition; and

⁸⁶ Topps Internal Document, Annex 1218 to the Parties' response to the Issues Letter, 28 January 2025, [redacted].

⁸⁷ Topps' Internal Document, Annex 023 to Topps' response to the CMA's s109 Notice, 19 September 2024, [redacted], page 30.

⁸⁸ CTD's Internal Documents, Annexes 500 and 501 to Topps' response to the CMA's s109 Notice, 28 October 2024, [redacted], [redacted].

⁸⁹ [CMA129](#), paragraph 2.11.

(b) Horizontal unilateral effects in the supply of Tiles to Trade customers arising from a loss of local competition.

87. As the evidence gathered by the CMA largely relates to both the Retail and Trade markets, both of these theories of harm are considered together below to avoid repetition, unless otherwise stated.
88. The CMA considers that there was no need to carry out a separate assessment of the potential competitive effects of the Merger on the supply of Essentials to Retail customers and the supply of Essentials to Trade customers on a local basis. In line with the Parties' submissions, the CMA considers that (except for a small number high-end tile specialists), most suppliers of Tiles also supply Essentials, and in addition to these, there are also a number of suppliers who supply Essentials but not Tiles, including retailers with extensive store networks.⁹⁰ As explained in paragraph 137 below, premium tile specialists (who do not have an Essentials offering) have not been included in the CMA's local analysis. As a result, the CMA's view is that each local area will have at least as many suppliers of Essentials as suppliers of Tiles for both customer segments, and as such any overlap which raises competition concerns would already be captured when considering the supply of Tiles to Retail and Trade customers. Therefore, the supply of Essentials to Retail customers and the supply of Essentials to Trade customers are not discussed further in this Decision.

5.2.1 Horizontal unilateral effects (i) in the supply of Tiles to Retail customers, and (ii) in the supply of Tiles to Trade customers arising from a loss of local competition.

89. Horizontal unilateral effects may arise when one firm merges with a competitor that previously provided a competitive constraint, allowing the merged entity profitably to raise prices or to degrade quality on its own and without needing to coordinate with its rivals.⁹¹ Horizontal unilateral effects are more likely when the parties to a merger are close competitors.⁹²
90. The concern under this theory of harm is that the removal of one party as a competitor could allow the parties to a merger to increase prices (or deteriorate other elements of their offering such as quality) in certain local areas. After the merger, it is less costly for the merged entity to raise prices or otherwise reduce the quality of its offering such as with regard to service or range etc because it will recoup the profit on recaptured sales from those customers who would have switched to the stores of the other party.

⁹⁰ Standalone Submission, paragraph 6.1. Examples of retailers who offer Essentials but not Tiles include Screwfix, Toolstation, among others – see Standalone Submission, paragraph 6.1.

⁹¹ [CMA129](#), paragraph 4.1.

⁹² [CMA129](#), paragraph 4.8.

5.2.1.1 *Decision rules*

91. When analysing whether a merger may result in a realistic prospect of an SLC in cases involving local overlaps, the CMA may use a decision rule.⁹³ A decision rule enables the CMA to assess the competitive impact of the Merger at a local level, where the Parties' activities overlap, through a systematic analysis of defined indicators of competition across all local areas. Competition concerns are considered to arise (absent compelling evidence provided to the CMA) where certain thresholds are met. The CMA considers that this analytical approach:
- (a) reflects the key parameters of competition at the local level;
 - (b) is tailored to the specific features of this Merger, for example the number of competitors included, or the threshold for concern.
 - (c) assesses all local areas of overlap systematically by reference to the same factors, rather than having regard to different factors in different local areas, unless there is evidence that certain factors are only applicable in certain local areas;⁹⁴ and
 - (d) enables the efficient conduct of the CMA's investigation, having regard to the limited time available within a phase 1 investigation to carry out a detailed competitive assessment of local areas.
92. As part of its approach to local assessments the CMA typically considers the following components when conducting its assessment:
- (a) catchment areas;
 - (b) concentration metrics (for example market shares or fascia count);
 - (c) the competitor set; and
 - (d) decision rule limbs and thresholds.

5.2.1.2 *Catchment areas*

93. A store's catchment area is the area from which most of its customers are drawn. Catchment areas provide useful information on how far customers are willing to travel to visit a store.⁹⁵

⁹³ [CMA129](#), paragraph 4.34.

⁹⁴ The CMA notes that where merger parties conduct a non-systematic review of competitive conditions in individual local areas (ie considering different factors in different areas), it may be difficult for the CMA to verify whether the material presented to it provides a balanced picture of each particular area, or whether it presents a partial view which is favourable to the interests of the merger parties. [CMA129](#), paragraph 4.33.

⁹⁵ Retail Mergers Commentary ([CMA62](#)), April 2017, paragraph 2.1.

5.2.1.2.1 *Parties' submissions*

94. The Parties submitted that the CMA should calculate catchment areas using drive time to measure the distance, given customers typically consider the time cost and fuel cost of driving.⁹⁶
95. The Parties submitted that the CMA's local analysis should use average catchment areas rather than site-specific catchment areas.⁹⁷
96. The Parties also submitted that separate averages should be used for CTD stores and Topps stores but did not provide specific arguments for this approach.⁹⁸
97. The Parties submitted that Topps' customer data excluded around half of its Retail customers and less than 1% of its Trade customers due to missing or invalid postcodes. The Parties submitted that the Target did not have any reliable data for their Retail sales, and that its Trade data excluded customers that paid by cash. Therefore, the Parties only calculated catchment areas for the Target's stores on the basis of Trade sales.⁹⁹
98. The Parties calculated average catchment areas of 25 minutes for Topps and 22 minutes for CTD for the Retail and Trade markets combined using revenues for Tiles and Essentials.¹⁰⁰

5.2.1.2.2 *CMA's assessment*

99. The CMA has found that it is appropriate to use a single average catchment area for both Parties, measured by drive time, weighting customers by revenue from Tiles only, and using an 80% isochrone.¹⁰¹
100. In some cases, the CMA seeks to identify separate catchment areas for different customer segments. However, in this case, given the material gaps in the Parties' revenue data for Retail customers referenced in paragraph 97 above, and the fact that evidence from third parties suggested that both types of customers are likely to travel similar distances to purchase Tiles, the CMA has found it is appropriate to

⁹⁶ Parties' response to the CMA's RFI 4, paragraph 9.1. The Parties submitted that catchment areas should be assessed using data on Trade and Retail customers combined, and using Tiles and Essentials revenues combined. See paragraphs 54 to 58 above for the Parties' submissions regarding the appropriate product market.

⁹⁷ In the calculation of average catchments, the Parties used different methods of excluding stores with very large catchment areas from the calculation, all of which produced very similar results. In support of this submission, the Parties submitted that evidence from a sample of stores showed that there was moderate fluctuation in the catchment area of individual stores over time, which they consider supported adopting average catchments. See Topps' response to the CMA's s109 Notice of 14 November 2024, paragraphs 1.1–1.7.

⁹⁸ Standalone Submission, paragraphs 8.7-8.8; Parties' response to the CMA's RFI 4, paragraph 9.

⁹⁹ Parties' response to the CMA's RFI 3, paragraph 7.7.

¹⁰⁰ Standalone Submission, Paragraph 8.8. Although the Parties view was that Retail and Trade revenues should be combined, when calculating catchment areas around CTD stores this was done on the basis of Trade revenues alone due to lack of available information on Retail customers (as noted in paragraph 97 above).

¹⁰¹ That is the area around the store where 80% of a store's customers (measured by revenue), originate from. [CMA62](#), paragraph 2.20.

use the Parties' combined Trade catchment area for both Retail and Trade markets.¹⁰²

101. Based on the approach set out above, the CMA calculated an average catchment area of 24 minutes for both the Retail and Trade markets.
102. Most competitors considered that customers typically travel between 20 and 30 minutes to purchase Tiles, and generally did not distinguish between Trade and Retail customers.¹⁰³ Where competitors did distinguish between the two, they indicated that Retail customers may be willing to travel slightly further than Trade customers, for example because they purchase less frequently (which is contrary to the slightly smaller Retail catchment areas generated using Topps' data).¹⁰⁴
103. The CMA considers that using average (rather than individual) catchment areas, as per its usual approach as set out in the Retail Mergers Commentary (**CMA62**), is appropriate in this case, as it did not receive submission on reasons to deviate from its standard approach.¹⁰⁵
104. Although there is evidence of differences in the catchment areas of individual stores, the CMA considers that such fluctuations may be influenced by other factors such that it does not fully represent customers' willingness to travel, and as such that it is appropriate to use average catchment areas to identify overlaps and assess competition.¹⁰⁶
105. In line with its usual practice, the CMA has used a single average catchment area applying to both Parties. The CMA considers that its evidence does not indicate that there are substantial systematic differences between Topps' and CTD's sites that would suggest the local area they compete in would differ based on the Parties' brands.¹⁰⁷ For example, the average catchment areas of each of the Parties' stores for Trade customers were within two minutes of each other, and there is no reason to believe that there would be a difference between the Parties' Retail catchments (where only Topps data is available).
106. The CMA considers that its usual practice of weighting customers by revenue and measuring catchment areas by drive time (particularly for markets where customers typically access stores by driving) is appropriate in this case.

¹⁰² The CMA notes that, in any case, the Retail and Trade catchment areas would be similar when calculating Retail catchments in the same way as its adopted approach for Trade catchments (21 minutes for Retail versus 24 minutes for Trade).

¹⁰³ Responses to the CMA questionnaire from a number of third parties, December 2024, question 10.

¹⁰⁴ Responses to the CMA questionnaire from a number of third parties, December 2024, question 10.

¹⁰⁵ [CMA62](#), paragraph 2.21.

¹⁰⁶ [CMA62](#), paragraph 2.22. Differences between the catchment areas of the Parties' stores, broadly ranging from 10 to 40 minutes for both markets (with a small number of outliers having a catchment of over 100 minutes).

¹⁰⁷ For completeness, the CMA excluded stores with very large catchment areas from the calculation of the average catchment.

5.2.1.3 *Concentration metrics*

107. The Parties submitted that a fascia count is the most appropriate concentration measure because store brand is relevant to customer choice and stores of the same brand typically have the same retail offer. They note that CMA62 states that fascia count is likely to be appropriate if brand is important to customers, and where customers may perceive that stores of the same brand have similar retail offerings, which the Parties consider is true for themselves and almost all of their competitors.¹⁰⁸
108. The CMA considers that, for both the Retail and Trade markets, fascia count is the most appropriate concentration measure as the evidence it has received suggests that brand is important to customers, and that stores of the same brand have similar offers.

5.2.1.4 *Competitor set*

109. In order to assess the likelihood of the Merger resulting in horizontal unilateral effects, the CMA has considered:
- (a) How closely the Parties compete; and
 - (b) Which competitors, or types of competitors, should be included in the effective competitor set, having regard to the extent to which they exert a competitive constraint on the Parties.

5.2.1.4.1 *Closeness of competition between the Parties*

110. In assessing the closeness of competition between the Parties' stores, most of the evidence considered by the CMA applies to both the Retail and Trade markets and so these markets are discussed together below unless stated otherwise.

5.2.1.4.1.1 *Parties' submissions*

111. The Parties submitted that their stores are not each other's closest competitor given that CTD focuses primarily on Trade customers, while Topps has a more balanced offering between Retail and Trade customers.¹⁰⁹ In support of this position, the Parties noted differences between their opening hours (ie CTD stores are closed on Sundays), store equipment and layout (eg CTD stores use forklifts and have separate Trade counters), approach to customer service (eg Topps

¹⁰⁸ Topps' response to the CMA's s109 Notice, 19 September 2024, paragraph 32.10.

¹⁰⁹ Parties' response to the Issues Letter, 28 January 2025, paragraph D5.2.

taking a more customer-friendly approach), and website design (ie CTD does not allow for online transactions).¹¹⁰

112. The Parties submitted that their stock-keeping units (**SKUs**) demonstrate that the Parties do not have similar ranges, with Topps focussing on Tiles at cheaper price points relative to CTD.¹¹¹
113. The Parties also noted that (i) although Topps regularly monitors CTD's price, range and number of stores, it monitors other competitors such as B&Q, Tile Giant, Wickes and Tile Mountain more closely, and (ii) Topps' customer surveys indicate that CTD has markedly lower brand awareness and interaction than Topps.¹¹²

5.2.1.4.1.2 CMA's assessment

114. The Parties' revenue data suggests that CTD stores generated more revenue from Trade customers than Retail customers, while Topps' revenue was broadly similar between customer groups.¹¹³ As a result, while the Parties generated similar revenue per store from Trade customers, Topps generated materially more revenue per store from Retail customers than CTD.
115. The Parties' internal documents show that Topps regularly monitors CTD's (among other competitors') price, range and number of stores, and that Topps regards CTD's offering as similar to its own. For example:
- (a) A recent Topps strategy document mentioned CTD alongside four other tile competitors ([redacted]) when assessing the main competitive landscape on range, value and innovation.¹¹⁴
 - (b) A recent Topps strategy document which sets out Topps' main competitors shows that CTD is one of the closest competitors to Topps, alongside [redacted]. It shows that it has a similar product proposition and level of focus on physical store sales as Topps (although CTD, along with several other competitors, were also identified as [redacted], whereas Topps was identified as [redacted]).¹¹⁵

¹¹⁰ Parties' response to the Issues Letter, 28 January 2025, paragraph D5.2a–D5.2e.

¹¹¹ Parties' response to the Issues Letter, 28 January 2025, paragraph D5.3.

¹¹² Parties' response to the Issues Letter, 28 January 2025, paragraph D5.5 and 5.6.

¹¹³ CTD stores generated on average [£50,000 to £100,000] per store for Retail customers and [£50,000 to £100,000] for Trade customers. Topps stores generated on average [£200,000 to £300,000] per store for Retail customers and [£200,000 to £300,000] for Trade customers.

¹¹⁴ Topps' Internal Document, Annex 023 to Topps' response to the CMA's s109 Notice, 19 September 2024, [redacted], pages 19 – 20.

¹¹⁵ Topps' Internal Document, Annex 244 to Topps' response to the CMA's s109 Notice, 11 October 2024, [redacted], page 148.

- (c) Several of Topps' price monitoring documents between May 2024 and September 2024 monitor in detail the prices and range of CTD, [REDACTED].¹¹⁶ The CMA notes that Topps monitored [REDACTED] for a longer period than CTD, starting from November 2022.
- (d) Topps also monitored the number of CTD stores in operation, alongside six other competitors.¹¹⁷
- (e) Topps responded to the closure of CTD stores by providing stores with [REDACTED].¹¹⁸ For example, Topps' local employees were sent [REDACTED]. Employees in these local areas were encouraged to [REDACTED], and Topps also analysed the impact of these local strategies [REDACTED].¹¹⁹

116. Evidence regarding the Parties' Tile SKUs shows that the Parties are likely to compete closely. It shows they sell Tiles at similar price points, with CTD selling more Tiles at [REDACTED] price points. Topps' SKUs were largely between £[REDACTED] and £[REDACTED], and CTD's SKUs were largely between £[REDACTED] and £[REDACTED].¹²⁰
117. Evidence from competitors also suggests that the Parties' stores compete closely as they are both specialist Tile retailers with multiple stores (**Tile Specialist Chains**) and are widely recognised brands compared to their competitors.¹²¹
118. Based on the evidence set out above, the CMA considers that the Parties compete closely for both Retail and Trade customers. The CMA considers that the Parties may compete more closely for Trade customers than for Retail customers given differences in their opening hours, store formats and their revenue per store, which for CTD is relatively larger for Trade customers compared to its competitors'.

5.2.1.4.2 *Effective competitor set*

5.2.1.4.2.1 *Differentiation among competitors*

119. The evidence received by the CMA to date indicates that, for both the Retail and Trade markets, there is a range of different types of suppliers who provide Tiles (eg Tile Specialist Chains, national retailers of DIY products and accessories including Tiles and Essentials (**DIY Chains**), and retailers specialising in kitchen and/or bathroom renovations (**K&B Specialists**)). As discussed in more detail in

¹¹⁶ For example, Topps' Internal Documents, Annexes 066, 075, 077 and 081 to Topps' response to the CMA's s109 Notice, 28 October 2024, [REDACTED], [REDACTED], [REDACTED], [REDACTED].

¹¹⁷ Topps' Internal Document, Annex 199 to Topps' response to the CMA's s109 Notice of 11 October 2024, [REDACTED], page 41. Competitors mentioned included [REDACTED].

¹¹⁸ Topps' Internal Document, Annex 517 to Topps' response to the CMA's s109 Notice, 28 October 2024, [REDACTED]; Topps' Internal Document, Annex 578, 580-583, 585-591 to Topps' response to the CMA's s109 Notice, 4 November 2024, [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED].

¹¹⁹ Topps' response to the CMA's s109 Notice, 4 November 2024, paragraphs 1.17 – 1.19.

¹²⁰ Topps' Internal Documents, Annex 1271-1272 to the CMA's s109 Notice, 2 December 2024, [REDACTED], [REDACTED].

¹²¹ Responses to the CMA questionnaire from a number of third parties, December 2024, question 8.

the sections below, the CMA considers that the supply of Tiles to Retail and Trade customers are differentiated markets where the competitive constraint imposed on the Parties' Tile specialist stores may differ for different competitors. The degree of constraint imposed on the Parties' offering may differ based on a range of factors such as the different sales models, ranges, price points and volumes sold by competitors.

120. The Parties submitted that an approach based on a weighting system is preferable, even if subjective, as customers differ in terms of the dimensions that are important to them. However, they noted that there will be no single quantitative measure that can be used to determine weightings.¹²²
121. The CMA will ordinarily assign weightings to specific competitors in the context of a phase 2 investigation, or where there is compelling evidence, for example detailed internal competitor monitoring reports or surveys and/or diversion ratios from previous investigations in similar markets.¹²³ The CMA considers that the evidence it has received does not support a detailed weighting exercise, and it has not identified any measure(s) that could be applied systematically and without significant assumptions in lieu of a more comprehensive evidence base.¹²⁴
122. In order to conduct a local assessment, the CMA needs to identify the set of effective competitors to count as fasciae within the catchment areas of the analysis.
123. In assessing the strength of the Parties' competitors' stores, and how closely they compete with the Parties, most of the evidence considered by the CMA applies to both the Retail and Trade markets and so these markets are discussed together below unless stated otherwise.
124. The CMA considered the Parties' submissions, as well as a range of evidence including the Parties' internal documents, competitors' revenues for the supply of Tiles per store, the number of SKUs offered at different price points by competitors, the views of competitors, and the readily observable characteristics of competitors.

¹²² Topps' Internal Document, Annex 1310 to Topps' Response to the CMA's Section 109 Notice 2 December 2024, 'Topps CTD acquisition local analysis for CMA Q10'; notes on CMA questions 28 of November 2024; Standalone Submission, paragraph 8.9.

¹²³ [CMA62](#), paragraph 3.26. See for example, *Completed acquisition by Morrisons of McColl's*, 2022.

¹²⁴ As noted in paragraph 3.28 of the [CMA62](#), the CMA notes that it has in the past used weighting where there is evidence of systematic variation based on observable characteristics.

5.2.1.4.2.2 *Parties' submissions*

125. The Parties submitted that at least the following competitors should be included in the fascia count, and noted there are likely other competitors present that they were not able to identify:¹²⁵
- (a) Tile Specialist Chains: Al-Murad, BC Ceramics, Boyden Tiles & Bathrooms, Collinson Ceramics, Cut Price Tiles, EMC Tiles, Nicholls & Clarke, Right Tiles, Royale Stones, Stiled (Tile Choice and Tile Giant), Tiles DIY, Tile Flair, and Tile Mountain;
 - (b) DIY Chains: B&Q and Wickes;
 - (c) K&B Specialists: Clifton Trade Bathrooms, Easy Bathrooms, The Bathroom Showroom, Victorian Plumbing, and Wholesale Domestic Bathrooms; and
 - (d) Builders' Merchants: MKM, and Selco.
126. The Parties also identified single-store Tile specialists (**Independents**) in local areas with the potential for the highest competition concern.¹²⁶
127. The Parties submitted a range of evidence indicating the strength of the competitors they identified for inclusion in the local analysis and how similar their offerings are to the Parties. This included the number of stores they operate, their Tiles and Essentials ranges, opening hours, in-store stock availability and delivery options, online presence, discounts offered, customer focus and images of the stores and interiors.¹²⁷
128. The Parties submitted that their proposed competitor set excludes a significant competitive constraint from a large portion of the UK market for the supply of Tiles to Retail and Trade customers, including online-only retailers specialising in the supply of Tiles (**Online Tile Specialists**), Independents, certain Tile Specialist Chains (such as Fired Earth), national retailers specialising in building materials for Trade customers (**Builders' Merchants**) and most K&B Specialists.¹²⁸ They provided additional reasoning for Independents, Online Tile Specialists and Builders Merchants, which is set out below:
- (a) Regarding Independents, the Parties submitted that this type of competitor offers an effective competitive constraint, and many have a competitive advantage over the Tile Specialist Chains (with the exception of Topps) for Retail customers because they are able to offer superior service quality.¹²⁹

¹²⁵ Parties' response to the Issues Letter, 28 January 2025, paragraph C2.1 and footnote 6.

¹²⁶ Standalone submission, paragraph 8.14.

¹²⁷ Parties' response to the Issues Letter, 28 January 2025, paragraph C2.1; Standalone Submission, Appendix 3.

¹²⁸ Parties' response to the Issues Letter, 28 January 2025, paragraph, paragraph C2.3.

¹²⁹ Parties' response to the Issues Letter, 28 January 2025, paragraph, paragraph D4.5 and D5.4.

- (b) Regarding Online Tile Specialists, the Parties estimate that the online supply of Tiles has grown significantly over the last 10 years.¹³⁰
- (c) Regarding Builders Merchants, the Parties submitted that these are CTD's closest competitors.¹³¹ The Parties consider that the constraint between themselves and Builders' Merchants is likely asymmetric due to their wider product offering such that even if Builders' Merchants do not consider they compete closely with the Parties, the Parties consider them as competitors in the supply of Tiles.¹³²

5.2.1.4.2.3 CMA's assessment

5.2.1.4.2.3.1 Internal documents

129. Of the Tile Specialist Chains, the CMA considers that Topps' market research documents show that stores operated by [X] likely provide the strongest competitive constraint. In addition to the market map example identified in paragraph 115(b) above, further examples include:
- (a) The [X] market report lists Al-Murad, Tile Giant, and Tile Mountain alongside Topps as the most prominent suppliers to non-commercial customers in the UK, and suggests that in 2022 Tile Giant and Al-Murad had broadly similar levels of overall turnover per store to Topps.¹³³
 - (b) A market landscape analysis dated December 2022 shows that the UK tiling market was estimated to be worth £1.2 billion, with Tile Giant and Al-Murad holding a [5-10]% and [0-5]% share respectively, compared to [20-30]% for Topps.¹³⁴
130. In addition to the Tile Specialist Chains that are regularly monitored by Topps, the CMA found that [X] were also closely monitored (whereas other categories of competitors were not). In addition to the examples identified in paragraph 115(c) above in which [X] were monitored by Topps, a recent Topps update mentioned [X] when discussing benchmarks for its tile offering.¹³⁵
131. The CMA considers that Topps' internal documents show that Online Tile Specialists do exert some constraint on the Parties, although having a multi-

¹³⁰ Parties' response to the Issues Letter, 28 January 2025, paragraph, paragraph D4.9.

¹³¹ Parties' response to the Issues Letter, 28 January 2025, paragraph, paragraph D5.2.

¹³² Parties' response to the Issues Letter, 28 January 2025, paragraph, paragraph D5.2.

¹³³ Topps' Internal Document, Annex 041 to Topps' response to the CMA's s109 Notice, 19 September 2024 [X], page 49 and pages 55 – 60.

¹³⁴ When using the store numbers from 2022 in the [X], this suggests that Tile Giant and Al-Murad sell similar levels of Tiles to Topps per store [X] and [X] respectively compared to [X] for Topps). The CMA considers that while this market size is likely to include products other than Tiles, it is still a reasonable indication of the strength of their individual stores as Tile Specialist Chains. See Topps's Internal Document, Annex 169 to Topps' response to the CMA's s109 Notice, 11 October 2024, [X], page 13.

¹³⁵ Topps' Internal Document, Annex 198 to Topps' response to the CMA's s109 Notice of 11 October 2024, [X], page 9.

channel presence is also very important when competing. In addition, they show that the constraint from Online Tile Specialists is likely weaker in the Trade market than in the Retail market as Trade customers are less likely to shop online. For example:

- (a) Topps' Annual Report from September 2023 noted the significant competitive advantage it has over purely online suppliers because the majority of sales made through its website still involved engagement with a physical store at some stage in the sales process.¹³⁶
- (b) Topps' recent group strategy document included Online Tile Specialists such as [redacted], although [redacted] are shown to have different focuses of their Tile product range, and [redacted] is described as [redacted].¹³⁷
- (c) A Trade customer survey ran by Topps in January 2024 shows that [redacted]. A similar survey from November 2022 showed that between [redacted].¹³⁸

5.2.1.4.2.3.2 *Revenue per store*

132. The CMA considers that the revenue information gathered from the Parties' competitors indicates that there is material variation among the Parties' competitors in terms of the revenues generated from the sale of Tiles per store.

133. The evidence shows that Tile Specialist Chains are likely to generate more revenue per store from Tiles than other types of competitors, and that DIY Chains and large K&B Specialists are in turn likely to generate higher revenues from Tiles per store than Builders' Merchants. This evidence also shows that Tile Specialist Chains, K&B Specialists and DIY Chains are likely to generate relatively more revenue from Retail sales than from Trade sales on average, whereas Builders' Merchants sell relatively more Tiles to Trade customers.¹³⁹

5.2.1.4.2.3.3 *SKUs*

134. The CMA considers that third-party information relating to SKUs suggests that most competitors who responded to the CMA's questionnaire, regardless of which category they belong to, offer Tiles at similar price points to the Parties, particularly Topps, with most respondents offering a range focussed in the £10 to £40 per

¹³⁶ Topps's Internal Document, Annex 017 to Topps' response to the CMA's s109 Notice, 19 September 2024, [redacted], page 16.

¹³⁷ Topps' Internal Document, Annex 023 to Topps' response to the CMA's s109 Notice, 19 September 2024, [redacted], page 148.

¹³⁸ Topps' Internal Document, Annexes 42.2 and 107 to Topps' response to the CMA's s109 Notice, 19 September 2024, [redacted], page 9 and [redacted], page 9.

¹³⁹ The CMA considers that the competitor revenue figures collected through its phase 1 investigation may overstate the constraint imposed by third party competitors on the basis that larger competitors appear to be more strongly represented in this dataset.

square metre price range.¹⁴⁰ The evidence shows that there are some Tile Specialist Chains that focus on premium Tiles and whose range is notably different from the Parties, focussing on the £70+ per square metre price range, including many SKUs priced above £100 per square metre.¹⁴¹

5.2.1.4.2.3.4 *Third party views*

135. The CMA approached a range of competitors to gather their views on how closely they compete with the Parties and with different categories of competitors (eg Tile Specialist Chains, DIY Chains), as well as which players they felt were their closest competitors.
136. The CMA considers that third-party views indicate:
- (a) The Parties compete most closely with Tile Specialist Chains given their wide product ranges and their ability to use their size to compete on price. Most Tile Specialist Chains felt that they competed very closely with other Tile Specialist Chains, citing that they are able to compete aggressively on price due to economies of scale (including bulk purchasing and spreading fixed costs such as marketing), have a more recognisable brand, and are able to reach customers at the ‘right time’ (ie when they first start searching for Tiles online).¹⁴²
 - (b) However, premium Tile Specialist Chains do not compete closely with the Parties given their focus on different products and price points. Some Tile Specialist Chains with substantially more expensive SKUs compared to the Parties felt they competed less closely with most other Tile Specialist Chains, noting differences in their price points, product ranges and quality of materials.¹⁴³
 - (c) DIY Chains compete somewhat closely, due to their competitive prices, but have narrower ranges than Tile Specialist Chains. There was mixed evidence from Tile Specialist Chains with similar offerings to the Parties on how closely they compete with DIY Chains. While around half said they competed somewhat closely based on their competitive pricing and good product availability, others either said that they did not compete closely or highlighted weaknesses of DIY Chains, based on lower levels of customer service and being more suitable for a different type of customer.¹⁴⁴

¹⁴⁰ Responses to the CMA questionnaire from a number of third parties, December 2024, question 4.

¹⁴¹ Responses to the CMA questionnaire from a number of third parties, December 2024, question 4.

¹⁴² Responses to the CMA questionnaire from a number of third parties, December 2024, question 7. Note of a call with a third party, October 2024.

¹⁴³ Response to the CMA questionnaire from a number of third parties, December 2024, question 8.

¹⁴⁴ Note of a call with a third party, October 2024. Response to the CMA questionnaire from a third party, December 2024, question 8. Responses to the CMA questionnaire from a number of third parties, December 2024, question 8.

- (d) Independents provide some constraint, although may not compete as closely on price due to their smaller size and have been observed to be exiting the market. Around half of Tile Specialist Chains with similar offerings to the Parties said that Independents are competitors but they provide a weaker constraint than Tile Specialist Chains. One said that Independents are hindered as they can only compete on service rather than price, and are exiting the market 'each week'.¹⁴⁵ Another said that, although Independents historically were key competitors, they are now being 'squeezed' by Tile Specialist Chains, with many leaving the market.¹⁴⁶
- (e) Online Tile Specialists provide some constraint, although this is stronger for Retail customers than for Trade customers. One Tile Specialist Chain with a similar offering to the Parties noted that very few customers purely shop and pay online.¹⁴⁷ Another (who also has an online presence) felt they competed very closely with online-only players.¹⁴⁸ In addition, one other indicated that Trade customers are less likely to purchase Tiles online.¹⁴⁹
- (f) K&B Specialists in general do not compete closely with the Parties, although certain large players such as Easy Bathrooms appear to be notable exceptions. Most Tile Specialist Chains with similar offerings to the Parties felt that they did not compete closely with K&B Specialists.¹⁵⁰ However, one noted that Easy Bathrooms in particular was an aggressive competitor who was growing, and that Victorian Plumbing was well known due to its online presence.¹⁵¹
- (g) Builders' Merchants do not compete closely with the Parties, and particularly not for Retail customers. Most Tile Specialist Chains with similar offerings to the Parties felt that they did not compete closely with this type of competitor.¹⁵² One felt that they competed for Trade customers, though only in certain parts of the country (and did not specify where).¹⁵³ No Builders' Merchants indicated that they compete closely with the Parties or other Tile Specialist Chains, with one highlighting that it has a different store and customer focus, does not provide advice to customers and that Tiles were a small aspect of its offering.¹⁵⁴

¹⁴⁵ Note of a call with a third party, October 2024.

¹⁴⁶ Response to the CMA questionnaire from a third party, December 2024, question 8.

¹⁴⁷ Note of a call with a third party, October 2024.

¹⁴⁸ Response to the CMA questionnaire from a third party, December 2024, question 8.

¹⁴⁹ Note of a call with a third party, October 2024.

¹⁵⁰ Responses to the CMA questionnaire from a number of third parties, December 2024, question 8.

¹⁵¹ Response to the CMA questionnaire from a third party, December 2024, question 8.

¹⁵² Responses to the CMA questionnaire from a number of third parties, December 2024, question 8.

¹⁵³ Response to the CMA questionnaire from a third party, December 2024, question 8.

¹⁵⁴ Note of a call with a third party, December 2024.

5.2.1.4.2.3.5 CMA's conclusion on the competitors to include in the fascia count

137. The CMA considers that its evidence consistently indicates that the Parties' closest competitors for the supply of Tiles to Retail and Trade customers are – aside from a small number of exceptions – other Tile Specialist Chains, due to their wide product ranges, practice of pricing aggressively and brand awareness. However, feedback from third parties and evidence on SKUs suggest that Tile Specialist Chains with a more premium offering do not compete closely with the Parties due to their higher price points and differentiated product ranges.
138. Regarding which competitors to include in the effective competitor set, the CMA considers that, based on an in-the-round assessment of the evidence it has received, the following larger Tile Specialist Chains should be included: Al-Murad, Stiled (Tile Giant and Tile Choice), Tile Flair, and Tile Mountain.
139. While the CMA does not consider that there is sufficient evidence to broadly include all smaller Tile Specialist Chains due to their resemblance to Independents (for example because of their more limited ability to compete on pricing), there are some discrete instances in which the totality of the evidence suggests that some of these players more closely resemble larger Tile Specialist Chains. In particular, the CMA considers that BC Ceramics, Boydens, Collinson Ceramics, Cut Price Tiles, EMC Tiles, Nicholls & Clarke, Right Tiles, Royale Stones, and Tiles DIY should also be included in the effective competitor set based on a range of evidence as to the constraint imposed by them.
140. Regarding DIY Chains, the CMA considers that evidence from Topps' internal documents and the Parties' competitors suggest that B&Q and Wickes should be included as [~~3~~], have strong brand value, and are considered by competitors to compete well on price.¹⁵⁵
141. Regarding K&B Specialists, the CMA considers that third-party evidence and data on revenues per store suggest that Victorian Plumbing and Easy Bathrooms should be included due to both having strong brand value and Easy Bathrooms being seen as an aggressive competitor.

– Suppliers excluded from the fascia count

142. The CMA has found that Independents provide a relatively weaker constraint and as such have not been included in the fascia count. Independents typically have higher prices and less recognisable brands compared to larger players such as Tile Specialist Chains (the CMA also notes that the Parties consider brand to be an important parameter of competition). Further, there was a perception among

¹⁵⁵ For completeness, the CMA notes that this includes the Homebase stores purchased by B&Q as it understands that these will operate as B&Q stores going forward.

third parties that Independents may be less of a competitive threat than they were historically.

143. Regarding the constraint from Online Tile Specialists and other online competitors, the CMA considers that the ability to visit a store is an important part of the Parties' customers' purchasing journey. While sales in the online market appear material, and some Online Tile Specialists may have comparable product ranges and/or prices to the Parties', the evidence suggests that this does not equate to a meaningful alternative for a material proportion of the Parties' customers.¹⁵⁶
144. Regarding Builders' Merchants, the CMA considers that feedback from the Parties' competitors, particularly from Builders' Merchants themselves, indicate that their individual stores have limited sales of Tiles compared to the Parties', and therefore are unlikely to pose a significant enough of a constraint to justify inclusion in the effective competitor set.
145. For each of the supplier types excluded from the fascia count, the CMA notes that it has had regard to the extent they may nevertheless impose some degree of competitive constraint on the Parties, which is reflected in the CMA's assessment of the appropriate threshold (set out in paragraphs 149-152 below).

5.2.1.4.3 *Threshold for concern*

5.2.1.4.3.1 *Parties' submissions*

146. The Parties submitted that a four-to-three (**4-3**) fascia count threshold is the most appropriate threshold for the CMA to use in its decision rule in this case, given that:¹⁵⁷
 - (a) The effective competitor set excludes a proportion of the market, including some smaller Tile Specialist Chains, Online Tile Specialists, Independents, many K&B Specialists and, in relation to the market for Trade, Builders' Merchants; and
 - (b) Other competitors in the effective competitor set compete more closely with one or other of the Parties than the Parties do with each other.
147. The Parties noted that the CMA has used a 4-3 threshold in various retail sectors where account needed to be taken of "out of market" competitive constraints,

¹⁵⁶ For example, a Topps 'Annual Report and Accounts' document from October 2022 estimates that the online-only tiles market is worth around £100 million. This is compared to [redacted] that estimates the UK ceramic tile market size that year to be worth around £[400-500] million, and the [redacted] that estimated the entire UK tiling market to be worth £1.2 billion that year.

¹⁵⁷ Parties' response to the Issues Letter, 28 January 2025, paragraph D2.1 and D2.2.

including online constraints and/or where the Parties are not one another's closest competitors.¹⁵⁸

148. In addition, the Parties submitted that barriers to entry are low, with many players entering and exiting over time. Therefore, the threat of new local entry will also exert an effective competitive constraint that is not captured by the decision rule.¹⁵⁹

5.2.1.4.3.2 CMA's assessment

149. In each case in which market share or fascia thresholds are used, the CMA has regard to the nature of the market and the particular evidence available to determine the appropriate threshold.
150. Based on this evidence, the CMA sets out its separate decisions on the appropriate thresholds for the Retail and Trade markets below.
151. For the Retail market, the CMA considers that a 4-3 threshold is appropriate. The CMA has found that Topps is a particularly strong competitor in the supply of Tiles to Retail customers, but that the Parties do not compete as closely with each other as they do with some others in the effective competitor set, given CTD's relative focus on Trade customers as shown by their different opening hours, store formats and revenues. In addition, the sum of constraints from competitors that are not included in the effective competitor set, for example from smaller Tile Specialist Chains, Independents, Online Tile Specialists, premium Tile Specialist Chains, and K&B Specialists, all of which compete more strongly for Retail customers than Trade customers, appear material.
152. For the Trade market, the CMA considers that a 4-3 threshold is appropriate. Although the Parties appear to compete closely in this market, the sum of constraints from competitors that are not included in the effective competitor set, for example from Builders' Merchants, smaller Tile Specialist Chains, Independents, premium Tile Specialist Chains and K&B Specialists appear material.

5.2.1.4.4 Decision rule results

153. For the Retail market, the CMA found 6 SLCs in total, consisting of 3 Topps centroids and 3 CTD centroids, as shown in Tables 1 and 2 below.

Table 1 Topps Tiles SLC stores in the Retail market.

Site	Fascia reduction
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¹⁵⁸ Parties' response to the Issues Letter, 28 January 2025, paragraph D3.1, D4.10, and D5.1.

¹⁵⁹ Parties' response to the Issues Letter, 28 January 2025, paragraph, paragraph D4.7.

Topps Tiles, Fort Kinnaird	3-2
Topps Tiles, Inverness	4-3
Topps Tiles, Aberdeen Wellington	4-3

Table 1 CTD SLC stores in the Retail market.

Site	Fascia reduction
CTD Acquired, Dorking	4-3
CTD Acquired, Aberdeen	4-3
CTD Acquired, Inverness	4-3

154. For the Trade market, the CMA found 6 SLCs in total, consisting of 3 Topps centroids and 3 CTD centroids, as shown in Tables 3 and 4 below.

Table 2 Topps Tiles SLC stores in the Trade market.

Site	Fascia reduction
Topps Tiles, Fort Kinnaird	3-2
Topps Tiles, Inverness	4-3
Topps Tiles, Aberdeen Wellington	4-3

Table 3 CTD SLC stores in the Trade market.

Site	Fascia reduction
CTD Acquired, Dorking	4-3
CTD Acquired, Aberdeen	4-3
CTD Acquired, Inverness	4-3

5.2.2 Conclusion on theories of harm

155. For the reasons set out above, the CMA believes that there is a realistic prospect of an SLC arising in the local areas around the six centroids specified in paragraphs 153 and 154 above, affecting the following towns and/or cities: Dorking, Aberdeen, Inverness and Fort Kinnaird, in relation to horizontal unilateral effects in the supply of Tiles to Retail and Trade customers.

6. ENTRY AND EXPANSION

156. 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. The CMA will consider entry and/or expansion plans of rivals who do so in direct response to the merger as a countervailing measure that could prevent an 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.¹⁶⁰

6.1 Parties' submissions

157. The Parties submitted that barriers to entry and expansion in the supply of Tiles to Retail and Trade customers are low. The Parties submitted that the UK is almost entirely dependent on imports for the supply of Tiles, but there are a large number of supplier options available for retailers wishing to enter or expand in the supply of Tiles to Retail and Trade customers.¹⁶¹ Regarding premises, the Parties submitted that a Tile store can be small without the need to hold stock, and displays are often provided by the manufacturer for free, and therefore the cost of store fit-out is low. Similarly, regarding staff, the Parties submitted that a Tile store can operate with only 2-3 employees, making staffing costs low.¹⁶² The Parties submitted that the existence of a large number of Independents demonstrates that entry is straightforward, and that Independents can (and frequently do) successfully compete over the long term. In addition, there are several successful and/or growing regional chains. However, the Parties also note that there have been a large number of exits as well, and trading successfully is difficult.¹⁶³

6.2 CMA's assessment

158. The CMA considers that although evidence indicates that barriers to entry for Independents are relatively low, there are some barriers to entry and expansion for Tile Specialist Chains such as the Parties.

159. With regard to entry as an Independent, third parties generally confirmed the view that to open a single store, the main barriers to entry are the upfront investments required, including the costs of setting up a store, finding staff and a suitable location, and the ability to ensure continuity of supply.¹⁶⁴ Third parties have also noted that scale and a national footprint are increasingly important, due to the challenges of competing with large Tile Specialist Chains such as Topps, particularly in terms of sourcing Tiles.¹⁶⁵ As outlined in paragraphs 136(d) and 142 above, the CMA has found that Independents are generally less able to compete with the Parties on price, and were excluded from the effective competitor set on that basis. The CMA considers therefore that entry from an Independent may not mitigate any SLC.

¹⁶⁰ [CMA129](#), paragraph 8.31.

¹⁶¹ Additional Submission, paragraph 8.17(f)

¹⁶² Additional Submission, paragraph 8.17(f)

¹⁶³ Parties' response to the Issues Letter, 28 January 2025, paragraph A5.5-A5.8; Additional submission paragraph 8.17(f)

¹⁶⁴ Responses to the CMA questionnaire from a number of third parties, December 2024, question 11.

¹⁶⁵ Responses to the CMA questionnaire from a number of third parties, December 2024, question 11.

160. The CMA considers that the barriers to entry and expansion for Tile Specialist Chains are relatively high, mainly due to the cost and challenges involved in establishing a store network and supply chain, and the difficulty of securing advantageous supply terms with manufacturers without sufficient scale and order volumes. For example, Topps' internal documents indicate that Topps' scale as the UK's largest Tile Specialist Chain enables it to form long-term relationships with top manufacturers, and to source most of its Tile ranges on an exclusive basis.¹⁶⁶ The CMA notes that, although there are examples of successful recent expansion, such as Easy Bathrooms, many retailers (including Tile Specialist Chains) are also closing stores, and it has taken a decade or more for most Tile Specialist Chains to expand to their current store footprint.¹⁶⁷
161. For the reasons set out above, the CMA considers that there are some barriers to entry and expansion, particularly for new Tile Specialist Chains (which are likely similar to the barriers to entry and expansion for DIY Chains and large K&B Specialists) and some barriers to expansion for Independents. Therefore, the CMA does not consider that entry or expansion would be timely, likely or sufficient to prevent a realistic prospect of an SLC as a result of the Merger.

7. CONCLUSION ON SUBSTANTIAL LESSENING OF COMPETITION

162. Based on the evidence set out above, the CMA believes 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 the supply of Tiles to Retail customers and in the supply of Tiles to Trade customers in the local areas around the six centroids specified in paragraphs 153 and 154 above, affecting the following towns and/or cities: Dorking, Aberdeen, Inverness and Fort Kinnaird.

8. EXCEPTIONS TO THE DUTY TO REFER

163. Where the CMA's duty to refer is engaged, the CMA may, pursuant to section 22(2)(a) of the Act, decide not to refer the merger under investigation for a phase 2 investigation on the basis that the market(s) concerned is/are not of sufficient importance to justify the making of a reference (the ***de minimis*** exception).¹⁶⁸

¹⁶⁶ Topps' Internal Document, Annex 016 to Topps' response to the CMA's s109 Notice, 19 September 2024, [3], pages 17, 22, 32.

¹⁶⁷ For example, the CMA notes that BC Ceramics (4 stores) and Collinson Ceramics (4 stores) have both been trading for over 30 years; Tiles DIY (10 stores) was founded in 2007; Tile Mountain (10 stores) was founded in 2013; other Tile Specialist Chains such as Stiled (around 60 stores) expanded via acquisitions of store portfolios (Tile Giant and Tile Choice).

¹⁶⁸ [Mergers: Exceptions to the duty to refer \(CMA64\)](#), 25 April 2024, paragraph 2.1.

164. As set out above, the CMA believes that its duty to refer is engaged in relation to a number of local areas. The CMA has considered below whether it is appropriate to apply the *de minimis* exception to the present case.
165. The CMA's starting point when considering whether to apply the *de minimis* exception is the size of the market(s) concerned. The CMA considers that the market(s) concerned will generally be of sufficient importance to justify a reference (such that the exception will not be applied) where the annual value in the UK, in aggregate, of those market(s) is more than £30 million.
166. Where the annual value in the UK of the market(s) concerned is £30 million or less, the CMA will consider a number of factors, in addition to market size, in order to determine whether to exercise its discretion to apply the *de minimis* exception. These are:
- (a) The extent to which revenues are an appropriate metric to assess market size and whether the market is expanding or contracting;
 - (b) Whether the merger is one of a potentially large number of similar mergers that could be replicated across the sector in question; and
 - (c) The nature of the potential detriment that may result from the merger, having particular regard to the CMA's objectives and priorities set out in its current Annual Plan.

1.1 Market size

167. As set out in the CMA's guidance on exceptions to the duty to refer, where the test for reference is met in multiple markets, the relevant figure will be the aggregate size of all such markets.¹⁶⁹ In this case, the test for reference is met in the supply of Tiles to Retail customers and in the supply of Tiles to Trade customers in the following local areas: Dorking, Aberdeen, Inverness and Fort Kinnaird.
168. Based on the data provided by the Parties and third parties, the CMA considers that the current annual value in the UK of these markets may, in aggregate, be less than £30 million, although the available evidence does not allow for a robust or verifiable estimate.
169. The CMA additionally notes that the size of these individual markets is subject to change in line with the opening and closing of local stores, as well as broader macroeconomic trends in the UK, as illustrated by the significant fluctuations in the

¹⁶⁹ [CMA64](#), paragraph 2.17.

overall market size indicated in Topps' internal documents.¹⁷⁰ As such, it cannot be excluded that the aggregate size of these markets could significantly expand (or contract further) in the foreseeable future.¹⁷¹

1.2 Replicability

170. The CMA will be unlikely to apply the *de minimis* exception where it believes the merger is one of a potentially large number of similar mergers that could be replicated across the sector in question. This factor may be relevant to mergers involving local markets, in particular in sectors where firms are acquiring multiple small local businesses over time.¹⁷²

171. While Topps has submitted that the Merger was an opportunistic one-off acquisition, Topps' internal documents provide evidence that, in addition to the two business acquisitions it made over the last five years (namely Pro Tiler Tools in April 2022 and CTD in August 2024), [redacted].¹⁷³ Third parties have also confirmed they have followed a strategy of acquiring existing stores, and the CMA is also aware of other acquisitions in the sector through its merger intelligence function.¹⁷⁴

172. Given the nature of the markets concerned, the CMA therefore considers it likely that similar mergers could potentially be replicated in this sector (by Topps or by other firms in the market).

1.3 Nature of the potential detriment

173. The third factor that the CMA will take into account when considering whether to exercise its discretion to apply the *de minimis* exception is the nature of the potential detriment that may result from the merger, having particular regard to the CMA's objectives and priorities as set out in the CMA's Annual Plan.¹⁷⁵

174. The Parties have submitted among other things that the domestic tile market is not a priority area in the CMA's Annual Plan 2024-2025; does not involve essential spending, emergent and digital markets; does not raise sustainability or climate issues; and does not involve any non-discretionary consumer spending or affect vulnerable customers.¹⁷⁶

¹⁷⁰ See Topps' Internal Document, Annex 041 to Topps' response to the CMA's s109 Notice, 19 September 2024, [redacted], pages 16-18. Topps has also estimated that there have been 249 new entrants and 243 exits in the UK retail tile market over the last five years. See Standalone Submission, paragraph 8.17(f). Annex 041, page 9.

¹⁷¹ [CMA64](#), paragraph 2.18.

¹⁷² [CMA64](#), paragraph 2.21.

¹⁷³ Parties' response to the Issues Letter, 28 January 2025, paragraph, paragraph E2.9. Topps' Internal Document, Annex 023 to Topps' response to the CMA's s109 Notice, 19 September 2024, [redacted], slides 149-152.

¹⁷⁴ Note of a call with a third party, October 2024. Response to the CMA questionnaire from a third party, December 2024, question 10.

¹⁷⁵ [CMA64](#), paragraph 2.26.

¹⁷⁶ Parties' response to the Issues Letter, 28 January 2025, paragraph, paragraph E2.13.

175. While the CMA considers that the supply of Tiles does not concern an area of priority set out in its 2024–2025 Annual Plan,¹⁷⁷ the CMA does not agree that the supply of Tiles does not involve any non-discretionary consumer spending.¹⁷⁸ While high-end Tile ranges may be classified as discretionary spending, UK consumers expect to be able to acquire at least basic Tile ranges for their bathrooms and in many instances, kitchens.

1.4 Conclusion on the application of the ‘de minimis’ exception

176. Taking all the above factors into consideration, the CMA believes that the markets concerned in this case are together of sufficient importance to justify the making of a reference. As such, the CMA believes that it is not appropriate for it to exercise its discretion to apply the *de minimis* exception.

¹⁷⁷ [CMA Annual Plan 2024/25](#), 14 March 2024, sections 5 and 6. The CMA’s key priorities are: (i) acting in areas where customers spend most of their money and time, particularly people that need help the most; (ii) helping emergent sectors, including digital markets, develop into high-growth, innovative and competitive markets; and (iii) ensuring the whole UK economy can grow productively and sustainably and accelerating transition to net zero.

¹⁷⁸ [CMA64](#), paragraph 2.28.

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177. Consequently, the CMA believes that it is or may be the case that (i) a relevant merger situation has been created; and (iii) the creation of that situation has resulted, or may be expected to result, in an SLC within a market or markets in the United Kingdom.
178. The CMA therefore believes that it is under a duty to refer under section 22(1) of the Act. However, the duty to refer is not exercised whilst the CMA is considering whether to accept undertakings under section 73 of the Act instead of making such a reference.¹⁷⁹ Topps has until 24 February 2025¹⁸⁰ to offer an undertaking to the CMA.¹⁸¹ The CMA will refer the Merger for a phase 2 investigation¹⁸² if Topps does not offer an undertaking by this date; if Topps indicates before this date that it does not wish to offer an undertaking; or if the CMA decides¹⁸³ by 3 March 2025 that there are no reasonable grounds for believing that it might accept the undertaking offered by Topps, or a modified version of it.
179. The statutory four-month period mentioned in section 24 of the Act in which the CMA must reach a decision on reference in this case expires on 20 February 2025. For the avoidance of doubt, the CMA hereby gives Topps notice pursuant to section 25(4) of the Act that it is extending the four-month period mentioned in section 24 of the Act. This extension comes into force on the date of receipt of this notice by Topps and will end with the earliest of the following events: the giving of the undertakings concerned; the expiry of the period of 10 working days beginning with the first day after the receipt by the CMA of a notice from Topps stating that it does not intend to give the undertakings; or the cancellation by the CMA of the extension.

Joel Bamford
Executive Director, Mergers
Competition and Markets Authority
17 February 2025

¹⁷⁹ Section [22\(3\)\(b\)](#) of the Act.

¹⁸⁰ Section [73A\(1\)](#) of the Act.

¹⁸¹ Section [73\(2\)](#) of the Act.

¹⁸² Sections [22\(1\)](#) and [34ZA\(2\)](#) of the Act.

¹⁸³ Section [73A\(2\)](#) of the Act.