

INQUIRY INTO THE ACQUISITION BY MARCH UK LTD OF THE HOME SHOPPING AND HOME DELIVERY BUSINESSES OF GUS PLC

Statement of Issues

The Competition Commission has sent an issues letter, to March UK, as part of its inquiry into the recent acquisition of the home shopping and home delivery businesses of GUS.

Such letters are always sent before the Commission has reached any conclusions and are designed to highlight matters that have been identified for further consideration. This statement is being made public to give interested parties the opportunity to bring to the Commission's attention, in the next two weeks, any further points that they wish to raise. The Commission has reached no conclusions about whether any matters operate or may be expected to operate against the public interest and will not do so until after it has discussed these issues with the parties concerned.

The issues that the Commission intends to consider are:

- a) The appropriate definition of the economic markets affected by the acquisition, in particular:
- whether there is a single market (or a distinct segment of a market) for providers of agency mail order, or whether they are part of a wider market;
 - if they are, whether that wider market includes:
 - other forms of mail order; and/or
 - other forms of home shopping; and /or
 - other forms of retail sales; and/or
 - access to credit; and,
 - whether there is scope for substitution at the boundaries of any of the markets identified.
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- Whether there is a single market (or a distinct segment of a market) for providers of home delivery services, or whether they are part of a wider market;
 - if they are, whether that wider market includes:
 - other forms of delivery; and/or
 - is confined to delivery of parcels
 - within particular weight ranges; and/or
 - to particular types of destination; and /or

- within a particular price range or level of service; and
 - whether there is scope for substitution at the boundaries of any of the markets identified.
- Whether the relevant geographic markets for mail order and home delivery are the same or different; and
 - whether, for one or both, it is the UK, or whether it is part of a wider or a narrower market.
- Whether competitive pressures from outside the relevant markets (however defined) provide effective constraints on the behaviour of the parties operating within them; and
 - whether any of the factors referred to above – and, if so, to what extent – have changed in recent years.
- b) Whether the acquisition is likely to affect competition in any of the markets identified, and, in particular:
- whether Littlewoods and GUS home shopping competed – before the acquisition by March - for business in agency and/or direct mail order and/or home delivery services; and, if so
 - whether the acquisition can be expected substantially to lessen that competition;
 - whether, as a consequence, it is likely to lead ultimately to a significant
 - rise in prices,
 - reduction in the range of products or services offered,
 - reduction in innovation,
 - reduction in credit facilities provided, or
 - reduction in quality, or levels of service,
 for all, or at least some, customers, in the relevant markets - compared with what would otherwise have occurred;
 - whether any features of the markets – such as links between home shopping providers and distributors – restrict competition;
 - whether, as a result of the market conditions created by the acquisition, other UK providers of home shopping and/or home delivery would be seriously weakened;
 - whether any practices – such as price discrimination, bundling credit arrangements with goods ordered, or predatory pricing – may be expected to come into existence or be exacerbated as a result of the acquisition;
 - whether the vertically integrated nature of Littlewoods' and March's business is likely to be enhanced by the acquisition, with consequent implications for competition;
 - whether other aspects of the acquisition could be expected to be to the detriment of customers or competitors; and
 - whether any potentially unwelcome consequences of the acquisition might be constrained sufficiently to avoid detriment to the public interest:
 - by customers' ability to find alternative supply of such services in the UK; or
 - particularly for home delivery services, by their having sufficient buyer power;
 - whether as a consequence of lessening competition, following the acquisition, the competitive position of suppliers to agency and/or direct mail retailers may be affected adversely; and
 - whether access to such suppliers by competitors of the merged parties may be affected adversely.
- (c) Whether there are significant barriers to entry or expansion in the relevant markets, such as:
- high capital and start-up costs, for example in the recruitment of agents;
 - economies of scale, such as advantages in being able to offer a very wide range of products or a nation-wide service, in contracting with suppliers, or in establishing a delivery and collection network;
 - access to customer lists;
 - economies of scope from operating in related markets; or
 - an expectation that existing firms will respond aggressively to new entry or expansion; and

- whether the acquisition may be expected to raise or lower such barriers.

(d) Whether technological progress in the market in the next five years, such as the rapid growth of electronic ordering, is likely to effect competition, and if so, how; and whether there are identifiable trends in the development of the relevant markets that might affect competition in the future.

(e) Whether there are likely to be benefits to the public interest from the acquisition; if so:

- what are they likely to be;
- to whom will they accrue; and
- whether they can be achieved only as a result of the acquisition;

The Commission also intends to explore what would have happened in the areas of home shopping and home delivery, had the acquisition not occurred – in particular:

- the implications for the level of competition in agency and direct mail order and the home delivery business in the absence of the acquisition, taking into account:
 - GUS's plans for the home shopping business had it not been disposed, and
 - other possible buyers of the business.

Notes to Editors

1. The reference was made by the Secretary of State for Trade and Industry, under sections 64(8) of the Fair Trading Act 1973, on 25 September 2003 (see DTI news release P/2003/487).
2. No conclusion will be reached about whether any matters operate or may be expected to operate against the public interest until the Competition Commission submits its report to the Secretary of State on 23 December, 2003. It will subsequently be published.
3. This inquiry is being undertaken by a group of five Commission members and is led by Peter Freeman, one of the Commission's deputy chairmen. The other members are Alan Gregory, Professor of Corporate Finance at the University of Exeter, Bruce Lyons, Professor of Economics at the University of East Anglia, Robert Turgoose, formally a corporate finance partner in PricewaterhouseCoopers, and Alan Young, a Director of the consultancy firm Webster Young Limited.
4. Further information can be obtained from the Commission's website at www.competition-commission.org.uk
5. Enquiries should be directed to Francis Royle, Press Officer (020 7271 0242).