

SELFRIDGES & CO. LIMITED: INITIAL SUBMISSION

Full Text with Excisions

- (a) *The company: Its brief history, together with the details of its organisation, financial structure and principal activities.*

History

In 1909 Gordon Selfridges opened the Selfridges Store in Oxford Street. Selfridges became part of the Sears Group when Sears acquired Lewis' Investment Trust Limited in 1965. In July 1998 the Company was demerged from Sears plc and listed on the London Stock Exchange as Selfridges plc.

On 29 July 2003 a recommended cash offer by Oxford Acquisitions Limited (a company incorporated in England) for Selfridges plc was declared unconditional in all respects. In September 2003, the shares in Selfridges plc were cancelled from their listing on the London Stock Exchange and Selfridges plc was re-registered as a private company and changed its name to Selfridges & Co. Limited on 4 November 2003. Oxford Acquisitions Limited changed its name to Selfridges Holdings Limited on 16 January 2004.

The ultimate parent undertaking of Selfridges Holdings Limited, and therefore of Selfridges and its subsidiaries, is Wittington Investments, Limited which is incorporated in Canada.

We shall refer in this response to Selfridges Holdings Limited variously as "Selfridges" or the "Company".

Current Operations

The Company operates from four locations within the United Kingdom. They are London (Oxford Street), Manchester (in the Trafford Centre and on Exchange Square) and Birmingham (the Bull Ring).

London: Oxford Street

The site comprises the retail store, the Selfridges Hotel, the adjoining car park, and office space at 40 Duke Street. The Oxford Street store is the second largest department store in the UK with 540,000 square feet of prime retailing space over six floors.

Manchester: Trafford Centre

The Company opened its first store outside London in the Trafford Centre, Manchester in September 1998. The Trafford Centre store trades from 143,000 square feet on two floors.

Manchester: Exchange Square

Selfridges opened its department store in Exchange Square in September 2002. The store trades from 120,000 square feet over five floors.

Birmingham: The Bull Ring

Selfridges opened a department store in the Bull Ring Centre in Birmingham in September 2003. The store trades from 200,000 square feet over four floors.

Principal Activities

Selfridges is a department store retailer operating within the department store sector of the UK retail market.

The main merchandise categories that Selfridges offers are as follows:

- Health and Beauty;
- Menswear;
- Womenswear;
- Childrenswear;
- Home;
- Leisure; and
- Food.

Together with a wide variety of catering in its restaurants, cafes and bars.

Not all of the stores in the chain offer the full range of merchandise.

Additionally, the Oxford Street store also offers many further services:

- Gift registry;
- Bureau de change;
- Car park;
- Car wash;
- Ear piercing;
- Tattooing;
- Palm reading;
- Key cutting;
- Luggage repair;
- Petrol station;
- Pharmacy;
- Shoe repair;
- Shoe shine;
- Theatre and ticket ordering; and
- Travel agency.

Store-card Arrangements

Selfridges had a total of [] payment transactions in 2003 throughout its four stores. It has a total of approximately [] store card holders of which approximately [] are active. An active account is one on which there has been a transaction within the last 12 months.

When Selfridges was part of the Sears group (1965 – July 1998) it offered its customers a Sears Card as its store card offering. This formed part of its alternative methods of payment for goods purchased in the store. Other acceptable methods of payment were (and still are):

- Credit cards;
- Debit cards;
- Cheques;
- Cash (including certain foreign currencies);
- Gift vouchers; and
- Interest free credit underwritten by Selfridges (HFC Bank, recently acquired by HSBC Bank plc, is the current provider of interest free credit to Selfridges' customers).

On the break up of the Sears group (July 1998), the Sears Card company was sold to the Coffinogue group of companies based in France and became Creation Financial Services Limited.

Selfridges appointed Creation Financial Services Limited ("**Creation**") as its store card provider on demerger from the Sears Group. At this point the Selfridges Store Card was created in its own right.

[].

Selfridges considers five years to be a reasonable term for the operation of a store card. This gives both parties the opportunity to recover set up costs and make a reasonable return on the investment.

In summary the current terms of the contract between Selfridges and Creation are as follows:

- []
- Selfridges receives the equivalent of []% of turnover on the card from Creation as a contribution to Selfridges' marketing costs of the card; and
- Selfridges receives [] support for a full time employee to administer the scheme.

Selfridges spends the equivalent of the merchant fee and marketing contribution in promoting the Selfridges Store Card. This forms part of Selfridges' brand marketing strategy.

[.]

[].

(b) The relevant markets

Selfridges is a department store retailer operating within the department store sector of the UK retail market. As stated above, Selfridges operates from stores in London, Manchester and Birmingham. It has no retail outlets outside these cities.

Selfridges also operates a limited mail order service. Customers can telephone orders from around the UK and from anywhere in the world.

Relevant Market for Consumer Credit

Selfridges considers that there is a market for consumer credit products of which its store card forms part. The Selfridges Store Card competes against other methods of payment for goods on credit including Visa, MasterCard, American Express (and other credit cards), other store cards, personal loans, overdrafts and other forms of personal finance. Selfridges includes other store cards, since it considers that if a customer is contemplating the purchase of a product from a store (for example, electrical goods or furniture) it will purchase that product from the store whose store card gives him better terms (for example, a 10% discount off the purchase price).

Alternatives to credit purchases are purchases by debit card, cash and cheque.

An analysis of methods of payment by customers in Selfridges' stores over the last financial year shows the following:

- Credit cards []
- Debit cards []
- Cash []
- Store card []
- Cheque []

The above breakdown is expressed as a percentage of the Company's total turnover in the last financial year. The Company's turnover for the last financial year was [].

Payment by a Selfridges Store Card accounted for [] of the Company's turnover in the last financial year.

[]

(c) Competition within these markets**(i) market definitions;**

Customers have the choice of the following methods of payment within any of the Selfridges stores:

- Credit cards;
- Debit cards;
- Interest free loans;
- Interest bearing personal loans;

- Bank overdrafts;
- Cash;
- Cheques; and
- Store cards.

(ii) *information on customers/suppliers, and contractual relationships involved in the supply of store card services;*

Please see the information and attachments provided in Alec Latimer's letter to you of 2 April 2004.

(iii) *barriers to entry to such markets;*

Selfridges does not know what, if any, barriers to entry there are in relation to the provision of consumer credit cards. By way of observation only, there is strong competition between undertakings for the provision of store card services to retailers. **In (a) above we identify eight undertakings we invited to tender for the provision of store card services to Selfridges.(?)**

(iv) *ease of switching (for retailers);*

As we have said in 4(c)(iii) above, Selfridges believes that competition for the provision of store card services is strong.

(v) *level of prices and variety and quality of products;*

For Selfridges the APR rate is set by Creation following consultation with Selfridges, who have the ability to object to the rate suggested.

[]

(vi) *information available to consumers;*

A copy of an application form for a store card, customer contract and proforma monthly statement were supplied..]

(vii) *profitability, capital structure and financing; and*

Selfridges has no comment to make on profitability, capital structure and financing [].

(viii) *any other issues which you consider relevant.*

None.