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Press release

CMA blocks sports-fashion merger

The CMA has blocked JD Sports' purchase of close competitor Footasylum after finding it would leave shoppers worse off.

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Competition and Markets Authority (<https://www.gov.uk/government/organisations/competition-and-markets-authority>)



Following an in-depth Phase 2 investigation, the Competition and Markets Authority (CMA) has concluded that this transaction would lead to a substantial lessening of competition nationally. This would leave shoppers with fewer discounts or receiving lower quality customer service.

It is obvious that coronavirus (COVID-19) has led to retailers facing uncertain and challenging trading conditions and the CMA has considered how this might affect the competition concerns surrounding this transaction. While it is significantly affecting the sector, the CMA has not found evidence that the impact of coronavirus would remove its competition concerns. However, the CMA does believe that the continuing uncertainty means that JD Sports should be allowed sufficient time in which to sell Footasylum, given the additional challenges associated with coronavirus.

In reaching this final decision, the CMA analysed a wide range of evidence looking at how closely these firms compete as well as competition from other retailers, whether they are online-only or also have stores, and the constraint from suppliers like Nike and adidas. This evidence included more than 2,000 of the companies' own internal strategy and decision-making documents, which showed that JD Sports and Footasylum monitor each other's activity closely. Additionally, the CMA conducted two large surveys of together more than 10,000 of the

companies' customers. These surveys showed that many JD Sports and Footasylum shoppers see the other firm as their next best alternative. For example, more than two thirds of Footasylum's in-store customers said that they would shop at JD Sports if they could no longer shop at Footasylum – substantially higher than for any other retailer. The CMA also found that Footasylum store openings negatively impacted footwear and clothing sales at nearby JD Sports stores. The evidence generally showed a consistent picture: JD Sports and Footasylum are close competitors.

Although JD Sports is a larger retailer than Footasylum, they have millions of customers in a fast-growing sector. Therefore, the loss of competition between them is important. Both companies are among a small number of retailers that sell the latest sports-inspired casual footwear and clothing across the UK, typically to younger, trend-conscious consumers. Shoppers can buy footwear and clothing from other retailers and suppliers, so the CMA ensured it carefully examined the level of competition from these rivals - both now and in the foreseeable future - but found that it was not sufficient to stop shoppers being worse off after the merger.

During Phase 2 investigations, decisions are made by independent inquiry groups chosen from the CMA's panel members who come from a variety of backgrounds, including economics, law, accountancy and business. In this case, the Group has decided that the only way to address the competition concerns is for JD Sports to sell Footasylum, in full, to an approved buyer.

Kip Meek, Chair of the CMA inquiry group, said:

Our investigation analysed a large body of evidence that shows JD Sports and Footasylum are close competitors. This deal would mean the removal of a direct competitor from the market, leaving customers worse off. Based on the evidence we have seen, blocking the deal is the only way to ensure they are protected.

This decision comes at a very difficult time for retailers and we have been careful to consider the effects of coronavirus. However, we need to make sure we think about the impact of this merger on shoppers, both now and in the foreseeable future and we do not see the effects of the current crisis changing the competitive dynamics in a way that diminishes the substantial lessening of competition which we need to remedy.

We never take decisions to block mergers lightly, but in this case the evidence has shown it is necessary for JD Sports to sell Footasylum, so that they can continue to compete against each other as independent businesses.

For more information, visit the JD Sports / Footasylum merger inquiry case page (<https://www.gov.uk/cma-cases/jd-sports-fashion-plc-footasylum-plc-merger-inquiry>).

For media queries, contact the CMA press office on 020 3738 6460 or press@cma.gov.uk.

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