



# **Channel Islands Competition Laws**

## **CICRA 6a - Merger Application Form**

**PROPOSED PURCHASE OF SPAR (CHANNEL ISLANDS) LIMITED**  
**BY SANDPIPERCI RETAIL LIMITED**

**Dated 28 March 2017**

## ANNEXURES

<b>Annex</b>	<b>Description</b>	<b>Supply status</b>
1	Seller's group structure charts	Enclosed
2	Sandpiper Group structure charts	Enclosed
3	Share purchase agreement	Enclosed
3A	Amendment letter to share purchase agreement	Enclosed
3B	Amendment and restatement of share purchase agreement	Enclosed
4	Disclosure letter	Enclosed
5	Sandpiper Group press release	Enclosed
6	Convenience Stores Market maps	Enclosed
7	Evidence of winding up of inactive subsidiaries	Enclosed
8	Updated Target Group financial information	Enclosed
PC1	Sandpiper Group turnover information	To be provided to CICRA separately by Carey Olsen
PC2	Sandpiper Group annual accounts	To be provided to CICRA separately by Carey Olsen
PC3	Purchaser proposed remedies	Enclosed
SC1	Seller's group turnover information	To be provided to CICRA separately by Bedell
SC2	Seller's group annual report / financial statements	To be provided to CICRA separately by Bedell

# Merger Application Form

This merger application form relates to CICRA Case M1254J, *Proposed Purchase of Spar (Channel Islands) Limited by SandpiperCI Retail Limited*, and replaces the original merger application form submitted in connection with that transaction following the parties having carved out certain target group stores from the scope of that transaction in response to issues raised as part of CICRA's second detailed review of that transaction. The parties have agreed that the transaction described in this merger application form will be dealt with as a new application and have therefore withdrawn the original application.

## 1. PRELIMINARY INFORMATION

**1.1** *Provide the contact details of all parties, including the business website address where applicable. For corporate undertakings, please state where the company is incorporated. If any of the parties or their parent entities are listed companies, please state the locations of listing.*

The proposed transaction (the "**Transaction**") involves the sale of Spar (Channel Islands) Limited (the "**Target**"), together with its subsidiaries, (together, the "**Target Group**") by Jmart Limited (the "**Seller**") to SandpiperCI Retail Limited (the "**Purchaser**").

The Seller and the Purchaser, together, are referred to in this Merger Application Form as the "**Notifying Parties**".

### 1.1.1 Seller

Contact: [REDACTED]  
Address: [REDACTED]  
Tel: [REDACTED]  
Email: [REDACTED]  
Website: [REDACTED]

The Seller is incorporated in Jersey.

### 1.1.2 Purchaser

Contact: [REDACTED]  
Address: [REDACTED]  
Tel: [REDACTED]  
Email: [REDACTED]  
Website: [REDACTED]

The Purchaser is incorporated in Jersey.

**1.2 If any party is part of a larger corporate group, provide the contact details for the ultimate parent entity and state where it is incorporated.**

**1.2.1 Seller**

The Seller is part of a larger corporate group. The holding company of the Seller's group is Mud Hut (Jersey) Limited, a company incorporated in Jersey. Mud Hut (Jersey) Limited is wholly-owned by [REDACTED], an individual resident in Jersey.

Structure charts setting out the structure of the Seller's group (including the Target Group) pre- and post-completion of the Transaction ("**Completion**") are set out at **Annex 1**.

**1.2.1 Purchaser**

The Purchaser forms part of the group of companies known as the Sandpiper CI group (the "**Sandpiper Group**"). The holding company of the Sandpiper Group is Sandpiper Topco Limited ("**Sandpiper Topco**"), a company incorporated in Jersey.

Structure charts setting out the structure of the Sandpiper Group pre- and post-Completion are set out at **Annex 2**.

Sandpiper Topco is owned by various investors together with certain members of the Sandpiper Group's management team.

Under Article 60 of the Competition (Jersey) Law 2005, as amended (the "**CJL**"), the Jersey Competition Regulatory Authority (the "**JCRA**") must attempt to ensure that, as far as possible, it interprets Jersey competition law consistently with the interpretation given to corresponding issues by the European Commission. This is further explained in the relevant Guidelines issued by the Channel Islands Competition and Regulatory Authorities ("**CICRA**").

In the *Commission Consolidated Jurisdictional Notice under Council Regulation (EC) No 139/2004 on the control of concentrations between undertakings (2008/C 95/01)* (the "**Consolidated Jurisdictional Notice**") and previous decision-making practice, the European Commission sets out how the concept of "control" is interpreted under the EU Merger Regulation. It notes that control may take a number of forms:

- (a) "sole control" – where one person is able to exercise "decisive influence" alone;
- (b) "joint control" – this may be either on a *de jure* basis, for example where more than one person has formal blocking rights that allow them to exercise decisive influence (for example a jointly-owned joint venture company, where each parent company has the right to block strategic decisions) or (less commonly) where two or more persons will, in practice, always act together to give them *de facto* joint control; and

- (c) "no overall control" – where no single person can exercise sole control and there is no *de jure* or *de facto* joint control. Where there is no overall control, no single person or fixed combination of persons has the power to exercise decisive influence over the activities of the undertaking being acquired<sup>1</sup>.

It is submitted that, for a situation of "joint control" to arise in the case of a separate legal entity such as Sandpiper Topco, it is not sufficient for there to merely be a theoretical possibility that a particular combination or combinations of shareholders could (but may not) act together to exercise decisive influence over the entity; something more is required. In particular, it is submitted that "joint control" would not arise in a case where:

- (i) no two (or more than two) persons hold formal blocking or veto rights such that they must always agree in order for the entity to be able to take strategic decisions (because if they do not agree, a deadlock situation will arise); or
- (ii) there is no stable coalition between two or more shareholders of an entity meaning that, as a matter of fact, they will always act together and that they together have control.

It is submitted that, in such circumstances, the situation is properly characterised as one of no overall control, and not as one of joint control. This is made absolutely clear in paragraph 80 of the Consolidated Jurisdictional Notice, which states that (emphasis added):

*"In the absence of strong common interests such as those outlined above, **the possibility of changing coalitions between minority shareholders will normally exclude the assumption of joint control. Where there is no stable majority in the decision-making procedure and the majority can on each occasion be any of the various combinations possible amongst the minority shareholders, it cannot be assumed that the minority shareholders (or a certain group thereof) will jointly control the undertaking.** In this context, it is not sufficient that there are agreements between two or more parties having an equal shareholding in the capital of an undertaking which establish identical rights and powers between the parties, where these fall short of strategic veto rights. For example, in the case of an undertaking where three shareholders each own one-third of the share capital and each elect one-third of the members of the Board of Directors, the shareholders do not have joint control since decisions are required to be taken on the basis of a simple majority."*

Taking into account the foregoing and applying it to the ownership and control of Sandpiper Topco:

- (A) having reviewed the contractual arrangements amongst the shareholders of the Sandpiper Group, [REDACTED]; and

---

<sup>1</sup> See, for example, Case No. IV/M.548 Nokia Corporation/SP Tyres UK Ltd

- (B) having taken into account all matters, facts and circumstances pertinent to the manner in which the Sandpiper Group is managed and controlled as a matter of fact, [REDACTED],

in each case applying the principles relevant to whether decisive influence exists as set out in the Consolidated Jurisdictional Notice.

In particular:

- (1) [REDACTED];
- (2) [REDACTED]; and
- (3) [REDACTED].

Consequently, it is the Purchaser's submission that, at a shareholder level, Sandpiper Topco falls within the category of "no overall control", and therefore none of its shareholders form part of its group and none of their businesses or business interests should be taken into account when assessing the Transaction from a competition law perspective.

**1.3 Provide the contact details for each party's authorised legal representative(s).**

Bedell Cristin are representing the Seller in connection with this application. Bedell Cristin's contact details are as follows:

Contact: Guy Le Sueur  
Address: 26 New Street, St Helier, Jersey JE2 3RA  
Tel: ++44 (0) 1534 814743  
Email: guy.lesueur@bedellcristin.com

Carey Olsen are representing the Purchaser in connection with this application. Carey Olsen's contact details are as follows:

Contact: James Willmott  
Address: 47 Esplanade, St Helier, Jersey JE1 0BD  
Tel: +44 (0) 1534 822 307  
Email: james.willmott@careyolsen.com

**1.4 Provide the contact details of the person who should receive the filing fee receipt (and the invoice for a fee for a second detailed review).**

Contact: [REDACTED]  
Address: [REDACTED]  
Tel: [REDACTED]  
Email: [REDACTED]

**1.5 Indicate whether the application is made under Article 21 of the Competition (Jersey) Law 2005 and/or regulation 5 of The Competition (Prescribed Mergers and Acquisitions) (Guernsey) Regulations, 2012, and explain why the parties are required to seek approval for the merger under that legislation.**

**1.5.1 Article 21 of the CJL**

References below to the "**Order**" are to the Competition (Mergers and Acquisitions) (Jersey) Order 2010.

**1.5.1.1 Article 2 of the Order**

The Notifying Parties consider that approval of the Transaction is required pursuant to the Article 2 (*Horizontal Mergers or Acquisitions*) of the Order.

Article 2 of the Order applies where a transaction creates an undertaking with a share of 25% or more of the supply or purchase of goods or services of any description supplied to or purchased from persons in Jersey or enhances such a share held by an undertaking.

The Notifying Parties are of the view that, based on the principles set out in JCRA decision M 114/07 *Proposed Acquisition by Spar (Channel Islands) Limited of several stores from C.I. Newsagents Limited* and Competition & Markets Authority decision ME/6529-15 *Anticipated acquisition by Netto Limited of three grocery stores from Co-operative Group Limited* (the "**Convenience Store Decisions**"), the combination of the Sandpiper Group and the business undertaken by the Target Group (the "**Target Business**") will create a relevant share of supply enjoyed by the Sandpiper Group in one or more Convenience Stores Markets (as defined below).

**1.5.1.2 Article 3 of the Order**

The Notifying Parties do not consider that that approval of the Transaction is required pursuant to the Article 3 (*Vertical Mergers or Acquisitions*) of the Order as there is no vertical overlap between the Target Business and the business of the Sandpiper Group (or any part thereof). The relationship between the Target Business and the business of the Sandpiper Group is of a horizontal rather than a vertical nature.

**1.5.1.3 Article 4 of the Order**

The Notifying Parties consider that approval of the Transaction will be required pursuant to Article 4 (*Conglomerate mergers and acquisitions*) of the Order.

The Notifying Parties are of the view that, based on the principles set out in the Convenience Store Decisions, both the Target Group and the

Sandpiper Group has a 40% or greater share of supply in one or more Convenience Stores Markets in the Island.

**1.5.2 Regulation 5 of The Competition (Prescribed Mergers and Acquisitions) (Guernsey) Regulations, 2012 (the "Regulations")**

The Notifying Parties do not consider that approval of the Transaction is required pursuant to Regulation 5 of the Regulations because:

- (a) the Target Group has no applicable turnover in Guernsey (calculated in accordance with the Competition (Calculation of Turnover) (Guernsey) Regulations, 2012); and
- (b) in accordance with accepted practice, it is not necessary to take into account the applicable turnover of the Seller in assessing whether the Transaction requires approval pursuant to Regulation 5 of the Regulations,

As a consequence of the foregoing, irrespective of the applicable turnover of the Sandpiper Group in Guernsey, limb (b) of the test set out in Regulation 1(1) of the Regulations is not satisfied and accordingly:

- (i) the Transaction is not a prescribed acquisition for the purposes of the Regulations; and
- (ii) the Transaction is incapable of giving rise to an approval requirement pursuant to Regulation 5 of the Regulations.

**1.6 *Indicate whether the parties are making a joint application.***

The Notifying Parties are making a joint application.

However, please note that certain of the information and submissions contained in this MAF is provided / are made by the Purchaser only (including all such information and submissions that relate exclusively to the Sandpiper Group and its business, and its future intentions for the Target Group).

The Seller has not verified and makes no representations as to the accuracy of such information or submissions.

**1.7 *What is the expected timescale for exchange of contracts and completion of the merger?***

A share purchase agreement in relation to the Transaction (the "**SPA**") was entered into on 15 September 2016 and amended by an amendment letter agreement dated 7 December 2016 (the "**Amendment Letter**") and an amendment and restatement agreement dated 14 March 2017 (the "**Amendment and Restatement Agreement**"). A copy of the SPA is provided at **Annex 3**; a copy of the Amendment Letter is provided at **Annex 3A** and a copy of the Amendment and Restatement Agreement is provided at **Annex 3B**. A copy of the disclosure letter in connection with the SPA is provided at **Annex 4**.



The approval of the Transaction by the JCRA is one of various conditions precedent to Completion.

The Notifying Parties are proceeding on the basis that, subject to all conditions being satisfied, the Transaction will complete by the end of April 2017 ("**Completion**"), although Completion may take place later depending on when all of the conditions precedent (some of which require third party input) are satisfied.

## **1.8 Indicate whether any of the parties or their parent entities have previously received merger approval in Guernsey or Jersey.**

### **1.8.1 Seller /Target Group**

Case No.	Purchaser	Seller	Description	Industry	Decision
M114/07	Spar (Channel Islands) Limited	CI Newsagents Limited	Acquisition of 11 convenience stores and 2 Pickwicks newsagents	Retail convenience stores and newsagents	Conditionally approved 19/09/07

### **1.8.2 Purchaser / Sandpiper Group**

Case No.	Purchaser	Seller	Description	Industry	Decision
M133/07	Sandpiper Bidco Limited	C.I. Traders Limited	Acquisition of entire issued share capital	Distribution and vending of tobacco; manufacture of convenience bakery supplies, and marine accessories; manufacture, bottling, distribution and vending of alcoholic and non-alcoholic beverages; production, processing and preserving of meat products; provision of financial intermediation, IT services, public houses, real estate activities, and restaurants; publication of magazines, maps, and guides; rental of audio-visual products; retail sale of alcohol, groceries, and motor fuel; wholesale distribution of biscuits, cleaning and hygiene products, confectionery (to vending machines), convenience bakery products, fish and produce, frozen goods, health and beauty products, and meat products	Approved 27/07/07
M178/08	Juland Limited	SandpiperCI Limited	Acquisition by Jutland of the Sandpiper Group's pub estate, drinks and tobacco distribution and brewery business	Hospitality, manufacturing of beer, distribution of alcoholic and non-alcoholic beverages, tobacco products and snack foods	Approved 02/07/08
M431/09	Financière SDH	Mary Ann SARL	Acquisition by Financière SDH of Mary Ann SARL (which was then a member of the Sandpiper Group)	The production and distribution of carbonated and non-carbonated non-alcoholic drinks	Approved 14/07/09
M601	Waitrose Limited	Sandpiper Topco Limited	Acquisition by Waitrose of the Sandpiper Group's supermarket business	Food and grocery retail	Approved 30/07/10

Case No.	Purchaser	Seller	Description	Industry	Decision
1145J	Bidvest Foodservice International Limited	SandpiperCI Retail Limited	Acquisition by Bidvest Foodservice International Ltd of Cimandis Ltd from SandpiperCI Retail Ltd	Manufacturing, wholesaling and distribution of food, drink and non-food products to the foodservice and retail industries.	Approved 29/06/15

**1.9 List any other competition authorities to whom the merger has been notified.**

The Transaction does not require notification to any other competition authorities anywhere in the world.

**1.10 List any other regulatory body, whether in Guernsey or Jersey or elsewhere, that has been notified or will be notified of the merger. Please describe any pre-completion requirements that have been imposed and the expected satisfaction date of any such requirements.**

It may be necessary to seek the consent of the Jersey Financial Services Commission pursuant to the consents issued to the Target Group under the Control of Borrowing (Jersey) Order 1958. It is anticipated that, if required, any such consent(s) would be obtained well in advance of any JCRA approval.

It may be necessary, in order to give effect to the transfer of the Carved-out Stores (as defined below) from the Target Group prior to Completion, to notify the Transaction to the Population Office under the Control of Housing and Work (Jersey) Law 2012 and/or obtain a new licence thereunder, as certain employees will be transferred from one of the Seller's group companies to another.

**2. DESCRIPTION OF THE MERGER**

**2.1 Provide an executive summary of the merger, describing the parties involved and their areas of activity, a brief description of the business/es being acquired and their areas of activity, the reasons for the merger and the nature of the transaction (i.e. statutory merger, share or asset acquisition, joint venture, public offer).**

**2.1.1 Parties**

The parties to the Transaction are the Seller (as seller) and the Purchaser (as purchaser). The target is the Target Group, which operates the Target Business.

**2.1.2 Parties' areas of activity**

**2.1.2.1 Seller**

The Seller is the parent company of the Target Group.

Its business is acting as the franchisee of the Costcutter franchise in Jersey and the employer of certain managerial and back-office staff in connection with the operation of that franchise.

The Convenience Stores operated by the Target Group will on Completion be as follows:

*Outside of St Helier town:*

- (a) the Costcutter at La Route de St Aubin, St Helier (Millbrook);
- (b) the Costcutter at Main Road, Gorey Village, Grouville;
- (c) the Costcutter at Augres Garage, La Route de la Trinité, Trinity;
- (d) the Costcutter at Links Hault, St Brelade, Vingtaine de la Moie;
- (e) the Costcutter at Haute Croix, La Grande Route de St Jean, St John;

*Within St Helier town:*

- (f) the Costcutter at 2/4/6 Belmont Road, 79 Bath Street, St Helier;
- (g) the Costcutter at 1 - 5 Roseville House, Colomberie, St Helier;
- (h) the Costcutter at Unit 3, Spectrum, Gloucester Street, St Helier;
- (i) the Costcutter at 1, 3, 5, 7 and 9 Union Street, St Helier;
- (j) the Costcutter at No.2 Colomberie, Snow Hill, St Helier;
- (k) the Costcutter at No.2 and No. 3 New Town Buildings, David Place, St Helier;
- (l) the Costcutter at 1 Pier Road, St Helier; and
- (m) the Costcutter at 1 & 2 Lewis Street and 61, 63 & 65 Kensington Gate, St Helier.

**2.1.2.2 Purchaser**

The Sandpiper Group was established in 2007.

The Sandpiper Group's core strategy has been to reconfigure the group around its successful food retailing business and to develop its partnership with key UK retail partners. The Sandpiper Group is in the process of entering other markets in mainland Europe as it seeks to establish new avenues for growth and leverage the group's knowledge and relationships with major UK brands.

Currently the Sandpiper Group operates franchises for the following brands: Burger King, Costa, Crew Clothing Company, George, Hotel Chocolat, Iceland, Jack Wills, Moss Bros, M&S and The Cornish Bakery.

The Sandpiper Group also operates its own stores under the following brands: Benest / Food Hall, Checkers Xpress, Pound PowEr, The Bakery and Wine Warehouse.

For more information please see <http://www.sandpiperpci.com>.

### **2.1.3 Brief description of the business/es being acquired and their areas of activity**

The Target Group consists of the holding, operating and property holding companies that operate the Costcutter convenience store franchise in Jersey (the Seller being the franchisor of that franchise and providing management and back-office support to the Target Group in relation to that business).

Pursuant to the Transaction the Purchaser will acquire the Target Group by share transfer and will therefore be acquiring materially all of the Seller's business.

The parties have agreed that, prior to Completion, all of the property and undertaking that relates to the Target Group's stores located at:

- (a) St Ouen's Motor Works, La Grande Route de St Ouen;
- (b) Rue de L'Eglise, St John; and
- (c) La Grande Route de la Cote, St Clement (Green Island,

(the "**Carved-out Stores**"), including the employees of the Target who work exclusively at those stores, the leases held by the Target for the St John and Green Island stores and all operating assets including stock associated with the Carved-out Stores shall be transferred out of the Target Group as a going concern and therefore not form part of the Transaction.

The stores that will be owned by the Target Group from Completion (ie all Target Group stores other than the Carved-out Stores) will be re-branded by Sandpiper and will no longer be operated under the Costcutter franchise. [REDACTED]

### **2.1.4 Reasons for the Transaction**

#### *2.1.4.1 Seller*

[REDACTED]

#### *2.4.1.2 Purchaser*

The Transaction is a strategic acquisition for the Sandpiper Group to expand its retail offering in to parts of Jersey in which it does not currently operate and strengthen its retail offering in St Helier.

### **2.1.5 Structure of the Transaction**

The Transaction is structured as a sale and purchase of the entire issued share capital of the Target.

## **2.2 *Indicate whether the merger involves the whole of the parties involved, or whether some divisions or subsidiaries of the parties are not involved in the merger.***

### **2.2.1 Seller**

The Transaction represents a disposal of the majority of the Seller's business, excluding all of the property and undertaking that relates to the Carved-out Stores. Any residual contracts, leases etc following Completion which are no longer required in connection with the Carved-out Stores will be wound down in an orderly manner post-Completion.

### **2.2.2 Purchaser**

The Purchaser has existing business interests as summarised at paragraph 2.1 above and therefore its acquisition of the Target Group will not following Completion represent the entirety of its business interests.

## **2.3 *Provide a diagram showing the structure of the parties involved (including any companies which have ultimate control of the parties to the merger) before and after completion of the merger.***

### **2.3.1 Seller**

Structure charts setting out the structure of the Seller's Group pre- and post-Completion are set out at **Annex 1**.

Please note that, pursuant to the SPA, New Street Stores Limited, S&M Holdings Limited, Millbrook Grocers Limited and Taysi Holdings Limited, all of which are members of the Target Group but are inactive, are required to be wound up before Completion and so will not transfer to the Purchaser at Completion. They have now been wound up (please see **Annex 7** for evidence of this). They are not therefore included in the post-Completion structure chart for the Seller's Group.

In addition, pursuant to the Amendment and Restatement Agreement, St Ouen Grocers Limited, which holds the lease in relation to the St Ouen store and on Completion will own the Carved-out Stores, will be transferred out of the Target Group prior to Completion, and so will not transfer to the Purchaser as part of the Transaction. It is therefore included in the post-Completion structure chart for the Seller's Group.

Following completion of the Transaction the Seller's group will only comprise of the Seller, its holding company, Mud Hut (Jersey) Limited, and St Ouen Grocers Limited.

### 2.3.2 Purchaser

Structure charts setting out the structure of the Sandpiper Group pre- and post-Completion are set out at **Annex 2**.

Following Completion the Target Group will sit below the Purchaser in the existing structure. The Transaction will not otherwise affect the structure of the Sandpiper Group.

As noted above, pursuant to the SPA, New Street Stores Limited, S&M Holdings Limited, Millbrook Grocers Limited and Taysi Holdings Limited are required to be wound up before Completion and so will not transfer to the Purchaser at Completion (and have now been wound up), and St Ouen Grocers Limited will be transferred out of the Target Group prior to Completion. They are not therefore included in the post-Completion structure chart for the Sandpiper Group.

### 2.4 *Provide details of any ancillary arrangements between the parties or their parent entities that you believe are directly related and necessary to implement the merger.*

The Notifying Parties confirm that no such arrangements exist. In particular, all arrangements relating to the transfer of St Ouen Grocers Limited and the winding up of New Street Stores Limited, S&M Holdings Limited, Millbrook Grocers Limited and Taysi Holdings Limited are contained in the SPA and amendments thereto.

The Notifying Parties would however note that there will be certain technical documents, such as share transfer forms, lease assignments, employee novations etc, to which the Seller and/or members of its Group will be party and to which members of the Target Group will be party in order to give effect to the transfer out of the Carved-out Stores, as contemplated by the SPA as amended and restated by the Amendment and Restatement Agreement.

### 2.5 *Provide a copy of the agreement between the parties effecting the merger (if available), and all ancillary agreements.*

A copy of the SPA is provided at **Annex 3**. Copies of the Amendment Letter and the Amendment and Restatement Agreement are provided at **Annexes 3A and 3B**. A copy of the disclosure letter in connection with the SPA is provided at **Annex 4**.

Please see paragraph 2.4 above in connection with certain technical ancillary documents (which have not yet been entered into). The Notifying Parties would be happy to provide copies of such documents when they are entered into on request.

There are no agreements in place pursuant to which the Sandpiper Group will be able to exercise material influence or control over the Carved-out Stores, but the Sandpiper Group may agree to supply products to the Carved-out Stores following Completion on a nonexclusive basis on terms that do not enable the Sandpiper Group to dictate product pricing, product range or other commercial terms of business.

- 2.6 Provide copies of all internal and/or external studies, analyses, reports, and surveys prepared by or for any of the parties for the purpose of assessing or analysing the benefits or effects of the merger on markets, market shares, competition, competitors, potential for sales growth or expansion into new markets, and indicate (if not otherwise contained in the document itself) the date of preparation, and the name and title of the principal person who prepared each document. This includes any documents submitted to or prepared for any member/s of the board of directors and/or the shareholders' meeting for the purposes of assessing and analysing the merger.**

The Notifying Parties have not undertaken any external studies or prepared or commissioned any external analyses, reports, or surveys.

The results of all internal studies and analysis undertaken by the Notifying Parties in conjunction with their respective legal counsel are embodied in this Merger Application Form.

- 2.7 If the proposed transaction is a public bid, provide a copy of the Offer Document and Listing Particulars.**

The Transaction is not a public bid.

- 2.8 Provide a copy of any press release (including those in specialist or trading journals) announcing the merger and details of any official notifications to stock exchanges.**

A copy of the Sandpiper Group press release is provided at **Annex 5**. The Seller did not issue a press release. No stock market notifications are necessary or have been made.

### **3. DETAILS OF THE PARTIES**

- 3.1 Specify the industries, in Guernsey and/or Jersey and abroad, in which the parties to the merger, or, if different, their corporate groups, are active.**

Please refer to paragraph 2.1 above.

In addition, for reference, the Target Group and the Sandpiper Group operate in the following business sectors by reference to NACE Codes:

#### **3.1.1 The Target Group**

Industry	NACE Code	Location(s)
Retail sale of groceries	G47.1 - Retail sale in non-specialised stores	Jersey
Retail sale of motor fuel	G47.30 - Retail sale of automotive fuel in specialised stores	Jersey
Real estate activities	L68 - Real estate activities <sup>2</sup>	Jersey

The Target Group does not have any activities in any other business sector in Jersey and has no business in Guernsey.

<sup>2</sup> This relates to some flats above shops which are subject of leases, and is not a core business of the Target Group

### 3.1.2 The Sandpiper Group

Industry	NACE Code	Location(s)
Retail sale of groceries	G47.1 - Retail sale in non-specialised stores; NACE Code G47.1.1 – Retail sale in non-specialised stores with food, beverages or tobacco predominating. In addition to groceries, the Seller Group sells a range of other items in its supermarkets, including cosmetic and toilet articles, household equipment, homeware, cultural and recreational goods such as newspapers, books, DVDs and games	Jersey, Guernsey
Retail sale of alcohol	G47.25 - Retail sale of beverages in specialised stores	Jersey, Guernsey
Retail sale of motor fuel	G47.30 - Retail sale of automotive fuel in specialised stores	Jersey, Guernsey
Retail sale of clothing	G47.7 – Retail sale of other goods in specialised stores	Jersey, Guernsey
Retail sale of coffee and other beverages	G47.2.5 – Retail sale of beverages in specialised stores	Jersey, Guernsey
Retail sale of food and beverages	G47.2 – Retail sale of food, beverages and tobacco in specialised stores <sup>3</sup>	Jersey, Guernsey
Retail sale of furniture, lighting equipment and other household articles	G47.5.9 - Retail sale of furniture, lighting equipment and other household articles in specialised stores	Jersey, Guernsey
Real estate activities	L68 - Real estate activities	Jersey, Guernsey

The Sandpiper Group does not have any activities in any other business sector in Jersey or Guernsey.

### 3.2 *Provide the turnover for each party involved in the merger and, if different, their corporate groups, (i) worldwide, (ii) in Guernsey and (iii) in Jersey, for the last financial year for which such information is available and for any available interim period in the current year.*

#### 3.2.1 Seller

Turnover information in relation to the Seller and its group will be provided as **Seller Confidential Annex SC1**.

#### 3.2.2 Purchaser

Turnover information in relation to the Purchaser and the Sandpiper Group will be provided to the JCRA as **Purchaser Confidential Annex PC1**.

<sup>3</sup> Noting that the specialised food and beverage stores (eg Costa, The Cornish Bakery) do not sell tobacco products



**3.3 Provide copies of the most recent annual reports, or (if no annual reports are available) the most recent audited financial statements, of the parties to the merger and, if different, their corporate groups.**

**3.3.1 Seller**

A copy of the most recent annual financial statements of the Seller and its group will be provided as **Seller Confidential Annex SC2**.

Further, updated financial information for the Target Group is provided at **Annex 7**.

**3.3.2 Purchaser**

A copy of the most recent annual report of the Sandpiper Group will be provided as **Purchaser Confidential Annex PC2**.

**4. EFFECTS ON COMPETITION**

**4.1 Specify each category of good or service produced, supplied, distributed or otherwise sold in Guernsey and/or Jersey during the previous two years by each party involved in the merger and provide each party's sales in Guernsey and/or Jersey for each category listed.**

Given that the Transaction requires JCRA approval in Jersey only and the Target Group has no turnover in Guernsey, the information provided relates to Jersey only.

**4.1.1 Seller and the Target Group<sup>4</sup>**

Category of goods and services	Sales 2015 (£m)	Sales 2016 (stores subject of Transaction) (£m) <sup>5</sup>	Sales 2016 (Carved-out Stores) (£m)
Retail sale of groceries	[REDACTED]	[REDACTED]	[REDACTED]
Retail sale of motor fuel	[REDACTED]	[REDACTED]	[REDACTED]
Real estate activities	[REDACTED]	Not known	Not known

**4.1.2 Purchaser<sup>6</sup>**

Industry	Sales 2015 (£m)	Sales 2016 (£m)
Retail sale of groceries	[REDACTED]	[REDACTED]
Retail sale of alcohol	[REDACTED]	[REDACTED]
Retail sale of motor fuel	[REDACTED]	[REDACTED]
Retail sale of clothing	[REDACTED]	[REDACTED]
Retail sale of coffee and other beverages	[REDACTED]	[REDACTED]
Retail sale of food and beverages	[REDACTED]	[REDACTED]
Real estate activities	[REDACTED]	[REDACTED]

<sup>4</sup> Source: Reports provided to the Target Group by its accountants based on monthly management accounts. As monthly figures are used, sales can be calculated for the calendar year notwithstanding that it does not march the Target Group's financial year.

<sup>6</sup> Source: Sandpiper Group management accounts.

**4.2 With reference to CICRA Guideline 7 - Market Definition, explain what you consider to be the economic market(s) for the purpose of assessing the competition effects of the merger, giving reasons. Markets should be defined in terms of (i) product; and (ii) geography.**

**4.2.1 Summary**

Please see below for detailed market descriptions and definitions. By way of summary:

Product market	Geographic market	Reason market is relevant to Transaction
<b>Primary economic markets</b>		
General Stores Market (consisting of the inter-related sub-markets of Convenience Stores, Supermarkets, and Other General Stores)	0.5 to 1 mile radius around each Convenience Store	Both the Sandpiper Group and the Target Group are suppliers in this market and therefore the Transaction has possible horizontal effects
Road Fuel Retail Market: Wholesale Purchase of Road Fuel Market	Whole of the island	Both the Sandpiper Group and the Target Group are consumers in this market and therefore the Transaction has possible horizontal effects
Road Fuel Retail Market: Retail Sale of Road Fuel Market	Whole of the island	Both the Sandpiper Group and the Target Group are suppliers in this market and therefore the Transaction has possible horizontal effects
<b>Secondary and sub- economic markets</b>		
General Stores Market	Quintiles (described in more detail below), relevant for considering overall market power of respective competitors in General Store Market	Both the Sandpiper Group and the Target Group are suppliers in this market and therefore the Transaction has possible horizontal effects
Supermarkets sub-market	Whole of the island (in effect – specifically a 15 minute drive time radius)	The Sandpiper Group is a supplier in this market and it is therefore relevant in a conglomerate merger context only
Other General Stores sub-market	Same as for Convenience Stores (see above)	The Sandpiper Group is a supplier in this market and it is therefore relevant in a conglomerate merger context only
Specialist Retail Market: cookware	Whole of the island	The Sandpiper Group is a supplier in this market and it is therefore relevant in a conglomerate merger context only
Specialist Retail Market: linen, towels and bedding	Whole of the island	The Sandpiper Group is a supplier in this market and it is therefore relevant in a conglomerate merger context only
Specialist Retail Market: women's clothing	Whole of the island	The Sandpiper Group is a supplier in this market and it is therefore relevant in a conglomerate merger context only
Specialist Retail Market: men's clothing	Whole of the island	The Sandpiper Group is a supplier in this market and it is therefore relevant in a conglomerate merger context only
Specialist Retail Market: children's clothing	Whole of the island	The Sandpiper Group is a supplier in this market and it is therefore relevant in a conglomerate merger context only
Specialist Retail Market: hire of men's formal ware	Whole of the island	The Sandpiper Group is a supplier in this market and it is therefore relevant in a conglomerate merger context only
Specialist Retail Market: home furniture	Whole of the island	The Sandpiper Group is a supplier in this market and it is therefore relevant in a conglomerate merger context only
Specialist Retail Market: premium chocolate products	Whole of the island	The Sandpiper Group is a supplier in this market and it is therefore relevant in a conglomerate merger context only

Product market	Geographic market	Reason market is relevant to Transaction
F&B Retail: barista-style coffee shops	On a "town centre" basis	The Sandpiper Group is a supplier in this market and it is therefore relevant in a conglomerate merger context only
F&B Retail: cafes, restaurants and coffee shops serving food and drinks in an informal setting	On a "town centre" basis	The Sandpiper Group is a supplier in this market and it is therefore relevant in a conglomerate merger context only
Sea Freight Market	Whole of the island	Both the Sandpiper Group and the Target Group are consumers in this market and therefore the Transaction has possible horizontal effects
International Land Freight Market	Whole of the island	Both the Sandpiper Group and the Target Group are consumers in this market and therefore the Transaction has possible horizontal effects
Wholesale F&B Market	Whole of the island	Both the Sandpiper Group and the Target Group are consumers in this market and therefore the Transaction has possible horizontal effects
Wholesale General Goods Market	Whole of the island	Both the Sandpiper Group and the Target Group are consumers in this market and therefore the Transaction has possible horizontal effects
Residential Letting Market	Whole of the island	Both the Sandpiper Group and the Target Group are suppliers in this market and therefore the Transaction has possible horizontal effects

In summary, the Notifying Parties consider the primary economic markets upon which the Transaction should be assessed for competition purposes are:

- (a) General Stores (as defined below), based on a geographic market of the individual Convenience Stores Markets (as defined at below), being the narrowest reasonable economic markets applicable to the transaction;
- (b) Road Fuel Retail Market: Wholesale Purchase of Road Fuel (as defined below), based on a geographic market of the whole of Jersey; and
- (c) Road Fuel Retail Market: Retail Sale of Road Fuel Market (as defined below), based on a geographic market of the whole of Jersey.

The Notifying Parties have also set out their analysis of the General Stores Market based on competition within geographic quintiles, as it is believed that this provides useful context for the consideration of the competition effects of the Transaction on the overall market power of the various competitors within the General Stores Market. A map of the quintiles (including the General Stores operated by the island's main retail groups and indicating drive times from a central reference point in each Quintile) is set out below (a higher resolution image can be provided on request):

The Notifying Parties believe that there is effective competition between General Stores that are within the same Quintile, but recognise that there is a shortage of empirical data available in order to demonstrate that the Quintile analysis should be preferred over the geographic markets CICRA has identified previously (ie. individual Convenience Store Markets). The Notifying Parties have therefore tested the competition effects of the Transaction based on the Convenience Store Market of a

0.5 to one mile radius around a specific store, and applied a one mile radius to each Target Group Convenience Store, noting the competing General Stores within each such radius.

The Notifying Parties confirm that they accept the assessment of the Transaction by the JCRA on the basis of individual Convenience Store Markets.

The Notifying Parties submit that this choice of geographic market takes a conservative approach to the potential impact of the Transaction on smaller geographic areas in which there may be acute competition effects, (and is the narrowest reasonable such geographic market interpretation), whilst the inclusion of all General Stores within these geographic markets (ie. other than just Convenience Stores) avoids unnecessarily distorting the analysis of the market by assuming that Convenience Stores, Supermarkets and Other General Stores do not meaningfully compete with one another.

#### **4.2.2 Basis for determining economic markets**

*CICRA Guideline 7* at page 12 states that "*the objective of defining a market is to identify those actual competitors of the businesses involved that are capable of constraining those businesses' behaviour and preventing them from behaving independently of effective competitive pressure.*"

The starting point for identifying those competitors is to ascertain all those products and/or services which are regarded as interchangeable or substitutable by the consumer, by reason of the products' characteristics, their prices and their intended use<sup>7</sup>.

In relation to geographic market, this is defined as "*the area over which substitution takes place*", asking whether, in the event of an undertaking behaving in a monopolistic fashion, could enough consumers switch to products sold in other areas for that to act as a constraint on such behaviour<sup>8</sup>.

The broad economic markets listed above as being relevant to the assessment of the Transaction will now be taken in turn and their product and geographical subdivisions detailed.

#### **4.2.3 Background information: further detail on The Sandpiper Group's business and the economic markets in which it operates**

The Sandpiper Group operates a number of retail outlets in the Channel Islands, selling a wide variety of food and beverage / grocery and general merchandise. It is submitted that those retail outlets can be divided into the following broad headings (which are examined in more detail below by reference to what are submitted to be

---

<sup>7</sup> See European Commission *Commission Notice on the definition of relevant market for the purposes of Community competition law* (97/C 372/03) at paragraph 7; Cases 7/72 and 7/72 *Europemballage and Continental Can Co v. Commission* at paras 32-24; Case 102/77 *Hoffman-La Roche v. Macrotron* at para 28; T-203/01 *Michelin v. Commission* at para 37

<sup>8</sup> See *CICRA Guideline 7* at page 12

the relevant economic markets for the purposes of the assessment of the Transaction):

- (a) food and beverage / grocery and general merchandise retail other than in specialised stores, specifically *"food and beverage / grocery and general merchandise retail other than in specialised stores including food (but not restaurants and coffee shops); drink (alcoholic and non-alcoholic); tobacco products and accessories; toiletries, nonprescription medicine, health care and optical goods; household and fabric cleaning products; small household goods (including pots, pans, cutlery); newspapers and periodicals; pet food and accessories; and stationery"* (the **"General Stores Market"**) under the brands Benest / Food Hall, Checkers Xpress, Iceland, M&S and Pound Power (please see below for further detail);
- (b) retail in specialised stores (the **"Specialist Retail Market"**) under the brands Crew Clothing Company, George, Hotel Chocolat, Jack Wills, Moss Bros and Wine Warehouse, where a Wine Warehouse outlet does not form part of another food and beverage / grocery retail outlet within the first heading above);
- (c) retail of food and beverages from cafes, restaurants and coffee shops (referred to below as the **"F&B Retail Market"**) under the brands Burger King, Costa, M&S Café, The Bakery and The Cornish Bakery; and
- (d) the retail sale of motor fuels (referred to below as the **"Road Fuel Retail Market"**).

#### **4.2.4 Background information: further detail on the Target Group's business and the economic markets in which it operates**

The Target Group operates a number of convenience stores in Jersey, all of which fall within the General Stores Market. Certain of those convenience stores also undertake the retail sale of motor fuels and therefore participate in the Road Fuel Retail Market.

All of the Target Group's retail outlets are currently operated as part of the Costcutter franchise under the Costcutter brand.

#### **4.2.5 The economic market(s) relevant to the Transaction: general**

##### **4.2.5.1 Primary economic markets: overlaps between the General Stores Market, the Specialist Retail Market F&B Retail Market and proper segmentation of the same**

It is submitted that, whilst the Sandpiper Group is active in the General Stores Market, the Specialist Retail Market and the F&B Retail Market (all of which may sell certain products which are interchangeable), for the purposes of assessing the Transaction the General Stores Market should be differentiated from the Specialist Retail Market and the F&B Retail

Market because the products offered, and the manner in which they are offered, are not properly interchangeable. For example, a consumer would not go to any of the outlets identified above as falling within the Specialist Retail Market or the F&B Retail Market to purchase products that they would generally be expected to purchase from a retail outlet within the General Stores Market (for example to buy ingredients for cooking at home, batteries, cleaning products etc). Further detail as to the basis for making such a differentiation is given below in examining how economic markets should be properly assessed.

If such a differentiation is accepted, given:

- (a) that the Transaction is principally one of a horizontal nature; and
- (b) the nature of the retail outlets operated by the Target Group,

it is submitted that the main economic markets relevant to the Transaction are:

- (i) the General Stores Market; and
- (ii) the Road Fuel Retail Market.

Further, it is necessary to consider the correlative supply-side economic markets in which the Sandpiper Group and the Target Group are customers / consumers in relation to the foregoing economic markets. These are considered below, and an overall summary of the primary economic markets relevant to the Transaction is set out at paragraph 4.2.8 below.

#### *4.2.5.2 Secondary economic markets*

Given the terms of Article 4 of the Order, it is necessary (notwithstanding the Transaction being principally of a horizontal nature) to consider whether the Sandpiper Group and/or the Target Group has a 40% or greater share of supply in any product or services market even where there is no horizontal overlap. This is considered below by reference to relevant economic markets.

It is further submitted that the Sandpiper Group's and the Target Group's real estate activities are not relevant for the purposes of assessing the Transaction, given that these are non-core activities undertaken simply to increase the capital utilisation of retail premises principally occupied for the purposes of retail activities (by renting out residential units above them). However, this economic market (described below as the "**Residential Letting Market**") has been considered further below.

## 4.2.6 Primary economic markets: the General Stores Market

### 4.2.6.1 Product market: the General Stores Market in general

In its report *The supply of groceries in the UK market investigation* of 30 April 2008 (the "**CC Grocery Report**"), the UK Competition Commission defined "groceries" as "*food (other than that sold for consumption in the store), pet food, drinks (alcoholic and non-alcoholic), cleaning products, toiletries and household goods*", excluding "*petrol, clothing, DIY products, financial services, pharmaceuticals, newspapers, magazines, greetings cards, CDs, DVDs, videos and audio tapes, toys, plants, flowers, perfumes, cosmetics, electrical appliances, kitchen hardware, gardening equipment, books, tobacco and tobacco products*".

As noted by the UK Competition Commission in the CC Grocery Report (emphasis added), "*This definition of groceries ensures that the competition test is focused on grocery stores defined in line with our terms of reference. It is important to note that this definition of groceries is different from the one to be used by the OFT in the market share assessment (where it is important to have a definition that allows grocery floorspace to be measured—see paragraph 11.115)*".

Paragraph 11.115 of that report goes on to confirm that "*in devising the questionnaire that we sent to the main parties at the outset of this inquiry, we were told by the retailers that it was difficult for them to provide data on the basis of this definition... We therefore consider that the definition of 'groceries' for the purpose of the calculation of groceries sales area in the market share limb of the competition test should be the same as that used in our main party questionnaire, that is including: food (but not restaurants and coffee shops); drink (alcoholic and non-alcoholic); tobacco products and accessories; toiletries, nonprescription medicine, health care and optical goods; household and fabric cleaning products; small household goods (including pots, pans, cutlery); newspapers and periodicals; pet food and accessories; and stationery.*"

On the basis of the foregoing, the Purchaser submits as follows:

- (i) The more narrow definition of "groceries" as used in the CC Grocery Report should be limited to that report on the basis that:
  - (A) it was consistent with the terms of reference for that report, and not more generally; and
  - (B) the UK Competition Commission accepted that such a definition was too narrow and was not possible to enable a proper analysis to be undertaken from a retailer perspective.

- (ii) Consistent with the retailer questionnaire used by the UK Office of Fair Trading as referred to in the CC Grocery Report, the product market used to assess the Transaction should include *"food (but not restaurants and coffee shops); drink (alcoholic and non-alcoholic); tobacco products and accessories; toiletries, nonprescription medicine, health care and optical goods; household and fabric cleaning products; small household goods (including pots, pans, cutlery); newspapers and periodicals; pet food and accessories; and stationery"*.

The Purchaser therefore submits that the proper product market definition for the assessment of the Transaction in relation to the General Stores Market in general is *"food and beverage / grocery and general merchandise retail other than in specialised stores, including food (but not restaurants and coffee shops); drink (alcoholic and non-alcoholic); tobacco products and accessories; toiletries, nonprescription medicine, health care and optical goods; household and fabric cleaning products; small household goods (including pots, pans, cutlery); newspapers and periodicals; pet food and accessories; and stationery"*.

4.2.6.2 *Sub-markets within the General Stores Market (Convenience Stores, Supermarkets and Other General Stores): categorisation based on previous CICRA decisions*

CICRA has consistently adopted a practice of dividing what is referred to in this application as the "General Stores Market" on the basis of the characteristics of certain varieties of outlet, with reference to consumer behaviour in purchasing *"household consumables and food and drink (including alcohol), products that consumers would fill a shopping basket with for a weekly shop"*<sup>9</sup> (hereafter referred to together as **"groceries"**, and retail outlets selling groceries being referred to as **"grocery stores"**). It is submitted that this is appropriate, as the range of products supplied by grocery stores of a certain size tend to be very similar, and therefore grocery stores of similar sizes and characteristics are themselves interchangeable from the point of view of the consumer.

Given the range of products sold by the Sandpiper Group and the Target Group that fall within the broader General Stores Market, and that all of those retail outlets sell groceries in some way, shape or form, it is submitted that, in the case of the Transaction, it is appropriate in order to fully understand the manner in which competition operates within the General Stores Market to look to the manner in which grocery retail outlets have been categorised and apply those categorisations to all of the retail outlets operated by the Sandpiper Group and the Target Group that fall within the broader General Stores Market. By doing so it will be possible to understand the manner in which and extent to which stores in

<sup>9</sup>

CICRA's Review of the Grocery Market in Jersey and Guernsey published on 31 January 2014



certain categories constrain the behaviour in the market of stores in other categories.

In its report on food prices in Jersey<sup>10</sup>, CICRA makes reference to a division in the grocery market between supermarkets and convenience stores.

"Supermarkets" have consistently been defined as those outlets where consumers are likely to do their "weekly grocery shop"<sup>11</sup>, and it is stated in CICRA's *Review of the Grocery Market in Jersey and Guernsey* (CICRA document CICRA 14/06) (the "**CICRA Grocery Survey**") that the M&S, Benest / Food Hall and Iceland stores then operated by the Sandpiper Group are considered to be part of this market (with 96% of residents polled saying that they did their weekly grocery shop in one of those outlets or another of the similar stores listed that are not operated by the Sandpiper Group).

The *Review of the Grocery Market in Jersey and Guernsey* goes on to make reference to "convenience stores" such as Checkers Xpress in Jersey. In decision M114/07 *Spar (Channel Islands) Limited and CI Newsagents Limited* it was decided that the market for convenience stores constituted "*all the retail outlets that offer at least the range of products defined as food and non-food products that are normally found in convenience shops that are open for at least some hours on Sundays*". The degree of overlap between the groceries available in a convenience store and a supermarket will vary considerably, although it is submitted that a convenience store would not carry a broad enough range of products to allow consumers to regularly utilise them for their weekly grocery shop (as was indeed the finding of the CICRA's poll carried out as part of its *Review of the Grocery Market in Jersey and Guernsey*).

A more concrete distinction between supermarkets and convenience stores which has been identified by CICRA (as noted above) is that convenience stores with a floor space of less than 700 square metres may open on Sundays, whilst supermarkets cannot. Such convenience stores cannot therefore be constrained by supermarkets on Sundays.

The distinction above is consistent with the UK Competition and Market Authority classification of grocery stores into "one-stop" stores, "mid-sized" stores and "convenience" stores<sup>12</sup>. The UK competition authorities have also adopted a floor space test as a rule of thumb for distinguishing between different types of grocery store<sup>13</sup>, although it is submitted that

---

<sup>10</sup> *Comparison of Food Prices in Jersey and the United Kingdom*, 11 October 2005, at page 3

<sup>11</sup> *Review of the Grocery Market in Jersey and Guernsey*, page 8

<sup>12</sup> Decision ME6529-15 (*Co-operative Group and Netto Limited*)

<sup>13</sup> See *Safeway plc and Asda Group Limited (owned by Wal-Mart Stores Inc); Wm Morrison Supermarkets PLC; J Sainsbury plc; and Tesco plc: A report on the mergers in contemplation*

the ranges that they quote would not be instructive in the Channel Islands, given the significant difference in population and available real estate. For the same reason, as set out below, it is submitted that in Jersey it is appropriate to divide the market into two rather than three different sizes of store.

It is therefore submitted that the groceries retail market in Jersey (and, for the reasons set out above, the General Stores Market) should be subdivided as follows:

- (a) supermarkets with a floor space of 700 square metres or greater ("**Supermarkets**");
- (b) convenience stores with a floor space of less than 700 square metres that open for at least some hours on Sundays ("**Convenience Stores**"); and
- (c) other retail outlets within the General Stores Market with a floor space of less than 700 square metres and that do not fall within either of the foregoing headings ("**Other General Stores**"), for example farm shops that do not carry a sufficient range of products to be categorised as a Convenience Store, retail outlets that have the main characteristics of a Convenience Store in terms of size and range of products but which are not open for at least some time on a Sunday.

The Purchaser further submits that:

- (i) the most significant sub-market within the General Stores Market for the assessment of the Transaction is Convenience Stores, given that all of the Target Group's stores are Convenience Stores; and therefore
- (ii) both the Supermarkets and Other General Stores sub-markets of the General Stores Market are secondary markets for the purposes of the assessment of the Transaction, both for the purpose of assessing the competition effects of the Transaction and for understanding the constraining effect that stores in each sub-market have on one another.

However, the Sandpiper Group is of the view that, for the majority of purposes, the more representative way to assess the competition effects of the Transaction is on the basis of all General Stores (rather than by differentiating between Supermarkets, Convenience Stores and Other General Stores), and dealing with differences between store types on an "exceptions" basis where relevant to a particular market analysis.

The factors relevant to such a view include the following:

- (i) the size of the island;
- (ii) the low availability of large out-of-town retail sites, meaning there are very few General Stores in Jersey that could truly be categorised as Supermarkets in terms of size, parking availability and other such factors, when compared to the UK; and
- (iii) the Sandpiper Group's internal research, which indicates that many consumers in Jersey could be described as "promiscuous shoppers", who are not wedded to a particular retail outlet and will "shop around" for the best deals (and use different types of store for different products based on their personal preference).

Taken together these factors present a market that functions differently from that in the UK, with a larger number of smaller stores (see paragraph 4.19.3), and a market within which consumers are able to split their shopping requirements across a range of stores depending on their lifestyle and personal preferences (see paragraph 4.15.1 below for a detailed analysis of how Supermarkets, Convenience Stores and General Stores constrain one another).

The Notifying Parties are of the view that, in light of the factors set out above, the appropriate product market on which to assess the Transaction's effect on competition is that of all General Stores, and that dividing this market strictly between Convenient Stores and Supermarkets would lead to an artificially distorted analysis that ignores the very real interaction between those different types of stores, and the choices that they present to consumers.

#### 4.2.6.3 *Sub-markets within the General Stores Market (Convenience Stores, Supermarkets and Other General Stores): consumer-based categorisation by reference to the CICRA Grocery Survey and other relevant factors*

It is submitted that the distinction referred to at paragraph 4.2.6.2 above as between Supermarkets, Convenience Stores and Other General Stores is too simplistic, as it does not take into account factors that are relevant to the categorisation of a General Store as a Convenience Store, Supermarket or Other General Store such as range of products, store ambience and (most importantly) consumer perception, factors which were taken into account in the CICRA Grocery Survey and resulted in a very different assessment of the market.

For example, a number of Sandpiper Group stores that were classified as Supermarkets in the CICRA Grocery Survey do not technically fall within the definition of a Supermarket (and instead technically fall within the definition of a Convenience Store). The Notifying Parties consider that these stores should properly be classified as Supermarkets, although please see paragraph 4.15.2 below where the Purchaser has highlighted

specific cases where it considers that such a categorisation could lead to an anomalous result.

It is important to note that the *Spar* decision was made in September 2007, whereas the CICRA Grocery Survey, published in January 2014, was based on a consumer survey carried out between May and June 2013. The CICRA Grocery Survey therefore post-dates the *Spar* decision by some six years and is based on actual Jersey consumer data (rather than an adaptation of the UK competition position), and in the view of the Purchaser is a better representation of the manner in which the General Stores Market can be divided into separate sub-markets than the more technical test set out in the *Spar* decision.

That said, within the CICRA Grocery Survey itself there are categorisations which the Notifying Parties consider to be potentially problematic, specifically that stores such as Co-op *Locale* could be interpreted as being implicitly treated as Supermarkets<sup>14</sup>, where as the Notifying Parties consider that they should properly be treated as Convenience Stores.

Taking into account all of the above, the Notifying Parties consider that, to the extent such a differentiation is appropriate, the stores within the General Stores Market operated by the major retail groups in the island should properly be categorised as set out below, which follows the categorisations set out in the *Spar* decision but assigns the relevant stores to each category based on the results and themes set out in the CICRA Grocery Survey:

- (i) the following should properly be categorised as Supermarkets, whether or not they technically fall within or outside of the relevant definition per the *Spar* decision (although please see paragraph 4.15.1.2 below where the Purchaser has highlighted specific cases where it considers that such a categorisation could lead to an anomalous / misleading result):
  - (A) M&S food halls;
  - (B) those Iceland stores that were open at the time the CICRA Grocery Survey was conducted;
  - (C) those Food Hall stores that were open at the time the CICRA Grocery Survey was conducted, with the exception of the Castle Quay Food Hall, which the Notifying Parties consider has all have the main characteristics of a Convenience Store despite its

<sup>14</sup>

By implication; see the last paragraph of section 1.1 of the CICRA Grocery Survey: "*While this study focusses on supermarkets, we acknowledge that sales of groceries also take place at fuel forecourts such as Co-op enroute and Checkers Xpress, at convenience stores such as Checkers Xpress in both islands and Island Shopper in Guernsey...*" etc

branding, and should therefore be properly considered a Convenience Store;

- (D) the Checkers Xpress in Bath Street, St Helier (which is branded as a Checkers Xpress but falls within the Supermarket definition and has all of the other relevant factors which point to it being a Supermarket);
  - (E) Co-op *Grand Marché*;
  - (F) Waitrose; and
  - (G) Alliance; and
- (ii) the following should properly be categorised as Convenience Stores, whether or not they technically fall within or outside of the relevant definition above:
- (A) all Checkers Xpress stores (other than the Checkers Xpress in Bath Street, St Helier);
  - (B) all Costcutter stores;
  - (C) those Iceland stores that have opened since the time the CICRA Grocery Survey was conducted (which all have the main characteristics of Convenience Stores despite their branding);
  - (D) those Food Hall stores that have opened since the time the CICRA Grocery Survey was conducted, plus the Castle Quay Food Hall (see above);
  - (E) all Co-op *Enroute* stores; and
  - (F) all Co-op *Locale* stores.

References in the remainder of this document and its annexures to Supermarkets and Convenience Stores, to the extent operated by the major retail groups in the island, are by reference to the categorisations set out above, and not to the technical definitions of Supermarkets and Convenience Stores (again noting that in paragraph 4.15.1.2 below the Purchaser has highlighted specific cases where it considers that such a categorisation could lead to an anomalous / misleading result). The remainder of the General Stores in the island are categorised in this document on the basis set out in paragraph 4.2.6.3 above.

Also as set out at paragraph 4.2.6.2 above, whilst we have continued to analyse the functioning of the groceries market on the basis of the sub-markets of Convenience Stores, Supermarkets and Other General Stores,

it is noted that the stores within these separate categories of General Store operate to a varying extent as competitive constraints on one-another, and it would be artificial and misleading to present detailed market data based on the assumption that only Convenience Stores compete with other Convenience Stores, and only Supermarkets compete with Supermarkets. Therefore it remains our submission that the relevant primary market for the purposes of assessing the Transaction is the General Stores Market.

Whilst the JCRA may not want to make a definitive assessment as to the proper product market(s) within General Stores, the Notifying Parties ask that the JCRA assesses this transaction on the basis of all General Stores on the basis that, given the business of the Purchaser, this is more representative.

#### 4.2.6.4 *Geographic Market*

CICRA has previously noted that the geographic market for grocery stores that are different sizes (and therefore correspondingly used by consumers in different ways) should be treated as having different geographic markets<sup>15</sup>. In particular, it was noted that convenience stores have a "catchment area", within which consumers will be willing to travel and "*from which most of its customers will originate*". In this decision, CICRA follows UK precedent<sup>16</sup>, which states that convenience stores compete with other convenience stores within a five-minute drive-time and a one-mile radius in all areas and one-stop shops within a 10-minute drive time in urban areas or a 15 minute drive-time in rural areas, although CICRA instead uses a geographic "catchment area" of half a mile to a mile rather than the drive time (which CICRA confirms is also based on UK precedent).

In the context of Jersey it is submitted that the distinction between urban and rural areas is not significant, as the majority of the population either lives in a rural setting or in a small town.

Using the market definition of General Stores, the Notifying Parties consider that there is effective competition between General Stores on the basis of geographic "**Quintiles**" (four outside of St Helier town, determined on the basis of drive time around a central point, plus St Helier town), and that these Quintiles are therefore relevant for the assessment of the market power of the major competitors in the relevant product markets in the context of the island as a whole and are therefore relevant in assessing the competition effects of the Transaction.

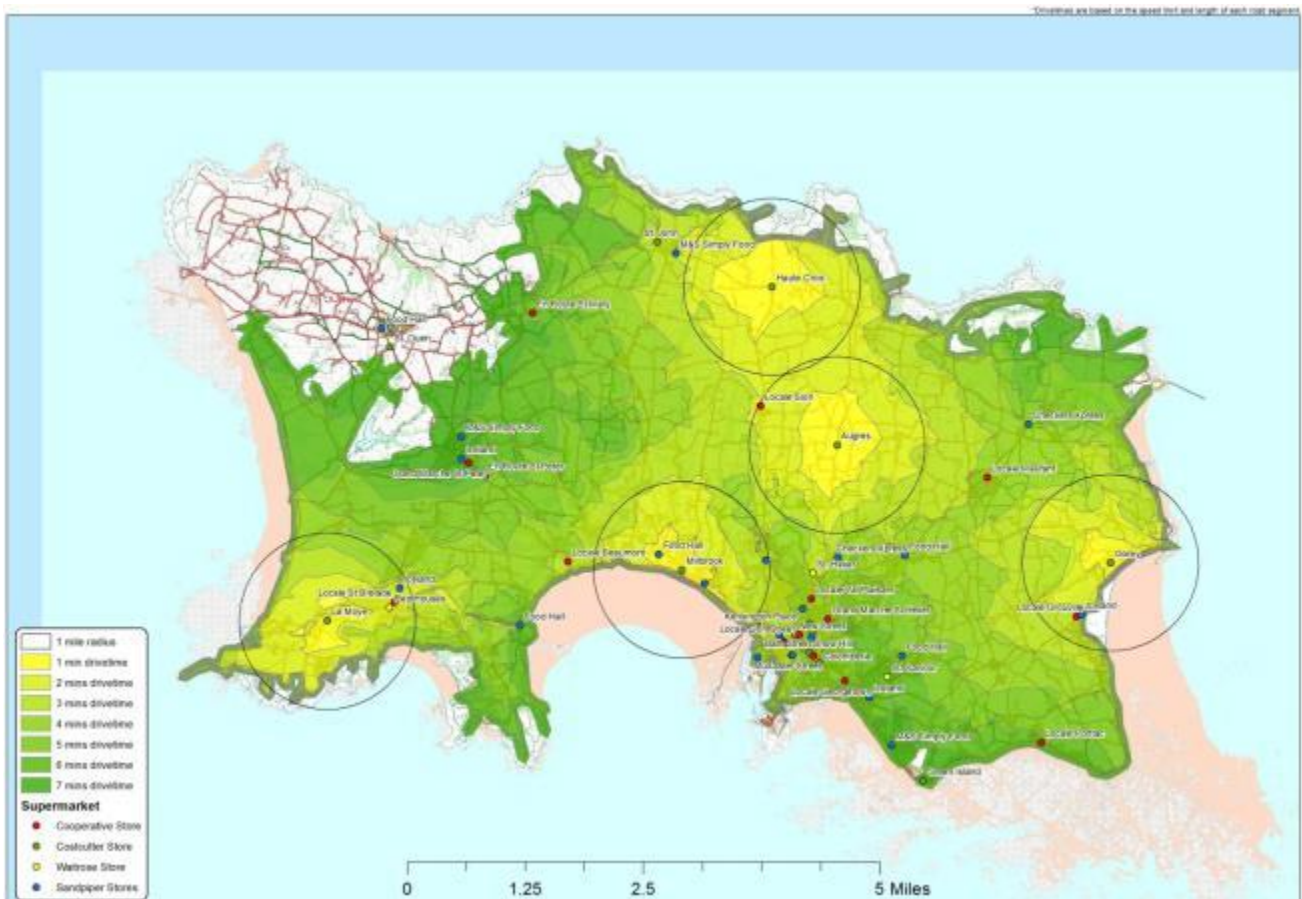
---

<sup>15</sup> Decision M114/07 *Spar (Channel Islands) Limited and CI Newsagents Limited*, at page 10

<sup>16</sup> Decision ME6529-15 *Co-operative Group and Netto Limited*

The factors relevant to such a view include the following:

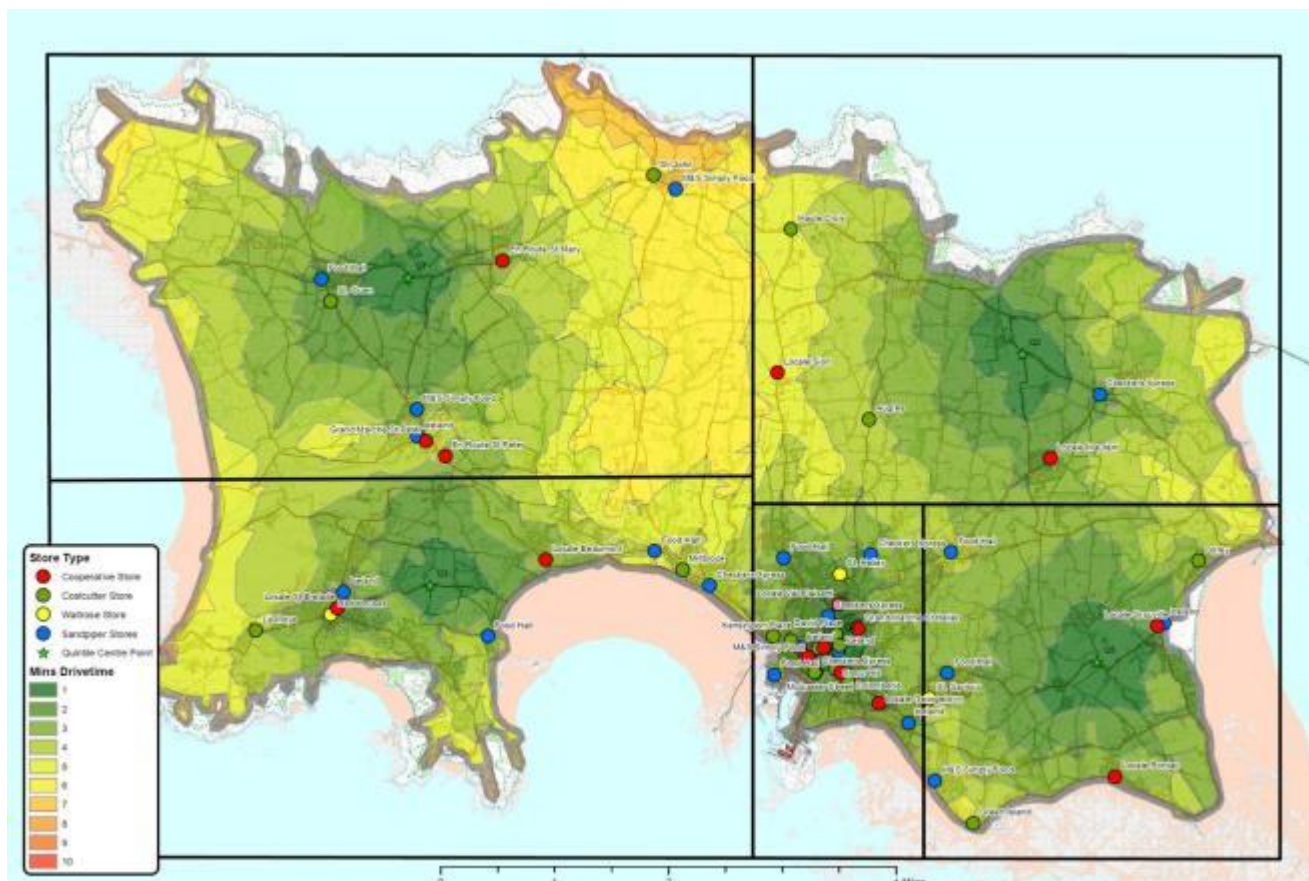
- (i) such an assessment is consistent with the Purchaser's experience operating General Stores in Jersey;
- (ii) such an assessment is consistent with the manner in which the Purchaser's views the island for the purposes of its store development strategy;
- (iii) splitting the island into Quintiles takes into account the effect of the road network by reference to drive times:
  - (A) because of the size of the island and a relative over-supply of General Stores, consumers in Jersey are easily able to "shop around" for products amongst all types of General Stores and are able to "pick and choose" which retail outlets they use for particular products and particular purposes (see for example the map below, which plots the General Stores operated by each of the island's main retail groups together with an indication of the drive time from, and a one mile radius around, each of the Target Group General Stores which forms part of the Transaction and which is outside of St Helier);



- (B) the vast majority of the population of the island works in St Helier and is able to shop there as conveniently as at their local store (there are 24 Convenience Stores within a one mile radius in St Helier, plus various Supermarkets and Other General Stores);
- (C) General Stores on the main arterial routes in and out of the St Helier commercial centre are substantially used by commuters who pass by on their way to and from work;
- (D) consumers who live out of a town or village centre will frequently drive to a General Store, and it is not necessarily the case that they will always go to the store that is geographically closest to them;
- (E) the majority of consumers who travel to shop by car have relatively easy (and quick) access to a number of different types of General Store under a variety of fascias; and
- (F) the vast majority of consumers in each Quintile outside of St Helier town can access all of the General Stores within that quintile within a five or ten minute drive time.

A map of the Quintiles is set out below, potting the General Stores operated by each of the island's main retail groups, together with an indication of drive times from the central point within each Quintile:





However, in the absence of detailed market data to empirically test the reasoning set out above, and in order to assess the risks of a substantial lessening of competition on the most cautious basis, it is proposed that for the purposes of analysing the Transaction the geographic General Stores market in Jersey could also be sub-divided as follows, based on the sub-markets defined at paragraph 4.2.6 above:

- (a) Supermarkets could be considered to compete with other such outlets within a 15 minute drive-time (which, given the location of the Supermarkets in the island, creates an island-wide market); and
- (b) Convenience Stores and Other General Stores could be considered to compete with other such outlets within half a mile to a mile radius (each such geographic market being a separate "**Convenience Stores Market**"), being in the opinion of the Notifying Parties the narrowest reasonable geographic market that can be applied.

The Notifying Parties accept the assessment of the Transaction by the JCRA on the basis of the above geographic markets given the lack of empirical data to available to support (for example) the Quintile analysis. However, where relevant, available information based on the Quintile Analysis will be provided to give what the Purchaser considers to be a

more realistic picture of the potential impact of the Transaction on the relevant markets, taking into account Jersey consumer habits.

#### **4.2.7 Primary economic markets: the Road Fuel Retail Market**

##### *4.2.7.1 Product market*

In JCRA decision CICRA 14/64 *Proposed acquisition of Esso's wholesale road fuel supply business by Roberts Garages Ltd Case M1034J* the JCRA concluded that the Road Fuel Retail Market can be split in to two separate sub-markets, specifically:

- (a) *"one in which forecourts negotiate contracts for the provision of road fuel to their premises, namely the wholesale market for road fuel"* (the **"Wholesale Purchase of Road Fuel Market"**), and
- (b) *"another market where forecourts sell road fuels to end customers and compete with other forecourts for business, namely the retail market for road fuel"* (the **"Retail Sale of Road Fuel Market"**).

##### *4.2.7.2 Geographic market*

In the same decision, the JCRA affirmed that the proper geographic market for the Road Fuel Retail Market (including the Wholesale Purchase of Road Fuel Market and the Retail Sale of Road Fuel Market) is the whole of Jersey.

#### **4.2.8 Summary of submission as to primary economic markets relevant to the Transaction:**

Taking into account the foregoing, and given the nature of the Target Business, it is submitted that the primary economic markets relevant to the Transition (because both the Sandpiper Group and the Target Group are active in those economic markets as part of their principal retail businesses) are:

- (a) General Stores, assessed on the basis of individual Convenience Store Markets around each Target Group Convenience Store; and
- (b) the Road Fuel Retail Market, as a retailer within the Retail Sale of Road Fuel Market and a consumer / customer within the Wholesale Purchase of Road Fuel Market, in each case on an island-wide basis.

In addition, for the reasons set out in paragraph 4.2.6.4 above, the competition effects of the Transaction should also be considered on the basis of General Stores, assessed on the basis of each Quintile, as this informs any assessment of the market power of the Sandpiper Group and its competitors and therefore the competitive constraints on the Sandpiper Group.

The Residential Letting market is also relevant for the same reason, but the Sandpiper Group's and Target Group's participation in that market is *de minimis* and it is therefore treated in the remainder of this document as a secondary economic market.

#### **4.2.9 Secondary economic markets: general**

As stated above, the Purchaser submits that the Supermarkets, Other General Stores and Residential Letting markets should be treated as secondary markets for the purposes of the assessment of the Transaction, in the case of Supermarkets and Other General Stores on the basis that there is no horizontal overlap between the Sandpiper Group's and the Target Group's respective businesses in those economic markets, and in the case of Residential Lettings because that represents a non-core business for both the Sandpiper Group and the Target Group and in any event their respective shares of supply are submitted to be *de minimis* taken in the context of the overall market (see further below).

Submissions as to the proper product and geographic market definitions for the Supermarkets and Other General Stores markets are set out above at paragraph 4.2.6 above. A submission as to the proper services and geographic market definition for Residential Lettings is set out at paragraph 4.2.10 below.

A consideration of other secondary economic markets possibly relevant to the assessment of the Transaction follows at paragraphs 4.2.11 to 4.2.14 below. These economic markets could be potentially applicable to the Transaction for the following reasons:

- (a) in the case of the Specialist Retail Market and the F&B Retail Market, only if the Sandpiper Group has a 40% or greater share of supply in any relevant market or sub-market (because the Target Group does not operate in any such markets or sub-markets); and
- (b) in the case of the other economic markets below, because:
  - (i) both the Sandpiper Group and the Target Group are consumers in such markets (and so the Transaction could potentially give rise to a relevant increase in aggregated purchasing power); and/or
  - (ii) the Sandpiper Group or the Target Group (alone) may have a 40% or greater share of purchasing power in such market.

Please note, the potential economic markets considered are not exhaustive: for example both the Sandpiper Group and the Target Group are consumers of public utilities, insurance, motor fuel (for own use) etc, but the Notifying Parties do not consider these types of markets relevant for the purposes of the assessment of the Transaction.

#### **4.2.10 Secondary economic markets: The Residential Letting Market:**

##### *4.2.10.1 Product Market*

It is submitted that the Residential Letting Market should, for the purposes of the Transaction, be considered to comprise the letting of residential properties for the purposes of residential occupation.

##### *4.2.10.2 Geographic Market*

It is submitted that the proper geographic market for the Residential Letting Market is island-wide.

#### **4.2.11 Other secondary economic markets: the Specialist Retail Market**

##### *4.2.11.1 Product Market:*

On the basis of product demand substitutability, it is submitted that the product markets within this heading that are relevant to the Transaction (because they form part of the Sandpiper Group's non-groceries retail offering) can be divided as follows:

- (a) cookware;
- (b) linen, towels and bedding;
- (c) women's clothing (which could theoretically be subdivided into formal, casual, adult and young-adult);
- (d) men's clothing (which could theoretically be subdivided into formal, casual, adult and young-adult);
- (e) children's clothing;
- (f) hire of men's formal ware;
- (g) home furniture; and
- (h) premium chocolate products.

As noted in relation to certain of these product markets, a greater degree of granularity is possible in relation to each product market on the basis of demand substitutability (for instance, within cookware, a knife is not substitutable for a spoon). However, as *CICRA Guidance Note 7* on market definition notes, the purpose of market definition is to provide a framework for competition analysis in order to ascertain which suppliers of a given product act as a constraint on the market behaviour of other such suppliers. On this basis, in relation to the Sandpiper Group, which operates certain businesses that sell a wide array of different products (certain groupings of which are often available together in similar

combinations from different retailers), it is appropriate to use market definition to identify which other retailers supply the same broad range of products, and thereby compete with the Sandpiper Group and therefore act as a constraint on the Sandpiper Group in relation to the same group of products (ie, taking the example above, anyone who sells knives with most likely also sell spoons). The Notifying Parties do not therefore consider it is reasonable or necessary to go into any further level of granularity than that set out above.

#### **4.2.11.2 Geographic Market**

It is submitted that the relevant geographic market for all product markets under this heading is island-wide.

In Decision M072/06 *Acquisition of shares and assets of A de Gruchy & Co Limited* left the question of geographic market open but noted that this could be limited to the Island of Jersey, or include retailers further afield, in recognition of the possibility of internet shopping. The products de Gruchy sold were said to include "*ladies' fashions, lingerie, furniture/beds, cookshop/linens/housewares, contemporary fashions, children's fashions, etc.*", which are all products which are also sold by the Sandpiper Group within this product heading.

It is submitted that an island-wide geographic market is appropriate in this case as the products in question are all of a type that consumers would ordinarily travel into town to purchase, and that the demand for goods of this type is suitably homogenous across each island as to make competition on an island-wide basis practical<sup>17</sup>. The current distribution of outlets selling these types of product is currently heavily biased towards central St Helier and St Peter Port, which is further evidence that consumers are willing to travel within the island in question to access these products<sup>18</sup> (noting that, in the present case, only Jersey is relevant).

### **4.2.12 Other secondary economic markets: the F&B Retail Market**

#### **4.2.12.1 Product Market**

On the basis of product demand substitutability, it is submitted that the relevant product markets within this heading be divided as follows:

- (a) barista-style coffee shops;

---

<sup>17</sup> Commission Notice on the definition of relevant market for the purposes of Community competition law (97/C 372/03) at paragraph 46: "*The nature of demand for the relevant product may in itself determine the scope of the geographical market. Factors such as national preferences or preferences for national brands, language, culture and life style, and the need for a local presence have a strong potential to limit the geographic scope of competition.*"; Case 27/76 *United Brands v. Commission* at para 11

<sup>18</sup> Commission Notice on the definition of relevant market for the purposes of Community competition law (97/C 372/03) at paragraph 48: "*Current geographic pattern of purchases. An examination of the customers' current geographic pattern of purchases provides useful evidence as to the possible scope of the geographic market*"

- (b) cafes, restaurants and coffee shops serving food and drinks in an informal setting; and
- (c) restaurants serving food in a more formal setting.

Each of these product markets will encompass a range of specific products, and the Notifying Parties are aware that it is possible to suggest further sub-divisions within the "*cafes, restaurants and coffee shops serving food and drinks in an informal setting*" product market that could arguably constitute separate product markets<sup>19</sup>. However, given the variety of products available at all of the relevant retail outlets operated by the Sandpiper Group<sup>20</sup> and (as stated above) on the basis of product demand substitutability<sup>21</sup>, they are considered by the Notifying Parties to be narrow enough to allow for an effective competition analysis to be made.

With reference to the market for coffee, it is accepted by the Notifying Parties that barista-style coffee, such as that sold by the Sandpiper Group in its Costa outlets, arguably constitutes a distinct market within the broader market for coffee, or for cafes, restaurants and coffee shops serving food and drinks in an informal setting. In Decision M984/13 *Acquisition of various assets from Sealyham Investments Limited by the Liberation Pub Group* CICRA stated that "*the focus for the purpose of market definition should be on customers' propensity to substitute between offerings*". This decision also states that "*pubs compete on a range of variables, such as location, ambience, the range of products sold, and the degree of substitutability between pubs and other licenced premises will vary considerably according to the individual characteristics of those pubs and other premises.*" It is accepted by the Notifying Parties that the reasoning applied to licenced premises in the *Sealyham* decision may also apply to coffee shops.

Notwithstanding the above, it is further submitted by the Notifying Parties that it is not correct to take the view that (for example) a Costa coffee shop is always in a separate product market from (for example) a café or restaurant serving food and drinks in an informal setting that is not branded as a barista-style coffee shop. This is because, consistent with the statements made in the *Sealyham* decision, factors such as the "*location, ambience, the range of products sold, and the degree of substitutability*" are a factor and therefore the "*individual characteristics*" of the particular outlets should be considered on a case-by-case basis. The Notifying Parties would also draw on the principle set out in JCRA

---

<sup>19</sup> For example (a) take-away baked goods and (b) sandwiches and other light/lunch products

<sup>20</sup> In particular, all of the relevant outlets sell a range of food and drinks with a significant degree of overlap, including hot and soft drinks and sandwiches and other light/snack foods

<sup>21</sup> It is submitted that there is a high degree of substitutability between many of the products within each possible sub-category (a sausage roll is substitutable with a pasty, for example)

decision CICRA 14 / 46 *The proposed acquisition of licensed premises The Old Court House Inn, St Aubin, Jersey by The Liberation Group Limited* that it is necessary to consider the breadth of goods and services provided at a particular outlet when determining the appropriate product market<sup>22</sup>; the product market should be assessed in light of substitutability through matters such as ambience and the range of products sold, rather than on an arbitrary categorisation.

So, for example, the Notifying Parties are of the view that the Costa in St Aubin, Jersey should be considered to be within the "*cafes, restaurants and coffee shops serving food and drinks in an informal setting*" product market, because it has seating for 44 customers (35 inside and nine outside) and serves a variety of foods to be eaten on the premises and is therefore substitutable with a general café or restaurant serving food and drinks in an informal setting; this can be contrasted with the Costa in Queen Street, St Helier, Jersey, which has far more limited seating and is arguably therefore within the "*barista-style coffee shops*" product market as opposed to the "*cafes, restaurants and coffee shops serving food and drinks in an informal setting*" product market.

#### 4.2.12.2 Geographic Market

It is submitted that the geographic market for cafes and coffee shops of whatever type should not be island-wide, but should be restricted to particular "town centres" (for example, the commercial heart of St Helier or St Aubin's village and the vicinity).

In Decisions M571/10 *Acquisition of The Bar by Citann Limited* and M984/13 *Acquisition of various assets from Sealyham Investments Limited by the Liberation Pub Group* CICRA identified the geographic market as "*the commercial heart of St Helier*", based on the fact that consumers selecting a pub or bar to frequent would consider as interchangeable any other bar offering similar products and ambience that was within walking distance (estimated to be between half a mile and mile). As above, it is submitted that consumer considerations when selecting a coffee shop are analogous to those in play when selecting a pub or bar, and therefore consumers would contemplate patronising any coffee shop within a reasonable walking distance that offered similar products an ambience. For this reason, it is submitted that the island-wide market can be sub-divided into the centres of their respective towns and settlements.

<sup>22</sup>

In that case the "*broad offer of the premises*" was relevant in determining the applicable geographic market; in the Notifying Parties' view the same could apply by analogy to product markets

#### 4.2.13 Other secondary economic markets: freight

##### 4.2.13.1 Product Market

The freight services market (the "**Freight Services Market**") is an economic market involving the freight transport of goods on and off the island and within the island.

It is submitted that, on the basis of an assessment of whether services are properly interchangeable, the Freight Market can properly be sub-divided in to the following sub-markets:

- (a) sea freight services (the "**Sea Freight Market**");
- (b) on-island land freight services (the "**Local Land Freight Market**"); and
- (c) land freight services for transport of goods to the sea port for onwards transmission off-island without a change of vehicle and *vice versa* (the "**International Land Freight Market**").

##### 4.2.13.2 Geographic Market

It is submitted that the proper geographic market for the Freight Services Market (including the sub-markets referred to above) is island-wide.

##### 4.2.13.3 Export versus import

Please note that neither the Target Group nor the Sandpiper Group has any export business, and therefore export share of purchasing power is not considered further.

#### 4.2.14 Other secondary economic markets: wholesale of food, beverages and other goods and merchandise for retail purposes

The wholesale of food, beverages and other goods and merchandise for retail purposes (the "**Wholesale Market**") is an economic market involving local purchase or import of food, beverages and other goods and merchandise for sale to retail participants for onwards sale to retail customers.

##### 4.2.14.1 Product Market

On the basis of an assessment of whether services are properly interchangeable, it is submitted that the Wholesale Market can properly be sub-divided in to the following sub-markets:



- (a) the "*wholesale distribution of food and drink products*"<sup>23</sup> (the "**Wholesale F&B Market**"); and
- (b) the wholesale distribution of other goods and merchandise for retail purposes (the "**Wholesale General Goods Market**").

It is submitted that, for the purposes of assessing the Transaction, it is not necessary or appropriate to further sub-divide the above markets (for example on the basis of particular product lines).

#### 4.2.14.2 Geographic Market

It is submitted that the proper geographic market for the Wholesale Market (including the sub-markets referred to above) is island-wide.

### 4.3 For each of the market(s) identified in 4.2, identify the areas of overlap between the parties to the merger, as appropriate.

#### 4.3.1 Primary economic markets: General Stores

Please see the maps provided within this document in context, below. Higher resolution maps can be provided on request.

##### 4.3.1.1 Target Group General Stores outside of St Helier

There is a degree of overlap within the Convenience Stores Market of each of the following General Stores situated outside of St Helier that form part of the Target Group and the Sandpiper Group (listed geographically across the island from west to east):

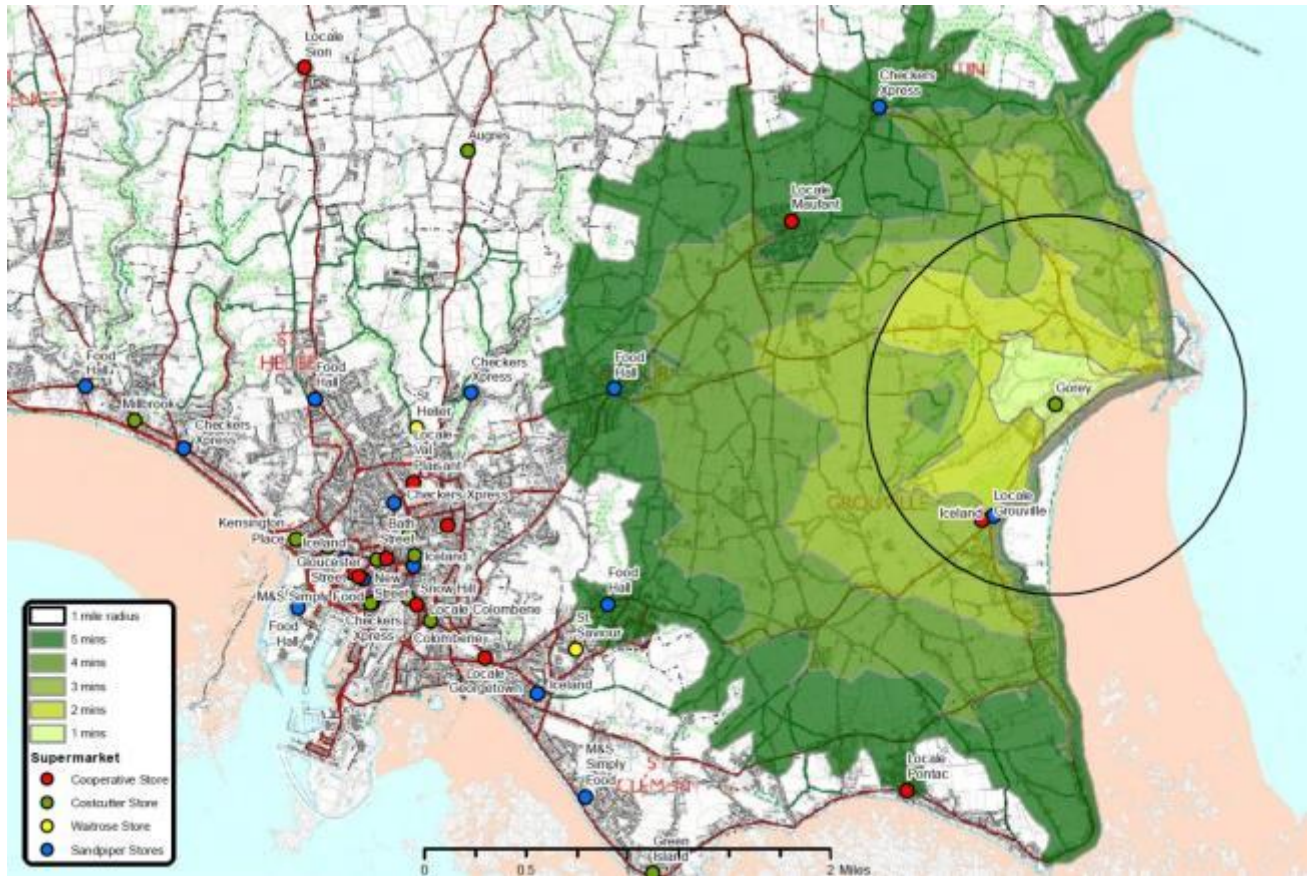
Target Group store location	Sandpiper Group store location
Links Hault, St Brelade, Vingtaine de la Moie	Iceland, Les Quennevais Parade, St Brelade
La Route de St Aubin, St Helier (Millbrook)	Benest at Lisbon House, La Route De St Aubin, Millbrook (Supermarket) Checkers Xpress, First Tower Queens Road, St Helier (Food Hall)
Main Road, Gorey Village, Grouville	Checkers Xpress at La Rue De La Croix, St Martin Iceland at La Rue a Don, Grouville, Jersey

The Target Group Convenience Stores outside of the St Helier commercial centre relevant to the assessment of the Transaction within particular Convenience Stores Markets are therefore the Costcutter stores at Main Road, Gorey Village, Grouville (Gorey), Links Hault, St Brelade, Vingtaine de la Moie (La Moie), and La Route de St Aubin, St Helier (Millbrook).

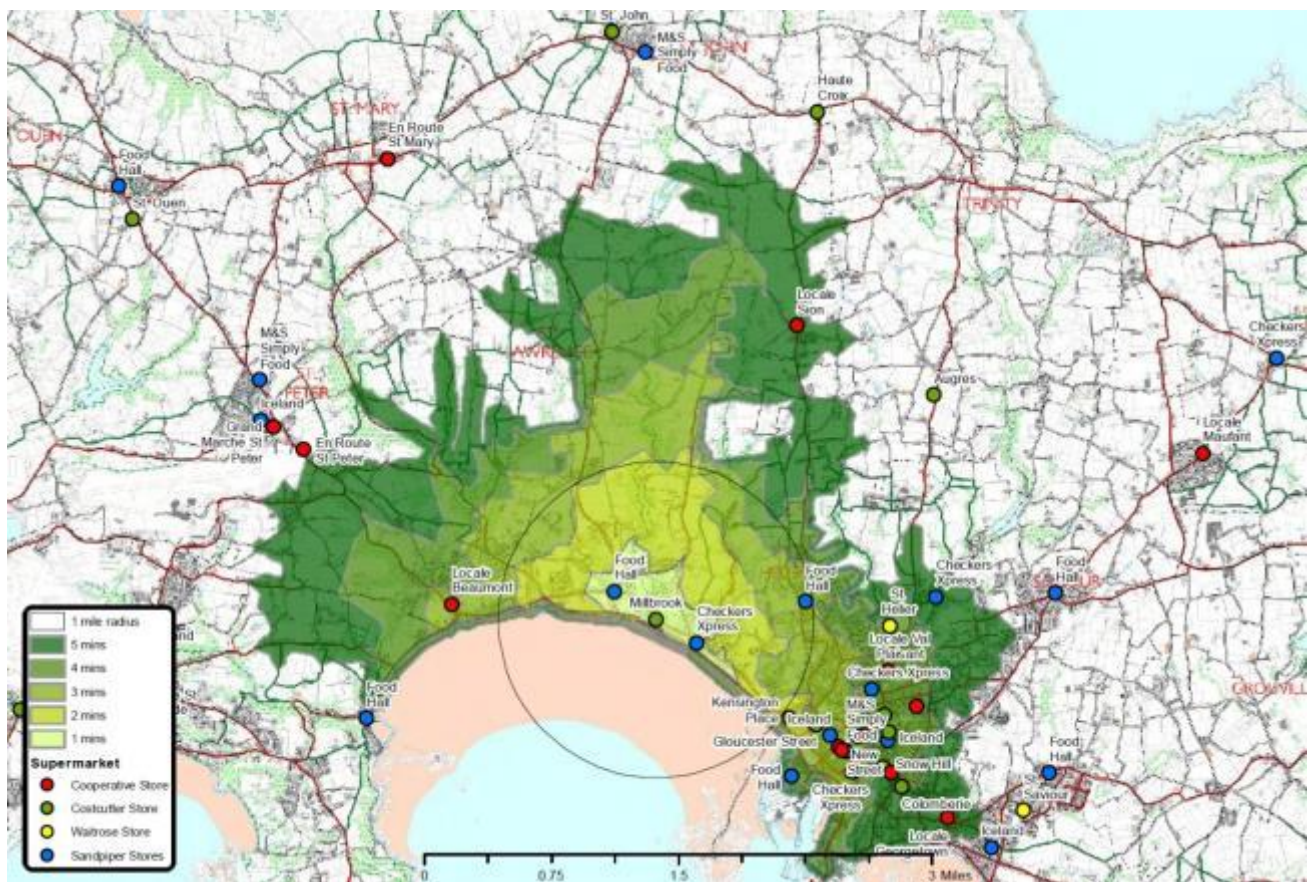
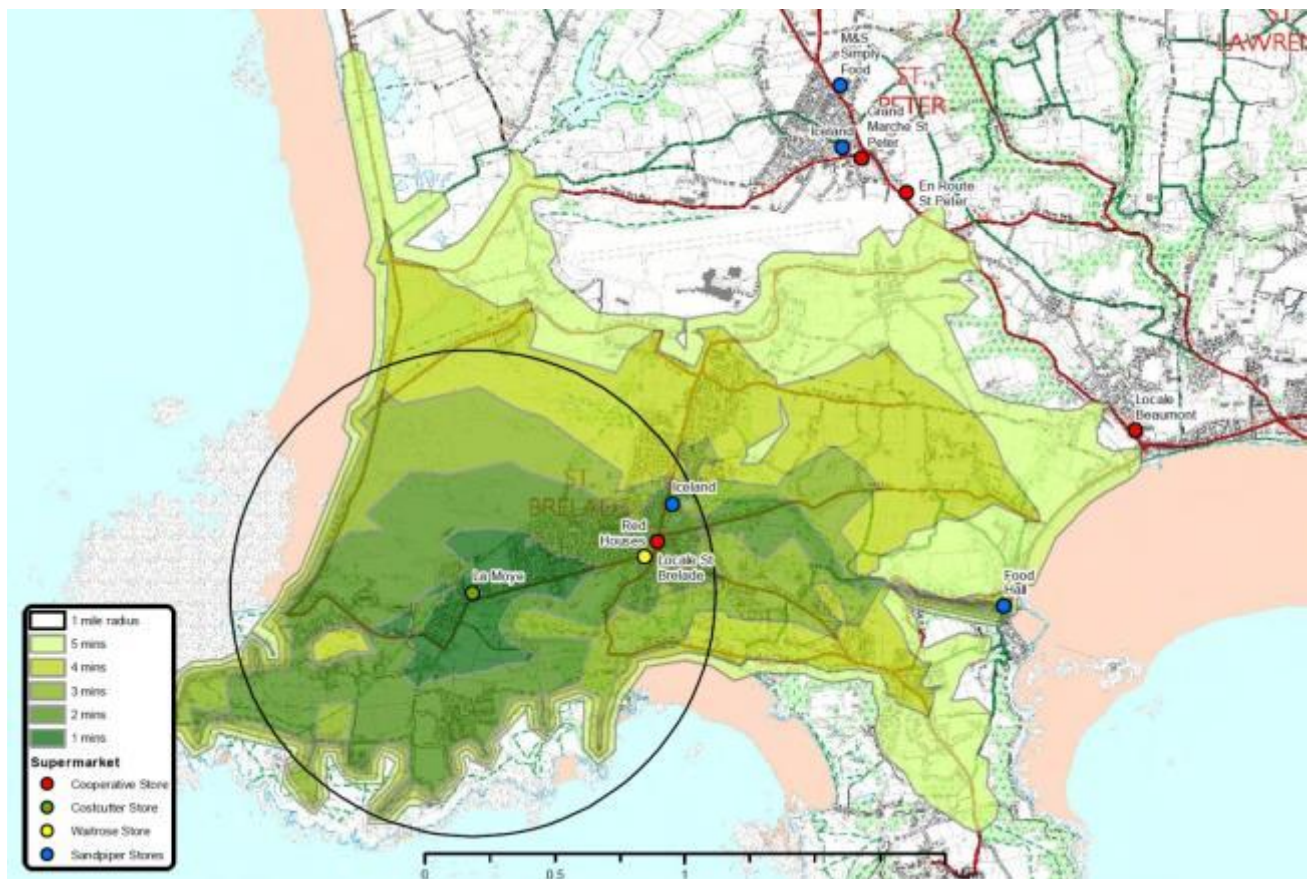
<sup>23</sup>

See JCRA decision CICRA 15/29 *Proposed acquisition of Cimandis Limited by Bidvest Foodservice International Limited Case M1145J*

A map of the Convenience Stores Market for each of those stores is set out below, potting the General Stores operated by each of the island's main retail groups, together with an indication of drive times from the relevant Target Group store:







#### 4.3.1.2 Target Group General Stores within St Helier

Within the St Helier Quintile:

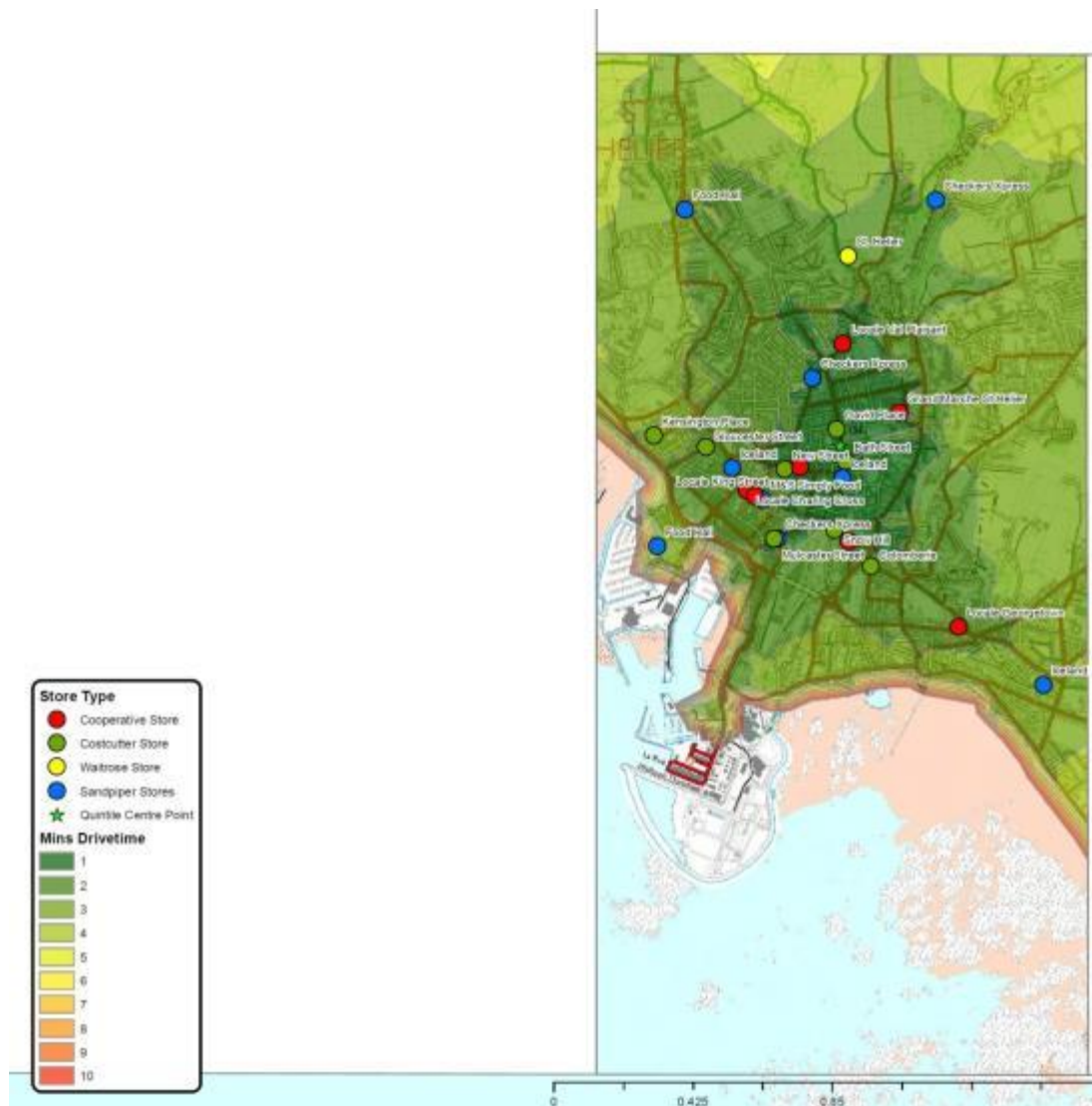
- (a) Costcutter operates Convenience Stores from the following premises:
  - (i) 2/4/6 Belmont Road, 79 Bath Street, St Helier;
  - (ii) 1 - 5 Roseville House, Colomberie, St Helier;
  - (iii) Unit 3, Spectrum, Gloucester Street, St Helier;
  - (iv) 1, 3, 5, 7 and 9 Union Street, St Helier;
  - (v) No.2 Colomberie, Snow Hill, St Helier;
  - (vi) No.2 and No. 3 New Town Buildings, David Place, St Helier;
  - (vii) 1 Pier Road, St Helier; and
  - (viii) 1 & 2 Lewis Street and 61, 63 & 65 Kensington Gate, St Helier; and
- (b) the Sandpiper Group operates Convenience Stores from the following premises<sup>24</sup>:
  - (i) 38-39 Val Plaisant, St Helier (Checkers Xpress);
  - (ii) La Rue de L'Etau, St Helier (Castle Quay) (Food Hall);
  - (iii) Georgetown, St Clement, Jersey (Checkers Xpress);
  - (iv) Grand Vaux, St Helier (Checkers Xpress); and
  - (v) Queens Road, St Helier (Food Hall)<sup>25</sup>.

A map of the St Helier Quintile is set out below, potting the General Stores operated by each of the island's main retail groups, together with an indication of drive times from the nominal centre of St Helier:

---

<sup>24</sup> Please note, the Sandpiper Group's Checkers Xpress at Bath Street, St Helier is not a Convenience Store as its retail space exceeds 700m<sup>2</sup> and it is not open on Sundays and has a range of products which the Purchaser considers to make it more properly be categorised as a Supermarket, see above

<sup>25</sup> The Food Hall store on Queen's Road is both within a 1 mile radius of the Costcutter at La Route de St Aubin, St Helier (Millbrook) and within the 1 mile radius of the commercial centre of town, and has thus been included in both share of supply assessments for completeness.

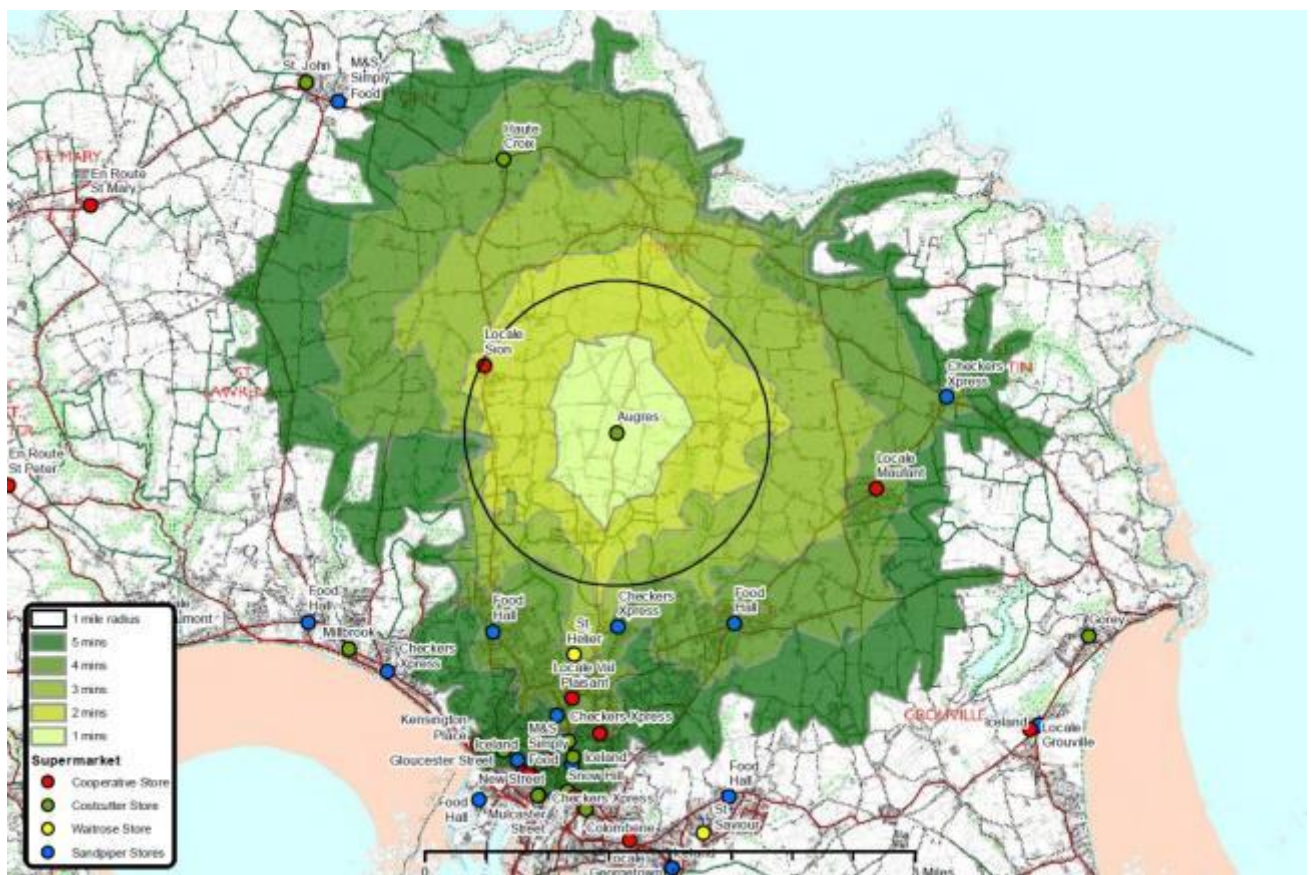
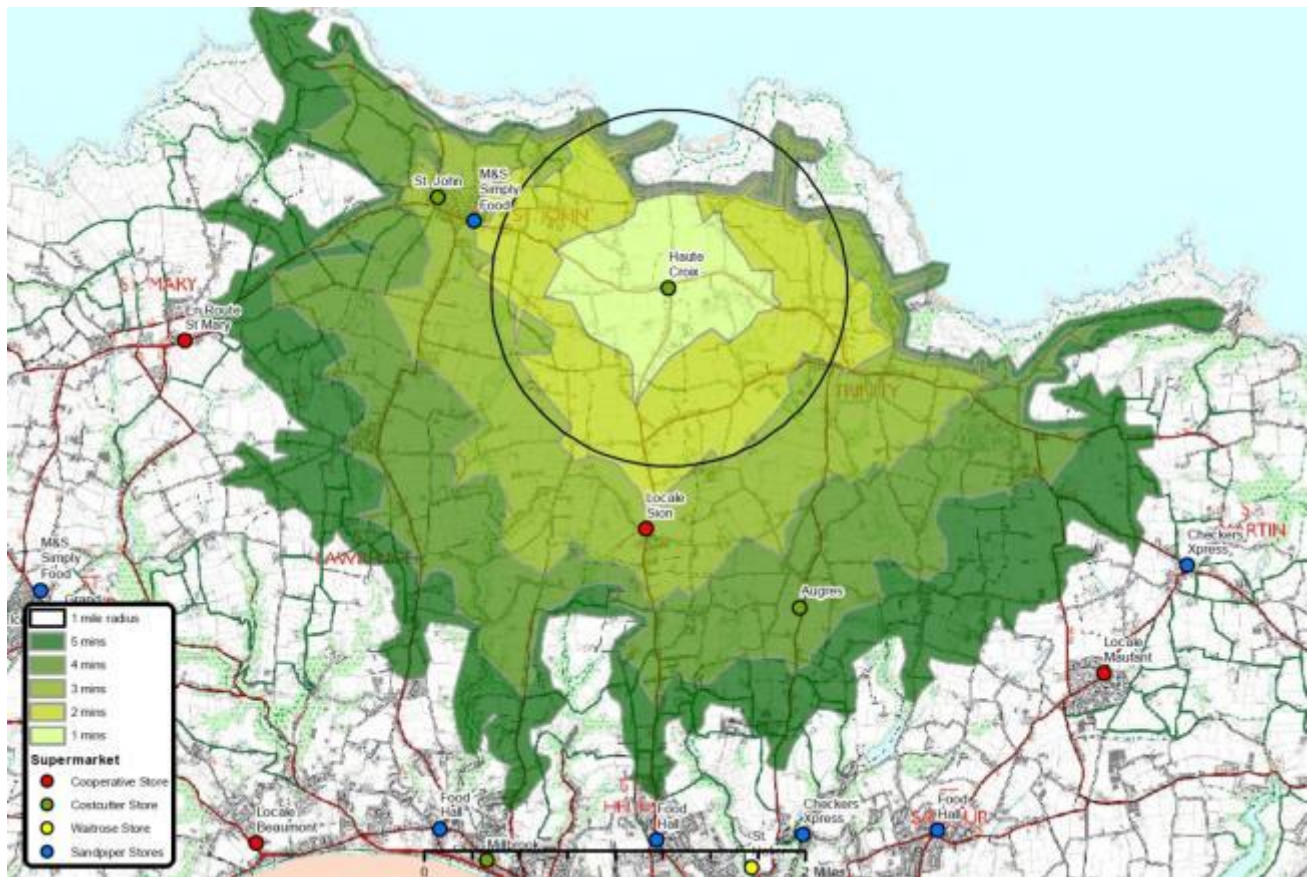


#### 4.3.1.3 Target Group General Stores without any overlap

For the avoidance of doubt:

- (A) there is no overlap between General Stores operated by the Target Group and the Sandpiper Group in relation to the Convenience Stores Markets surrounding the Costcutter stores at Haute Croix and Augres, there being no retail stores operated by the Sandpiper Group within either Convenience Stores Market, please see the maps below, potting the General Stores operated by each of the island's main retail groups, together with an indication of drive times from the relevant Target Group store:





- (B) the following stores operated by the Sandpiper Group within St Helier are not Convenience Stores and are not therefore relevant for the purposes of assessing the Transaction on the basis of Convenience Stores Markets (but are relevant when assessing the St Helier Quintile on the basis of all General Stores, which for the reasons set out above is the basis the Notifying Parties ask the JCRA to consider the Transaction):
- (1) the Iceland store at 4&5 The Parade, St Helier (on the basis it is a Supermarket);
  - (2) the M&S store at 4-58 King Street, St Helier (on the basis it is a Supermarket)<sup>26</sup>;
  - (3) the Checkers Xpress store at Bath Street, St Helier (on the basis it is a Supermarket, see above);
  - (4) the Pound PowEr store at 6-7 Mulcaster Street, St Helier (on the basis it is an Other General Store as it has no chilled convenience foods section and stocks only limited grocery products); and
  - (5) the Pound PowEr store at Liberty Wharf, La Rue de la Liberation, St Helier (on the basis it is an Other General Store for the same reasons as at (4) above).

#### **4.3.2 Primary economic markets: the Road Fuel Retail Market**

The Sandpiper Group operates within the Road Fuel Market from the following locations:

- (a) the M&S store at La Route des Issues, St John (leased to a third party, see below);
- (b) the M&S store at La Grande Route de St Pierre, St Peter (leased to a third party, see below);
- (c) the Food Hall store at Five Oaks, La Grande Route De St Martin, St Saviour, Jersey;
- (d) the Checkers Xpress store at Georgetown, St Clement, Jersey; and
- (e) the Iceland store at La Rue a Don, Grouville, Jersey.

The Target Group operates within the Road Fuel Market from:

<sup>26</sup>

Please also note that the M&S store at Liberty Wharf, La Rue de la Liberation, St Helier is an M&S Home store

- (i) Costcutter at 1 & 2 Lewis Street and 61, 63 & 65 Kensington Gate, St Helier; and
- (ii) Costcutter at Augres Garage, La Route de la Trinité, Trinity.

In all of the cases above, the relevant retail outlet is both a retailer within the Retail Sale of Road Fuel Market and a consumer / customer within the Wholesale Purchase of Road Fuel Market, and the relevant geographic market is the whole of Jersey.

However, please note that the fuel forecourt operations at the M&S store at La Route des Issues, St John and the M&S store at La Grande Route de St Pierre, St Peter are leased by the Sandpiper Group to, and are operated by, a third party and so are not included in the share of supply data set out at paragraph 4.4 below<sup>27</sup>.

#### **4.3.3 Secondary economic markets: the Freight Services Market**

Both the Sandpiper Group and the Target Group operate within the Freight Services Market as a consumer / customer, and the relevant geographic market is the whole of Jersey.

#### **4.3.4 Secondary economic markets: the Wholesale Market**

Both the Sandpiper Group and the Target Group operate within the Wholesale Market as a consumer / customer, and the relevant geographic market is the whole of Jersey.

#### **4.3.5 Secondary economic markets: the Residential Letting Market**

Both the Sandpiper Group and the Target Group operate within the Residential Letting Market as a landlord of residential property, and the relevant geographic market is the whole of Jersey.

#### **4.3.6 Secondary economic markets: other economic markets:**

There is no overlap between the Target Group and the Sandpiper Group in the other economic markets identified in 4.2 above (ie the Supermarkets and Other General Stores markets, the Special Retail Market and the F&B Retail Market).

---

<sup>27</sup>

The annual volume of motor fuel sold at those two forecourts is [redacted] litres, which would increase the Sandpiper Group's share of supply from [5-10]% to [5-10]% but would not affect whether the combined share of supply / purchasing power (as applicable) of the combined Sandpiper Group and Target Group reached or exceeds 25%



**4.4 For each of the market(s) identified in 4.2, specify market shares in Guernsey and/or Jersey (as relevant), before and after the merger, for each competitor (including the merging parties). Explain how you have calculated market shares and provide supporting evidence (e.g. turnover of the parties in the relevant market compared to turnover in Guernsey/Jersey as a whole).**

**4.4.1 General notes**

The Notifying Parties are not aware of any third party sources of sales and share of supply or purchasing power data for the product markets in which the Target Group and the Sandpiper Group is active in Jersey<sup>28</sup>, and so (to the extent that independent third party data is not available) the assessment of share of supply / purchasing power has been made based on the Notifying Parties' best estimates.

In order to estimate the turnover of competitor General Stores, senior operations and finance staff of the Sandpiper Group considered all available sources of data and drew reasonable inferences from these. Factors considered included:

- The Sandpiper Group's knowledge of the turnover levels for the 3 Waitrose supermarkets in Jersey from the period during which they were owned by the Sandpiper Group and operated under the Checkers facia.
- Publically available sales information (limited to published accounts of Co-op Channel Islands).
- Assessment of the size, format and location of competitor General Stores by comparison with Sandpiper stores. This was done by senior Sandpiper staff visiting and reviewing competitor General Stores.
- An assessment of turnover arbitrarily looking at staff numbers and number of checkout lanes/tills.
- Given the turnover of staff between market participants, anecdotal comments regarding General Store turnover.
- Comparison with market size implied by the States of Jersey 2010 Household Spending Survey.

In order to estimate the size of the Retail Fuel Market and competitors' market shares within that market, the management of the Sandpiper Group made reference to the JCRA Review of the Jersey market for road fuels, August 2011.

In order to estimate the size of the markets and competitor turnover in respect of non-food items, the management if the Sandpiper Group used methods referred to

<sup>28</sup>

The Notifying Parties consider that the information contained in *Comparison of Food Prices in Jersey and the United Kingdom - JCRA Response to a Request Received from the Economic Development Committee under Article 6(4) of the Competition Regulatory Authority (Jersey) Law 2001*, 11 October 2005, and *Economic Impact of New Entry in the Retail Sector by a Large Supermarket Competitor - Advice to the Minister for Economic Development under Article 6(4) of the Competition Regulatory Authority (Jersey) Law 2001*, 14 March 2008, are now out-of-date

the Economic Affairs Scrutiny Panel – Retail Policy June 2013 as well as tourist numbers and estimates of spend.

Further, in relation to the economic markets in which only the Sandpiper Group is active:

- **Market size data:** Given the shortage of detailed market sales information in the public domain, the Sandpiper Group has estimated the size of each market sub-sector by reference to States Household and other spending data, as well as a "bottom-up" store-level assessment of the sales of individual market participants, combined with data on online sales sourced from the Economic Affairs Scrutiny Panel. The Sandpiper Group has then compared the two methodologies and, given the similarity of the results, concluded that the estimates used, and hence the Sandpiper Group's share of supply in each market, is reasonable.
- **Sandpiper Group sales data:** Sales for each category for the current year have been forecasted using the latest management information (which is based on 8 periods of actual sales data, and 4 periods of forecast data).
- **Competitor and supplier details:** Where the Sandpiper Group has less than five major competitors, or less than five major suppliers, information for the relevant major competitors and suppliers is provided only.

#### 4.4.2 Summary

Please see below for detailed share of purchasing power / supply analysis (based on the Convenience Store Market for each General Store). By way of summary:

Product market	Geographic market	Target Group share of supply / purchasing power (%)	Sandpiper Group share of supply / purchasing power (%)	Combined share of supply / purchasing power (post carve-out and post-Transaction disposal) (%)
<b>Primary economic markets</b>				
Convenience Store Market: Costcutter Millbrook	Convenience Store Market centred on Costcutter Millbrook	[5-10]	[70-80]	[70-80] (decrease from [70-80], following disposal of Checkers Xpress, First Tower)
Convenience Store Market: Costcutter La Moie	Convenience Store Market centred on Costcutter La Moie	[0-5]	[10% or more, but less than 25%]	[10% or more, but less than 25%]
Convenience Store Market: Costcutter Haute Croix	Convenience Store Market centred on Costcutter Haute Croix	[60-70]	0	[60-70]
Convenience Store Market: Costcutter Augres Garage	Convenience Store Market centred on Costcutter Augres Garage	[10% or more, but less than 25%]	0	[10% or more, but less than 25%]

Product market	Geographic market	Target Group share of supply / purchasing power (%)	Sandpiper Group share of supply / purchasing power (%)	Combined share of supply / purchasing power (post carve-out and post-Transaction disposal) (%)
Convenience Store Market: Costcutter Gorey	Convenience Store Market centred on Coscutter Gorey	[5-10]	[10% or more, but less than 25%]	[greater than 25% but less than 40%]
General Stores	St Helier town Quintile <sup>29</sup>	[5-10]	[greater than 25% but less than 40%]	[greater than 25% but less than 40%]
Wholesale Purchase of Road Fuel Market	Whole of the island	[0-5]	[5-10]	[10% or more, but less than 25%]
Retail Sale of Road Fuel Market	Whole of the island	[0-5]	[5-10]	[10% or more, but less than 25%]
<b>Secondary economic markets</b>				
General Stores	North West Quintile	3.5	49.5	49.5
General Stores	North East Quintile	16.9	12.2	29.1
General Stores	South West Quintile	3.7	30.2	31.6
General Stores	South East Quintile	2.4	29.1	30.2
Supermarkets market	Whole of the island (in effect – specifically a 15 minute drive time radius)	0	[more than 25% but less than 40%]	[more than 25% but less than 40%]
Other General Stores market	Same as for Convenience Stores (see above)	0	[0-5]	[0-5]
Specialist Retail Market: cookware	Whole of the island	0	[5-10]	[5-10]
Specialist Retail Market: linen, towels and bedding	Whole of the island	0	[5-10]	[5-10]
Specialist Retail Market: women's clothing	Whole of the island	0	[10% or more, but less than 25%]	[10% or more, but less than 25%]
Specialist Retail Market: men's clothing	Whole of the island	0	[10% or more, but less than 25%]	[10% or more, but less than 25%]
Specialist Retail Market: children's clothing	Whole of the island	0	[10% or more, but less than 25%]	[10% or more, but less than 25%]
Specialist Retail Market: hire of men's formal ware	Whole of the island	0	[10% or more, but less than 25%]	[10% or more, but less than 25%]
Specialist Retail Market: home furniture	Whole of the island	0	[0-5]	[0-5]
Specialist Retail Market: premium chocolate products	Whole of the island	0	[10% or more, but less than 25%]	[10% or more, but less than 25%]
F&B Retail: barista-style coffee shops	On a "town centre" basis	0	[10% or more, but less than 25%] (St Helier only)	[10% or more, but less than 25%] (St Helier only)
F&B Retail: cafes, restaurants and coffee shops serving food and drinks in an informal setting	On a "town centre" basis	0	St Aubin <sup>30</sup> : [10% or more, but less than 25%] St Brelade (ex St Aubin): [5-10] St Helier: [0-5]	St Aubin: [10% or more, but less than 25%] St Brelade (ex St Aubin): [5-10] St Helier: [0-5]

<sup>29</sup>

Due to the concentration of Convenience Stores in this area this is considered to be the appropriate geographic market for assessing the effects of the Transaction within St Helier.

Product market	Geographic market	Target Group share of supply / purchasing power (%)	Sandpiper Group share of supply / purchasing power (%)	Combined share of supply / purchasing power (post carve-out and post-Transaction disposal) (%)
Sea Freight Market	Whole of the island	[0-5]	[10% or more, but less than 25%]	[10% or more, but less than 25%]
International Land Freight Market	Whole of the island	[0-5]	[10% or more, but less than 25%]	[10% or more, but less than 25%]
Wholesale F&B Market	Whole of the island	[5-10]	[5-10]	[10% or more, but less than 25%]
Wholesale General Goods Market	Whole of the island	[0-5]	[5-10]	[5-10]
Residential Letting Market	Whole of the island	[0-5]	[0-5]	[0-5]

In relation to the Quintile figures given above, it will be useful to provide some context to the figures to highlight how the Transaction will affect the Purchaser's market power in relation to its main competitors, namely Co-operative and Waitrose.

Quintile	Existing Purchaser share of supply (%)	Post Completion Purchaser share of supply (post Carve out and post-Transaction disposals) (%)	Co-operative share of supply (%)	Waitrose share of supply (%)
North West	[40-50]	[40-50]	[40-50]	0
North East	[10% or more, but less than 25%]	[more than 25% but less than 40%]	[50-60]	0
South West	[more than 25% but less than 40%]	[more than 25% but less than 40%]	[10% or more, but less than 25%]	[40-50]
South East	[more than 25% but less than 40%]	[more than 25% but less than 40%]	[10% or more, but less than 25%]	[50-60]
St Helier town	[more than 25% but less than 40%]	[more than 25% but less than 40%]	[more than 25% but less than 40%]	[10% or more, but less than 25%]

It can therefore be seen that the Purchaser's significant market share must be viewed in the context of comparable or greater market shares held by its competitors within each Quintile, and suggests that the Transaction will have beneficial effects on competition by strengthening one of the three large retail groups on the island against the other two, who are both (as set out in more detail at paragraph 4.19.1) in a position to exercise greater market power than the Purchaser.

#### 4.4.4 Primary economic markets: General Stores (by Convenience Stores Market)

The following information is based on best estimates of annual non-fuel sales figures for General Stores not operated by the Target Group or Sandpiper Group, based on the methodology set out at paragraph 4.4.1 above.

<sup>30</sup>

The Purchaser submits that the Costa in St Aubin should not be categorised as a barista-style coffee shop and is actually a café for the reasons set out above

#### 4.4.3.1 General Stores outside of St Helier

The following table covers General Stores within each Convenience Stores Market surrounding a Convenience Store operated by the Target Group outside of the St Helier commercial centre (it does not cover General Stores outside of the Convenience Stores Markets of the Convenience Stores operated by the Target Group).

Please note, in the following table there has been no accounting for the overlaps of the Convenience Stores Markets of General Stores which are located *outside* of the Convenience Stores Market surrounding a Convenience Store operated by the Target Group because this is impractical (if not impossible) to calculate. As a consequence, the figures below may as a matter of fact under-state the real competition effects of independent General Stores on the relevant Sandpiper Group and Target Group stores.

In order to mitigate this under-statement of actual third party competition, if a General Store falls within the Convenience Stores Market of a Convenience Store operated by a member of the Target Group, *all* the sales for that General Store have been included, which may as a matter of fact over-state the real competition effects of that General Store on the Sandpiper Group and Target Group store.

Costcutter Convenience Store	General Stores within relevant Convenience Store Market	Estimated non-fuel sales per annum (£k)	Share of supply (%)	Combined share of supply Target Group + Sandpiper Group (%)
La Route de St Aubin, St Helier (Millbrook)	Costcutter (Millbrook)	[REDACTED]	[5-10]	[70-80] (decrease from [70-80], following disposal of Checkers Xpress, First Tower)
	Benest at Lisbon House, La Route De St Aubin, Millbrook	[REDACTED]	[50-60]	
	Checkers Xpress at First Tower, La Route De St Aubin, St Helier, Jersey (Sandpiper Group)	[REDACTED]	[5-10]	
	Food Hall at Queens Road, St Helier (Sandpiper Group)	[REDACTED]	[10% or more, but less than 25%]	
	Roberts Bel Royal (independent)	650.0	[5-10]	
	Best One (independent)	1,000.0	[5-10]	
	Bay Stores (independent)	750.0	[5-10]	

Costcutter Convenience Store	General Stores within relevant Convenience Store Market	Estimated non-fuel sales per annum (£k)	Share of supply (%)	Combined share of supply Target Group + Sandpiper Group (%)
Links Hault, St Brelade, Vingtaine de la Moie	Costcutter	[REDACTED]	[0-5]	[10-25] (increase from [10-25])
	Co-op <i>Locale</i> St Brelade (independent)	3,900.0	[10% or more, but less than 25%]	
	Iceland Quennevais	[REDACTED]	[10% or more, but less than 25%]	
	Waitrose St Brelade	20,222.2	[60-70]	
	Pound Magic	450.0	[0-5]	
Haute Croix, La Grande Route de St Jean, St John	Costcutter	[REDACTED]	[60-70]	[60-70] (increase from 0)
	Woodside Farms	400.0	[30-40]	
Augres Garage, La Route de la Trinité, Trinity	Costcutter	[REDACTED]	[10% or more, but less than 25%]	[10-25] (increase from 0)
	Co-op <i>Locale</i> Sion (independent)	1,850	[60-70]	
	Rondel's farm shop	600.0	[10% or more, but less than 25%]	
Main Road, Gorey Village, Grouville	Costcutter	[REDACTED]	[5-10]	[25-40] (increase from [10-25])
	Iceland at La Rue a Don, Grouville, Jersey (Sandpiper Group)	[REDACTED]	[10% or more, but less than 25%]	
	Co-op <i>Locale</i> Grouville (independent)	3,380	[40-50]	
	Rosedale Stores Gorey (independent)	350.0	[0-5]	
	Dunnells Gorey	350.0	[0-5]	
	The Works deli	350.0	[0-5]	
	Gorey Wine Cellar	350.0	[0-5]	
	Independent Store (independent)	250.0	[0-5]	

More detailed analysis of the Convenience Stores Markets above follow. For the purposes of summaries all General Stores have been included, meaning that there has been no distinction drawn between Convenience Stores, Supermarkets and Other General Stores.

Higher resolution summaries can be provided on request.



# Store-by-store analysis: Millbrook

## Summary

- **Factors supporting competition:**
  - The Food Hall at Queens Road is on a different arterial route in/out of St Helier to the Costcutter
  - This part of Jersey has good transport links with the rest of the island, in particular St Helier, giving consumers access to independent retailers, including the Waitrose at Trinity Hill and the St Helier Co-op Grand Marché
- **Issues / concerns around competition:**
  - The Transaction will result in a reduction in the number of General Stores fascias
  - The Benest at La Route De St Aubin (Millbrook), Checkers Xpress at First Tower and Costcutter at La Route de St Aubin (Millbrook) are all on the same route arterial in/out of St Helier
  - To the extent such a differentiation is appropriate, whilst the Benest at Millbrook was classified in the Grocery Survey as a Supermarket, in terms of product range a pricing it is very close to a Convenience Store
  - The Sandpiper Group's market power will be increased for consumers who live within the relevant Convenience Stores Market and are not willing to drive or take public transport into St Helier and for consumers who look to stop at a General Store on their way in/out of St Helier heading west, with its main direct competitors being smaller independents
- **Conclusion:** the Transaction will create a significant concentration within the relevant one-mile radius market and so the Sandpiper Group proposes to dispose of Checkers Xpress at First Tower and retain the Costcutter at Millbrook, which has better access (which will lead to a net reduction in the Sandpiper Group's total share of supply in within a one-mile radius of the Millbrook Costcutter)

## Share of supply data

### Store-by-store

	Revenue p/a Ek	Share
CC Millbrook	[REDACTED]	[5-10]%
Benest Food Hall	[REDACTED]	[50-60]%
First Tower Checkers Xpress	[REDACTED]	[5-10]%
Queens Road FH (than 25%)	[REDACTED]	[10% or more, but less than 25%]
Roberts Bel Royal	650.0	[5-10]%
Best One	1,000.0	[5-10]%
Bay Stores	750.0	[5-10]%
Total	12,522.8	100.0%

### Summary

	Revenue p/a Ek	Share
Sandpiper Group	[REDACTED]	[70-80]%
Costcutter	[REDACTED]	[5-10]%
Others (than 25%)	2,400	[10% or more, but less than 25%]
Total	12,523	100.0%

### Summary of Sandpiper Group share of supply

- Current: [70-80]%
- Post-completion pre-disposal of SP 1st Twr: [80-90]%
- Post-completion post-disposal: [70-80]%





# Store-by-store analysis: La Moye

## Summary

- **Factors supporting competition:**
  - The Waitrose at Red Houses has over a 65% share of supply and the Co-op *Locale* St Brelade has a significant share of supply (almost 13%)
  - Consumers who use this store can be expected to drive to the store. Within a five minute drive consumers have access to the Waitrose at Red Houses and the Co-op *Locale* at Red Houses and, the Co-op *Grand Marché* in St Peter's Village is only marginally outside of a five minute drive time
  - The Waitrose at Red Houses and the Co-op *Locale* at Red Houses are on the same arterial route in/out of St Helier
- **Issues / concerns around competition:** the Transaction will result in a reduction in the number of General Stores fascias
- **Conclusion:** the Transaction **will not** give rise to competition concerns and **will not** substantially lessen competition in this one-mile radius market

## Share of supply data

### Store-by-store

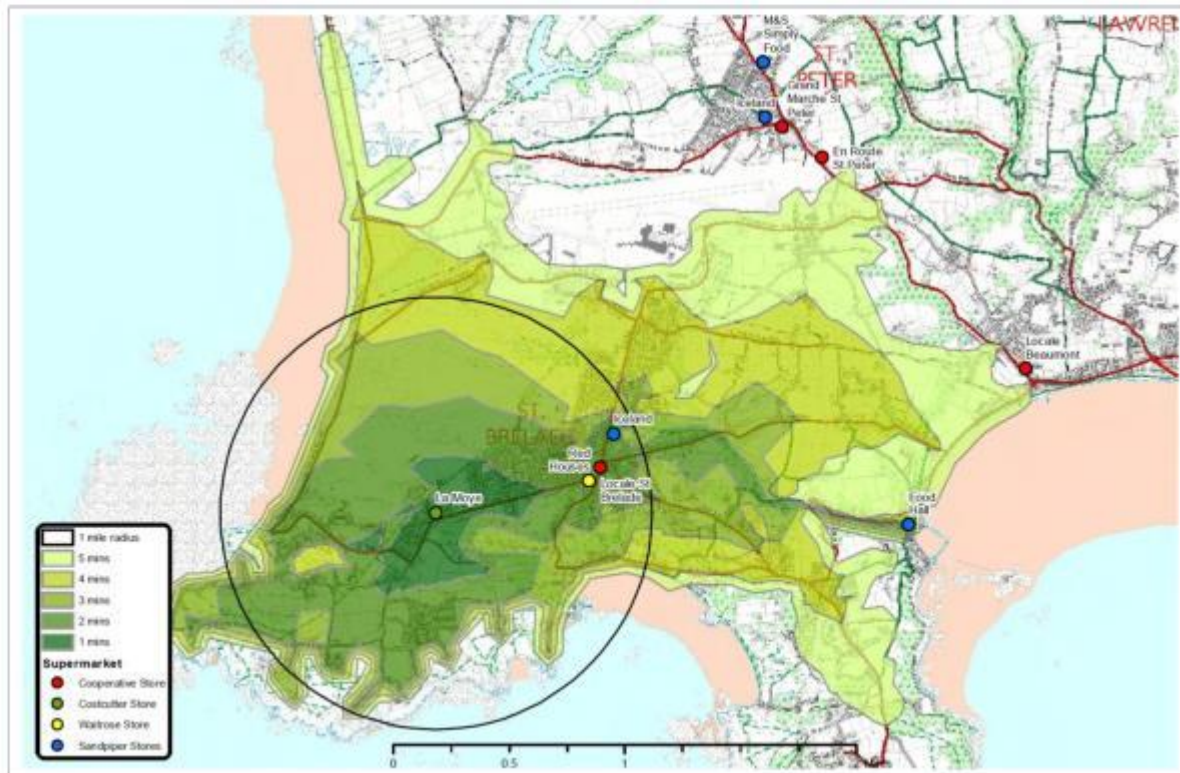
	Revenue p/a £k	Share
CC La Moye	[REDACTED]	[0-5]%
Iceland Quennevais than 25%	[REDACTED]	[10% or more, but less than 25%]
Co-op Locale St Brel than 25%	3,900.0	[10% or more, but less than 25%]
Waitrose St Brel	20,222.2	[60-70]%
Pound Magic	450.0	[0-5]%
Total	30,346.3	100.0%

### Summary

	Revenue p/a £k	Share
Sandpiper Group than 25%	[REDACTED]	[10% or more, but less than 25%]
Costcutter	[REDACTED]	[0-5]%
Co-op than 25%	3,900	[10% or more, but less than 25%]
Waitrose	20,222	[60-70]%
Others	450	[0-5]%
Total	30,346	100.0%

### Summary of Sandpiper Group share of supply

- Current:  
than 25%
  - Post-completion:  
than 25%
- [10% or more, but less  
than 25%]
- [10% or more, but less  
than 25%]



# Store-by-store analysis: Haute Croix

## Summary

- **Factors supporting competition:**
  - The Transaction will not result in a reduction in the number of General Stores fascias.
  - Many of the consumers who use this store can be expected to drive to the store. Given the central east-west location, within an easy driving distance consumers have access to the Co-op *Locale* in Sion, and with a slightly longer drive (but still under 10 minutes) the Waitrose at Trinity Hill and the Co-op *Grand Marché* in St Helier.
  - Consumers who visit the store on their way in/out of St Helier can easily choose to pass the Co-op *Locale* at Sion, which is on one of the main arterial routes in/out of St Helier from St John's Village, and (reasonably) the Waitrose at Trinity Hill.
- **Issues / concerns around competition:** General Stores in the north of the island are relatively spread out compared to other areas of the island – although this also means that consumers are more likely to drive, at which point their options are increased, and further noting the general over-supply of General Stores in Jersey compared to the UK.
- **Conclusion:** the Transaction **will not** give rise to competition concerns and **will not** substantially lessen competition in this one-mile radius market.

## Share of supply data

### Store-by-store

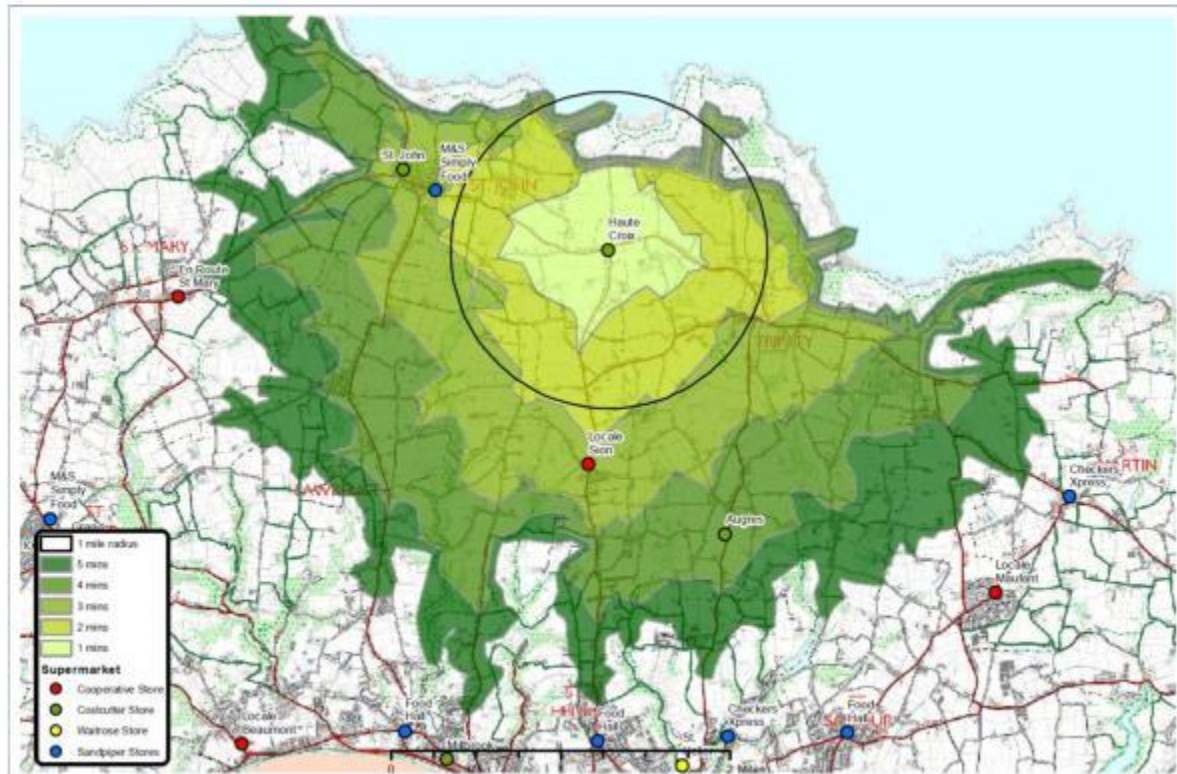
	Revenue p/a £k	Share
CC Haute Croix	[REDACTED]	[60-70]%
Woodside Farms	400.0	[30% or more, but less than 40%]
Total	1,259.0	100.0%

### Summary

	Revenue p/a £k	Share
Sandpiper Group	0	0.0%
Costcutter	[REDACTED]	[60-70]%
Others	400	[30% or more, but less than 40%]
Total	1,259	100.0%

### Summary of Sandpiper Group share of supply

- Current: 0.0%
- Post-completion: [60-70]%





# Store-by-store analysis: Augres Garage

## Summary

- Factors supporting competition:
  - The Transaction will not result in a reduction in the number of General Stores fascias
  - Based on mapping data, only 387 households are affected by the overlap with the one-mile radius around the Checkers Xpress at Grand Vaux
  - The Co-op Locale in Sion has a significant share of supply (64.6%)
  - Consumers who use this store can be expected to drive to the store. Within a five minute drive there are a very significant number of General Stores, including the Trinity Hill Waitrose and the St Helier Co-op Grand Marché, plus the Rondels farm shop
  - The Trinity Hill Waitrose is on the same arterial route in/out of St Helier
- Issues / concerns around competition: none identified
- Conclusion: the Transaction will not give rise to competition concerns and will not substantially lessen competition in this one-mile radius market

## Share of supply data

### Store-by-store

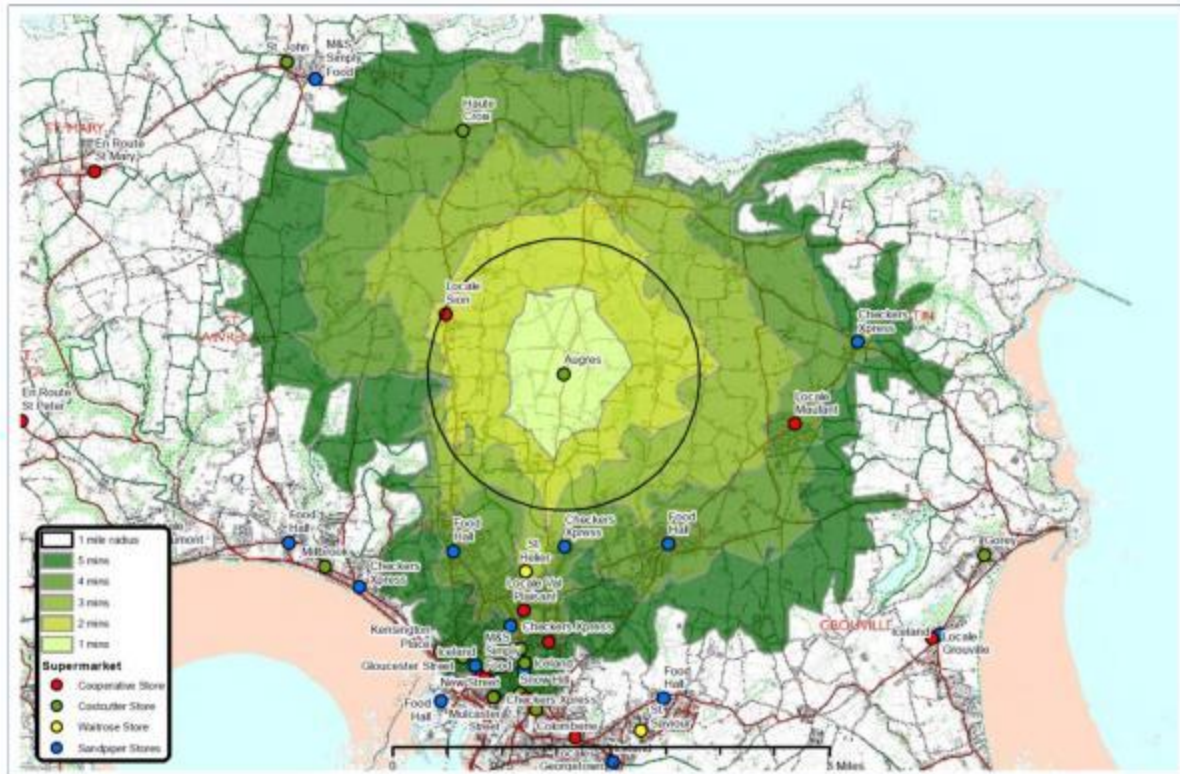
	Revenue p/a £k	Share
CC Augres than 25%	[REDACTED]	[10% or more, but less
Co-op Locale Sion than 25%	1,850.0	[60-70]%
Rondels than 25%	600.0	[10% or more, but less
Total	2,864.0	100.0%

### Summary

	Revenue p/a £k	Share
Sandpiper Group Costcutter than 25%	0 [REDACTED]	0.0% [10% or more, but less
Co-op	1,850	[60-70]%
Others than 25%	600	[10% or more, but less
Total	2,864	100.0%

### Summary of Sandpiper Group share of supply

- Current: 0.0%
- Post-completion:  
than 25%] [10% or more, but less



# Store-by-store analysis: Gorey Village

## Summary

- **Factors supporting competition:**
  - Only one store that is operated by the main retail groups is within Gorey Village itself, being the Costcutter. The other stores operated by the main retail groups are located almost one mile further south (and are outside of a half mile radius of the Costcutter) - the Transaction will not therefore result in a reduction in the number of General Stores fascias within Gorey Village
  - Based on mapping data, only four households are affected by the overlap with the one-mile radius around the Checkers Xpress at St Martin
  - The Co-op *Locale* has a significant share of supply (45.3%) and is located on the same arterial route in/out of St Helier as the Costcutter
  - Within a five minute drive there are seven other General Stores, and the St Saviour Waitrose is only marginally outside of a five minute drive time
- **Issues / concerns around competition:**
  - The Transaction will result in a reduction in the number of General Stores fascias across the entire one-mile radius market
  - Based on mapping data, 1103 households are affected by the overlap with the one-mile radius around the Iceland at Grouville
- **Conclusion: the Transaction will not give rise to competition concerns and will not substantially lessen competition in this one-mile radius market**

## Share of supply data

### Store-by-store

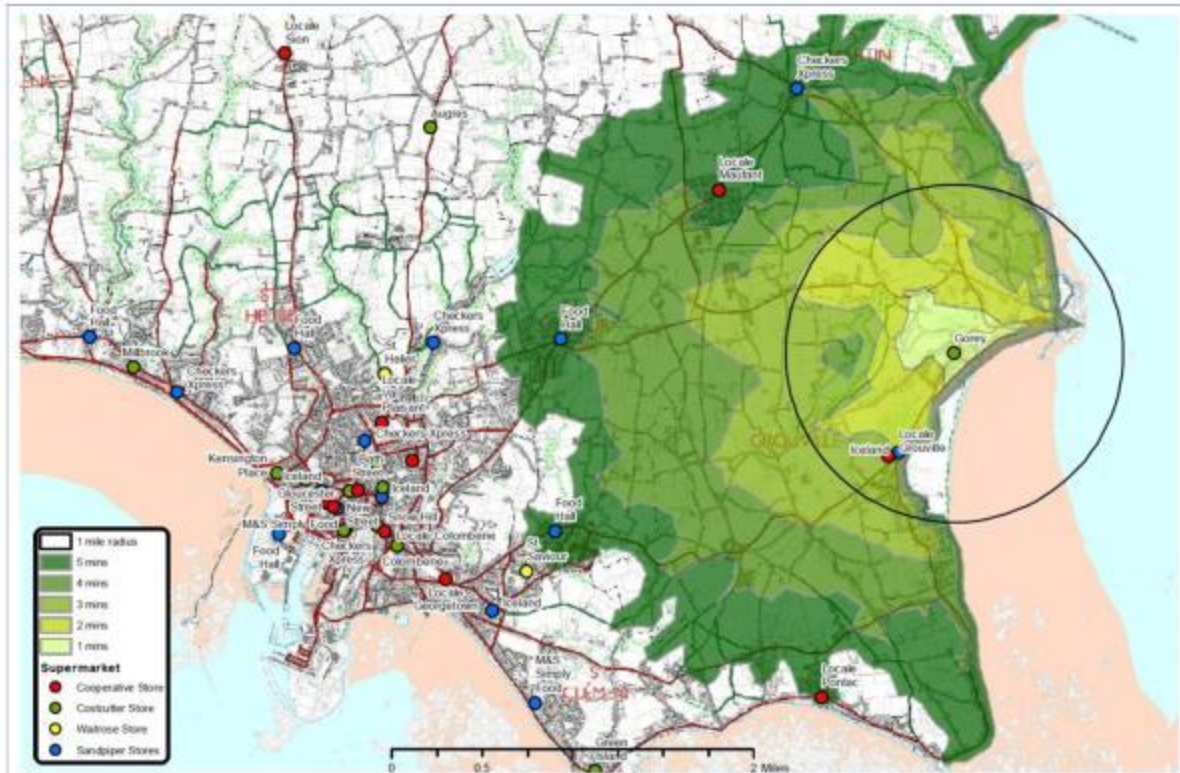
	Revenue p/a £k	Share
CC Gorey than 25%]	[REDACTED]	[10% or more, but less
Iceland Grouville than 25%]	[REDACTED]	[10% or more, but less
Co-op Locale Grouville	3,380.0	[40-50]%
Rosedale Stores	350.0	[0-5]%
Dunnells Gorey	350.0	[0-5]%
The Works deli	350.0	[0-5]%
Gorey Wine Cellar	350.0	[0-5]%
Independent store	250.0	[0-5]%
Total	7,466.1	100.0%

### Summary

	Revenue p/a £k	Share
Sandpiper Group than 25%]	[REDACTED]	[10% or more, but less
Costcutter	[REDACTED]	[5-10]%
Co-op	3,380	[40-50]%
Others than 25%]	1,650	[10% or more, but less
Total	7,466	100.0%

### Summary of Sandpiper Group share of supply

- **Current:** [10% or more, but less than 25%]
- **Post-completion:** [30% or more, but less than 40%]



#### 4.4.3.2 General Stores within St Helier:

In relation to General Stores within St Helier (which, for consistency, the Notifying Parties have analysed on the basis of the St Helier town Quintile), whilst the Purchaser accepts the application of a Convenience Stores Market around each General Store for this purpose, given the size of the St Helier town Quintile and the relative proximity of General Stores within it (please see the Quintile analysis above) the Purchaser does not consider it reasonably practicable to make an assessment of share of supply within each relevant Convenience Stores Market. Consequentially, the following table sets out the share of supply of General Stores operated by the Target Group, the Sandpiper Group and others within the St Helier town Quintile<sup>31</sup>:

Retail Group	Estimated non-fuel sales per annum (£k)	Share of supply (%)
Sandpiper Group	[redacted]	[25-40]
Target Group	[redacted]	[5-10]
Co-op	43,104	[25-40]
Waitrose	19,080	[10-25]
Alliance	6,032	[0-5]
Others	39,200	[10-25]

Based on the above:

- (a) the share of supply of the General Stores operated by the Target Group within the St Helier town Quintile is [5-10]%;
- (b) the share of supply of the General Stores operated by the Sandpiper Group within the St Helier town Quintile is [25-40]%; and
- (c) the combined share of supply of the General Stores operated by the Target Group and the Sandpiper Group within the St Helier town Quintile is [25-40]%.

Please see the Quintile summary above for a more detailed analysis of the competition effects of the Transaction in this Quintile.

#### 4.4.3.3 General Stores: whole island context

Whilst the Notifying Parties recognise the importance of assessing the risks of a substantial lessening of competition within more limited geographic markets where there is the theoretical potential for acute consequences, particularly in more remote areas, it is also submitted that this approach can be misleading, without a corresponding assessment of the island-wide impact of the Transaction on the market power of the

<sup>31</sup>

Source: The Sandpiper Group and Target Group management accounts.



largest island-wide retailers, namely Waitrose, Co-op and the Purchaser itself.

Viewed in isolation it could be said that the Purchaser's market share across the entire island and in certain Quintiles or Convenience Store Markets is large. However, both Co-op and Waitrose also have significant, comparable and/or larger market shares than the Purchaser across the island, Quintiles and Convenience Store Markets. The table below sets out, based on the methodology set out at paragraph 4.4.1 above, the market shares of the Sandpiper Group (both pre- and post-Completion), Co-operative and Waitrose based on the Purchaser's annual estimated turnover for each competitor:

Existing Sandpiper Group share of supply (%)	Sandpiper Group post-Completion, post-disposal of First Tower (%)	Sandpiper Group increase in share of supply (%)	Co-op share of supply (%)	Waitrose share of supply (%)	Share of Supply for Purchaser vs closest competitor (excluding Carve-out Stores) and post-disposal (%)
[25-40]	[25-40]	[0-5]	[25-40]	[10-25]	+ [5-10] (vs Co-op)

It can therefore be seen that the market share of the Purchaser is not exceptional within the context of Jersey as a whole. Paragraph 4.19.2 sets out in more detail the significance of this on the basis of supply-side competitive constraints on the Purchaser as a result of the market power of Co-operative and Waitrose.

Further, set out below is a more detailed island-wide summary. A higher resolution summary can be provided on request.

# Island-wide analysis: assessment of “general stores” market

## Summary

- **Factors supporting competition:**
  - The Transaction will not result in a reduction in the number of “general stores” fascias on an island-wide basis
  - Barriers to entry are relatively low across the island, and are low in St Helier
  - The overall market power of the three main retail groups (ie the Sandpiper Group, Co-op and Waitrose) across all store types on an island-wide basis will remain relatively evenly split
  - On the basis that Convenience Stores are constrained by Supermarkets, whilst the Sandpiper Group has a material share of supply within Supermarkets (almost 40%), Co-op and Waitrose together have over a 57% share of supply in that market, with Waitrose alone having an almost 38% share of supply
  - In comparison to Co-op and Waitrose, the Sandpiper Group has significantly reduced buying power, operates at lower margins and is in a relatively vulnerable position in terms of supply, meaning it is not in a position to price its competitors out of the market
  - There is currently supply-side over-supply in the General Stores market in Jersey
- **Issues / concerns around competition:** none identified
- **Conclusion:** the General Stores market in Jersey is highly competitive now, and will remain highly competitive following Completion, and so the Transaction will not give rise to competition concerns and will not substantially lessen competition on an island-wide basis

## Share of supply data

### All “general stores”

	Revenue p/a £k	Share
Sandpiper Group	[REDACTED]	[30% or more, but less than 40%]
Costcutter	[REDACTED]	[5-10%]
Co-op	85,434	[25-30%]
Waitrose	70,465	[25-30%]
Alliance	6,032	[0-5%]
Others	45,610	[10% or more, but less than 25%]
Total	320,726	100.0%

### Summary of Sandpiper Group share of supply

- Current: [30% or more, but less than 40%]
- Post-completion pre-disposals: [30% or more, but less than 40%]
- Post-completion post-disposals: [30% or more, but less than 40%]

### “supermarkets” only

	Revenue p/a £k	Share
Sandpiper Group	[REDACTED]	[30% or more, but less than 40%]
Co-op	36,400.00	[10% or more, but less than 25%]
Waitrose	70,464.86	[30% or more, but less than 40%]
Alliance	6,032	[0-5%]
Total	187,120.86	100.0%

Combined Co-op and Waitrose “supermarkets”: [50-60%]



#### 4.4.4 Primary economic markets: General Stores (by Quintile)

The following information is based best estimates of annual non-fuel sales figures for Convenience Stores not operated by the Target Group or Sandpiper Group.

By way of overview (and to re-present the Quintile information set out in the summary above):

Quintile	Existing Sandpiper Group share of supply	Costcutter share of supply	Post-completion pre-disposals Sandpiper Group share of supply	Post-completion post-disposals Sandpiper Group share of supply	Net increase in Sandpiper Group share of supply (post-disposals)	Co-op share of supply	Waitrose share of supply	Alliance share of supply	Other "general stores" share of supply	Share of supply Sandpiper Group vs closest competitor (post-disposals)
North west	[40-50]%	[0-5]%	[40-50]%	<b>[40-50]%</b>	0%	[40-50]%	0%	0%	[0-5]%	<b>+ [0-5]% (vs Co-op)</b>
North east	[10% or more, but less than 25%]	[10% or more, but less than 25%]	[25-30]%	<b>[25-30]%</b>	[10% or more, but less than 25%]	[50-60]%	0%	0%	[10% or more, but less than 25%]	<b>- [25-30]% (vs Co-op)</b>
South west	[30% or more, but less than 40%]	[0-5]%	[30% or more, but less than 40%]	<b>[30% or more, but less than 40%]</b>	[0-5]%	[10% or more, but less than 25%]	[40-50]%	0%	[5-10]%	<b>- [10% or more, but less than 25%] (vs Waitrose)</b>
South east	[25-30]%	[0-5]%	[30% or more, but less than 40%]	<b>[30% or more, but less than 40%]</b>	[0-5]%	[10% or more, but less than 25%]	[50-60]%	0%	[5-10]%	<b>- [10% or more, but less than 25%] (vs Waitrose)</b>
St Helier	[25-30]%	[5-10]%	[30% or more, but less than 40%]	<b>[30% or more, but less than 40%]</b>	[5-10]%	[25-30]%	[10% or more, but less than 25%]	[0-5]%	[10% or more, but less than 25%]	<b>+ [5-10]% (vs Co-op)</b>

Please note, the share of supply figures above do not re-allocate Sandpiper Group revenues from disposals as allocation will depend on who acquires the relevant stores

For the purposes of summaries below in relation to each specific Quintile, all General Stores have been included, meaning that there has been no distinction drawn between Convenience Stores, Supermarkets and Other General Stores.

The four "out of town" Quintiles represent four broad quarters of the island, based on drive times around a central point in each, excluding St Helier town. The fifth quintile represents St Helier town, including parts of St Saviour and St Clement which fall within the St Helier "urban area" (ie as opposed to St Helier parish, parts of which are outside of St Helier town and which includes stores we have placed in other Quintiles).

Higher resolution summaries can be provided on request.



#### 4.4.4.1 General Stores by Quintile: north west Quintile

##### Summary

- **Factors supporting competition:**
  - Consumers have access to two Co-op *Locale / Enroute* stores and the St Peters Co-op *Grand Marché*
  - The St Peters Co-op *Grand Marché* alone has over a [30% or more, but less than 40%] share of supply
  - Co-op has over a [40-50]% share of supply
  - The two Target Group stores in this Quintile are both Carved-out Stores
- **Issues / concerns around competition:** none identified
- **Conclusion: the Transaction will not effect competition in this Quintile given all Target Group stores are Carved-out Stores**

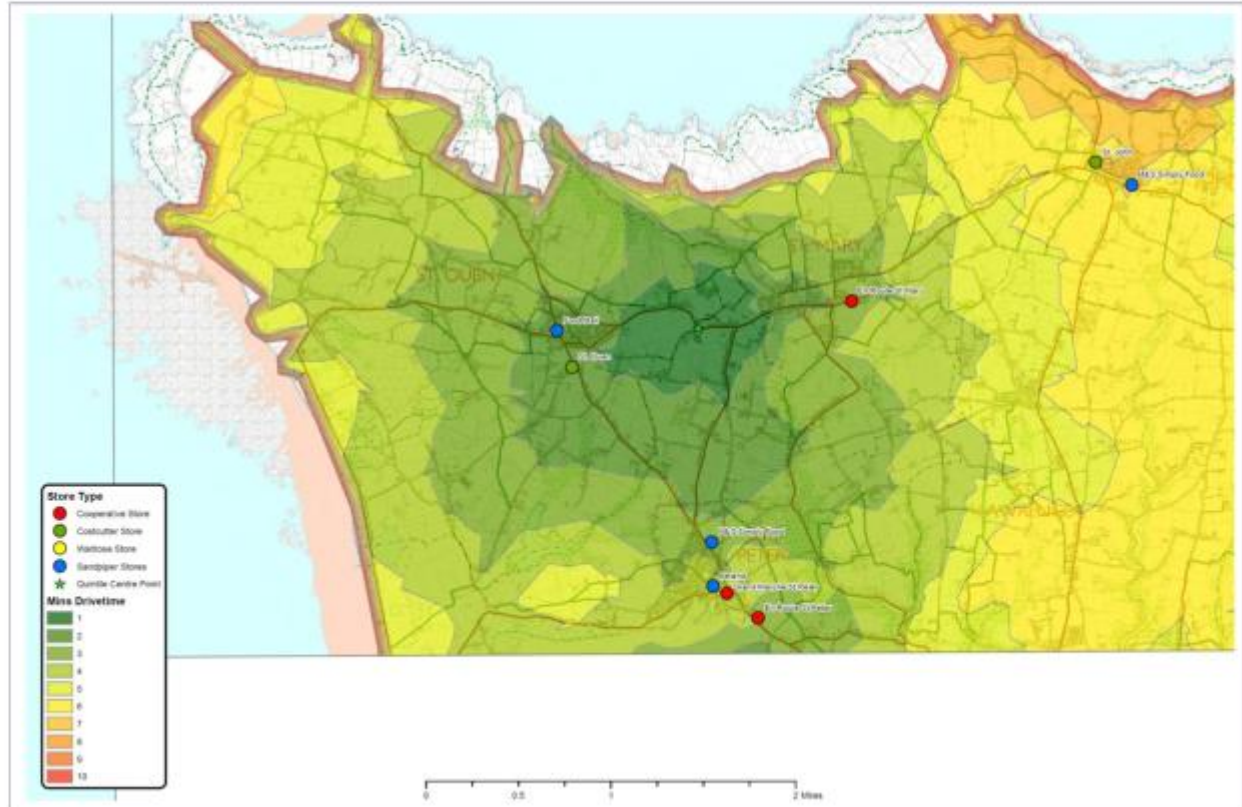
##### Share of supply data

###### Quintile summary

	Revenue p/a £k	Share
Sandpiper Group	[REDACTED]	[40-50]%
Costcutter	[REDACTED]	[0-5]%
Co-op	23,200	[40-50]%
Others	260	[0-5]%
Total	49,910	100.0%

###### Summary of Sandpiper Group share of supply

- Current: [40-50]%
- Post-completion post-disposal: [40-50]%



#### 4.4.4.2 General Stores by Quintile: north east Quintile

##### Summary

- *Factors supporting competition:*
  - Consumers have access to two Co-op Local / Enroute stores and a significant number of “general stores” not operated by one of the main retail groups
  - The Maufant Co-op Local alone has over a [30% or more, but less than 40%] share of supply
  - Co-op has over a [50-60%] share of supply
- *Issues / concerns around competition:*
  - The Transaction will result in a reduction in the number of General Stores fascias
  - The Sandpiper Group will have a significant share of supply (almost 30%) within General Stores
- **Conclusion: given Co-op’s very strong share of supply (over 50%) and the significant share of supply of the non-main retail group General Stores (over 10%), the Transaction will not give rise to competition concerns and will not substantially lessen competition in this Quintile**

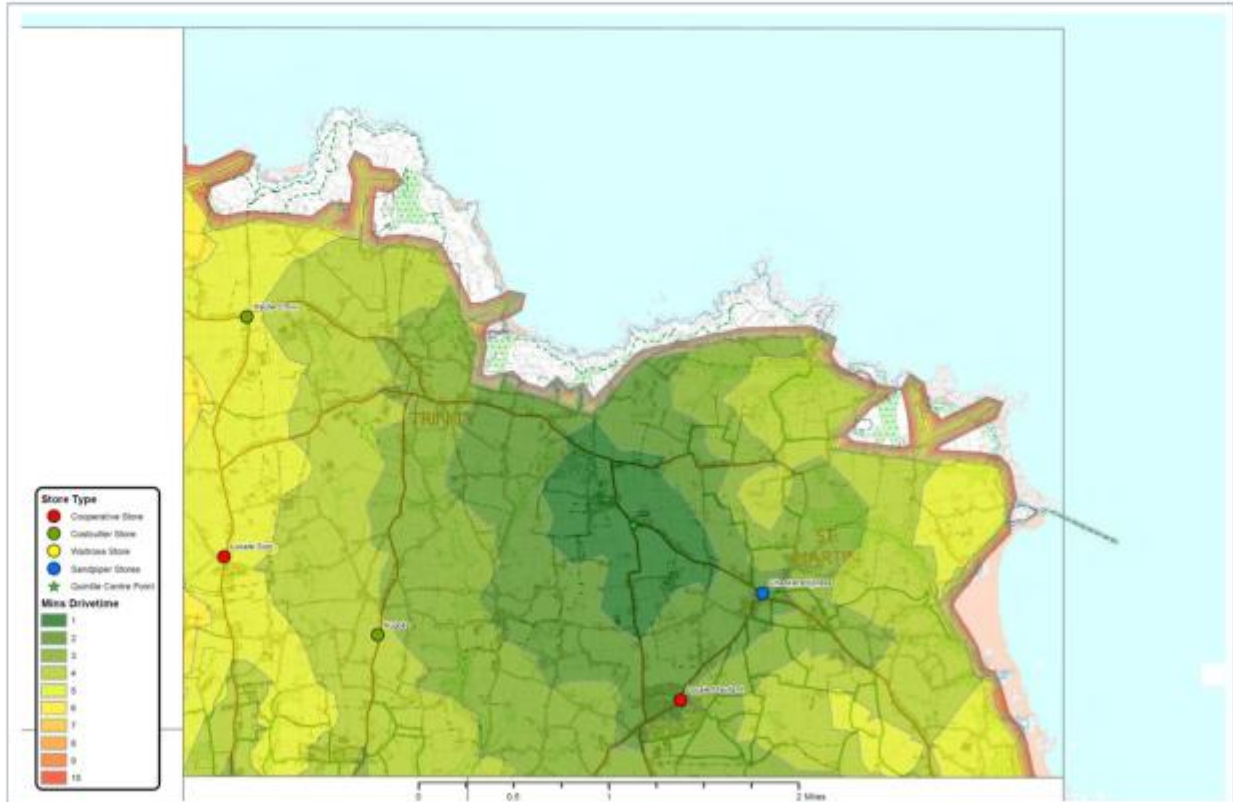
##### Share of supply data

###### Quintile summary

	Revenue p/a £k	Share
Sandpiper Group	[REDACTED]	[10% or more, but less
Costcutter	[REDACTED]	[10% or more, but less
than 25%]		
Co-op	4,350	[50-60%]
Others	1,000	[10% or more, but less
than 25%]		
Total	7,544	100.0%

###### Summary of Sandpiper Group share of supply

- Current: [10% or more, but less than 25%]
- Post-completion: [25-30%]



#### 4.4.4.3 General Stores by Quintile: south west Quintile

##### Summary

- *Factors supporting competition:*
  - Consumers have access to two Co-op *Locale / Enroute* stores, the Red Houses Waitrose and a number of General Stores not operated by one of the main retail groups
  - The Red Houses Waitrose alone has over a 40% share of supply
  - Waitrose has over a 40% share of supply and Co-op has over a 15% share of supply
- *Issues / concerns around competition:*
  - The Transaction will result in a reduction in the number of General Stores fascias
  - The Sandpiper Group will have a significant share of supply (over 30%) within General Stores
- *Conclusion:*
  - Given Waitrose's very strong share of supply (over 40%) and Co-op's share of supply (over 15%), the Transaction will not give rise to competition concerns and will not substantially lessen competition in this Quintile
  - However, the Transaction will create a significant concentration within the one-mile radius market around the Costcutter at Millbrook and so the Sandpiper Group proposes to dispose of the Checkers Xpress at First Tower and retain the Costcutter at Millbrook, which has better access (please see analysis relating to the Convenience Stores Market around the Millbrook store and the Purchaser's remedial undertakings)

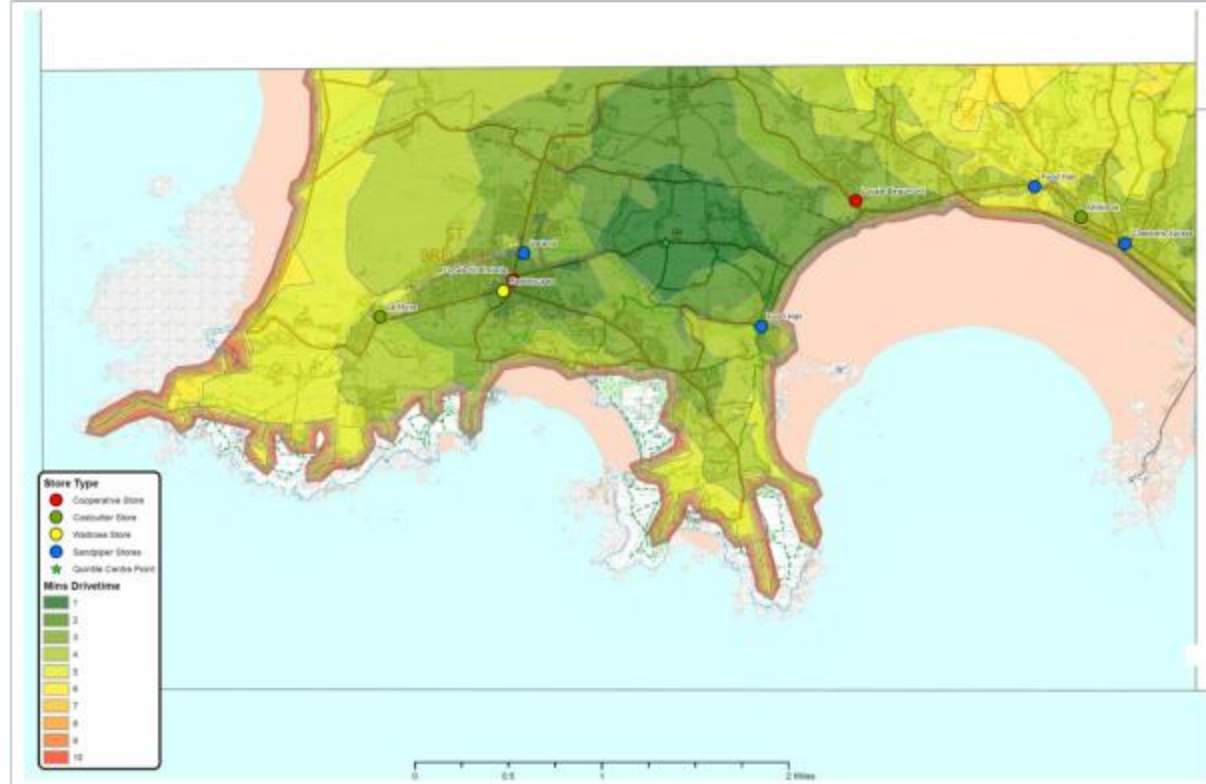
##### Share of supply data

###### Quintile summary

	Revenue p/a £k	Share
Sandpiper Group	[REDACTED]	[30% or more, but less than 40%]
Costcutter	[REDACTED]	[0-5]%
Co-op	7,900	[10% or more, but less than 25%]
Waitrose	20,222	[40-50]%
Others	2,850	[5-10]
Total	46,867	100.0%

###### Summary of Sandpiper Group share of supply

- Current: [30% or more, but less than 40%]
- Post-completion pre-disp of SP 1st Twr: [30% or more, but less than 40%]
- Post-completion post-disposal: [30% or more, but less than 40%]





#### 4.4.4.4 General Stores by Quintile: south east Quintile

##### Summary

- *Factors supporting competition:*
  - Consumers have access to two Co-op Local / Enroute stores and the St Saviour Waitrose
  - The St Saviour Waitrose alone has over a 50% share of supply
  - Waitrose has over a 50% share of supply and Co-op has over a 10% share of supply
- *Issues / concerns around competition:*
  - The Transaction will result in a reduction in the number of General Stores fascias
  - The Sandpiper Group will have a significant share of supply (over 30%) within General Stores
  - The Target Group's Green Island store is a Carved-out Store
- **Conclusion: given Waitrose's very strong share of supply (over 50%) and Co-op's share of supply (over 10%), the Transaction will not give rise to competition concerns and will not substantially lessen competition in this Quintile**

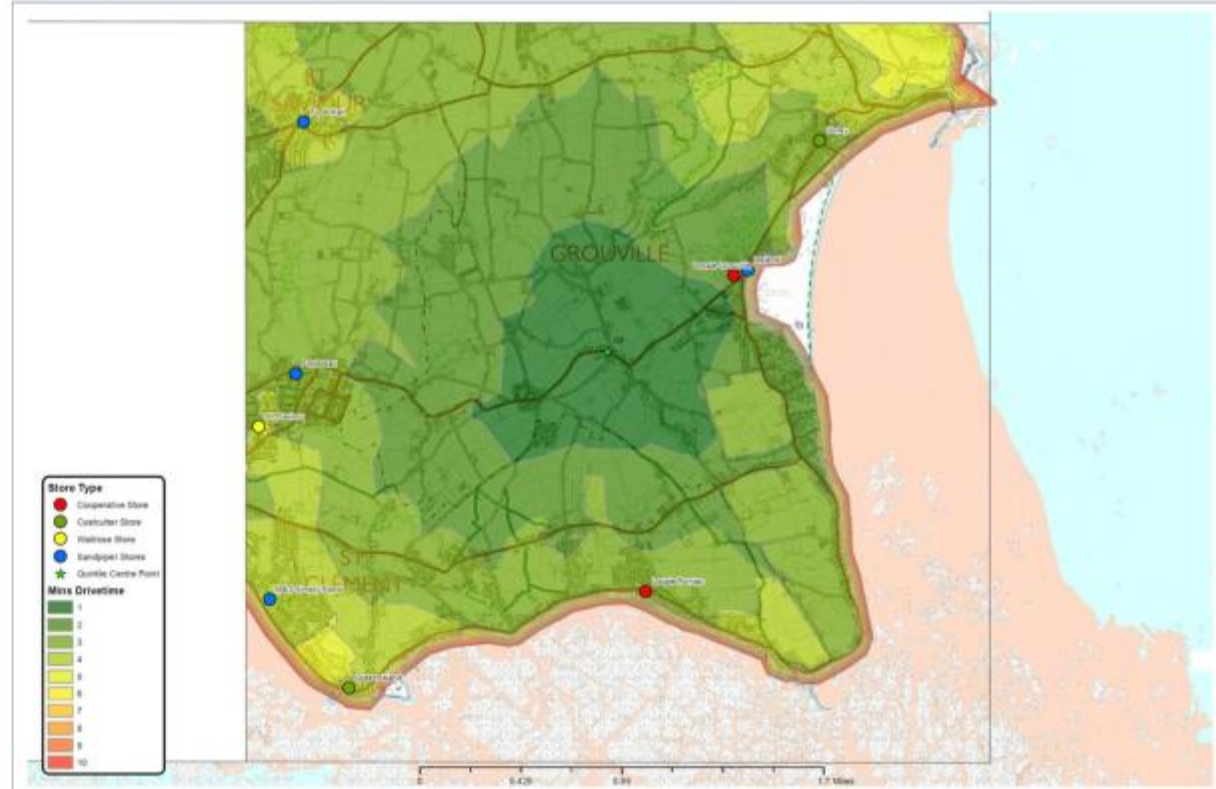
##### Share of supply data

###### Quintile summary

	Revenue p/a £k	Share
Sandpiper Group	[REDACTED]	[25-30]%
Costcutter Green Island	[REDACTED]	[0.5]%
Costcutter Gorey	[REDACTED]	[0.5]%
Co-op	6,880	[10% or more, but less than 25%]
Waitrose	31,163	[50-60]%
Others	2,300	[0.5]%
Total	58,935	100.0%

###### Summary of Sandpiper Group share of supply

- Current: [25-30]%
- Post-completion: [30% or more, but less than 40%]



#### 4.4.4.5 General Stores by Quintile: St Helier town Quintile

##### Summary

- **Factors supporting competition:**
  - There are various potential locations within St Helier where a competitor could open a General Store, and the barriers to entry in doing so are low
  - Co-op has a material share of supply (over 27%), giving it significant market power
  - Independents represent over a 28% share of supply when including Alliance (almost 25% without Alliance)
- **Issues / concerns around competition:**
  - The Transaction will result in a reduction in the number of General Stores fascias
  - The Sandpiper Group's total share of supply will become significant (over 30%)
- **Conclusion:** given the number of independents (over 28% share of supply, including Alliance), Co-op's significant share of supply (over 25%) and Waitrose's share of supply (over 10%), the Transaction will not give rise to competition concerns and will not substantially lessen competition in the St Helier Quintile

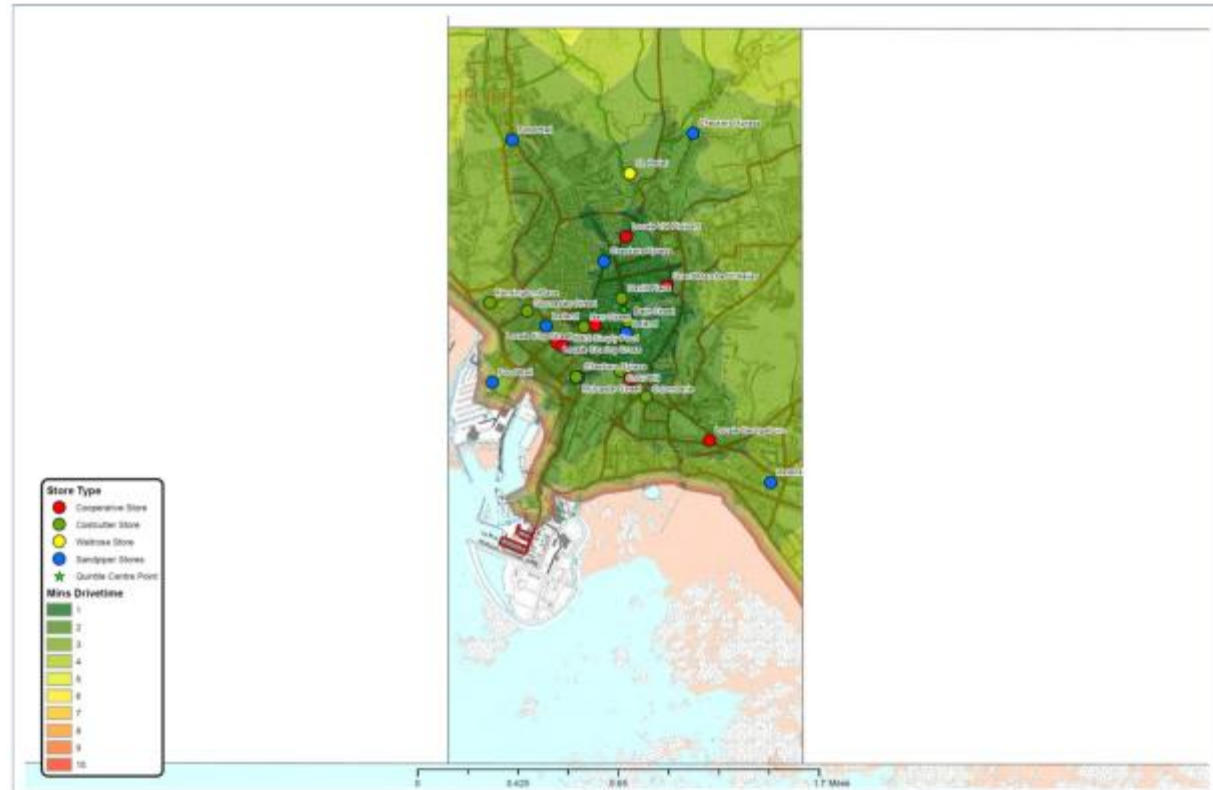
##### Share of supply data

###### Quintile summary

	Revenue p/a £k	Share
Sandpiper Group	[REDACTED]	[25-30]%
Costcutter	[REDACTED]	[5-10]%
Co-op	43,104	[25.30]%
Waitrose	19,080	[10% or more, but less than 25%]
Alliance	6,032	[0-5]%
Others	39,200	[10% or more, but less than 25%]
Total	157,471	100.0%

###### Summary of Sandpiper Group share of supply

- Current: [25-30]%
- Post-completion: [30% or more, but less than 40%]



#### 4.4.5 Primary economic markets: the Road Fuel Retail Market

The following information is based on the Notifying Parties' best estimates of annual fuel figures by volume, and assumes that total volume is consistent with 2010 levels (obtained from the JCRA's *Review of the Jersey market for road fuels* August 2011). Further, it is assumed that all road fuel purchased in the Wholesale Purchase of Road Fuel Market is then sold on to customers via the Retail Sale of Road Fuel Market within the relevant year.

##### 4.4.5.1 The Wholesale Purchase of Road Fuel Market:

Business	Estimated annual volume (litres m)	Share of purchasing power (%)
The Target Group	[REDACTED]	[0-5]
The Sandpiper Group	[REDACTED]	[5-10]

Based on the above, the combined share of purchasing power for the Target Group and the Sandpiper Group in the Wholesale Purchase of Road Fuel Market is [10% or more, but less than 25%].

##### 4.4.5.2 The Retail Sale of Road Fuel Market:

Business	Estimated annual volume (litres m)	Share of supply (%)
The Target Group	[REDACTED]	[0-5]
The Sandpiper Group	[REDACTED]	[5-10]

Based on the above, the combined share of supply for the Target Group and the Sandpiper Group in the Retail Sale of Road Fuel Market is [10% or more, but less than 25%].

#### 4.4.6 Secondary economic markets: Supermarkets

Key competitors are the Channel Islands Co-op, Waitrose and Alliance. In addition, there are a plethora of independent retailers who supply the sector and, in many cases, are direct competitors with Supermarkets, either generally or in relation to specific categories of products, including farm shops, fish mongers (including the St Helier fish market), the retailers in the Central Market etc.

There are no published analyses of market share; however management estimates, based on the methodology set out at paragraph 4.4.1 above, that the share of the Sandpiper Group and each competitor as follows:

Store	Sales per annum (£m)	Market Share (%)
<b>Sandpiper Group stores</b>		
Benest / Food Hall	[REDACTED]	[5-10]
M&S	[REDACTED]	[10-25]
Iceland	[REDACTED]	[10-25]

Store	Sales per annum (£m)	Market Share (%)
<b>Subtotal</b>	[REDACTED]	[25-40]
<b>Others</b>		
Coop	36.4	[10-25]
Waitrose	70.5	[25-40]
Alliance	6.0	[0-5]
<b>Total</b>	<b><u>187.1</u></b>	<b>100</b>

#### 4.4.7 Secondary economic markets: Other General Stores

The only Others General Stores operated by the Sandpiper Group are Pound Powër in St Helier. For the same reasons as submitted by the Purchaser in relation to Convenience Stores, it is not possible to assess share of supply on the basis of Convenience Stores Markets within the St Helier Quintile.

The Purchaser's assessment of turnover within the General Stores Market in the St Helier Quintile is set out in the St Helier Quintile analysis as, for the reasons explained above, the Notifying Parties are of the view that to exclude Other General Stores from an analysis of the competition effects of the Transaction could give rise to misleading results.

For reference, the following Other General Stores are included in the St Helier Quintile analysis:

- Pound Powër (Sandpiper Group);
- Pound Magic (independent);
- 99p Store (independent);
- St Helier Market (independent);
- Boots (independent);
- c. 20 independent Convenience Stores and Other General Stores @5k PW
- (independent)<sup>32</sup>;
- Dunnells (independent).

#### 4.4.8 Secondary economic markets: the Specialist Retail Market

Please note the following in relation to linen, towels, bedding and furniture:

<sup>32</sup>

The Purchaser has assumed for this purpose that 50% of the identified independent Convenience Stores and Other General Stores are Other General Stores.

- **Market size data:** The 2010 Household Spending Survey States that Jersey Households spend was £44.60 per household per week on Household Goods and Services. The 2011 Census states that there are 44,700 households in Jersey. Using these two data points the local market size of Household Goods and Services in Jersey is £103.7m. As Cookware, Linen, Bedding, Towels and Furniture only represent a portion of the Household Goods and Services segment management has assumed it totals a maximum of 20% of the category.

In addition to this, the 2013 Jersey Tourism Report states that the total tourism spend on the island is £228m of which 18% is Retail. For the purposes of this analysis management has assumed that 5% of this retail spend is on Cookware, Linen & Furniture totalling £1.0m.

Combining the total of both local market and Tourism spend equates to a market size of £21.8m.

- **Other retailer sales data:** Sales for these stores were estimated with each store being "walked" by the Sandpiper Head of General Merchandise for Marks and Spencer, and by the Head of Finance - Franchises to estimate the space/sales and the subsequent £ per square foot, and subsequently reviewed for reasonableness. All significant sized stores on King/Queen Street were included, along with additional significant "Out of Town" premises such as Sports Direct and La Casa. Given the large volume of smaller retailers not specifically listed, an estimate was made on the total value of weekly takings by all these stores in the specific categories of c.£250k.
- **Online sales:** Online sales are quoted at £258m by the Economic Affairs Scrutiny Panel - Retail Policy 30th June 2014.

The £258m has been split across the 2010 Household spending survey data categories based on a review of the likelihood of online spend in each category with the remaining Mix weighted against the £258m spend. Based on this analysis Clothing and Footwear spend is estimated at £14.4m and Linen, Towels, Cookware and Furniture £4.2m.

- **Overall market share cross-check**

In order to validate the reasonableness of the market size estimate, and hence of the Sandpiper share of each sub-market, management has compared the market sizes implied by the two methodologies, as follows:

*Overall Market size data based on Household spending data (2010):*

Clothing & Footwear	£77.5m
Linen, Towels, Bedding, Cookware, Furniture	£21.8m
Total	£99.2m



*Built up store level analysis (Sandpiper):*

Clothing & Footwear	£81.8m
Linen, Towels, Bedding, Cookware, Furniture	£20.6m
Total	£102.4m

*Percentage Variance:*

Clothing & Footwear	(5.6) %
Linen, Towels, Bedding, Cookware, Furniture	+5.2%
Total	(3.2) %

Given the data points are 2010 (Household spending), 2013 (Tourism spend) and 2014 (Online spend) along with the degree of estimation in store takings, the overall 3.2% variance appears reasonable, and validates the reasonableness of the share data calculated.

Please note the following in relation to clothing:

- The 2010 Household Spending Survey States that Jersey Households spend was £24.50 per household per week on Clothing and Footwear. The 2011 Census states that there are 44,700 households in Jersey. Using these two data points the local market size of clothing and footwear in Jersey is £56.9m.
- In addition to this the 2013 Jersey Tourism Report states that the total tourism spend on the island is £228m of which 18% is Retail. For the purposes of this analysis management has assumed that 50% of this retail spend is on Clothing and Footwear totalling £20.5m.
- Combining the total of both local market and Tourism spend equates to a market size of £77.5m.
- Please also see above in relation to the overall market share cross-check undertaken.

Market share data for all relevant categories excluding premium chocolate products follows:

[illegible]

Sales (estimate)											
Store	Total PW	Womens (Inc Lingerie)	Mens	Kids (Baby to older girls etc)	Formal Hire	Total Clothing	Furniture	Cookware	Linen / Bedding / Towels	Total Home	Overall Total
Section A - Sandpiper											
M&S( ks+sb+lw)	197,489	5,855,752	2,792,964	410,367		9,059,084	385,108	287,677	537,565	1,210,350	10,269,433
George	43,279	1,101,238	407,407	741,879		2,250,524				-	2,250,524
Jack	14,364	456,468	290,447			746,915				-	746,915
Crew	6,758	176,861	174,564			351,425				-	351,425
Moss	8,493		387,258		54,387	441,645				-	441,645
Total Sandpiper		7,590,319	4,052,641	1,152,246	54,387	12,849,593	385,108	287,677	537,565	1,210,350	14,059,942
Section B - Estimated Turnover											
						-				-	-
Next	84,615	1,760,000	880,000	1,760,000		4,400,000				-	4,400,000
DeGruchy	320,000	9,469,919	3,787,967	270,569	104,000	13,632,455	946,992	1,082,276	1,082,276	3,111,545	16,744,000
BHS*	119,231	3,100,000	620,000	1,240,000		4,960,000		422,727	817,273	1,240,000	6,200,000
New Look	115,385	4,800,000	900,000	300,000		6,000,000				-	6,000,000
Mothercare	10,000			297,143		297,143	222,857			222,857	520,000
Benneton	4,000	208,000				208,000				-	208,000
Esprit	9,000	312,000	156,000			468,000				-	468,000
JD Sports	12,000	156,000	312,000	156,000		624,000				-	624,000
Top Shop	30,000	1,092,000	468,000			1,560,000				-	1,560,000
Blacks	9,000	156,000	234,000	78,000		468,000				-	468,000
Accessorise	10,000	445,714		74,286		520,000				-	520,000
Burtons	15,000		780,000		52,000	832,000				-	832,000
Roultte	12,000		624,000			624,000				-	624,000
Monsoon	32,000	1,188,571		475,429		1,664,000				-	1,664,000
DP	9,000	468,000				468,000				-	468,000
Quicksilver	5,000	65,000	130,000	65,000		260,000				-	260,000
Jager	10,000	346,667	173,333			520,000				-	520,000
Austin Reed**	15,000	234,000	390,000	78,000	104,000	806,000				-	806,000
Chex	4,000		208,000		52,000	260,000				-	260,000
Brummels	6,000		312,000			312,000				-	312,000
Voisins	120,000	3,313,274	1,656,637	276,106	-	5,246,018	331,327	331,327	331,327	993,982	6,240,000
A&B Womens & Kids	18,000	655,200		280,800		936,000				-	936,000
Redvers	5,000	43,333	216,667			260,000				-	260,000
Fat Face	6,500	169,000	169,000			338,000				-	338,000
Jacks	8,000	178,286	178,286	59,429		416,000				-	416,000
Sports Direct	30,000	445,714	668,571	445,714		1,560,000				-	1,560,000
Romerils	10,000					-	520,000	-	-	520,000	520,000
La Casa	35,000					-	1,820,000	-	-	1,820,000	1,820,000
COOP	15,000					-	312,000	234,000	234,000	780,000	780,000
Le Lievres	8,000					-	-	416,000	-	416,000	416,000
Other	251,753	4,107,692	1,546,974	1,305,227		6,959,893	3,208,000	1,277,640	1,645,600	6,131,240	13,091,133
Total Estimated Turnover		32,714,371	14,411,436	7,161,702	312,000	54,599,509	7,361,176	3,763,971	4,110,477	15,235,624	69,835,133
Section C - Online Turnover											
Online	356,582	8,475,062	3,191,744	2,692,967		14,359,774	2,131,212	808,085	1,243,207	4,182,504	18,542,277
						-				-	-
Total		48,779,752	21,655,821	11,006,916	366,387	81,808,875	9,877,496	4,859,733	5,891,249	20,628,478	102,437,353
Sandpiper Share		15.6%	18.7%	10.5%	14.8%	15.7%	3.9%	5.9%	9.1%	5.9%	13.7%

\*BHS - Store closed September 2016, expectation that new store will be open prior to Xmas. At this stage it is unknown how this change in retailer will affect the overall market share and mix.

\*\* Austin Reed - Store closed August 2016, At this stage it is unknown how this change in retailer will affect the overall market share and mix.

Note - JoJo maman bebe opened in Summer 2016 and has not been included in this analysis. Estimated weekly sale of £8k pw split 50% Kids, 20% WW, 30% Home product.

In relation to premium chocolate products, Sandpiper Group stores (Hotel Chocolat) have been forecasted for the current year (which is based on 9 periods of actual sales data, and 3 periods of forecast data).

For the remainder of the market, sales have been estimated by Sandpiper management based on reviewing store sizes, range and location.

*Sandpiper Group:*

Hotel Chocolat	£[REDACTED]k
----------------	--------------

*Others:*

Thorntons	£[REDACTED]k
The Chocolate Bar	£[REDACTED]k
Leonadis	£[REDACTED]k
Maison La Mare	£[REDACTED]k
Relish	£[REDACTED]k
Other stores	£[REDACTED]k
Total	£[REDACTED]k
Overall Total	£[REDACTED]k

**Sandpiper Group share**      **[10% or more, but less than 25%]**

#### **4.4.9 Secondary economic markets: F&B Retail**

The Sandpiper Group has divided the markets into 4 sub-markets:

- Barista-style coffee shops – St Helier
- Cafes, restaurants and coffee shops serving food and drinks in an informal setting – St Aubin
- Cafes, restaurants and coffee shops serving food and drinks in an informal setting – St Brelade
- Cafes, restaurants and coffee shops serving food and drinks in an informal setting – St Helier

##### *4.4.9.1 Barista-style coffee shops – St Helier*

The Sandpiper Group operates 4 Costa Coffee shops within St Helier – Bath Street, Liberty Wharf, York Street, and Queen Street. There are a minimum of 16 shops owned by competitors, which are as follows:

- Bean around the world
- Coffee Republic
- Big Maggies
- Dandy, Conway St
- Coopers x 3 (Halkett St, Castle Quay, Coop)
- Mange Tout x4 (Conway Street, Don Street, Sand Street, Colomberie)
- Jersey Potteries x2 (King Street, Colomberie)

- De Gruchy
- Voisins
- Don Street Deli

Sandpiper Group management does not have sales data for these shops, however on the assumption that their unit sales are comparable to that of a typical Costa Coffee outlet, which management has no reason to doubt, then it is likely that the Sandpiper share of the submarket is c.4/20, i.e. [10% or more, but less than 25%].

#### 4.4.9.2 *Cafes, restaurants and coffee shops serving food and drinks in an informal setting – St Aubin*

The Sandpiper Group operates one store in St Aubin – a Costa Coffee unit. There are a minimum of 7 shops which offer a broadly comparable range of products, which are as follows:

- Zoe kitchen
- DL deli
- Kiosk
- Boathouse
- Sprigs café
- Murrays

Sandpiper Group management does not have sales data for these shops, however on the assumption that their unit sales are comparable to that of a typical Costa Coffee outlet, which management has no reason to doubt, then it is likely that the Sandpiper share of the submarket is c.1/7, i.e. [10% or more, but less than 25%].

#### 4.4.9.3 *Cafes, restaurants and coffee shops serving food and drinks in an informal setting – St Brelade (ex St Aubin)*

The Sandpiper Group operates one store in St Brelade – a The Bakery unit. There are a minimum of 12 shops which offer a broadly comparable range of products, which are as follows:

- The Coffee Bean
- Café des Sports
- The Poplars tearoom

- Coop store
- Waitrose store
- La Braye café
- Pizza Express
- Sugar Reef
- Point Break Café
- Portelet Bay Café
- The Tree house
- Wayside Café

Sandpiper Group management does not have sales data for these shops, however on the assumption that their unit sales are comparable to that of a typical The Bakery outlet, which management has no reason to doubt, then it is likely that the Sandpiper share of the submarket is c.1/13, i.e. [10% or more, but less than 25%].

#### 4.4.9.4 *Cafes, restaurants and coffee shops serving food and drinks in an informal setting – St Helier*

The Sandpiper Group operates 1 The Bakery unit in St Helier (previously Greggs), along with 1 The Cornish Bakery, 1 Burger King and a café in the Marks and Spencer store in King Street. There are a minimum of 87 shops owned by competitors, please see the table set out below. Sandpiper Group management does not have sales data for these shops, however on the assumption that their unit sales are comparable to that of a typical Sandpiper outlet, which management has no reason to doubt, then it is likely that the Sandpiper share of the submarket c.4/92, i.e. [0-5]%.

Name of Business	Units	Name of Business	Units
Mangetout	4	Le Petite Baguette	1
Taste	2	La Fricote	1
Jersey Pottery Café	3	Le Petit Greek	1
Mc Donalds	1	Café 1837	1
KFC	1	Life Boat Café	1
Hectors Fish Shop	1	Loaf	1
Henley Café	2	Love Boat	1

Name of Business	Units	Name of Business	Units
Replacement café in what was BHS <sup>33</sup>	1	Market Tearoom	1
Simple Simon	1	Millennium Café	1
Delish	1	Moo	1
Bean Around The World	1	Move On Café	1
Alfonso Café	3	Natalies Café	1
Hot Stuff	1	Rosy Café	1
Pizza Quarter	3	Naughty Monkey	1
Roberts Garages	3	Oh! Café	1
Bruno Bakery	1	Nostagia Café	1
Pizza Hut	1	Parade Café	1
Pizza Express	1	Peppers Café	1
BJ	1	Pizza Roma	1
Fresh	1	Quayside Café	1
99p Store	1	Relish	1
Café JC	1	Refuel	1
Bi Maggies	1	S Bar	1
Bobbies Bites	1	Sailors Rest	1
Bloomers	1	Simons Take Away	1
Boots Chemist	2	Robin Hood	1
Chordz Café	1	Tasty Bites	1
Cheapside Café	1	The Burger Palace	1
Coffee Republic	1	The Fresh Crust Pizza	1
Crumbs Of Comfort	1	The Garden Café	1
Curiosity Coffee Shop	1	The Loving Spoonful Café	1
Dons Deli	1	Old Bake House	1
Doorsteps Café	1	Yummies	1
First Stop Café	1	Y Not Café	1
George Garden Café	1		
GJ Café	1		
Green Roster	1	<b>Total Competitor stores</b>	<b>87</b>
Jorges Clock Café	1		
Joshua Sandwich Bar	1		

<sup>33</sup>

Please note, it is not clear whether this will be replaced, but if not it is submitted it would not make a material difference to the analysis

#### 4.4.10 Secondary economic markets: the Freight Services Market

The following information is based on the Notifying Parties' best estimates of their respective annual freight usage by tonnage, compared to the total 2015 annual tonnage figures for freight passing through Jersey Harbours supplied to the Notifying Parties by Ports of Jersey Limited (being [REDACTED] tonnes per annum).

##### 4.4.10.1 Sea Freight Market

Business	Estimated annual volume (tonnes k)	Share of purchasing power (%)
The Target Group	[REDACTED]	[0-5]
The Sandpiper Group	[REDACTED]	[10-25]

Based on the above, the combined share of purchasing power for the Target Group and the Sandpiper Group in the Sea Freight Market is [10% or more, but less than 25%].

##### 4.4.10.2 Local Land Freight Market

Neither the Sandpiper Group nor the Target Group is a participant in the Local Land Freight Market. To the extent that goods are supplied to the relevant group by third parties utilising land freight services, those services would form part of the International Land Freight Market or deliveries would be made by local suppliers.

##### 4.4.10.3 International Land Freight Market

In common with their major competitors, neither the Sandpiper Group nor the Target Group has its own on-island distribution service (although the Sandpiper Group has vans for moving smaller volumes of goods between retail outlets or warehouses). The Notifying Parties therefore believe that the share of purchasing power set out for the Sea Freight Market above is also a reasonable estimate (plus or minus) of the respective groups' share of purchasing power within the International Land Freight Market (although it is possible that some deliveries to port are distributed by the end customer's own on-island distribution network).

#### 4.4.11 Secondary economic markets: the Wholesale Market

The following information is based on the Notifying Parties' best estimates of the Wholesale Market size. As the Notifying Parties are consumers in the Wholesale Market and no readily available market size data exists, previous workings submitted to CICRA relating to the sale by the Sandpiper Group of Cimandis have been used to demonstrate the size of the market. In that submission the Jersey food & beverage wholesale market was valued at £100m per annum. It is submitted that it is reasonable to assume that, including Jersey Dairy, Newspapers, beers, wines and spirits, tobacco and various other local wholesale products, the Wholesale Market is



in the region of £200m to £300m per annum. However, for the purposes of the below the Notifying Parties have assumed each market is £100m per annum.

#### 4.4.11.1 Wholesale F&B Market

Business	Estimated annual purchases (£m)	Share of purchasing power (%)
The Target Group	[REDACTED]	[5-10]
The Sandpiper Group	[REDACTED]	[5-10]

Based on the above, the combined share of purchasing power for the Target Group and the Sandpiper Group in the Wholesale F&B Market is [10% or more, but less than 25%].

#### 4.4.11.2 Wholesale General Goods Market

Business	Estimated annual purchases (£m)	Share of purchasing power (%)
The Target Group	[REDACTED]	[0-5]
The Sandpiper Group	[REDACTED]	[5-10]

Based on the above, the combined share of supply for the Target Group and the Sandpiper Group in the Wholesale General Goods Market is [5-10]%.

### 4.4.12 Secondary economic markets: the Residential Letting Market

Based on the 2011 States of Jersey housing statistics<sup>34</sup>, 7,806 private households in Jersey are occupied way of qualified private rental. If one assumes that the average monthly rental per property is £1,000 (which the Notifying Parties submit is a reasonable estimate, as the average household expenditure on housing, fuel and power in the qualified rental sector in 2014/2015<sup>35</sup> was £266 per week, ie £1,152.66 per calendar month), the aggregate annual rental income from those flats is £93.7m.

This does not take into account social rental and non-qualified accommodation, which (based on the same 2011 source) accounts for an additional 8,219 properties. If we assume the average rental for those properties is £500 per month (which takes the lower social housing weekly housing, fuel and power figure per the States of Jersey 2014/2015 figures and applies a c.15% discount for fuel and power), this adds a further £49.3m to the aggregate annual rental income figure (ie giving £143m in total).

The following information is based on the foregoing and the Notifying Parties' best estimates of their respective annual rental income.

<sup>34</sup> See <http://www.gov.je/Government/JerseyInFigures/HousingLiving/Pages/Households.aspx>

<sup>35</sup> See States of Jersey *Jersey Household Spending 2014.2015*

Business	Estimated annual rental income (£k)	Share of supply rentals (%)	Share of supply qualified private rental (%)
The Target Group	[REDACTED]	[0-5]	[0-5]
The Sandpiper Group	[REDACTED]	[0-5]	[0-5]

Based on the above, the combined share of supply for the Target Group and the Sandpiper Group in the Residential Letting Market is a maximum of [0-5]% (taking the narrower qualified private rental economic market only).

**4.5 Provide a description of how competition works in the market(s) identified in 4.2 above. For example, do businesses compete on price, service, quality or innovation? What are the customary terms with suppliers and customers?**

**4.5.1 Primary economic markets: General Stores**

Competition is based on a variety of factors. These include price, quality, store location, store ambience, and customer service, including friendliness of staff. Terms vary by supplier but are generally within 7-60 day payment terms. Due to the nature of the business customers generally pay on purchase.

**4.5.2 Primary economic markets: the Road Fuel Retail Market:**

According to CICRA document CICRA: 15/49 *Review of the Fuel Market in Jersey - Statement on the First Stage Findings, November 2015*:

- (a) *"there are no reasonable grounds to suspect that a feature, or a combination of features, of market/s for the supply and acquisition of fuel in Jersey are not acting in the best interests of consumers";*
- (b) *"in addition to a lack of evidence of excessive margins, there is evidence of competition in terms of price and service in the Jersey road fuel market... Price ranges also provided indicative evidence of appropriate protection and consumer choice"; and*
- (c) any issued identified in connection with the Wholesale Purchase of Road Fuel Market were on the supply side, not the consumer / customer side.

As a consequence, the Notifying Parties do not propose to provide any further information in connection with the Road Fuel Retail Market.

**4.5.3 Secondary economic markets: Specialist Retail Market**

**4.5.3.1. Specialist Retail Market (excluding clothing and premium chocolate products)**

Competition is based on a variety of factors. These include price, quality, store location, store ambience, and customer service, including friendliness of staff.

#### **4.5.3.2 Specialist Retail Market (clothing)**

Market Competition varies between segments. The value market (George) is driven in the main by price and trend (Fast Fashion). Marks and Spencer, Moss Bros & Crew Clothing compete primarily on the basis of quality and service. Jack Wills competes on the basis of trend (Fast Fashion).

#### **4.5.3.2 Specialist Retail Market (premium chocolate products)**

Businesses in the premium chocolate sector generally compete on quality, although Thorntons use a combination of promotions and entry price points to compete on value. In addition, across the sector there is competition based on the source of the raw material (Ethical sourcing) along with innovation in product design.

#### **4.5.4 Secondary economic markets: F&B Retail**

For each of the submarkets, the units compete on a variety of fronts. These will include: ambience, location, breadth of offer, price, quality, customer service, including friendliness of staff.

#### **4.5.5 Secondary economic markets: the Freight Services Market**

The Notifying Parties cannot comment more widely, but in terms of how the Freight Services Market operates in connection with their respective businesses:

- (a) in many cases it is the suppliers to the Sandpiper Group or the Target Group who engage freight suppliers to ship goods to Jersey (and in such circumstances the Notifying Parties are not party to any service provider selection process);
- (b) in relation to chilled food freight, the only current service provider for supply in to the island is Ferryspeed; and
- (c) outside of (a) and (b) above, there is competition on price and service.

#### **4.5.6 Secondary economic markets: the Wholesale Market**

Suppliers compete on price, quality and product availability to market.

#### **4.5.7 Secondary economic markets: the Residential Letting Market**

Given their extremely minor participation in this market, the Notifying Parties do not feel qualified to comment on it.

**4.6 Provide the contact details for each of the parties' top five competitors (whether located in Guernsey and/or Jersey or abroad) in the market(s) identified in 4.2.**

**4.6.1 Primary economic markets: General Stores**

*4.6.1.1 Within the Convenience Stores sub-market:*

- The Channel Islands Co-operative Society, 57 Don Street, St Helier Jersey JE2 4TR
- Roberts Garages, Bel Royal, St Lawrence, Jersey, JE3 1LN.
- Best One, Le Route De Saint-Aubin, Jersey, JE2 3LN.
- Bay Stores, Le Route De Saint-Aubin, Jersey, JE2 3SF.
- Rosedale Stores, Gorey Village, Grouville, Jersey JE3 9FX.

*4.6.1.2 Within the Supermarkets sub-market:*

- Waitrose Limited, Bracknell, RG12 8YA.
- The Channel Islands Co-operative Society, 57 Don Street, St Helier Jersey JE2 4TR.
- Alliance Ltd, Braye Road, Vale, Guernsey GY3 5XB.

*4.6.1.3 Within the Other General Stores sub-market:*

- St Helier market (various), Central Market, St Helier JE2 4WL, Jersey.
- Boots, 62 King St, St Helier JE2 4WE / 23 Queen St, St. Helier JE2 4WD.
- Pound Magic, 1 Broad Street St Helier Jersey, JE2 3RR
- 99p Store, Bath St, Jersey JE2 4WN.
- Dunnells, 37 Hill Street, St Helier, Jersey JE2 4UA

**4.6.2 Primary economic markets: The Road Fuel Retail Market**

For the reasons set out at paragraph 4.5.2 above, the Notifying Parties do not propose to provide any further information in connection with the Road Fuel Retail Market.

**4.6.3 Secondary economic markets: Specialist Retail Market**

Given the competitors in each sub-market are different, they are provided below by sub-market:

#### 4.6.3.1 *Cookware*

- A de Gruchy & Co Limited, 46-52 King Street, St Helier, JE4 8NN.
- La Casa, La Grande Route de Saint-Jean, Jersey, JE3 4NF
- Voisins 26-32 King Street, St Helier, Jersey, JE4 8NF
- Co-operative Society Limited, 57 Don Street, St Helier, JE2 4TR

#### 4.6.3.2 *Linen, towels and bedding*

- A de Gruchy & Co Limited, 46-52 King Street, St Helier, JE4 8NN.
- La Casa, La Grande Route de Saint-Jean, Jersey, JE3 4NF
- Voisins 26-32 King Street, St Helier, Jersey, JE4 8NF
- Co-operative Society Limited, 57 Don Street, St Helier, JE2 4TR

#### 4.6.3.3 *Women's clothing*

- A de Gruchy & Co Limited, 46-52 King Street, St Helier, JE4 8NN.
- New Look, 6 King Street, St Helier, JE2 4EF
- Voisins 26-32 King Street, St Helier, Jersey, JE4 8NF
- Next, Queensway House, Queen Street, St Helier, Jersey, JE2 4WD

#### 4.6.3.4 *Men's clothing*

- A de Gruchy & Co Limited, 46-52 King Street, St Helier, JE4 8NN.
- Voisins 26-32 King Street, St Helier, Jersey, JE4 8NF
- New Look, 6 King Street, St Helier, JE2 4EF
- Next, Queensway House, Queen Street, St Helier, Jersey, JE2 4WD
- Burtons, 2-4 King Street, St Helier, Jersey, JE2 4WF

#### 4.6.3.5 *Children's clothing*

- Next, Queensway House, Queen Street, St Helier, Jersey, JE2 4WD
- Sports Direct, Power House, Queens Road, St Helier, JE4 8NY
- New Look, 6 King Street, St Helier, JE2 4EF

#### *4.6.3.6 Hire of men's formal ware*

- A de Gruchy & Co Limited, 46-52 King Street, St Helier, JE4 8NN
- Burtons, 2-4 King Street, St Helier, Jersey, JE2 4WF
- Chex, 24 Halkett Street, Jersey, JE2 4WJ

#### *4.6.3.7 Home furniture*

- A de Gruchy & Co Limited, 46-52 King Street, St Helier, JE4 8NN.
- La Casa, La Grande Route de Saint-Jean, Jersey, JE3 4NF
- Voisins 26-32 King Street, St Helier, Jersey, JE4 8NF
- Co-operative Society Limited, 57 Don Street, St Helier, JE2 4TR

#### *4.6.3.8 Premium chocolate products*

- Thorntons, 7 King Street, St Helier, Jersey, JE24WF
- The Chocolate Bar, 10 Conway Street, St Helier, Jersey, JE23NT
- Leonidas, 75-77 Central Market, Beresford Street, Jersey, JE24WN
- Maison La Mare, 33 King Street, St Helier, Jersey, JE24WF
- Relish, 22 Halkett Street, Jersey, St Helier, JE24WJ

### **4.6.4 Secondary economic markets: F&B Retail**

It is not possible to identify for each submarket which of the competitors are larger than the other, hence the Sandpiper Group is unable to respond to this question. However, please see above in relation to names of competing F&B Retail outlets in each relevant area.

### **4.6.5 Secondary economic markets: the Freight Services Market**

Since the Sandpiper Group and the Target Group are consumers / customers in this market this question is not applicable.

### **4.6.6 Secondary economic markets: the Wholesale Market**

Since the Sandpiper Group and the Target Group are consumers / customers in this market this question is not applicable.

#### **4.6.7 Secondary economic markets: the Residential Letting Market**

Given the significant number of participants in the Residential Letting Market and the very small share of supply of the Notifying Parties, the Notifying Parties are of the view that this information is not relevant to the assessment of the Transaction.

- 4.7 *Provide the contact details for each of the parties' top five suppliers (whether located in Guernsey and/or Jersey or abroad) in the market(s) identified in 4.2.*

#### **4.7.1 Primary economic markets: General Stores**

##### *4.7.1.1 In relation to Convenience Stores and Other General Stores:*

[REDACTED]

Please note, the above assumes that [REDACTED].

##### *4.7.1.2 In relation to Supermarkets only:*

[REDACTED]

#### **4.7.2 Primary economic markets: the Road Fuel Retail Market**

For the reasons set out at paragraph 4.5.2 above, the Notifying Parties do not propose to provide any further information in connection with the Road Fuel Retail Market.

#### **4.7.3 Secondary economic markets: Specialist Retail Market**

Given the competitors in each sub-market are different, they are provided below by sub-market:

##### *4.7.3.1 Cookware*

[REDACTED]

##### *4.7.3.2 Linen, towels and bedding*

[REDACTED]

##### *4.7.3.3 Women's clothing*

[REDACTED]

##### *4.7.3.4 Men's clothing*

[REDACTED]

##### *4.7.3.5 Children's clothing*

[REDACTED]

4.7.3.6 *Hire of men's formal ware*

[REDACTED]

4.7.3.7 *Home furniture*

[REDACTED]

4.7.3.8 *Premium chocolate products*

[REDACTED]

**4.7.4 Secondary economic markets: F&B Retail**

Due to the Franchise nature of the business, there is only one supplier per fascia (i.e., the franchise owner), other than supply of local items such as milk (from Jersey Dairy). To the extent that products are purchased other than from a franchisee, please see information relevant to the Wholesale Market.

**4.7.5 Secondary economic markets: the Freight Services Market**

[REDACTED]

**4.7.6 Secondary economic markets: the Wholesale Market**

[REDACTED]

**4.7.7 Secondary economic markets: The Residential Letting Market**

The Notifying Parties are of the view that this question is not applicable to the Residential Letting Market as they do not have any "suppliers" as such.

**4.8 *Provide the contact details for each of the parties' top five customers (whether located in Guernsey and/or Jersey or abroad) in the market(s) identified in 4.2.***

The Sandpiper Group and the Costcutter group operate primarily in the consumer retail market, and it is not therefore possible to provide contact details for their actual or potential customers.

The exception to the above is the Residential Letting Market. To the extent they have residential letting "customers", the Notifying Parties do not believe it is necessary or appropriate to provide tenant information given the nature of the Transaction and the scale of their participation in that market.

**4.9 *Provide the contact details for any trade association or other industry organisation in Guernsey and/or Jersey concerned with the market(s) identified in 4.2.***

**4.9.1 All primary and secondary economic markets excluding those set out at paragraphs 4.9.2 to 4.9.4 below**

Jersey Chamber Of Commerce, 25 Pier Road, Jersey JE1 4HF.



#### **4.9.2 Primary economic markets: the Road Fuel Retail Market**

For the reasons set out at paragraph 4.5.2 above, the Notifying Parties do not propose to provide any further information in connection with the Road Fuel Retail Market.

#### **4.9.3 Secondary economic markets: the Freight Services Market and Wholesale market**

This is not known to the Notifying Parties as they are customers / consumers only, but they assume the Jersey Chamber Of Commerce, 25 Pier Road, Jersey JE1 4HF.

#### **4.9.4 Secondary economic markets: the Residential Letting Market**

This is not known to the Notifying Parties given their minimal operations in this market.

### ***4.10 Provide details of any joint ownership, agreements or joint ventures among the competitors identified in 4.4.***

#### **4.10.1 All primary and secondary economic markets excluding the Road Fuel Retail Market**

None so far as the Notifying Parties are aware.

#### **4.10.2 Primary economic markets: the Road Fuel Retail Market**

For the reasons set out at paragraph 4.5.2 above, the Notifying Parties do not propose to provide any further information in connection with the Road Fuel Retail Market.

### ***4.11 Discuss the extent to which imports provide actual or potential competition in the market(s) identified in 4.2. (Cover factors such as transport costs, tariffs, quotas, standards, government regulations etc).***

#### **4.11.1 Primary economic markets: General Stores**

By the nature of Convenience Stores, imports do not provide actual or potential competition.

#### **4.11.2 Primary economic markets: the Road Fuel Retail Market**

For the reasons set out at paragraph 4.5.2 above, the Notifying Parties do not propose to provide any further information in connection with the Road Fuel Retail Market.

#### **4.11.3 Secondary economic markets: Specialist Retail Market**

*4.11.3.1 All sub-markets excluding hire of men's formal wear*

The vast majority of goods that fall into this category are imported. In addition to the goods for sale being imported, £18.4m of the estimated 104.2m market size for the entire Specialist Retail Market is now "imported" via the internet - 17.7%.

#### **4.11.3.2 Hire of men's formal wear**

Given the nature of this market imports do not provide any actual or potential competition.

#### **4.11.4 Secondary economic markets: F&B Retail**

Given the nature of this market imports do not provide any actual or potential competition.

#### **4.11.5 Secondary economic markets: the Freight Services Market**

Given the nature of the Freight Services Market this question is not applicable.

#### **4.11.6 Secondary economic markets: the Wholesale Market**

Purchases are made based on a mixture of price, quality and availability of product to market. Imports in the specific areas where there is a wholesale market in Jersey such as Produce provide competition on each of price, quality and availability.

#### **4.11.7 Secondary economic markets: the Residential Letting Market**

By the nature of the Residential Letting Market, imports do not provide actual or potential competition.

#### **4.12 Describe the barriers to entry or expansion that exist for the market(s) identified in 4.2, including, but not limited to, the capital expenditure required, permits or approvals required, planning restraints, health and safety restraints, availability of raw materials, R&D requirements, the necessary intellectual property or expertise, advertising/promotional requirements, and where possible, an estimate of the time required and resources needed to overcome these factors, including an estimate of the extent to which costs are recoverable.**

##### **4.12.1 Primary economic markets: General Stores**

It is possible to identify several barriers to entry which face an individual entrant to a greater or lesser extent:

- (a) Capital Costs – Depending on the sophistication of the shop fit required, there is an upfront capital cost to open a store, and in addition there is a requirement to undertake ongoing investment from time to time in order to keep pace with the market and the brand owners' brand identity.
- (b) Scarcity and cost of acquiring and developing suitable property.

- (c) For an external (non-Channel Island) entrant, the cost of operating in a small market, together with supply chain & regulatory differences versus the UK.

The barriers to entry in the Supermarkets market are higher than in the Convenience Stores or Other General Stores markets due to a lower availability of commercial properties of a sufficient size and (in the case of Supermarkets outside of St Helier where parking is important) with sufficient parking to properly operate a Supermarket.

The products and equipment needed to operate a retail unit are widely available, as is the supply of labour to staff the shops.

Please also see the CICRA Grocery Survey for an assessment of barriers to entry.

The frequency with which new competitors enter the market would suggest that actual barriers to entry are low.

#### **4.12.2 Primary economic markets: the Road Fuel Retail Market**

For the reasons set out at paragraph 4.5.2 above, the Notifying Parties do not propose to provide any further information in connection with the Road Fuel Retail Market.

#### **4.12.3 Secondary economic markets: Special Retail Market and F&B Retail**

The Purchaser would note that the frequency with which new competitors enter the F&B Retail market would suggest that actual barriers to entry are very low.

#### **4.12.4 Secondary economic markets: the Freight Services Market and the Wholesale Market**

This is not known to the Notifying Parties as they are customers / consumers only.

#### **4.12.5 Secondary economic markets: the Residential Letting Market**

The barriers to entry in to the Residential Letting Market are:

- (a) owning or leasing a property (in the case of leasing with permission to sub-let or sub-licence all or part of that property); and
- (b) being permitted under local housing laws to let, sub-let or licence that property to a residential tenant.

**4.13 Identify separately any competitors that have entered, significantly expanded in, or exited the market(s) identified in 4.2 in the past three years.**

**4.13.1 Primary economic markets: General Stores**

Co-op, in relation to Convenience Stores: expanded (Grouville, new store, new larger store being built on King Street now, Co-op Sion, Co-op Colomberie). There is a continual "churn" of small independent competitors in the market.

The most recent major entrants to this market within the Supermarkets sub-market are Waitrose, who purchased 3 Jersey supermarkets from Sandpiper in 2010/11, and Alliance, who opened a Tesco-branded unit in St Helier in 2014.

In relation to Other General Stores, given the very low barriers to entry, there is a continual "churn" of competitors in the market. The Sandpiper Group does not keep records of individual competitor entry/exits.

**4.13.2 Primary economic markets: the Road Fuel Retail Market**

For the reasons set out at paragraph 4.5.2 above, the Notifying Parties do not propose to provide any further information in connection with the Road Fuel Retail Market.

**4.13.3 Secondary economic markets: Specialist Retail Market**

Given the competitors in each sub-market are different, they are provided below by sub-market:

**4.13.3.1 Cookware**

Entries: Mypad.JE

Exits:

- Scope Furniture
- Collections Group
- BHS

**4.13.3.2 Linen, towels and bedding**

Entries: Mypad.JE

Exits:

- Scope Furniture
- Collections Group
- BHS

#### 4.13.3.3 *Women's clothing*

Entries:

- Sports Direct
- Esprit
- Joules (Voisins)
- White Stuff (Voisins)
- Superdry (Voisins)
- River Island (Voisins)
- JoJo Meme Bebe
- USC

Exits:

- East
- BHS
- Austin Reed

#### 4.13.3.4 *Men's clothing*

Entries:

- Sports Direct
- Esprit
- Joules (Voisins)
- White Stuff (Voisins)
- Superdry (Voisins)
- River Island (Voisins)
- Brummels
- USC

Exits:

- East

- Harvey Moss
- A Amy and Sons
- BHS
- Austin Reed

#### 4.13.3.5 *Children's clothing*

Entries:

- Sports Direct
- Joules (Voisins)
- White Stuff (Voisins)
- Superdry (Voisins)
- River Island (Voisins)
- JoJo Meme Bebe
- USC

Exits:

- East
- BHS

#### 4.13.3.6 *Hire of men's formal ware*

Exits: Austin Reed.

#### 4.13.3.7 *Home furniture*

Entries:

- Sofa Works
- Mypad.JE

Exits:

- Scope Furniture
- Collections Group
- BHS



#### *4.13.3.8 Premium chocolate products*

None.

#### **4.13.4 Secondary economic markets: F&B Retail**

Given the low barriers to entry, there is a continual "churn" of competitors in the market. The Sandpiper Group does not keep records of individual competitor entry/exits.

#### **4.13.5 Secondary economic markets: the Freight Services Market and the Wholesale market**

Since the Sandpiper Group and the Target Group are consumers / customers in these markets this question is not applicable.

#### **4.13.6 Secondary economic markets: The Residential Letting Market**

Given the nature of this market and the potentially large number of property owners who could let out properties for residential use the Notifying Parties do not consider it to be possible to properly answer this question given the nature and scale of their participation in this market.

### ***4.14 Identify any firms, currently not in the market(s) identified in 4.2, that could reasonably enter such markets.***

#### **4.14.1 Primary economic markets: General Stores**

*In relation to Convenience Stores:*

- McColls.
- Premier Stores.
- One Stop.
- Londis.
- Today's Extra.
- Select and Save.

It is reasonable to suppose that any of the UK major grocers (Asda, Morrison, Tesco, or Sainsbury), together with the Limited Assortment Discounters (Aldi, Lidl) could enter the Supermarkets sub-market, either directly or through acquisition of an existing market participant.

Given the nature of the Other General Stores sub-market there are any number of possible entrants.

#### **4.14.2 Primary economic markets: the Road Fuel Retail Market**

For the reasons set out at paragraph 4.5.2 above, the Notifying Parties do not propose to provide any further information in connection with the Road Fuel Retail Market.

#### **4.14.3 Secondary economic markets: the Special Retail Market**

Given the competitors in each sub-market are different, they are provided below by sub-market:

##### *4.14.3.1 Cookware*

- Debenhams
- John Lewis
- House of Fraser

##### *4.14.3.2 Linen, towels and bedding*

- Debenhams
- John Lewis
- House of Fraser
- Matalan

##### *4.14.3.3 Women's clothing*

- Zara
- Debenhams
- John Lewis
- Adams
- Edinburgh Woollen Mill
- Faith
- Figleaves
- French Connection
- H&M
- Primark

- House of Fraser
- JJB Sports
- Matalan
- Republic
- T.K Max

#### 4.14.3.4 *Men's clothing*

- Debenhams
- John Lewis
- Edinburgh Woollen Mill
- Primark
- House of Fraser
- JJB Sports
- Matalan
- T.M Lewin
- T.K Max

#### 4.14.3.5 *Children's clothing*

- Zara
- Debenhams
- John Lewis
- Adams
- Edinburgh Woollen Mill
- Primark
- House of Fraser
- JJB Sports
- Matalan
- T.K Max

#### *4.14.3.6 Hire of men's formal ware*

None identified.

#### *4.14.3.7 Home furniture*

- Debenhams
- John Lewis
- House of Fraser

#### *4.14.3.8 Premium chocolate products*

- Godiva
- Artisan du Chocolat
- Montezumas

#### **4.14.4 Secondary economic markets: F&B Retail**

Given the low barriers to entry, there are many firms which could enter the market, ranging from the highly-branded end of the market, such as Starbucks, Café Nero etc, to small local independent operations.

#### **4.14.5 Secondary economic markets: the Freight Services Market**

This is not known to the Notifying Parties as they are customers / consumers only. However, they would note that Barriers to entry are high, with no additional local chilled / frozen infrastructure available since Ferryspeed took over Condor Logistics. Neither the Sandpiper Group nor the Target group are aware of any potential local market entries.

#### **4.14.6 Secondary economic markets: the Wholesale Market**

This is not known to the Notifying Parties as they are customers / consumers only.

#### **4.14.7 Secondary economic markets: the Residential Letting Market**

Given the nature of this market and the potentially large number of property owners who could let out properties for residential use the Notifying Parties do not consider it to be possible to properly answer this question given the nature and scale of their participation in this market.

**4.15 Provide an assessment of any effects the merger may have within any part of Guernsey or Jersey (identifying any particular parishes/local areas affected), if different than those already described.**

**4.15.1 Primary economic markets: Convenience Stores generally**

The following paragraphs provide additional supporting evidence for the Notifying Parties' submission that the Transaction should be assessed on the basis of:

- (a) an economic market including all General Stores (rather than the Convenience Stores sub-market only); and
- (b) in order to properly understand and assess the competition effects of the Transaction it is necessary to consider a geographic market that is larger than individual Convenience Stores Markets (notwithstanding that the Notifying Parties concede that an analysis on the basis of individual Convenience Stores Markets is nevertheless necessary given the lack of empirical, independent evidence to support the contrary position).

The Notifying Parties are of the view that, based on the localised effects of the Transaction on the individual Convenience Stores Markets basis when considered together with the constraints imposed on the Sandpiper Group on a Quintile basis by other retailers, the Transaction does not give rise to competition concerns.

**4.15.1.1 Constraints and competition within the General Stores Market**

The actual competition effects of the Transaction could be mitigated by competition in applicable Convenience Stores Markets from independent participants in the General Stores Market that are not Convenience Stores (including Waitrose and Co-op Supermarkets, farm shops etc).

Whilst not all such General Stores are open on a Sunday or carry the same range of products as a Convenience Store, it is artificial to suggest that they are not, as a matter of fact, competitors to Convenience Stores at the times they are open and in respect of the products they sell. Further, as a matter of fact, stores such as Waitrose and Co-op do open on a number of Sundays in a year (in practice Supermarkets are open for 322 days per, or 88.2% of the time), and many farm shops are open on Sundays generally.

This position is supported by the 2008 UK Competition Commission document *The supply of groceries in the UK - market investigation*, where it was suggested that the grocery retail market should be split into three broad product markets: one-stop shops ("**OSS**"), mid-size stores ("**MSS**") and "convenience stores". This is the approach taken by CICRA in decision M601/10 relating to the acquisition of various assets and properties of the Sandpiper Group by Waitrose in July 2010.

In terms of competition, the UK Competition Commission found (in summary) that:

- (a) OSS compete with other OSS and constrain MSS and "convenience stores";
- (b) MSS compete with other MSS, constrain "convenience stores" and are constrained by OSS but do not in turn constrain OSS; and
- (c) "convenience stores" compete with other "convenience stores" and are constrained by MSS and OSS, but do not in turn constrain MSS or OSS.

Applying the foregoing to the sub-markets with the General Stores Market consistent with the Notifying Parties' submissions above, the natural conclusion would be that:

- (i) Supermarkets compete with other Supermarkets and constrain Convenience Stores and Other General Stores;
- (ii) Convenience Stores compete with other Convenience Stores and are constrained by Supermarkets, but do not in turn constrain Supermarkets; and
- (iii) Other General Stores compete with Other General Stores, compete with Convenience Stores in the range of products they sell and are constrained by Supermarkets, but do not in turn constrain Supermarkets.

However, for the reasons set out at paragraphs 4.15.1.2 to 4.15.1.4 below, the Purchaser further submits that, due to consumer habits and the nature of the island, as a matter of fact Convenience Stores and Other General Stores do compete with Supermarkets on a limited basis, ie in relation to the range of products they sell, and compete with one another.

This would therefore give rise to the following statement of competing and constraining factors, which the Purchaser submits is more accurate in a Jersey context:

- (A) Supermarkets:
  - (1) compete with other Supermarkets;
  - (2) compete with Convenience Stores and Other General Stores on a limited basis taking into account the reduced range of products available at those stores; and



- (3) constrain Convenience Stores and Other General Stores; and
- (B) Convenience Stores and Other General Stores:
  - (1) compete with Supermarkets;
  - (2) compete with other Convenience Stores and Other General Stores; and
  - (3) are constrained by Supermarkets, but do not in turn constrain Supermarkets.

Please note that, given that the Sandpiper Group is also active in the Supermarkets economic market and that market constrains Convenience Stores and Other General Stores, the market power of the Sandpiper Group within that market (and therefore the effectiveness of those constraints) is further discussed at paragraph 14.19.1 below.

#### *4.15.1.2 Competition in the Supermarkets market from Convenience Stores*

As noted at paragraph 4.4.6 above, the total annual sales for Supermarkets is estimated to be £187.1m. The Purchaser further estimates that the total annual sales for Convenience Stores operated by the three main Convenience Store groups (ie the Sandpiper Group, the Target Group and Co-op) is £89m. This gives a total for the combined annual sales for Supermarkets and those main Convenience Stores of £276.1m, being split 67.8% Supermarkets and 32.2% Convenience Stores.

The CICRA Grocery Survey confirms that 96% of consumers use Co-op, Waitrose, Iceland (ie the Iceland shops in operation at the time of that survey) or M&S for their "weekly shop". If the Supermarkets portion accounts for 96% of "weekly shops", it is evident that the function of the groceries market in Jersey is such that:

- (a) Convenience Stores and Other General Stores are used very little for the "weekly shop"; but
- (b) a very significant proportion of groceries as a whole are not bought as part of a "weekly shop".

The foregoing is strong supporting evidence to suggest that the categorisation of the competitive factors on the groceries economic market as between and amongst Supermarkets, Convenience Stores and Other General Stores (or just Supermarkets and Convenience Stores) is unclear, and is certainly not as rigid as in the UK.

It is submitted by the Purchaser that, as a matter of fact, consumer behaviour is much less focused on the "type" or size of store, and much

more on product range and pricing. This proposition is supported in part by the CICRA Grocery Survey itself, which states as follows:

*"While this study focusses on supermarkets, we acknowledge that sales of groceries also take place at fuel forecourts such as Co-op enroute and Checkers Xpress, at convenience stores such as Checkers Xpress in both islands and Island Shopper in Guernsey, and at farm shops. Farm shops are a more prominent and important part of grocery shopping in the Channel Islands than in most regions of the UK. However, many of the products that farm stores sell, i.e. fresh local produce, do not lend themselves to direct comparisons with other jurisdictions and we were conscious that our information requests would impose a disproportionate burden on smaller retailers such as farm shops and some convenience stores. Nevertheless, in recognition that groceries are bought at farm shops, within the consumer survey, we asked, for example if consumers shopped at farm shops."*

The Purchaser therefore submits that it is necessary and appropriate when considering the competition effects of the Transaction to take into account Supermarkets and Other General Stores that compete in whole or in part within a Convenience Stores Market of a relevant Convenience Store, forming the basis for a General Stores market based on the larger geographic Quintiles, within which the different categories of stores interact and constrain one another.

#### **4.15.1.3 *St Helier versus out-of-town stores***

The vast majority of the population of Jersey work in St Helier and are able to convenience shop there as much as their local store (there are 24 Convenience Stores within a 1 mile radius in St Helier).

Therefore it is submitted that, for those consumers who work in St Helier, Convenience Stores outside of St Helier compete with Convenience Stores within St Helier during their working hours.

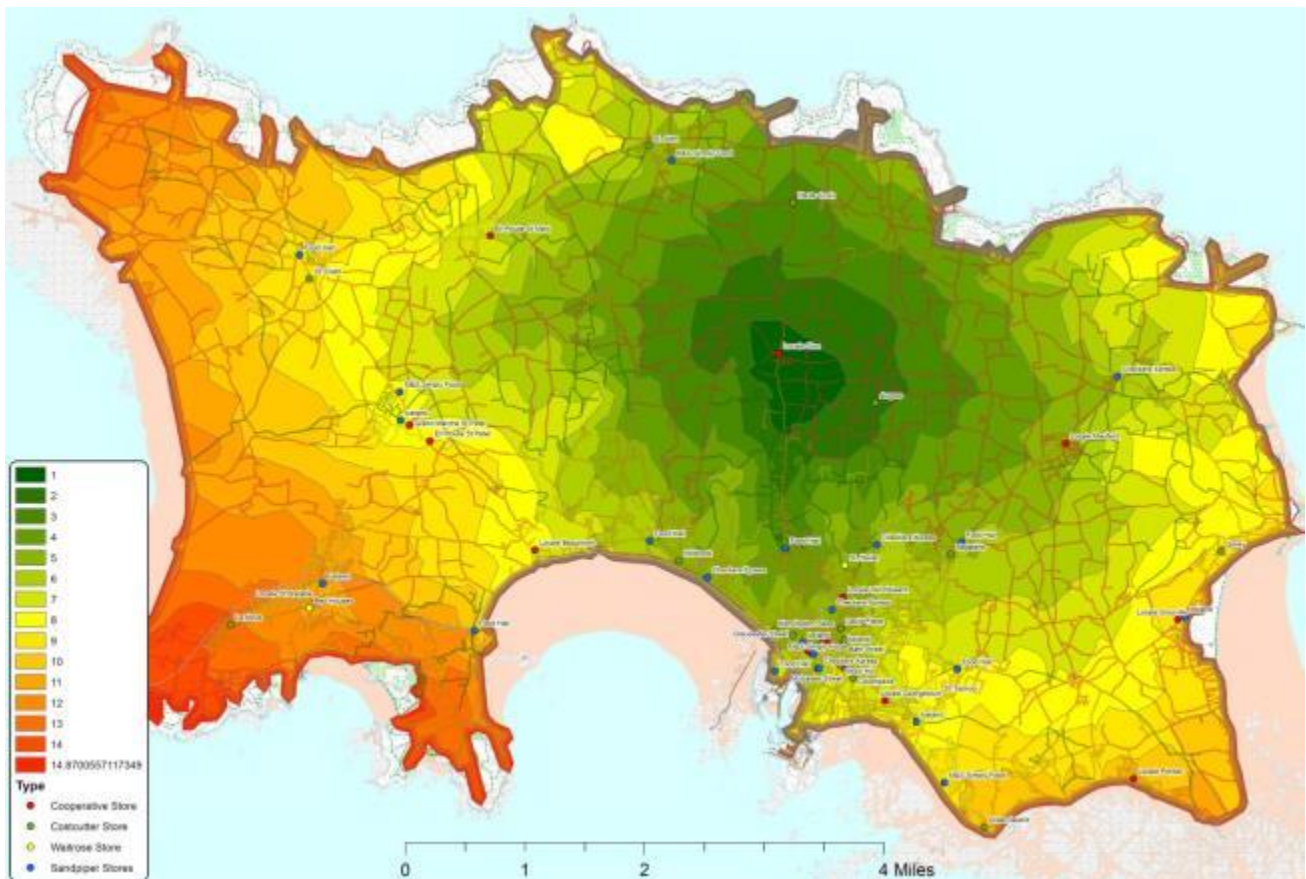
Further, the Notifying Parties submit that Convenience Stores on the main artery routes in and out of the St Helier commercial centre are substantially used by commuters who pass by on their way to and from work, meaning that they compete with all stores within the General Stores Market that are open at the relevant time, have car parking and are reasonably on the relevant commuter's route.

#### **4.15.1.4 *Effect of the road network***

Assessing the entirety of the competition effects of the Transaction on the basis of Convenience Stores Markets that are within a 0.5 to 1 mile radius around a Convenience Store does not adequately address the fluidity of the Convenience Stores market and the influence on the road network.

The Nonflying Parties submit that customers who live out of a town or village centre will frequently drive to a Convenience Store (or, alternatively, a Supermarket or Other General Store), and it is not necessarily the case that they will always go to the store that is geographically closest.

Virtually the whole of the Jersey market is easily accessible within a 15 min drive time (please see the drive time map below).



The Purchaser would ask the JCRA to note the following in particular, based on mapping data provided by Digimap Jersey:

- (a) Materially the whole island is within a 15 minute drive of the centre of St Helier (the Purchaser has taken the David Place Costcutter as the centre point for this assessment).
- (b) Within a five minute drive of the Augres Costcutter there are a very significant number of Convenience Stores, as well as the Trinity Hill Waitrose and the St Helier Co-op *Grand Marché*.
- (c) Within a five minute drive of the Gorey Costcutter there are seven other Convenience Stores, and the St Saviour Waitrose is only marginally outside of a five minute drive time.

- (d) Within a five minute drive of the La Grande Route de la Cote, St Clement (Green Island) Costcutter there are a number of Convenience Stores, as well as the St Saviour Waitrose and both Iceland and M&S Supermarkets, and the St Helier Co-op Grand Marché is only marginally outside of a five minute drive time.
- (e) The whole island is within a 15 minute drive time of the centre of the island.

The Purchaser recognises that these drive times may not necessarily be achievable at all times, particularly during rush hour. However, the foregoing illustrates that the nature (and size) of the island and the road network means that it is not, as a matter of act, as simple as to assess the competition facing Convenience Stores by reference to a 0.5 to 1 mile radius geographic market. For this reason the Purchaser has presented an alternative geographic assessment of the market based on Quintiles, which is the geographic basis on which its internal business planning is carried out.

#### **4.15.2 Primary economic markets: the Road Fuel Retail Market**

For the reasons set out at paragraph 4.5.2 above, the Notifying Parties do not propose to provide any further information in connection with the Road Fuel Retail Market.

#### **4.15.3 Secondary economic markets: Supermarkets and Other General Stores**

The Transaction will not have a direct effect on these economic markets, but please see paragraph 4.15.1 above on the inter-relationship amongst these markets and Convenience Stores.

#### **4.15.4 Secondary economic markets: the Specialist Retail Market, the Freight Services Market and the Residential Letting Market**

The Transaction will not have any meaningful or material effect on the above economic markets.

#### **4.15.5 Secondary economic markets: the Wholesale Market**

The Transaction will not have any detrimental effect on the Wholesale Market. It is possible that the Transaction will have a positive effect on competition in the Wholesale Market due to increased supply from local businesses, given a potential reduction in the supply from Costcutter from the UK.

4.16 *Describe any efficiencies and/or customer benefits that the parties expect the merger to bring and provide copies of any documents describing or quantifying efficiencies, cost savings or other benefits, and indicate (if not otherwise contained in the document itself) the date of preparation.*

**4.16.1 Primary economic markets: Convenience Stores**

**4.16.1.1 Pricing**

Due to:

- (a) the Sandpiper Group's relatively larger purchasing power than that of the Target Group; and
- (b) the cessation of the Target Group's Convenience Stores operating under the Costcutter brand,

the Sandpiper Group expects that, as a consequence of the Transaction, the price of an average basket of goods purchased at one of the Target Group's Convenience Stores post-completion will be reduced by up to approximately 18.9%, which is of material benefit to consumers.

A "basket" of 70 items covering the highest-selling products within each sales category in the Sandpiper "Food Hall" fascia was checked on 3 October 2016 and compared against comparable products at Costcutter. That review found that, for those lines, the Sandpiper price was £122.24, while for Costcutter it was £150.80, a difference of £28.56. As the Costcutter stores are converted (see below), average prices will therefore fall.

A copy of the basket comparison is set out below:

Price Checking (Food Hall versus Costcutter)						
Product Code	Category	Product Description	Size	LR JS	CC JS	COMMENTS
181956	001 - GROCERY	TATE & LYLE GRANULATED SUGAR (MUST STOCK)	1KG	£0.68	£0.79	
150178	001 - GROCERY	ESS CHOPPED TOMATOES	400G	£0.58	£0.69	independent tomatoes
133100	001 - GROCERY	HEINZ CLASSIC TOMATO SOUP (MUST STOCK)	400G	£1.15	£1.32	
179447	001 - GROCERY	MARYLAND CHOC CHIP COOKIES (MUST STOCK)	230G	£1.49	£1.95	230g choc chip cookies
559507	001 - GROCERY	BIRD BROTHERS MEDIUM EGGS	15PK	£2.02	£2.15	6pk
150168	001 - GROCERY	ESS BAKED BEANS IN TOMATO SAUCE	420G	£0.44	£0.89	Heinz
226317	001 - GROCERY	JOHN WEST TUNA IN OIL 4PK (IOG)	4x160G	£3.61	£6.00	
175211	001 - GROCERY	WIKINGER HOT DOGS	360G	£1.39	£1.68	
147035	001 - GROCERY	ESS CREAM CRACKERS	300G	£0.48	£1.39	200g jacob's - LR equivalent price for a 200g would be 0.32p
172174	001 - GROCERY	NESCAFE ORIGINAL 50% EXTRA FREE (FB)	300G	£3.83	£4.00	
165736	001 - GROCERY	MCVITIES JAFFA CAKES 12s + 100% EXTRA (IOG)	24s	£1.93	£1.99	12 pack
108621	001 - GROCERY	ESS DIGESTIVE BISCUITS MILK CHOCOLATE	400G	£1.40	£1.84	300g -LR equivalent price for a 300g would be £1.05
141351	001 - GROCERY	ESS TOMATO PUREE TUBE	200G	£0.64	£1.10	140g - LR equivalent price for a 140g would be 49p
128995	001 - GROCERY	JERSEY LARGE EGGS	6PK	£1.84	£2.15	
127190	001 - GROCERY	HEINZ TOMATO KETCHUP TOPDOWN (MUST STOCK)	460G	£2.52	£2.53	
110473	001 - GROCERY	HELLMANN'S REAL MAYONNAISE (MUST STOCK)	400G	£2.30	£2.95	430ml top down hellmans mayo £2.95 LR equivalent price would be £2.47
128997	001 - GROCERY	JERSEY MEDIUM EGGS	6PK	£1.65	£1.99	
179987	001 - GROCERY	NESCAFE GOLD BLEND (MUST STOCK)	200G	£6.35	£6.75	
105210	002 - WINES/SPIRITS	FOSTERS LAGER CANS	4X500ML	£4.19	£4.60	
194048	002 - WINES/SPIRITS	STELLA ARTOIS 4.8% (FB)	4X440ML	£4.99	£5.80	
179397	002 - WINES/SPIRITS	REKORDERLIG STRAWBERRY & LIME CIDER	500ML	£2.60	£2.65	
177511	002 - WINES/SPIRITS	STELLA ARTOIS CIDRE (FB)	4X440ML	£4.99	£6.45	
152144	002 - WINES/SPIRITS	BLOSSOM HILL WHITE ZINFANDEL (FB)	75CL	£5.99	£7.25	
178793	003 - FRUIT/VEG	BANANAS	PP=KG	£1.59	£1.94	
198103	003 - FRUIT/VEG	CUCUMBER EACH	EACH	£0.84	£1.00	
595569	003 - FRUIT/VEG	ICEBERG LETTUCE	EACH	£0.84	£1.00	
595573	003 - FRUIT/VEG	WHITE SEEDLESS GRAPES	500G	£2.10	£2.49	
485678	003 - FRUIT/VEG	BAKING POTATOES	4PK	£0.84	£1.00	
562913	003 - FRUIT/VEG	CARROTS PP	1KG	£1.15	£1.60	
571379	003 - FRUIT/VEG	ESS ONIONS	1KG	£0.93	£0.99	large per kg
474164	003 - FRUIT/VEG	WHITE POTATOES	2KG	£2.29	£2.46	
595565	003 - FRUIT/VEG	CLOSED CUP MUSHROOMS	300G	£1.26	£1.29	
588686	003 - FRUIT/VEG	HERITAGE STRAWBERRIES	227G	£2.10	£2.92	
172950	008 - SOFT DRINKS	COCA COLA REGULAR	500ML	£1.19	£1.37	
108797	008 - SOFT DRINKS	HIGHLAND SPRING STILL	1.5LTR	£0.92	£1.22	
175725	008 - SOFT DRINKS	HERITAGE STILL WATER 2 FOR £1.00 (MUST STOCK)	2LTR	£0.76	£1.25	Evan
178235	008 - SOFT DRINKS	HERITAGE MINERAL WATER 6PK PMP	6X500ML	£1.26	£1.58	Independent Harvest Mills Spring 6 x 500ml spring water
297343	008 - SOFT DRINKS	RED BULL ENERGY DRINK	250ML	£1.38	£1.75	
176037	008 - SOFT DRINKS	HERITAGE SPARKLING WATER 2FORE1 (MUST STOCK)	2LTR	£0.76	£0.80	Independent Harvest Mills Spring still and sparkling
468321	008 - SOFT DRINKS	COCA COLA REGULAR	1.75LTR	£1.89	£2.50	
241930	008 - SOFT DRINKS	ROBINSONS APPLE & BLACKCURRANT NAS (FB)	1LTR	£1.50	£1.79	
125092	008 - SOFT DRINKS	RED BULL ENERGY DRINK	355ML	£1.72	£2.75	473ml - LR equivalent price 473ml would be £2.29
125738	008 - SOFT DRINKS	ESS INDIAN TONIC WATER SUGAR FREE	1L	£0.64	£0.80	Independent Harvest Mills Tonic Water
125740	008 - SOFT DRINKS	ESS CLUB SODA	1L	£0.64	£0.80	Independent Harvest Mills Soda Water
181946	010 - TOILETRIES	CUSSONS BABY WIPES SENSITIVE	64PK	£1.14	£2.63	x56 LR equivalent 56 pack would be 0.98p
473706	010 - TOILETRIES	ESS 4 IN 1 FACIAL CLEANSING WIPES	25S	£1.84	£3.09	3 in 1 Nivea
119222	010 - TOILETRIES	ESS COTTON BUDS 100% PURE	200s	£1.05	£1.74	x100 LR equivalent for 100 would be 0.53p
436120	011 - CHILLED	JERSEY DAIRY SALTED BUTTER	250G	£1.54	£1.85	
423273	011 - CHILLED	ESS SAUSAGE ROLL JUMBO	145G	£0.88	£1.25	
436935	011 - CHILLED	ANCHOR SPREADABLE	500G	£1.78	£1.89	
178342	011 - CHILLED	C/CITY CHEDDAR MATURE WHITE (MUST STOCK)	350G	£4.79	£4.99	
470278	017 - BAKERY	WARBURTONS CRUMPETS	6PK	£0.99	£1.19	
433420	017 - BAKERY	ESS BREAD WHITE MEDIUM SLICED	800G	£0.79	£1.52	kingsmill
465574	017 - BAKERY	ESS CRUMPETS	8PK	£0.54	£1.19	
437875	017 - BAKERY	ESS BREAD WHOLEMEAL MEDIUM SLICED	800G	£0.79	£1.72	kingsmill
466214	017 - BAKERY	ESS TORTILLA WRAPS LARGE 8PK	512G	£1.52	£2.09	small old el paso x 8
429782	017 - BAKERY	ESS BAPS WHITE FLOURED	6PK	£1.15	£1.49	6 x soft rolls
296283	017 - BAKERY	ESS WHITE FINGER ROLLS	6PK	£0.89	£1.28	mini soft rolls white 8's
268727	017 - BAKERY	BAKER ST SEEDED BURGER BUNS	6PK	£1.05	£1.19	
299600	017 - BAKERY	ESS BAPS WHOLEMEAL	6PK	£1.15	£1.59	x6 brown soft rolls
228994	029 - CRISPS & SNACKS	WALKERS CRISPS READY SALTED	6X25G	£1.73	£1.99	salt and vinegar
160963	040 - NEG	ESS BLEACH THICK CITRUS	750ML	£0.55	£1.15	blitz
105814	040 - NEG	ESS BATHROOM TISSUE U/SOFT WHITE	9'S	£4.41	£4.80	velvet
273994	029 - CRISPS & SNACKS	WALKERS CRISPS SALT & VINEGAR	32.5G	£0.60	£0.60	
242745	010 - TOILETRIES	IMPERIAL LEATHER SOAP GENTLE PMP	3PK	£1.00	£1.00	
137059	040 - NEG	ULTRA KITCHEN TOWELS WHITE	2X55S	£1.69	£1.69	
465371	014 - CAKES	ISLANDS CHOICE JAM DOUGHNUTS	4PK	£1.50	£1.49	
595565	003 - FRUIT/VEG	CLOSED CUP MUSHROOMS	300G	£1.29	£1.26	
408654	011 - CHILLED	JERSEY DAIRY FAT REDUCED MILK	500ML	£0.62	£0.62	
170601	004 - FROZEN FOODS	GOODFELLAS THIN PIZZA PEPPERONI	340G	£3.30	£3.29	
Total Basket				£122.24	£150.80	
Basket Difference £				-£28.56		
Basket Difference %				-18.9%		

Sandpiper will also be offering credit accounts to customers, subject to status.

#### 4.16.1.2 Choice

The Sandpiper Group's intentions in relation to the Target Group's Convenience Stores being acquired are to convert the majority of them into the Sandpiper "Food Hall" format, with benefits in terms of customer choice as follows:

- (a) The range of a typical "Food Hall" store is 11,800 lines (over a full year), whereas current Target Group Convenience Stores under

the Costcutter brand have 9,100 lines. The conversion will therefore increase the range of produce available to customers at each location by c.29%, making sites more akin to "mini supermarkets" with lower pricing and a greater range of products than usually expected at a Convenience Store.

- (b) Sales in Sandpiper Food Halls consist of c.30% in "fresh" categories (fruit/vegetables, chilled products etc). The same figure for the current Target Group Convenience Stores under the Costcutter brand is c.18%. By enhancing the fresh offer in stores, the Sandpiper Group will be improving the variety of fresh food choices available to customers.

#### *4.16.1.3 Promotional offers*

Convenience Stores once converted into the Sandpiper "Food Hall" format:

- (a) The number of promotions available for sale in a typical Sandpiper Group "Food Hall" fascia is some 125 lines, by contrast to 34 lines in a typical Costcutter store in Jersey (as verified on 3 October 2016). The strength of offer in the converted stores will rise towards the current Sandpiper Group level.
- (b) The stores converting to "Food Halls" will run the well-established "Discount Wednesday" offer, enabling shoppers to enjoy a 10% discount on their shopping basket on a Wednesday.

#### *4.16.1.4 Store conversion*

The Sandpiper Group intends to convert the Target Group's Convenience Stores to current Sandpiper Group formats, with benefits of improved product display and improved store ambience, as well as creating a significant amount of work for local tradesmen in the conversion process.

### **4.16.2 Primary economic markets: the Road Fuel Retail Market**

For the reasons set out at paragraph 4.5.2 above, the Notifying Parties do not propose to provide any further information in connection with the Road Fuel Retail Market.

### **4.16.3 Secondary economic markets: Supermarkets and Other General Stores**

Despite the Transaction reducing the number of fascias in the island, due to the consumer benefits highlighted at paragraphs 4.16.1.1 to 4.16.1.3 above the Purchaser submits that the Transaction will have the effect of increasing competition amongst Convenience Stores and Other General Stores by reducing prices and increasing choice at a significant number of Convenience Stores within the island.



Further, whilst the Purchaser accepts that Convenience Stores may not be viewed as competing directly with Supermarkets based on existing competition law precedent (see paragraph 4.15.1.1 above), as noted in that paragraph, due to the nature of the Jersey market (see paragraphs 4.15.1.2 to 4.15.1.4 above) the Purchaser submits that, as a matter of fact, the Transaction may also have the effect of increasing competition between Supermarkets and Convenience Stores on a limited basis, specifically by increasing the number of Convenience Stores in the island that are capable of meaningfully competing with Supermarkets on the range of products they sell on the basis of price.

#### **4.16.4 Secondary economic markets: the Specialist Retail Market, the Freight Services Market and the Residential Letting Market**

The Transaction will not have any meaningful or material effect on the above economic markets.

#### **4.16.5 Secondary economic markets: the Wholesale Market**

The Transaction will not have any detrimental effect on the Wholesale Market. It is possible that the Transaction will have a positive effect on competition in the Wholesale Market due to increased supply from local businesses, given a potential reduction in the supply from Costcutter from the UK.

#### **4.17 Identify any product(s) (including raw material(s) or service(s)) for which the combined purchases of the parties will account for more than 10% of the total sales in Guernsey or Jersey of that product or service.**

This information has already been provided in answer to the questions above, but in summary:

Product market	Geographic market	Supplier / consumer	Combined share of supply / purchasing power
<b>Primary economic markets</b>			
General Stores	North West Quintile	Supplier	[40-50]%
General Stores	North East Quintile	Supplier	[25-40]%
General Stores	South West Quintile	Supplier	[25-40]%
General Stores	South East Quintile	Supplier	[25-40]%
General Stores	St Helier town Quintile	Supplier	[25-40]%
Wholesale Purchase of Road Fuel Market	Whole of the island	Consumer	[10-25]%
Retail Sale of Road Fuel Market	Whole of the island	Supplier	[10-25]%
<b>Secondary economic markets</b>			
Supermarkets market	Whole of the island (in effect – specifically a 15 minute drive time radius)	Supplier	[25-40]%
Specialist Retail Market: women's clothing	Whole of the island	Supplier	[10-25]%
Specialist Retail Market: men's clothing	Whole of the island	Supplier	[10-25]%
Specialist Retail Market: children's clothing	Whole of the island	Supplier	[10-25]%

Product market	Geographic market	Supplier / consumer	Combined share of supply / purchasing power
Specialist Retail Market: hire of men's formal ware	Whole of the island	Supplier	[10-25]%
Specialist Retail Market: premium chocolate products	Whole of the island	Supplier	[10-25]%
F&B Retail: barista-style coffee shops	On a "town centre" basis	Supplier	[10-25]% (St Helier only)
F&B Retail: cafes, restaurants and coffee shops serving food and drinks in an informal setting	On a "town centre" basis	Supplier	St Aubin: [10-25]%
Sea Freight Market	Whole of the island	Consumer	[10-25]%
International Land Freight Market	Whole of the island	Consumer	[10-25]%
Wholesale F&B Market	Whole of the island	Consumer	[10-25]%

**4.18 Are there any markets in which one or more of the undertakings concerned is engaged in business activities which are upstream or downstream of a product market in which any of the other parties or undertakings are engaged, regardless of whether there is an existing customer/ supplier relationship?**

The Sandpiper Group and the Target Group are not upstream or downstream of one another, but are rather horizontal to one another.

**4.19 Provide a brief assessment of any other features that should be taken into account in considering the effect of the merger.**

**4.19.1 Constraints on Convenience Stores from Supermarkets**

**4.19.1.1 General**

Whilst the share of supply enjoyed by the Sandpiper Group in the Supermarkets sector is significant, the Sandpiper Group does not have more than a 40% share of supply, and both Co-op and Waitrose in particular have very significant shares of supply ([50-60]% together, with Waitrose alone having a [30-40]% share of supply, which is only marginally below the total Sandpiper Group's share of supply), which act as a constraint on the Sandpiper Group's pricing and other activities in the Supermarkets sector (as well as direct competition in that market).

As submitted by the Notifying Parties at paragraph 4.15.1 above, it is accepted that Supermarkets compete with other Supermarkets and constrain Convenience Stores and Other General Stores. Also, as set out in paragraph 4.15.1 above, the Purchaser submits that this is not the only competition effect as, given the nature of the island, Convenience Stores also compete with Supermarkets on a limited basis. This informs the Notifying Parties' submission that the effects of the Transaction on competition can only be fully understood on the basis of a General Stores market, containing the further sub-markets which interact in different ways to constrain one-another.

The Purchaser is of the view that the Supermarkets economic market in Jersey is competitive and the Sandpiper Group's share of supply does not give it market power to dictate prices etc. By extension this means that the Sandpiper Group is not in a position to remove the constraints placed upon Convenience Stores by (for example) forcing an increase in prices charged in Supermarkets.

The Purchaser is of the view that this will not change if the Transaction is completed, particularly since the Convenience Stores to be acquired are not of a size (and in many cases are not in a location and cannot offer facilities such as car parking) that would reasonably allow them to be re-purposed as Supermarkets and therefore increase the Sandpiper Group's share of supply in the Supermarkets market (ie giving it greater market power within the Supermarkets market to decrease the degree of constraint on Convenience Stores arising from current competition in that market).

Further, it is a very significant point of note that the Sandpiper Group's most recent expansion in its Supermarkets offering – ie opening various Iceland stores – has introduced a lower-cost Supermarket alternative to the island. This has increased consumer choice and provided additional competition in terms of Supermarket retail pricing. Consequentially this has created *additional* constraints on Convenience Stores, as their pricing (which is often materially higher than Supermarkets) appears even more expensive when compared to a lower-cost Supermarket offering. Iceland pricing is itself dictated by the branding and market position of that store, ie the Iceland retail offering does not lend itself to price increases such that it would become a direct competitor in terms of pricing, range of products, customer experience etc with Waitrose, for example. Consequentially Iceland is, and will remain, an important competitor in the Supermarkets market, and therefore an important constraint on Convenience Stores. The Purchaser confirms that the Sandpiper Group has no present intention to end the Iceland franchise.

*4.19.1.2 Economic reasons for the Sandpiper Group not to manipulate prices in the Supermarkets market:*

The Purchaser would note that, as a proportion of its overall sales revenues generated in the General Stores Market in Jersey, Supermarkets account for [REDACTED]% and Convenience Stores / Other General Stores (ie Pound Power) account for [REDACTED]% (ie £[REDACTED]m and £[REDACTED]m of a total of £[REDACTED]m, respectively).

Following completion of the Transaction, based on management projections, Supermarkets will account for [REDACTED]% and Convenience Stores / Other General Stores will account for [REDACTED]% of sales revenues (ie £[REDACTED]m and £[REDACTED]m of a total of £[REDACTED]m, respectively).

Supermarkets therefore make up (and will make up) a much greater proportion of the Sandpiper Group's overall sales revenues than Convenience Stores. This creates a strong disincentive for the Sandpiper Group to take any action within the Supermarkets economic market with a view to removing or reducing the constraints Supermarkets place over pricing in Convenience Stores, as any benefits this would generate in relation to Convenience Stores would very likely be to the direct detriment of the Sandpiper Group's Supermarkets business, and therefore its overall revenues and profits.

#### **4.19.2 Redacted**

[REDACTED]

#### **4.19.3 Practical level of consumer choice**

For a market of c.100k people Jersey is extremely well-served in terms of groceries retail, with significantly more outlets than you would typically see in an equivalent-sized UK town.

The total number of units of Sandpiper (23), Co-op(15), Waitrose (3), Alliance (1) and Costcutter (16) on the island is 58. Looking at a comparative population UK town (Worthing – population c.107k) there are 33 stores – ie Jersey has approximately 1.75 General Stores for every General Store in an equivalent-sized UK town. There is therefore significantly more local market competition in Jersey than the Purchaser submits would be seen in an equivalent UK market. This is supported by the CICRA Grocery Survey, which states:

*"Jersey and Guernsey do not appear to be under-supplied with supermarkets in terms of grocery sales area per head of population. Based on the supermarkets included in this study, and the focus of the UK Competition Commission's 2008 groceries report , there is about:*

- *0.19 m2 of grocery sales area per head of population in Jersey;*
- *0.26 m2 in Guernsey; and*
- *0.15 m2 in the UK."*

The Purchaser estimates that the over-supply evidenced by the CICRA Grocery Survey has only increased since the date of that survey: the Purchaser estimates (by taking the figures in the CICRA Grocery Survey and updating them to take into account subsequent store openings) that there is currently 0.22m2 of General Stores retail floor space per capita in Jersey.

#### **4.19.4 Employment**

The Sandpiper Group has reviewed staffing levels in the Target Group's Convenience Stores being acquired and, as a result, will be recruiting additional colleagues to operate the converted Convenience Stores.

#### **4.19.5 Purchaser's remedial undertakings**

In order to mitigate competition concerns in relation to the Convenience Stores Markets around the Target Group's Haute Croix and Millbrook stores, the Purchaser is willing to give the remedial undertakings set out in **Purchaser Confidential Annex PC3**.

#### **4.20 *Identify any trade websites or other sources of information, not previously identified, which to your knowledge may contain information relevant to the assessment of the merger.***

The Notifying Parties are not aware of any relevant sources not already identified above.

### **5. PUBLIC INTEREST CONSIDERATIONS (MERGERS NOTIFIABLE IN GUERNSEY ONLY)**

#### **5.1 *For mergers that are notifiable in Guernsey, provide an explanation of why the parties consider that the merger will not be to the prejudice of: consumers, or any class or description thereof; the economic development and well-being of the Bailiwick of Guernsey; and the public interest.***

Not applicable.

### **6. CALCULATION OF FEES (MERGERS NOTIFIABLE IN JERSEY ONLY)**

#### **6.1 *For mergers that are notifiable in Jersey, provide details of how you calculated the merger's fair market value for the purpose of determining the appropriate filing fee.***

The Notifying Parties have used the actual consideration payable by the Purchaser for this purpose.

## Declaration

I declare that:

- The information given herein and in any appendices and attachments hereto is, to the best of my knowledge and belief, accurate and complete, and any opinions expressed herein are sincere.
- All estimates are identified as such and are the best estimates of the underlying facts.
- Photocopies of any documents submitted with this Merger Application Form are exact duplicates of the original documents.
- I have read and am aware of the provisions of Sections 13, 16, 17 and 48 of *The Competition (Guernsey) Ordinance, 2012* and/or Articles 20, 21, 22 and 25 of the *Competition (Jersey) Law 2005* (as applicable).
- I have the authority to sign this declaration on behalf of all parties to the proposed merger or acquisition.
- The initial fee required for conducting a first detailed review of the merger has been paid or is submitted with this Merger Application Form.

Signed for and on behalf of )  
**JMART LIMITED** by: ) Signature .....

Name (block  
capitals) .....  
**Director/authorised  
signatory**

Signed for and on behalf of )  
**SANDPIPERCI RETAIL LIMITED** by: ) Signature .....

Name (block  
capitals) .....  
**Director/authorised  
signatory**

## ANNEX 1

### SELLER'S GROUP STRUCTURE CHART

#### PART 1: CURRENT STRUCTURE

[REDACTED]

100%

MUD HUT (JERSEY)  
LIMITED

100%

JMART LIMITED

100%

SPAR (CHANNEL ISLANDS)  
LIMITED

100%

- (1) PARADE STORES LIMITED
- (2) BATH STREET STORES LIMITED
- (3) NEW STREET STORES LIMITED
- (4) ROSEVILLE STREET STORES LIMITED
- (5) S&M HOLDINGS LIMITED
- (6) ST OUEN GROCER LIMITED
- (7) TRINITY STORES LIMITED
- (8) MILLBROOK GROCERS LIMITED
- (9) TAYSI HOLDINGS LIMITED

## PART 2: POST-COMPLETION STRUCTURE

[REDACTED]

100%

MUD HUT (JERSEY)  
LIMITED

100%

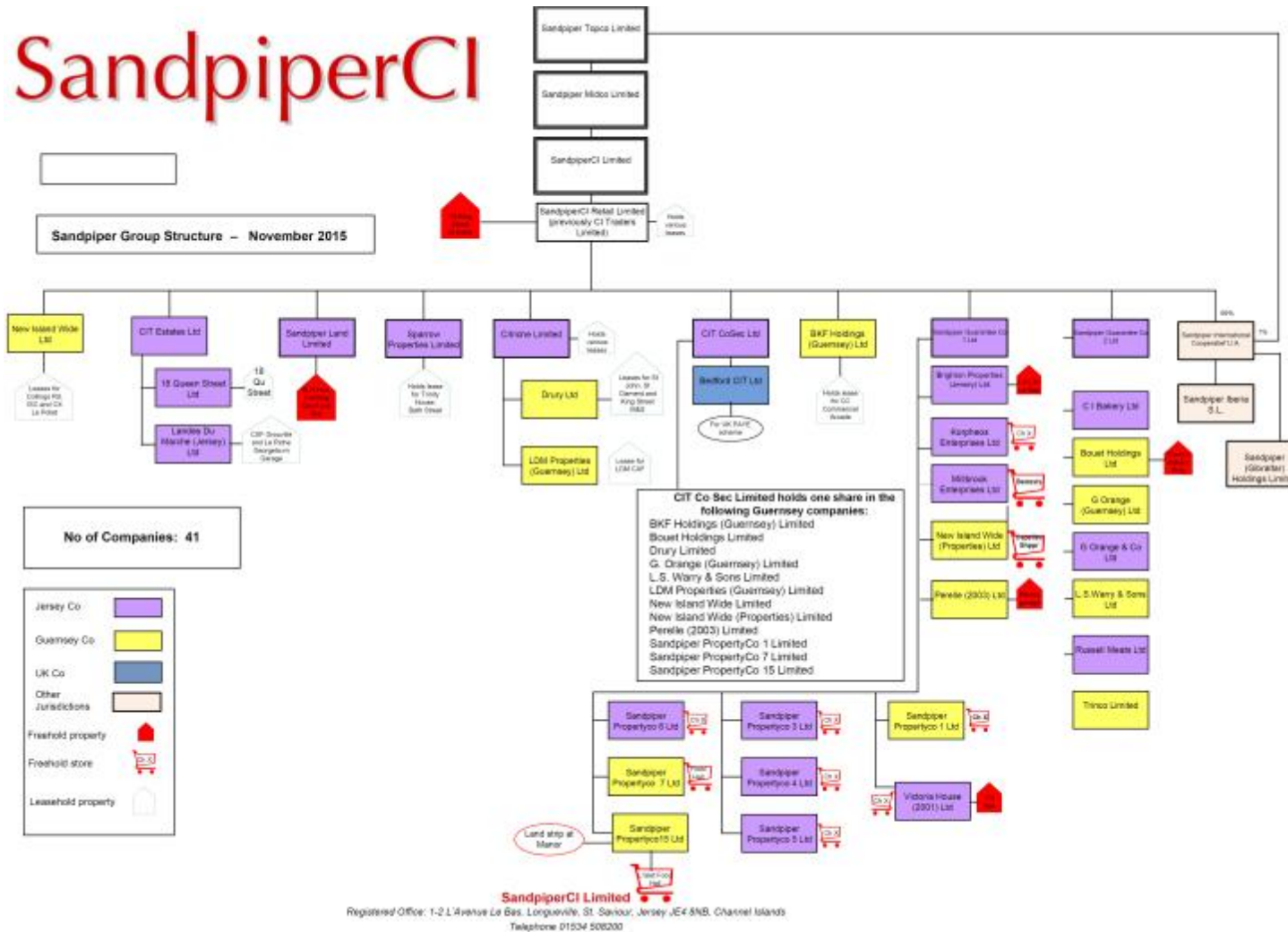
JMART LIMITED



## ANNEX 2

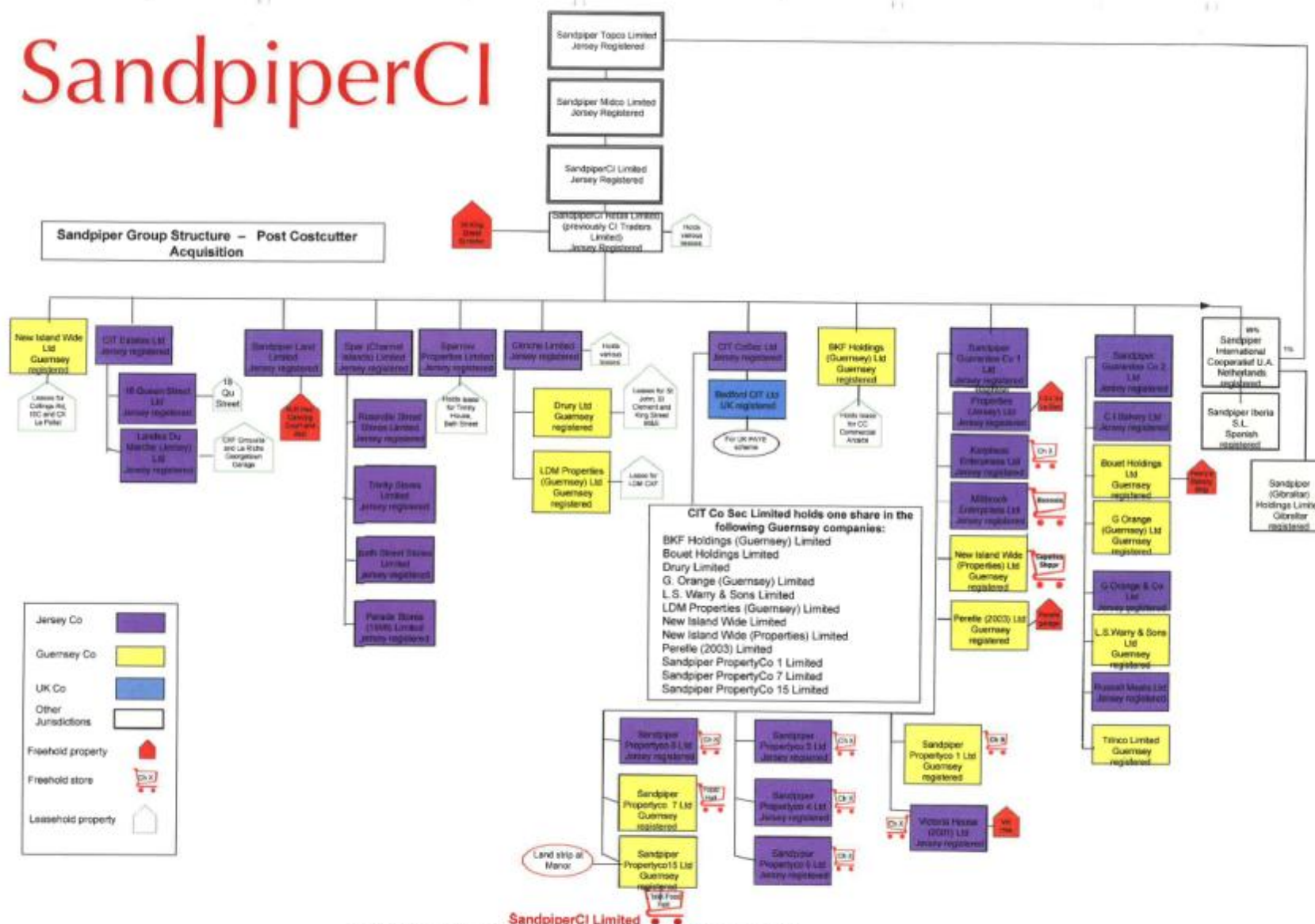
### SANDPIPER GROUP STRUCTURE CHARTS

#### PART 1: CURRENT STRUCTURE



## PART 2: POST-COMPLETION STRUCTURE

# SandpiperCI



**SandpiperCI Limited**  
 Registered Office: 1-2 L'Avenue Le Bas, Longueville, St. Saviour, Jersey JE4 8NB, Channel Islands  
 Telephone 01534 508200

**ANNEX 3A**

**SPA**

[REDACTED]

**ANNEX 3A**

**SPA AMENDMENT LETTER**

[REDACTED]

**ANNEX 3B**

**SPA AMENDMENT AND RESTATEMENT AGREEMENT**

[REDACTED]

**ANNEX 4**

**DISCLOSURE LETTER**

[REDACTED]

**ANNEX 5**

**SANDPIPER GROUP PRESS RELEASE**

*[Previously provided – see supply status on page i]*


## ANNEX 6

### EVIDENCE OF WINDING UP OF INACTIVE SUBSIDIARIES

JFSC | Home | Contact | Site Map | Help

# JFSC Companies Registry

Easy Company Registry and Search | Application Forms | Registry Notices and Fees | Policy Statements and Guidance Notes | Legislation | User Group



**DOCUMENT CART**

0 document(s) currently in cart

#### Details

<b>Name:</b>	NEW STREET STORES LIMITED		
<b>Registered Office:</b>	NO LONGER APPLICABLE BECAUSE THE ENTITY IS DISSOLVED.		
<b>Registration number:</b>	59441	<b>Law:</b>	Companies (Jersey) Law 1991
<b>Registration date:</b>	03-Aug-1994	<b>Business Code:</b>	RCD
<b>Dissolution date:</b>	13-Dec-2016	<b>Business Type:</b>	RC - Registered Private Company
		<b>Status:</b>	<b>DISSOLVED</b>

#### Statistics

<b>Share status:</b>	Par Value
----------------------	-----------

#### Documents

Doc Code	Date	Name	Select All			Clear All			Add to cart		
			Size	Price(£)	Select	Size	Price(£)	Select	Size	Price(£)	Select
5410324	13 Dec 2016	Dissolution Notice	142kb	4.00	<input type="checkbox"/>						
5410526	13 Dec 2016	Statement of Solvency	28kb	4.00	<input type="checkbox"/>						
5410527	13 Dec 2016	Special Resolution	28kb	4.00	<input type="checkbox"/>						



DOCUMENT  
CART0 document(s)  
currently in cart

## Details

<b>Name:</b>	S. & M. HOLDINGS LIMITED		
<b>Registered Office:</b>	NO LONGER APPLICABLE BECAUSE THE ENTITY IS DISSOLVED.		
<b>Registration number:</b>	27129	<b>Law:</b>	Companies (Jersey) Laws, 1861 to 1968
<b>Registration date:</b>	16-Sep-1983	<b>Business Code:</b>	RCD
<b>Dissolution date:</b>	13-Dec-2016	<b>Business Type:</b>	RC - Registered Private Company
		<b>Status:</b>	DISSOLVED

## Statistics

**Share status:** Par Value

## Documents

			Select All	Clear All	Add to cart
Doc Code	Date	Name	Size	Price(£)	Select
5410262	13 Dec 2016	Dissolution Notice	143kb	4.00	<input type="checkbox"/>
5410506	13 Dec 2016	Statement of Solvency	28kb	4.00	<input type="checkbox"/>
5410507	13 Dec 2016	Special Resolution	28kb	4.00	<input type="checkbox"/>
5319536	25 Feb 2016	Annual Return 2016	29kb	4.00	<input type="checkbox"/>
5204999	26 Feb 2015	Annual Return 2015	31kb	4.00	<input type="checkbox"/>
5045385	25 Feb 2014	Annual Return 2014	23kb	4.00	<input type="checkbox"/>
4891771	22 Feb 2013	Annual Return 2013	24kb	4.00	<input type="checkbox"/>
4817075	14 Sep 2012	Special Resolution	49kb	4.00	<input type="checkbox"/>

DOCUMENT  
CART0 document(s)  
currently in cart

## Details

<b>Name:</b>	TAYSI HOLDINGS LIMITED		
<b>Registered Office:</b>	NO LONGER APPLICABLE BECAUSE THE ENTITY IS DISSOLVED.		
<b>Registration number:</b>	60455	<b>Law:</b>	Companies (Jersey) Law 1991
<b>Registration date:</b>	05-Dec-1994	<b>Business Code:</b>	RCD
<b>Dissolution date:</b>	01-Oct-2016	<b>Business Type:</b>	RC - Registered Private Company
		<b>Status:</b>	DISSOLVED

## Statistics

Share status: Par Value

## Documents

					Select All	Clear All	Add to cart
Doc Code	Date	Name	Size	Price(£)	Select		
5386225	01 Oct 2016	Dissolution Notice	107kb	4.00	<input type="checkbox"/>		
5367098	30 Jun 2016	Registrars Notice	251kb	4.00	<input type="checkbox"/>		
5205015	26 Feb 2015	Annual Return 2015	29kb	4.00	<input type="checkbox"/>		
5045401	25 Feb 2014	Annual Return 2014	23kb	4.00	<input type="checkbox"/>		
4891787	22 Feb 2013	Annual Return 2013	24kb	4.00	<input type="checkbox"/>		
4817074	14 Sep 2012	Special Resolution	48kb	4.00	<input type="checkbox"/>		
4758277	27 Feb 2012	Annual Return 2012	25kb	4.00	<input type="checkbox"/>		
4563788	18 Feb 2011	Annual Return 2011	25kb	4.00	<input type="checkbox"/>		

## **ANNEX 7**

### **UPDATED TARGET GROUP FINANCIAL INFORMATION**

## ANNEX PC3

### PURCHASER PROPOSED REMEDIES

We refer to the Merger Application Form dated 28 March 2017 in connection with the proposed purchase of Spar (Channel Islands) Limited by SandpiperCI Retail Limited, CICRA Case M1254J (the "**MAF**"). Terms defined in the MAF have the same meanings when used in this document.

#### 1. BACKGROUND

- 1.1 During a meeting with representatives of CICRA on 30 January 2017 and subsequent correspondence, CICRA made it clear that, absent undertaking a "full" Phase II review which gave rise to empirical evidence in support of the Purchaser's submissions around the competition effects of the Transaction, only structural remedies would be acceptable to the JCRA in order to deal with potential competition concerns in connection with the Target Group stores at (a) St Ouen's Motor Works, La Grande Route de St Ouen, (b) Rue de L'Eglise, St John and (c) La Grande Route de la Cote, St Clement (Green Island), referred to in the MAF as the "Carved-out Stores".
- 1.2 Consequentially, the Notifying Parties have agreed to exclude the Carved-out Stores from the Transaction by transferring them out of the Target Group prior to Completion as a going concern as further detailed in the MAF, and have submitted the MAF in substitution for the previously submitted merger application form in connection with the Transaction, which the Notifying Parties have agreed will be dealt with by CICRA as a new transaction.
- 1.3 In terms of other stores subject of the Transaction, at the 30 January 2017 meeting CICRA indicated its primary concerns (again absent undertaking a "full" Phase II review which gave rise to empirical evidence in support of the Purchaser's previous submissions around the competition effects of the Transaction) relate to the Target Group stores at (a) Haute Croix, La Grande Route de St Jean, St John and (b) La Route de St Aubin, St Helier (Millbrook) (the "**HQ Store**" and "**Millbrook Store**" respectively), and that behavioural remedies in connection with those stores (in the case of the Millbrook Store combined with a further structural remedy) may be acceptable.

#### 2. BASIS ON WHICH UNDERTAKINGS ARE GIVEN

- 2.1 Subject to paragraph 2.2 below, the Purchaser undertakes (for itself and on behalf of each member of the Sandpiper Group) to the JCRA on the basis set out in paragraph 4 below (the "**Undertakings**").
- 2.2 The Undertakings are conditional on:
  - 2.2.1 the JCRA approving the Transaction pursuant to Article 22(1) of the CJL without conditions, other than:
    - (a) conditions to give effect to the Undertakings in a form approved by the Purchaser; and
    - (b) any other conditions accepted by the Purchaser and the Seller; and
  - 2.2.2 the JCRA's approval of the Transaction as described at paragraph 2.2.1 above being given no later than 17 May 2017.
- 2.3 In offering the Undertakings, the Purchaser has taken into account the following:
  - 2.3.1 the European Commission's *Commission Notice on remedies acceptable under Council Regulation (EC) No 139/2004 and under Commission Regulation (EC) No 802/2004* (the "**Remedies Notice**"); and
  - 2.3.2 the conditions imposed by the JCRA in JCRA Decision M 114/07 *Spar (Channel Islands) Limited and CI Newsagents Limited*.

#### 3. ISSUES THE UNDERTAKINGS ARE SEEKING TO ADDRESS

- 3.1 In general terms, the Undertakings are intended to address potential competition concerns relating to the HQ Store and the Millbrook Store. The Purchaser has sought to identify the potential anti-competitive behaviours that an operator of a General Store in a Convenience Stores Market in which it has a significant share of supply could display, being the behaviours that the remedies offered in connection with those Convenience Stores

Markets are intended to address (the "**Anti-Competitive Behaviours**"). In order to identify the relevant Anti-Competitive Behaviours, it is necessary to consider the anticipated effects of the Transaction on each relevant Convenience Stores Market, and those effects are different for each relevant Convenience Stores Market due to its particular circumstances. Those circumstances can be summarised as follows:

**3.1.1 The Convenience Stores Market around the HQ Store**

The HQ Store is within a Convenience Stores Market where there is no other General Store operated by any of the island's main General Stores retail groups (including the Sandpiper Group). The only other competitor General Store within the Convenience Stores Market surrounding the HQ Store is a farm shop with limited range and a relatively small share of supply.

**3.1.2 The Convenience Stores Market around the Millbrook Store**

The Millbrook Store is within a Convenience Stores Market where there are existing Sandpiper Group General Stores. The other General Stores which operate within the relevant Convenience Stores Market are not operated by any of the island's other main General Stores retail groups, and there is limited competition from the independent retailers that operate those stores.

3.2 Taking the foregoing into account, the Anti-Competitive Behaviours identified by the Purchaser for each relevant Convenience Stores Market are as follows:

**3.2.1 In both cases:**

- (a) artificially lowering prices in order to price its competitors out of the market with a view to further increasing its share of supply and resultant market power; and
- (b) artificially raising prices.

**3.2.2 In the case of the Convenience Stores Market around the Millbrook Store only (because there are other Sandpiper Group General Stores within the relevant General Stores Market):**

- (a) artificially reducing / restricting product range / choice; and
- (b) harmonising product range / choice across stores thus reducing real consumer choice.

3.3 The Anti-Competitive Behaviours identified in paragraph 3.2.1 above are addressed by the Undertakings set out in paragraphs 4.1 (in relation to the Convenience Stores Market around the HQ Store) and 4.2.1 (in relation to the Convenience Stores Market around the Millbrook Store) below.

3.4 The Anti-Competitive Behaviours identified in paragraph 3.2.2 above (which relate to the Convenience Stores Market around the Millbrook Store only) are addressed by the Undertakings set out in paragraph 4.2.2 below.

3.5 In addition, any potential Anti-Competitive Behaviours in connection with the Convenience Stores Market around the Millbrook Store are further addressed by the structural remedy at paragraph 4.2.3 below, which includes (at paragraph 4.2.3(d) below) an undertaking not to acquire material influence over the First Tower Store (as defined below) in a manner consistent with the Remedies Notice. The Purchaser would further note in connection with the structural remedy proposed at paragraph 4.2.3 below as follows:

3.5.1 By offering a short-term lease of the First Tower Store (at paragraph 4.2.3(b) below), the Sandpiper Group would be enabling a competitor to set up a General Store within the relevant Convenience Stores Market without a risk of a long-term financial commitment, but with the option to extend if the business were successful.

3.5.2 By offering to sell the then-current ambient fixtures and fittings of the First Tower Store for nominal consideration (at paragraphs 4.2.3(a) and 4.2.3(b) below), the Sandpiper Group would be further reducing the new operator's initial capital outlay.

3.5.3 For the reasons set out in the MAF, the Purchaser would not anticipate any new operator of the First Tower Store having any material issues recruiting staff or securing product supply. However, the carve-out at paragraph 4.2.3(d) below ensures that any new operator of the First Tower Store would not be precluded from approaching the Sandpiper Group for the supply of products and therefore benefitting from the Sandpiper Group's buying power.

3.6 In relation to the Convenience Stores Market around the HQ Store, the Purchaser notes that there is no other General Store operated by any of the island's main General Stores retail groups (including the Sandpiper Group) within the relevant Convenience Stores Market (please see paragraph 3.1.1 above). The result of Completion and the associated conversion of the HQ Store into a Food Hall fascia will, as demonstrated in the MAF, improve the position of the local consumer in respect of price, range and promotions. The Purchaser does not therefore accept that any remedy is necessary for the Convenience Stores Market around the HQ Store, but is nevertheless prepared to offer the relevant Undertakings set out below in connection with it.

#### 4. UNDERTAKINGS

The Undertakings are as follows:

4.1 In connection with the Convenience Stores Market around the HQ Store:

4.1.1 For a three year period on and from Completion (the "**Relevant Period**"), to ensure that:

- (a) the pricing of products sold in the HQ Store is consistent with the pricing of the same or equivalent products sold in the other stores of the same Sandpiper Group fascia across the island (which, for the avoidance of doubt, will be the Sandpiper Group's Food Hall fascia); and
- (b) the HQ Store does not participate in "flash increases" of retail pricing (ie artificially increasing the prices of particular products for a short period).

4.1.2 In order to evidence compliance with the Undertaking at paragraph 4.1.1 above, within 30 days of the end of each full calendar quarter commencing with the first full calendar quarter following Completion and ending with the last full calendar quarter following the end of the Relevant Period, to provide to the JCRA a schedule of retail prices for the top-selling 100 lines at the HQ Store and the retail prices for the same lines at the other stores of the same Sandpiper Group fascia across the island.

4.1.3 To provide to the JCRA such other information and supporting evidence in connection with compliance with the Undertaking at paragraph 4.1.1 above as the JCRA may require.

4.2 In connection with the Convenience Stores Market around the Millbrook Store:

4.2.1 *Behavioural remedies: artificially lowering prices in order to price its competitors out of the market with a view to further increasing its share of supply and resultant market power / artificially raising prices*

- (a) For the Relevant Period (or, if shorter, on and from Completion to the time that the First Tower Store is disposed of in accordance with the Undertaking at paragraph 4.2.3 below) to ensure that:
  - (i) the pricing of products sold in the Checkers Xpress store at First Tower (the "**First Tower Store**") is consistent with the pricing of the same or equivalent products sold in the other stores of the same Sandpiper Group fascia across the island; and
  - (ii) the First Tower Store does not participate in "flash increases" of retail pricing.
- (b) In order to evidence compliance with the Undertakings at sub-paragraph (a) above, within 30 days of the end of each full calendar quarter commencing with the first full calendar quarter following Completion and ending with the last full calendar quarter following the end of the Relevant Period (or, if earlier, the time that the First Tower Store is disposed of in accordance with the Undertaking at paragraph 4.2.3 below), to provide to the JCRA a schedule of retail prices for the top-selling 100 lines at the First Tower Store and the retail prices for the same lines at the other stores of the same Sandpiper Group fascia across the island.

- (c) To provide to the JCRA such other information and supporting evidence in connection with compliance with the Undertaking at sub-paragraph (a) above as the JCRA may require.
- 4.2.2 *Behavioural remedies: artificially reducing / restricting product range / choice / harmonising product range / choice across stores thus reducing real consumer choice*

- (a) For a 12 month period on and from Completion (or, if shorter, on and from Completion to the time that the First Tower Store is disposed of in accordance with the Undertaking at paragraph 4.2.3 below), to ensure that the First Tower Store continues its present approach of offering an equivalent range of products to other stores within the same Sandpiper Group fascia across the island, in each case taking into account the size of the stores within the same fascia.
- (b) In order to evidence compliance with the Undertaking at sub-paragraph (a) above, within 30 days of the end of each full calendar quarter commencing with the first full calendar quarter following Completion and ending with the last full calendar quarter following the end of the 12 month period on and from Completion (or, if earlier, the time that the First Tower Store is disposed of in accordance with the Undertaking at paragraph 4.2.3 below), to provide to the JCRA a report on the range of products sold in the First Tower Store compared to the range of products sold at the other stores of the same fascia across the island, each such report to state the number of products offered in the First Tower Store compared to the average number of products offered in the other Sandpiper Group stores of the same fascia, categorised by product type, and including a narrative description of any limitations in terms of store size that account for differences in product range offered.
- (c) To provide to the JCRA such other information and supporting evidence in connection with compliance with the Undertakings at paragraphs 4.2.1(a) and (b) above as the JCRA may require.

4.2.3 *Structural remedy*

Please note in connection with the following proposed structural remedy that the Sandpiper Group is the owner of the freehold of the property from which the First Tower Store is operated.

- (a) As soon as reasonably practical following (and in any event within 30 days of) Completion, to appoint CBRE as agent with a brief to sell the freehold of the First Tower Store, together with the then-current ambient fixtures and fittings of the store for nominal consideration, for use as a General Store.
- (b) In parallel with the process at sub-paragraph (a) above, as soon as reasonably practical following (and in any event within 30 days of) Completion, to appoint CBRE as agent to offer a three year lease in respect of the retail premises at the First Tower Store for use as a General Store, with an option at the lessee's discretion either to extend the lease at the conclusion of the initial period or to purchase the freehold. In connection with such lease:
  - (i) the Sandpiper Group would seek no more than its current internal rent of £[REDACTED] per annum; and
  - (ii) would offer to sell to the lessee the then-current ambient fixtures and fittings of the store for nominal consideration.
- (c) If no offer is forthcoming to either purchase the freehold of the First Tower Store for use as a General Store or lease the retail premises at the First Tower Store for use as a General Store after a period of 6 months from the first public advertisement for the same, to, no later than the date that is three months after the expiry of such six-month period, close the First Tower Store and market the relevant property for sale for any purpose.
- (d) For a period of 10 years from Completion (and conditional on the sale, lease or closure of the First Tower Store in accordance with the foregoing Undertakings), no member of the Sandpiper Group shall:

- (i) acquire the First Tower Store for use for the operation of a General Store; or
- (ii) operate or control the management of the First Tower Store as a General Store (including control of pricing and/or product range); or
- (iii) enter into any agreement or arrangement with any owner or operator of the First Tower Store, operated as a General Store, pursuant to which it has the power to set or influence retail pricing and/or product range; or
- (iv) licence any Sandpiper Group General Store fascia to any owner or operator of the First Tower Store,

without the prior consent of the JCRA, provided that the foregoing shall not prevent a member of the Sandpiper Group from (i) acquiring the freehold or any head lease of the property in which the First Tower Store is situate and leasing all or part of that property to a third party for any use on arms' length terms (provided that the terms of any such lease do not otherwise breach the undertakings above); or (ii) entering into any non-exclusive supply agreement or arrangement in connection with the First Tower Store pursuant to which the relevant member of the Sandpiper Group has no power to set, dictate or direct retail pricing at the First Tower Store.