

Enseignant responsable: Jean-Toussaint PINDI, MCF

Date: 21 décembre 2018

Sujet rédigé par Pascal MARTIN, Chargé de Cours

Durée: 1.5 heures

No documents allowed. Write your answers on the official answer sheets provided. Good luck!

INSTRUCTIONS: Read the text below and address the ensuing exercises.

Sainsbury's and Asda may have to offload 460 stores to seal merger

Sainsbury's and Asda could be forced to offload more than 460 stores to satisfy the competition *watchdog* before a planned merger. The Competition and Markets Authority (CMA) said it had found a "realistic prospect of a significant lessening of competition" in 463 places in the UK where local supermarkets' catchment areas overlapped.

The CMA announced last week that it had referred Sainsbury's plan to buy Asda to a more in-depth "phase two" investigation, but a 21-page ruling published on Thursday gives the full detail behind that decision.

The watchdog said its initial investigation indicated overlap within the supply or acquisition of groceries, fuel and home wares. It said the two grocers would account for just over 30% of the groceries sold by the top nine UK supermarket chains and, alongside the market leader Tesco, would control a total of 60%.

While the number of stores that Sainsbury's and Asda may have to offload to complete the deal is high – equivalent to nearly 40% of the combined group's 1,210 supermarkets – analysts expect the final number of stores that need to be offloaded could be significantly lower.

Concerns were raised about 369 areas in the CMA's initial investigation into Tesco's merger with Booker, and about 92 stores when Poundland bought rival 99p Stores, but ultimately the watchdog did not require any sales to satisfy competition concerns.

Patrick O'Brien, at analysts GlobalData said the second phase of the CMA investigation would apply a more complex analysis technique that would weigh the impact of competitors by their geographic distance and how closely they compete for the same kind of shop – a quick dash for pint of milk and a loaf, say, compared to a monthly family stock up. (...)

The CMA's initial analysis of the effect of the £10bn merger of the UK's second and third-largest supermarkets only took into account potential overlap between the two chains' medium-sized and largest stores, and those of their four traditional rivals.

It did not consider potential competition from convenience stores or Aldi and Lidl. The CMA said that while competition from the two discounters had been considered in recent cases, such as Tesco's merger with the convenience store supplier Booker, those investigations had largely been concerned with convenience stores.

It said that their competitive position against medium and large-sized stores, which make up the bulk of Sainsbury's and Asda's businesses had not been previously considered in detail and so this would be a matter for the phase two investigation.

A spokesperson for Sainsbury's and Asda said: "We welcome the start of the phase two process. The grocery market has changed significantly in the last decade and is more competitive than ever, with the rise of discount formats, online grocery and food delivery businesses.

"We look forward to working with the CMA on the phase two inquiry, where we expect it to conduct a full review of the market and take these changed market dynamics into consideration "Customers will be the big winners from this combination."

But Neil Wilson, chief market analyst at Markets.com, said he thought the CMA's statement indicated it was less well disposed towards the merger than previously thought. "Sticking to the view there's a very good chance they won't get approval, you have to ask: where is Sainsbury's left? It's losing market share to discounters and has no credible plan except this merger. All Sainsbury's eggs are in one basket, but it's being taken to the checkout by the CMA."

The Guardian, Sarah Butler, September 2018

Note: **vocabulary aid**

Watchdog: a person or group of people whose job is to check that companies are not doing anything illegal or ignoring people's rights; *consumer watchdog*

I. Vocabulary (5 points)

Define the following concepts, underlined in the text (2.5 points). **Find** examples in the text each concept. (2.5 points).

- 1) merger= **combination of the assets of two or more companies in order to form a new business entity; amalgamation**. Example: Tesco's merger with convenience store supplier Booker (paragraph 8, line 3)
 - 2) acquisition= **situation in which one firm buys a controlling interest in another through the purchase of its shares; takeover**. Example: Poundland bought rival 99 stores (paragraph 5, line 2)
 - 3) competition=**rivalry between two or more business enterprises to secure a market share or to win new markets at each other's expense**. Example: competition between Sainsbury's and Asda on the one hand with convenience stores or with discounters such as Aldi and Lidl on the other. (paragraph 8)
 - 4) businesses= **commercial or industrial organizations that aim at making a profit by through their activities**. Example: Sainsbury's and Asda could be forced to offload more than 460 stores (paraph 1, line 1) or businesses (paragraph 9, line 2)
- market share= **volume of sales of all brands or products competing in the same market that is captured by one particular company, brand or product, usually expressed as a percentage**. Example: Sainsbury's and Asda would have a market share of 30% of the groceries sold by top nine UK supermarket chains (paragraph 3, line 2)

II. Comprehension (5 points)

Answer the questions below

- 1) What would make the planned merger of Sainsbury's and Asda possible?
If Sainsbury's offloaded 460 stores, the merger could go ahead. (lines 1-2)
- 2) What would the CMA watchdog like to avoid?
CMP wouldn't like the merged firms to control too much of the groceries sold in the UK. (lines 8-9)
- 3) Taking into consideration what happened in the past, why is the watchdog worried about this merger?

There would be less competition. (lines 16-17)

- 4) In the analyst's opinion, what needs to be studied or surveyed before the merger?

What needs to be studied or surveyed is what the impact would be on customers if stores closed (lines 19-22)

- 5) Why is the watchdog's investigation biased?

It left out the competition from Aldi and ASDA. (line 27)

III. Grammar (5 points)

A. Replace the verb in *italics* in the following sentences from the text with a phrasal verb from the list below. Use the correct tense. (2.5 points)

bring up/ get rid of/ head up/ measure up/ round off

1. Sainsbury's and Asda *may have to offload* 460 stores to seal merger. = **may have to get rid of**
2. The two grocers, alongside the market leader Tesco, *would control* a total of 60%. = **would head up**
3. The number of stores that Sainsbury's and Asda may have to offload to *complete* the deal is high. = **round off**
4. Concerns *were raised* about 369 areas in the CMA's initial investigation into Tesco's merger with Booker. = **were brought up**
5. The second phase of the CMA investigation would apply a more complex analysis technique that *would weigh* the impact of competitors by their geographic distance. = **would measure up**

B. Put the sentences below from the text in the passive voice (2.5 points)

1. A 21-ruling published on Thursday gives the full detail behind that decision.

The full detail behind that decision is given by a 21-ruling published on Thursday.

2. The two grocers would account for 30% of the groceries sold by the top nine supermarket chains.

30% of the groceries sold by the top nine supermarket chains would be accounted for by the two grocers.

3. Poundland bought rival 99 p Stores. = **Rival 99p Stores was bought by Poundland.**

4. The CMA did not consider potential competition from convenience stores or Aldi and Lidl.

Potential competition from convenience stores or Aldi and Lidl was not considered by the CMA.

5. Sainsbury's is losing market share to discounters. = **Market share is being lost to discounters by Sainsbury's.**

IV. ESSAY (5 points):

In 150/200 words, discuss the following issues:

1. What type of merger are Sainsbury's and Asda likely to form, if approved?
2. What impact would the merger have on the companies involved and on customers?

* Please provide a word count at the end of your essay.