



DETERMINATION OF MERGER NOTIFICATION M/06/052 – DEBENHAMS/ ROCHES

Section 21 of the Competition Act 2002

Proposed acquisition of assets by Debenhams Retail (Ireland) of Roches Stores

Dated 06/09/06

Introduction

1. On 9 August 2006 the Competition Authority (“the Authority”), in accordance with Section 18 (1) (a) of the Competition Act, 2002 (“the Act”) was notified, on a mandatory basis, of a proposal whereby Debenhams Retail (Ireland) Limited (“Debenhams”) would acquire certain assets of Roches Stores.

The Undertakings Involved

2. Debenhams, the acquirer, is a wholly owned subsidiary of Debenhams plc. Debenhams plc, is a multi-category retailer and one of the largest such chains in the UK.¹ It has 124 stores across the UK and Ireland. In addition, it has 30 international franchise stores in 15 other countries. In the State, Debenhams currently has stores in the Jervis Street Shopping Centre in Dublin, the Mahon Point Shopping Centre in Cork and the Whitewater Centre in Newbridge, Co. Kildare.
3. In the financial year ended 3 September 2005 Debenhams plc’s global sales amounted to GBP £2,087 million (excluding VAT). In the State, Debenhams sales amounted to [less than €100 million] in the same period.
4. Roches Stores (“Roches”), the target, is an unlimited company that is controlled by Cleaveland Investments. This investment vehicle is ultimately controlled by members of the Roche Family.
5. Roches Stores is engaged in carrying on the business of operating multi-category stores in Dublin City and County (Henry Street, Blackrock, Tallaght, Blanchardstown and Nutgrove), Cork (Patrick Street and Wilton), Limerick, Waterford, Galway, and Tralee (including a separate restaurant).
6. In the financial year ended 31 January 2005, Roches’ turnover in respect of the portion of its business that is subject to the acquisition was [greater than €100 million]. This turnover was generated entirely in the State.

The Transaction

¹ In other words they sell products belonging to a number of different product categories including, but not limited to; womenswear, menswear, childrenswear, women’s accessories, health and beauty and home and gifts.

7. Under the terms of the agreement, Debenhams will acquire the moveable assets, equipment and stock located at nine Roches Stores retail outlets located at: Henry Street, Blackrock, Blanchardstown, Tallaght (all in Dublin), Patrick Street in Cork, Limerick, Waterford, Galway and Tralee, and a separate restaurant in Tralee. Debenhams will not acquire outlets at Nutgrove, Rathfarnham, Dublin and Wilton on the outskirts of Cork City.²
8. Of the nine stores that are part of the transaction, Roches owns either the freehold title or long leasehold interest in seven of the store premises. These premises will be leased to Debenhams. For the remaining two stores being transferred, Roches has the leasehold title and will transfer its leases of these stores to Debenhams.
9. The total consideration for the transaction is €29 million plus an amount referable to the stock in trade of the target business.

Analysis

10. The parties' activities overlap for those product lines that are typically sold at multi-category retailers.³ Within each of these product categories, for example womenswear, the parties compete with other multi-category retailers as well as with specialist retailers who specialise in this particular product category.⁴
11. Without taking a view as to what the product market is, it is likely to be broader than just multi-category retailers. There may be a relevant product market for each product category sold at multi-category retailers within which multi-category retailers would compete with each other and with specialist retailers.⁵
12. Even if the relevant product market were as narrow as multi-category retailers the parties' outlets in the State only overlap in Dublin and Cork.
13. In relation to Dublin, Roches have retail outlets at Henry Street in Dublin City Centre, Blackrock, Tallaght, Blanchardstown and Nutgrove Shopping Centre in Rathfarnham. Debenhams have one outlet in Jervis Street Shopping Centre in Dublin City Centre. The Nutgrove outlet is not subject to the transaction and the Blackrock Tallaght and Blanchardstown outlets are located in out of town shopping centres.
14. The only area where the parties' retail outlets are located in close proximity to each other in Dublin is in the city centre. Within this area the parties face competition from a number of well known multi-category retailers such as Arnotts, Clery's and Brown Thomas and also from a large number of specialist stores. The parties also face competition from multi-category retailers and specialist stores located

² Roches Stores has recently agreed to transfer the leasehold interest in its Wilton store to Marks and Spencers. Roches intends to dispose of its Nutgrove premises.

³ Irish examples of multi-category retailers include, but are not limited to; Arnotts, Clery's Brown Thomas, Roches Stores, Debenhams, Marks and Spencers, House of Frazer and Shaws.

⁴ Specialist retailers are those retailers who specialise in selling one retail category. In the case of womenswear specialist retailers include Oasis, Monsoon and Topshop.

⁵ Such a view would be consistent with the approach taken by the European Commission in case No. COMP/M.3437 – KRR/Vendex, 15 June 2004 and the OFT in its 8 August 2005 Decision of the anticipated acquisition by House of Frazer of James Beattie plc.

in out of town shopping centres that have transport links to the city centre such as the Dundrum Shopping Centre.

15. In relation to Cork, Roches Stores have outlets in Wilton on the outskirts of Cork and Patrick Street in the city centre. Debenhams have one retail outlet in Mahon Point Shopping Centre, also on the outskirts of Cork. The Wilton outlet is not subject to the transaction. As with the overlap in Dublin, there are a number of other multi-category retailers in Cork, such as Brown Thomas, as well as many well known domestic and international specialist retailers
16. Even in the narrowest possible areas where overlap exists, as described in paragraphs 12 to 15 above, the merger would not create an entity that would be able to substantially lessen competition. The proposed transaction does not, therefore, give rise to competition concerns.

Determination

The Competition Authority, in accordance with Section 21(2) of the Competition Act, 2002, has determined that, in its opinion, the result of the proposed acquisition by Debenhams Retail (Ireland) of Roches Stores will not be to substantially lessen competition in markets for goods and services in the State and, accordingly, that the acquisition may be put into effect.

For the Competition Authority

Dr. Paul K Gorecki
Member of the Competition Authority