

# Press release: Tesco/Booker merger provisionally cleared after in-depth review

A group of independent Competition and Markets Authority (CMA) panel members has investigated how bringing together the UK's largest grocery retailer and the UK's largest grocery wholesaler would affect competition. It examined evidence from Tesco and Booker, as well as evidence from more than 65 wholesalers, suppliers and retail chains and a survey of hundreds of retailers.

The CMA found that Tesco as a retailer and Booker as a wholesaler – supplying to caterers, independent and symbol group retailers including Premier, Londis and Budgens – do not compete head-to-head in most of their activities. In particular, Tesco does not supply the catering sector to which Booker makes over 30% of its sales.

The group, recognising that Tesco's shops nevertheless compete with Booker-supplied shops, considered the impact of the merger in every local area where a Tesco and a Booker-supplied shop are both present (over 12,000 shops). It did this to examine whether, in any of these areas, it might be profitable for the merged company to raise prices or reduce service levels either in retail or wholesale. The CMA has provisionally concluded that the level of competition in the grocery wholesale and retail markets would be sufficient to defeat such a strategy.

A number of competing wholesalers expressed concern that Booker would benefit from improved suppliers' terms after the merger, making it difficult for them to continue to compete. They argued that as a result, in the longer term, Booker might be able to raise prices to the shops that it supplies.

The CMA found that it was likely Booker would be able to negotiate better terms from a number of its suppliers for some of its groceries, and that it was likely to pass on some of the benefits of these savings to the shops that it supplies. This might increase competition in the wholesale market, as well as reducing prices for shoppers. However, the CMA also concluded that the wholesale market would remain competitive in the longer term, noting that Booker's share of the UK grocery wholesaling market – at less than 20% – was not sufficient to justify the longer-term concerns.

Simon Polito, Chair of the inquiry group, said:

Millions of people use their local supermarket or convenience store to buy their groceries or essentials. Strong competition in the market ensures that shoppers can choose the best deal for them.

Our investigation has found that existing competition is

sufficiently strong in both the wholesale and retail grocery sectors to ensure that the merger between Tesco and Booker will not lead to higher prices or a reduced service for supermarket and convenience shoppers.

The CMA opened its phase 1 investigation into the merger in May. At the end of June, the companies requested a 'fast track' referral to the next stage of the investigation.

This is a provisional decision and the CMA is now inviting further comment and evidence before coming to a final view.

### **Notes for editors**

1. Tesco operates more than 3,000 stores across the UK. Booker supplies services to over 5,000 'symbol' stores as well as to thousands of independent retailers and caterers.
2. A 'symbol' store is an independent grocery retailer operating under a brand owned by a wholesaler. The retailer is usually required to purchase some of its wholesale supplies from the brand owner, in return for use of the brand and other supporting services. Booker's symbol group brands are Premier, Londis, Budgens and Family Shopper.
3. The provisional findings also found that Booker operates a very small number of shops. In the areas where Tesco and Booker compete, the CMA has found that existing competition is likely to prevent prices from going up.
4. The CMA is the UK's primary competition and consumer authority. It is an independent non-ministerial government department with responsibility for carrying out investigations into mergers, markets and the regulated industries and enforcing competition and consumer law. For CMA updates, follow us on Twitter [@CMAgovuk](#), [Facebook](#), [Flickr](#) and [LinkedIn](#).
5. All the CMA's functions in phase 2 merger inquiries are performed by inquiry groups chosen from the CMA's independent panel members. The appointed inquiry group is the decision-maker on phase 2 inquiries. The CMA's panel members come from a variety of backgrounds, including economics, law, accountancy and/or business. The membership of an inquiry group usually reflects a mix of expertise and experience (including industry experience).
6. Media enquiries to the CMA should be directed to [press@cma.gsi.gov.uk](mailto:press@cma.gsi.gov.uk) or 020 3738 6337.