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***Case No IV/M.080 - LA  
REDOUTE / EMPIRE***

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**REGULATION (EEC) No 4064/89  
MERGER PROCEDURE**

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Article 6(1)(b) NON-OPPOSITION  
Date: 25.04.1991

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PUBLIC VERSION

MERGER PROCEDURE  
ARTICLE 6(1)(b) DECISION

Registered with advice of  
delivery

Notifying Party

Dear Sirs,

Subject: Case No. IV/M080 - LA REDOUTE/EMPIRE  
Notification of 25.03.1991 pursuant to Art. 4 of  
Council Regulation No. 4064/89

1. The above notification concerns a public bid announced on 20.03.1991 by LA REDOUTE CATALOGUE S.A. ("REDOUTE") to acquire the entire issued share capital of EMPIRE STORES GROUP PLC ("EMPIRE"), or at least more than 50% thereof.
2. After full examination of the notification, the Commission has come to the conclusion that the notified transaction falls within the scope of Council Regulation No. 4064/89 (Merger Regulation) and does not raise serious doubts as to its compatibility with the common market.

#### **I. CONCENTRATION**

3. The notified transaction is a two-step acquisition of direct control of EMPIRE by REDOUTE through (i) the purchase of a shareholding of about 12% of The Great Universal Stores Plc,

thereby increasing REDOUTE's shareholding in EMPIRE from about 25% to close to 38%. Under the City Take Over Code, this transaction triggered in itself the second step of the acquisition, namely (ii) the purchase of shares in EMPIRE by means of a public bid (announced on 20.03.1991) aimed at enabling REDOUTE to acquire more than 50% of the share capital and voting rights in EMPIRE, thus establishing control within the meaning of Articles 3(1)(b) and 3(3) of the Merger Regulation.

4. Under these circumstances it is not necessary to decide whether REDOUTE's acquisition of shares from Great Universal Stores Plc bringing REDOUTE's shareholding in EMPIRE to about 38% already established control within the meaning of Article 3(3) of the Merger Regulation, since at least this shareholding taken together with the public bid will result in such control.

## **II. THE PARTIES TO THE CONCENTRATION**

5. The main business of REDOUTE is the retailing of non-food products through catalogue mail order. It operates in a number of Member States, including France, Belgium, Italy and Portugal. It also operates, through agencies or co-operation agreements, in the United States and Hong Kong.
6. REDOUTE is a wholly owned subsidiary of the French company, S.A. La Redoute, which in addition to the business activities mentioned above is engaged in credit financing and insurance activities, as well as some relatively minor businesses such as the operation of 2 chains of retail outlets and a message and parcel delivery service. S.A. La Redoute is controlled by the French retailing group AU PRINTEMPS which owns close to 55% of the shares in S.A. La Redoute.
7. The Swiss MAUS NORDMANN GROUP ("MNG"), the ultimate parent of which is MAUS FRERES S.A., holds more than 55% of the voting rights in AU PRINTEMPS, thus controlling the latter within the meaning of Article 3 of the Merger Regulation. The main business of MNG is retailing through stores, property development and hotel management. Apart from its indirect interests in REDOUTE, MNG has no interests in the mail order sector. MNG has no interests in the production of retail products, nor does it, apart from its interests in AU PRINTEMPS, have activities in other countries but Switzerland and the United States.
8. EMPIRE is a public limited company, the main business activities of which are non-food retailing through catalogue mail order and the broking of insurances. It has no activities outside the United Kingdom.

## **III. COMMUNITY DIMENSION**

9. In their respective latest financial years, the combined aggregate worldwide turnover of MNG and EMPIRE exceeded 5,000 million Ecu. MNG and EMPIRE meet the requirements of Article 1(2)(b), each of them having an aggregate Community-wide turnover of more than 250 million Ecu, of which not more than two-thirds was achieved in one and the same Member State. Consequently, the proposed concentration has a Community dimension within the meaning of Article 1(2) of the Merger Regulation.

#### IV. COMPATIBILITY WITH THE COMMON MARKET

##### REFERENCE MARKET

10. This case concerns the retailing of non-food products through catalogue mail order in the United Kingdom.
  
- 11 REDOUTE submits that the relevant product market is the retailing of non-food products through catalogue mail order. Indeed, catalogue mail order presents a number of specific characteristics when compared to other forms of retailing which indicate that, in general, catalogue mail order may constitute a distinct market within the total retail sector:
  - consumers make their choice from a catalogue at home, not in the presence of the seller, and have the possibility of inspecting and approving the goods over a period of time, typically 10-14 days;
  - consumers are entitled to have the goods delivered to their home and to return the goods at the expense of the company and to be reimbursed in full;
  - a segment of the population has no alternative to home shopping, either because the goods are not available in certain isolated areas or because certain consumers may have difficulties in leaving their houses, such as disabled and elderly people;
  - mail order companies are organised and managed in a quite different manner compared to other types of retailing. They require extensive use of computers and communications networks, large-scale warehousing facilities and particularly efficient methods and means of delivery and return of goods;
  - while mail order companies must position themselves in line with the retail sector as a whole, their pricing is subject to specific constraints. In particular, prices have to be fixed in advance of publication and for the entire lifespan of the catalogues, which are generally issued only once or twice a year (the costs associated with the printing, distribution and promotion of catalogues may represent up to 8% of turnover). Although subsequent discounts on the catalogue price may be offered for individual items through additional leaflets, mail order companies have less flexibility to adjust their prices, nationally or locally, than for instance high street shops.
  
12. There are indications that the mail order market is still to a broad extent of a national character. The most important product groups distributed through the companies concerned are ladies' wear, menswear, children's clothing, household textiles and other household products (including white goods, furniture, lighting and other home decoration products). For these products the retail market is at most national. The same applies for catalogue mail order services for the following reasons:
  - for the present, the combination of different languages, the existence of customs procedures including VAT invoicing and payment, and the costs and delays associated with the placing of international orders and international

distribution of individual packages, renders direct cross-border trading economically impractical;

- companies with activities in different countries have confirmed that for the time being local facilities, separate catalogues with their own range of products and locally adapted pricing policies are necessary;
- there are appreciable differences among Member States in the stage of development of mail order. Mail order in the United Kingdom is a mature market, perhaps even declining. By contrast, in Spain, Italy and Portugal, mail order is generally considered to be a nascent business with prospects for growth.

13. This is confirmed in relation to the United Kingdom by the following:

- up to recently in the United Kingdom only domestic operators have been present;
- in the United Kingdom, catalogue prices are inclusive of credit facilities. Credit is generally available to mail order customers at no perceived cost over a long period of time (up to 50 weeks);
- furthermore, mail order in the United Kingdom presents another specific characteristic, namely the agency system which is not found, at least to the same extent, in other Member States. Agents account for an estimated 70-80% of mail order sales in the United Kingdom. The mail order companies send catalogues to agents who act as intermediaries between the company and its customers. The agent receives a commission of about 10-12% on all purchases made by his/her customers. The typical agent is also a customer of the mail order company or companies which he/she serves and does not have the status of an employee;
- sales through the agency system lead to a mail order company/customer relationship which is different from that noted by most continental mail order companies which send their catalogues directly to their customers. In particular, the agency system appears to encourage returns, which again have significant consequences at different levels (accounts, inventories management, post, costs, etc). The return rate in the United Kingdom is around 30-32%, whereas it is only around 14-15% in France;
- in the United Kingdom, the presence of agents is of particular importance for pricing within mail order. Agents may simultaneously work for more than one mail order company. In such circumstances, therefore, price comparisons between different catalogues are critical. More generally, the main concern of mail order companies is to remain price competitive in relation to each other;
- there are indications that prices charged by mail order companies in the United Kingdom tend to be higher than those charged by high street shops in general, in particular in view of the differences in costs (catalogues, commission paid to agents, credit plus delivery).

14. Although mail order represents a very small fraction of total non-food retail sales (ranging from 1.4% in Italy to 7% in Germany), it represents a significant proportion of sales within certain product groups (ie near 10% for ladies' wear, 14% for household goods and 13.5% for home textiles sales in the United Kingdom). Mail order is therefore a market of a significant size within certain categories of products.
15. For these reasons, it is considered that for the purposes of this decision retailing through catalogue mail order in the United Kingdom constitutes the market within which to assess the economic impact of the proposed acquisition.

#### HORIZONTAL ASPECTS

16. REDOUTE is one of the leading mail order houses in the Community with market shares of 7,2%. It has an important presence in several Member States: it is the largest mail order company in France, with a market share of 22,4%. It has, also, subsidiaries in Belgium (market share of 22,4%), Portugal (25%), Italy (14%) and Spain (0,4%). However, its presence in the United Kingdom has been nonexistent, apart from its abovementioned shareholding in EMPIRE whose market share amounts to 7%. REDOUTE's acquisition of EMPIRE implies no overlap of activities in the United Kingdom. The proposed concentration does not, therefore, create or strengthen a dominant position on this market.

#### VERTICAL ASPECTS

17. In order to examine the vertical aspects of the concentration, in particular with regard to the increased purchasing power of the merged entity vis-à-vis its suppliers, the distinction between mail order and other retail distribution channels is not relevant since there is no reason to presume that suppliers would have to adapt their production specifically for mail order companies.
18. It is therefore appropriate to consider total retail sales in each product group as an adequate framework within which to assess the vertical aspects of the proposed concentration. Taking into account all retail activities of the AU PRINTEMPS Group, market shares in France are as follows: women's wear 9.6%, menswear 6.6%, children's clothing 6.9%, household textiles 7.9%, and other household products 3.1%. Market shares on the United Kingdom retail market for EMPIRE are insignificant (less than 1%). It follows from this that the vertical implications of the proposed concentration in terms of market shares will be minor.
19. Furthermore, the consolidated accounts of the AU PRINTEMPS Group show costs of goods sold to be FF 18.406 million (ECU 2.662 million). EMPIRE's purchases amount to £ 137 million (ECU 196 million), increasing the purchasing power of the AU PRINTEMPS Group with 7,4%. However, seen in terms of the value of the global trade of the products in question, the increase of the purchasing power of the AU PRINTEMPS Group, as a result of the acquisition of EMPIRE, will hardly be measurable. In view of these facts, the concentration is not likely to create or strengthen a dominant position on these affected markets.

BARRIERS TO ENTRY

20. Apart from the fact that the market is mature and prospects of growth in the United Kingdom are negative in the short to medium term, no major economic barriers to entry have been identified. Major retail groups, in particular, retain sufficient possibilities to enter the market. Since the proposed acquisition does not create or strengthen a dominant position, it does not raise further significant barriers to entry.

V. FINAL ASSESSMENT

21. Based upon the above findings the Commission has come to the conclusion that the proposed concentration does not raise serious doubts as to its compatibility with the common market.

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For the above reasons the Commission has decided not to oppose the notified concentration and to declare it compatible with the common market. This decision is adopted in application of Article 6(1)(b) of Council Regulation No. 4064/89.

For the Commission,