

# Competition concerns remain over JD Sports merger

Following the CMA's final decision to block the merger between JD Sports and Footasylum in May 2020, JD Sports appealed to the Competition Appeal Tribunal (Tribunal), which remitted the case back to the CMA for reconsideration. Having gathered extensive additional evidence on the impact of coronavirus (COVID-19) and other developments in the sports fashion sector, the Competition and Markets Authority (CMA) has reached the provisional view that the merger could result in a worse deal for Footasylum shoppers throughout the UK. This means customers could find themselves facing higher prices, fewer discounts and less choice of products in store. It could also result in the merged company investing less in improvements to customer service.

At this stage, the CMA's view is that blocking the deal, by requiring JD Sports to sell Footasylum, may be the only way of addressing these competition concerns.

## **Kip Meek, chair of the group conducting this inquiry, said:**

Since our original inquiry, we have gathered a significant amount of additional evidence, including on the impact of coronavirus, and we still have concerns about JD Sports' takeover of Footasylum. This deal would see Footasylum bought by its closest competitor and, as a result, shoppers could face higher prices, less choice and a worse shopping experience overall.

While many stores were closed during lockdown, online sales in this market have been stronger than ever, and revenue from in-store sales is rebounding as people return to the high street.

JD Sports, Footasylum and others in the sector now have the opportunity to give us their views – on both our provisional decision and our suggested remedy.

## **Impact of coronavirus**

As part of its judgment, the Tribunal endorsed the CMA's analytical framework for assessing the effects of the merger on consumers, but found the CMA did not go far enough in its information gathering regarding the impact of coronavirus.

Over the past 5 months, the CMA has amassed significant amounts of additional data and evidence on developments in the market since May 2020. This includes how closely JD Sports and Footasylum compete; their financial performance; and the competition posed by other retailers, including brands selling directly to customers. The CMA has considered whether any changes due to the

pandemic would be enduring and, as such, likely to affect competition in the foreseeable future.

During the height of the pandemic, online shopping increased due to temporary store closures. Reflecting this, while both companies saw their in-store revenues decrease, this was offset by a significant increase in online sales and the CMA's analysis shows that both companies would continue to be profitable should the merger not go ahead. For example, [JD Sports reported an increase in revenue over the past financial year](#).

The CMA's evidence also showed that shopping behaviour has since continued to adapt as stores have reopened throughout the UK, with a large number of people saying they will mix and match their shopping behaviour, buying partly online and partly instore. Consistent with this, in-store revenues have recovered, reaching a similar level to that pre-pandemic. Other evidence, including data gathered from the Office for National Statistics and Mintel, supports these findings.

## **Close competitors**

In May 2021, when shops throughout England were reopening with social distancing measures, the CMA conducted an online survey of JD Sports and Footasylum customers. This provided valuable insight into people's shopping habits during the pandemic and whether these had changed.

The survey results showed that many Footasylum shoppers see JD Sports as their best alternative – for example, 50% of those surveyed said they would go to JD Sports if they were unable to shop at Footasylum for clothing. This was around 4 times higher than the next alternative, Nike.

As well as its survey, the CMA carefully analysed thousands of additional internal and decision-making documents, and engaged at length with others in the industry – including key retailers and suppliers – to gain further insight regarding the merger and the state of the sports fashion market.

All the evidence has shown a consistent picture: JD Sports was – and continues to be – a particularly close competitor to Footasylum.

## **Current and future market developments**

The CMA considered the ways that key suppliers of sports fashion products are changing their business models, for example by doing more direct sales to customers and potentially reducing reliance on retailers like JD Sports and Footasylum. While Nike is already a strong competitor to JD Sports, and the CMA expects both Nike and Adidas to grow their retail business, these developments are still not enough to replace the very significant degree of competition between JD Sports and Footasylum.

The CMA is asking for views on its provisional report by 16 September and possible remedies by 9 September and will assess all evidence provided before making a final decision.

For more information, visit the [JD Sports / Footasylum merger inquiry web page](#).

## Notes to editors

1. Overall, ONS and Mintel evidence – including [ONS: Coronavirus and the social impacts on Great Britain – Office for National Statistics](#), Mintel report: Footwear retailing UK – April 2021, and Mintel report: COVID-19 – Retail and E-commerce: A Year On – UK – April 2021 – shows that there was a large shift to online purchasing during the pandemic, and that some of this increase in online shopping will persist. However, it also suggests a significant proportion of customers will go back to shopping instore, as concerns around the pandemic decrease.