

COMPLETED ACQUISITION BY SPORTS DIRECT INTERNATIONAL PLC OF A NUMBER OF STORES FROM JJB SPORTS PLC

Statement of issues

The reference

1. Our terms of reference require the Competition Commission (CC) to consider the completed acquisition by Sports Direct International plc (SDI) of 31 stores from JJB Sports plc (JJB).
2. The CC must decide:
 - (a) whether a relevant merger situation has been created; and
 - (b) if so, whether the creation of that situation has resulted in or may be expected to result in a substantial lessening of competition (SLC) within any market or markets in the UK for goods or services.
3. To enable us to do this, we will consider the following issues.

Market definition

4. JJB and SDI sell sports clothing, equipment and footwear to consumers through stores located across the UK. We will consider the appropriate definition of the product market(s) affected by the acquisition of the 31 stores. In particular we will determine:
 - (a) whether the relevant product markets are no wider than each of sports clothing, equipment and footwear; and
 - (b) whether there is a separate product market for the supply of these goods through so called sports multiples.¹
5. We will consider the geographic extent of the relevant market(s), and will analyse the interaction between national and local market features.

Assessment of the competitive effects of the merger

6. The Group will consider the possible competitive effects of the merger within each of the relevant markets it identifies, compared with the degree of competition in the counterfactual situation (ie the situation that would have arisen in the short to medium term, if the acquisition of the stores had not occurred).

Counterfactual

7. To determine the appropriate counterfactual situation against which to assess the merger, the Group will consider what is likely to have happened in the relevant

¹Sports multiples is the term given to national chains of stores selling a variety of sports clothing, footwear and/or equipment.

market(s) absent the merger. Options include: (a) the stores remaining with JJB; (b) the stores being acquired by another party; or (c) the stores being closed down.

Theories of harm

8. To focus analysis of the competitive effects of the merger, the CC has so far identified four possible ways in which the merger might result in an SLC that could apply to the supply of sports clothing, equipment and footwear which it will investigate further. These theories of harm are not mutually exclusive, and their identification does not mean that the CC has reached any conclusions.
9. The theories of harm identified by the CC to date are:
 - (a) whether the acquisitions have resulted in a loss of local competition that has resulted, or will result, in:
 - (i) an increase in the price and/or a reduction in the quality, range and/or service of the *local* competitive offer;
 - (ii) an increase in the price and/or a reduction in the quality, range and/or service of the *national* competitive offer; or
 - (iii) store closures; and
 - (b) whether the acquisitions have increased the likelihood that sports retailers will co-ordinate their behaviour.
10. The identification of these theories of harm does not preclude an SLC being identified on another basis following further work by us or the receipt of additional evidence.

Related competition issues

11. Among the issues the Group will consider when deciding whether any of the theories of harm set out above hold (and so whether the store acquisitions may therefore be expected to result in an SLC in any relevant market) are:
 - (a) the extent of competition between the JJB stores and SDI before the merger;
 - (b) the ability and incentive of other existing or potential competitors to undermine any price increases or reductions in quality range and/or service levels by SDI following the merger;
 - (c) the extent of barriers to entry or expansion in the relevant market(s); and
 - (d) customer-related matters such as:
 - (i) the ease with which customers can switch between suppliers of sports clothing, equipment and footwear; and
 - (ii) the relative importance to customers of price and non-price factors (such as product quality, range offered and customer service such as expert advice).

Possible remedies and relevant customer benefits

12. Should the Group conclude that the completed merger may be expected to result in an SLC, it will consider whether and, if so, what, remedies might be appropriate, and will issue a further statement.
13. In any consideration of possible remedies, the Group will take into account whether any relevant customer benefits might be expected to arise as a result of the merger and, if so, what these benefits are likely to be and which customers would benefit. Customer benefits are benefits to customers at any point in the chain of production and distribution and are therefore not limited to final consumers.