

Completed acquisition by United Online Inc of the gifts division
business of Flying Brands Limited

ME/5392/12

The OFT's decision on reference under section 22(1) given on 16 May 2012.
Full text of decision published 28 May 2012.

Please note that the square brackets indicate figures or text which have been deleted or replaced in ranges at the request of the parties or third parties for reasons of commercial confidentiality.

PARTIES

1. United Online, Inc. (**UOI**) is a public company incorporated in the United States of America and listed on the NASDAQ. UOI is active in the sale of consumer goods and services over the internet. UOI is only active in the United Kingdom (**UK**) through its subsidiary, Interflora British Unit (**Interflora**) which sells floral and related products directly to consumers, and provides floral network services to florist retailers. For the year ending 31 December 2011, Interflora generated a turnover of approximately £[] million in the UK.¹
2. Flying Brands Limited (**FBL**) is incorporated in Jersey and is active in the sale of gardening, gift and entertainment products. The **Target**, the gifts division of FBL, is primarily active in the sale of cut flowers and houseplants and is comprised of three businesses: Flying Flowers,² Flowers

¹ This is based on the unaudited accounts.

² Flying Flowers was established in 1981 as a direct mail floral gift company. It is currently primarily active in the sale and delivery of cut flowers, houseplants and ancillary products (such as alcoholic beverages) through the internet (www.flyingflowers.co.uk) and via mail order catalogues.

Direct,³ and Drake Algar⁴.⁵ For the year ending 31 December 2011, the Target generated a turnover of approximately £9.9 million in the UK.⁶

TRANSACTION

3. On 21 February 2012, the parties entered into a Sale and Purchase Agreement whereby UOI, through its subsidiary Interflora, would acquire the trade and assets of the Target. The parties notified the Office of Fair Trading (**OFT**) on 22 March 2012 and therefore the administrative deadline is 22 May 2012. As the parties completed the proposed transaction after notification, on 30 April 2012, the statutory deadline is 30 August 2012.

JURISDICTION

4. As a result of this transaction Interflora and the Target ceased to be distinct.
5. As the UK turnover of the Target for the last financial year was below the turnover threshold of £70 million, the turnover test contained in section 23(1)(b) of the Enterprise Act 2002 (the **Act**) is not met.

³ Flowers Direct was established in 2002 and is active primarily in the sale and delivery of cut flowers and houseplants predominantly through the internet (www.flowersdirect.co.uk). It also provides floral network services to florist retailers (see Frame of Reference for further information on floral network services).

⁴ Drake Algar primarily sells cut flowers and houseplants from its retail shop in St. John's Wood, London and from two concession shops within garden centres in Bridgemere, Cheshire and Horsham in the UK.

⁵ As part of the transaction, Interflora has also acquired Hampers Direct (www.hampersdirect.co.uk) that sells Christmas Hampers during the Christmas period. The sales generated by the Target from this business in 2011 were £[].

⁶ This is based on the unaudited accounts and includes the turnover generated by the Drake Algar business.

Share of supply test

6. The OFT will have regard to any reasonable description of a set of goods or services when determining whether the share of supply test as set out in section 23 of the Act is met.⁷
7. The parties overlap, *inter alia*, in the provision of floral network services⁸ in the UK, which the OFT considers is a reasonable description of a supply of services. Post-transaction, the parties estimated that their combined share of supply of such services is [30-40] per cent with an increment of [0-10] per cent.
8. In light of the above, the OFT considers that the share of supply test as per section 23(4) of the Act is met, and that it is or may be the case that a relevant merger situation has been created.

COUNTERFACTUAL

9. The parties stated that the Target is currently experiencing severe financial difficulties and absent this transaction there was a possibility that it would exit the market within approximately a year. Consequently, the parties stated that the transaction should be assessed against the counterfactual whereby the Target had already exited the market and the business provided by it had, at least in part, transferred to Interflora.
10. However, the OFT has not received compelling evidence in this case to demonstrate that it should depart from an assessment of the merger as against the prevailing conditions of competition pre-merger and therefore,

⁷ OFT Mergers - Jurisdictional and Procedural Guidance, OFT527, June 2009, at paragraph 3.55.

⁸ Floral network services include access to a relevant floral network brand (for example, Interflora and Flowers Direct), support with marketing materials and access to the actual floral network relay system. A relay system involves the forwarding of a delivery order from the person making the order through to the final customer. This may involve the recipient of the order (the sender florist) relaying the order to a florist who will execute and deliver the order (the executing florist) to the final consumer.

in line with its guidance,⁹ the OFT has assessed the merger against the status quo.

RELEVANT FRAME OF REFERENCE

Product scope

11. The parties stated that they overlap in the supply of gifts, including cut flowers and houseplants¹⁰ (**flowers**), chocolates, balloons and alcoholic beverages, primarily to customers in the UK.¹¹
12. The parties stated that consumers that purchase their products do so mainly as a gift for (and delivered to) someone else. Relying on a Mintel report dated December 2008 (**Mintel Report**),¹² in which it is recorded that 62 per cent of consumers surveyed regarded flowers as gifts, the parties stated that the appropriate economic market by which to assess the transaction is the supply of gifts. However, the parties stated that the OFT may wish to consider the transaction with respect to: gift deliveries in the UK, supplies of flowers in the UK, flower deliveries in the UK, or the provision of floral network services in the UK.
13. The OFT's approach is generally first to consider if a narrow candidate product frame of reference can be widened through substitution on the demand-side, and then, if appropriate, to consider if substitution on the supply-side allows several products, which are not demand-side substitutes, to be aggregated into one wider frame.¹³

⁹ *Merger Assessment Guidelines*, Joint publication of the Competition Commission and the OFT, September 2010, paragraph 4.3.5.

¹⁰ Examples of houseplants are potted amaryllis and orchids.

¹¹ As previously stated, the transaction also involves the sale of the Target's Hampers Direct business. As the Target's presence in the sale of hampers is negligible and no concerns were raised, this was not considered further.

¹² Mintel Oxygen Report: 'Houseplants and Cut Flowers– UK', December 2008.

¹³ *Merger Assessment Guidelines*, *supra*, paragraphs 5.2.6 to 5.2.19.

14. Although, evidence from the Mintel Report suggested that consumers may consider a number of items that are commonly purchased as gifts to be substitutes to each other, particularly when bought for occasions such as Valentine's Day, Mother's Day or a birthday, the available evidence was not sufficient for the OFT to conclude that flowers and non-floral gifts belong as part of the same product scope. As such, the OFT does not consider it appropriate for the purposes of its assessment of the current transaction to widen the product scope to include all gifts.
15. The sale of non-floral products (chocolates, balloons and alcoholic beverages) accounts for only [0-10] per cent of each of the parties' turnover and may be considered ancillary to the sale of flowers. Given the limited nature of this overlap, the fact that no concerns were raised by third parties in relation to the sale of such products, and the presence of alternative suppliers, the OFT does not consider it necessary to consider a separate product frame of reference for each of the non-floral products sold by the parties as part its assessment of this transaction. The OFT considers that to the extent that competition concerns were not identified in relation to the sale of floral products, the analysis would not differ with respect to the inclusion of such associated non-floral products.
16. No evidence was received by the OFT that suggested consumers considered cut flowers and houseplants were not substitutes and no third party suggested that the products should be considered to belong to separate product markets. Whilst the production of cut flowers and houseplants may be different, from a distribution point (where the parties are active) these products are essentially supplied through the same process. Therefore, on the facts of this case, the OFT considers the sale of flowers and houseplants to belong to the same product scope.
17. For the purposes of its assessment of this case, the OFT considers that the narrowest candidate product frames of references in relation to the parties' activities are (i) the sale and delivery of flowers and (ii) the provision of floral network services. Each is discussed in turn below.

Sale and delivery of flowers

18. The parties estimated that the sale of flowers in the UK is worth approximately £2 billion¹⁴ and that, although the sale of flowers was historically a traditional florist retailer market, grocery multiples and supermarkets now account for a large part of this market.¹⁵
19. The parties stated that it is conceivable that some consumers may not consider 'cash and carry' (the purchase of flowers from a supermarket or florist retailer where the consumer takes the product away with them) to be a substitute for the sale and delivery of flowers because the flowers are intended as a gift and the recipient may be located some distance from the purchaser. The parties therefore estimated that the size of the sale and delivery of flowers in the UK in 2011 was approximately £500 million.
20. From a demand side perspective, the OFT notes that some customers will require a sale and delivery service for geographic or logistical reasons. Such customers may only receive a description, picture or indication of the flowers, possibly in a catalogue or on-screen, and would not see the actual product that will be delivered. For such customers, a cash and carry purchase of flowers would not necessarily represent a credible substitute to the sale and delivery of flowers.
21. The OFT also notes that not all third parties that are active in the sale of flowers are also active in the sale and delivery of flowers. Third party information suggested that entry into the sale and delivery of flowers market is difficult and that in order to establish national coverage, a floral network provider would require about 1,200 florist retailer members.
22. In light of the above, the OFT has adopted a cautious approach and considered the sale and delivery of flowers to constitute a separate frame of reference. The OFT also considered whether this frame of reference could be further segmented by the method of ordering and method of delivery.

¹⁴ The parties rely on both the Mintel Report dated December 2008, *supra*, and YouGov report 'Houseplants and Cut Flowers' 2011. Third parties confirmed that the value of the market is in the region of £1.7 and £2 billion.

¹⁵ The parties stated that according to the Mintel Report, *supra*, the most common flower purchasing occurs during the weekly supermarket shop.

23. For completeness, the OFT also considered whether there should be further segmentation by the type of occasion for which the flower orders are placed, in particular with regard to funerals and weddings. The OFT received no indication during the course of its investigation that it would be appropriate to segment the sale and delivery of flowers by type of occasion or that the applicable competitive analysis would differ materially between such segments if a segmentation were made. On this basis, the OFT did not consider that there was any evidence to suggest that such segmentation was appropriate in this case.

Segmentation by method of ordering

24. The parties stated that flowers can be ordered through a number of different channels, either in person at a florist retailer (to include traditional bespoke florists or supermarkets) or remotely through the internet, mobile internet, catalogue or telephone.

25. The parties stated that all forms of ordering are substitutable for each other for the following reasons:

- legislative harmonisation for all types of distance selling¹⁶ subject them to similar regulatory frameworks which leads to similar conditions at which customers purchase the product
- consumers regard high-street purchases and purchasing remotely as substitutable for each other, rather than complementary
- consumers can switch between methods of ordering during the purchase decision-making process
- suppliers can and do combine advertising and take orders through catalogues and online
- total prices that consumers pay are similar between the different methods of ordering, and

¹⁶ Directive 2011/83/EU of the European Parliament and of the Council on consumer rights, OJ 2011 L304/64.

- regardless of the method of ordering, in some instances the customer will not see the actual flowers that will be delivered, albeit they will see an image of what is ordered.
26. The parties stated that [80-90] per cent of Flowers Direct's sales are online with [10-20] per cent through its call centre and floral network. In contrast, the parties stated that Flying Flowers receives [50-60] per cent of its sales online with [40-50] per cent from its catalogue.¹⁷ The parties stated that this highlights the overlap between the different methods of ordering.
27. The OFT's market investigation confirmed that third parties active in the sale and delivery of flowers receive orders through a mix of these channels: online, telephone and in person at the retailers' store. Ordering by catalogue was not found to be particularly prevalent and the OFT notes that only the Target is active in the mail ordering of flowers.
28. In light of the above, the OFT considers that there is no strong evidence in this case to suggest that the sale and delivery of flowers should be segmented by method of ordering.

Segmentation by method of delivery

29. The parties stated that the delivery of flowers, ordered either in person at a florist retailer or remotely, can be executed in a number of ways, as described below.
- An order is received remotely through the parties' website and the order is prepared (executed)¹⁸ and delivered by a florist retailer (who is a member of the parties' floral network) to the final customer (**florist fulfilled**).
 - An order is received remotely and executed and delivered by a third party fulfilment house¹⁹ to the final customer (**centrally fulfilled**).

¹⁷ The parties stated that this information is based on 2011 data.

¹⁸ In this instance, execution refers to the activity of preparing the order according to the sender florist's (the company to whom the order was originally given by the consumer) specifications.

¹⁹ A third party fulfilment house or central pack house is typically a company who supplies a production style make-up service of flowers in boxes within a factory set up. Such third party fulfilment houses include Sunflora, Flamingo Holdings, Winchester Growers, World Flowers and

- An order is received by a florist retailer (the sender) who then relays the order to an executing florist retailer (usually within the same floral relay system) who will execute and deliver the order to the final customer.
30. The parties stated that the above three distribution channels are all substitutable for each other.
 31. Third party information suggested that the sale and delivery of flowers may be split into two distinct types of sales, distinguished as either florist fulfilled or centrally fulfilled. It was noted that, although some suppliers may specialise in one or other routes, there are also hybrid companies that provide both.
 32. The OFT notes that the majority of suppliers responding to the OFT's investigation confirmed that they compete with all channels of distribution but to a lesser extent with florist retailers.
 33. The OFT did not receive any evidence to suggest that consumers prefer one method of delivery over another. Indeed, the OFT notes that suppliers such as Marks and Spencer, Next and Waitrose, who primarily provide centrally fulfilled sales compete with the parties, who offer both.
 34. In light of the above, the OFT considers that for the purposes of this assessment it is not necessary to segment the sale and delivery of flowers by method of delivery.

Floral Network Services

35. The parties both operate branded floral networks, which UK retailers can join and to whom the parties offer floral network services. Such services include access to the relevant floral network brand, support with marketing materials and access to the floral network's relay system.
36. The parties stated that in December 2008 there were an estimated 7,500 florist retailers in the UK of which about 87 per cent were part of a floral

Intergreen. These houses will either undertake the delivery themselves or do so through courier service providers such as Yodel, UPS, Fedex or Streetwise.

network service.²⁰ The parties stated that, in practice, retailers do not need to belong to a floral network to be effective competitors and that the proportion of overall business that floral network members derive from other members of the same network is small. The parties stated that, for example, in 2011 only approximately [] orders were executed by Flowers Direct members, which equals an approximate average of [40-50] orders per florist per year resulting in a total of about £[] in revenue.

37. The parties stated that if the provision of floral network services in the UK is to be considered to represent a distinct market, its estimated size is approximately £[0-10] million.
38. Third parties responding to the OFT's market investigation confirmed that florist retailers value being part of a floral network. Not only does a floral network permit the execution of orders in other geographic areas, it also generates orders for the member. Third party information was mixed on the value of orders received through a floral network service, ranging from 12 to 30 per cent for Interflora network members.
39. In light of the above, the OFT considers that the provision of floral network services to florist retailers constitutes a separate relevant product frame of reference.

Conclusion on the relevant product frame of reference

40. As there are no competition concerns arising from the transaction following an examination of the narrowest product frames of reference, the OFT does not consider it necessary to reach a conclusion on the precise relevant product market definition. However, for the purposes of its assessment of this transaction, the OFT has considered, on a cautious basis, that the appropriate frames of reference are the sale and delivery of flowers, and the provision of floral network services.

²⁰ Based on the Mintel Report, supra.

Geographic scope

41. The parties stated that the relevant geographic scope is likely to be at least national across all relevant product frames of reference for the following reasons.

- About 90-95 per cent of delivery orders placed with the parties will be from UK-based customers to be delivered to locations in the UK.
- The parties operate across the UK as a whole and there are no regions of the UK from which they cannot receive orders and to which they cannot make deliveries.
- Even though a florist retailer may only make deliveries itself in its local catchment area, it can arrange for the delivery of flowers outside of its catchment by relaying on the order to an executing florist retailer.
- In respect to floral network services, suppliers operate across the UK as a whole and there are no regional variations in the amount of fees charged.

42. In light of the evidence before the OFT, it considers the relevant geographic frame of reference to be national in nature. However, as there are no competition concerns arising from the transaction, the precise geographic definition can be left open.

HORIZONTAL ISSUES

43. As stated above, the OFT considers that the appropriate frames of reference are the sale and delivery of flowers in the UK and the provision of floral network services in the UK.

Sale and delivery of flowers in the UK

Shares of supply

44. The parties stated that there are no published statistics on the value of the sale and delivery of flowers in the UK but estimated that the total value of the market in 2011 was £500 million with an estimated volume of orders of around 16.6 million. The parties also estimated that independent florists

supplied a significant proportion of the market, approximately 10.2 million orders, corresponding to approximately 61 per cent.

45. On the basis of this data, the parties stated that their combined share of supply is [10-20] per cent by value and [10-20] per cent by volume.²¹ The increment from the Target corresponds to approximately [0-five] per cent using both measures.
46. Whilst the OFT received mixed evidence from third parties in relation to the parties' combined share of supply, with two third parties estimating the increment attributable to the Target at greater than [0-five] per cent, third party information broadly confirmed the parties' submission on their value of sales and number of orders received.
47. The vast majority of third parties responding to the OFT's market enquiries considered Marks and Spencer, Next, Waitrose, Serenata Flowers and eflorist to have shares of supply greater than the Target.

Closeness of competition

48. The parties stated that Interflora does not regard the Target as its closest competitor as a much larger number of flower deliveries in the UK are processed by supermarkets and major retailers such as Marks and Spencer, John Lewis/Waitrose, Asda and Next as well as online retailers like eflorist and Serenata Flowers.
49. In terms of ranking, internal documentation from the Target contained data on the volume of website visits to the parties' respective sites. Such data suggested that [].
50. Internal documentation prepared by Interflora in anticipation of the transaction and provided to the OFT noted that the Target has a different product offering in terms of value. However, the OFT also notes comments contained in the Form 10-K filed by UOI in which it stated that Flowers Direct and Flying Flowers are its international key competitors together with Marks and Spencer, Next, John Lewis and eflorist.²²

²¹ The parties noted that these figures include the sale of non-floral products and hence the combined share of supply for flowers only is likely to be less than [10-20] per cent.

²² Form 10-K, filed 28 February 2011 for the period ending 31 December 2010, at page 15.

51. In terms of closeness of products, it was generally suggested by third parties that the Target's products are of lower value compared to Interflora's products. Third party information stated that the average cost of a floral product from Interflora was £37.50 and from the Target's businesses, Flying Flowers and Flowers Direct, £15 and £30 respectively.

Conclusion on sale and delivery of flowers in the UK

52. In light of the small increment in the share of supply, the presence of alternative competitors, evidence that the parties are not particularly close competitors and the limited number of third party concerns,²³ the OFT does not consider that the merger creates a realistic prospect of a substantial lessening of competition (**SLC**) in terms of the overall market for the supply and delivery of flowers in the UK.

Supply of floral networks services

Shares of supply

53. The parties stated that there is no readily available revenue data for the provision of floral network services in the UK. However, they estimated that the value of such services is approximately £[0-10] million based on the subscription/membership fees charged by them and other suppliers of such services.
54. The parties stated that calculating the share of supply on the basis of fees received is not a meaningful measure of calculating the relevant shares of supply as (i) the parties only have access to reliable information on their own fees and only a very rough estimate of some other providers and (ii) fees vary between different providers in the way they are charged and in their levels. The parties therefore provided share of supply figures based on the number of members in each network.
55. The OFT notes the parties' comments but, on a cautious basis, it has considered the parties' shares of supply on the basis of both the fees generated and the number of members affiliated to a network in the UK. Table 1 below sets out the shares of supply considered.

²³ Discussed in further detail at paragraphs 70-71.

Table 1: Shares of supply based on the number of florist retailer members and fees generated

	Number and percentage of florist retailer members in network	Fees (£million - per cent)
Interflora	[1,000-2,000] ([20-30]per cent)	£[] ([50-60]per cent)
The Target	[0-500] ([0-10] per cent)	£[] ([0-10] per cent)
Combined	[2,000-3,000] ([30-40] per cent)	£[] ([50-60] per cent)
eflorist	[2,000-2,200] ([30-40]) per cent)	-
iflorist	[1,000-2,000] ([20-30] per cent)	-
Florist2Florist	[500-600] ([0-10] per cent)	-
Total	6,640	£[0-10] million

Source: OFT estimates based on information provided by the parties and third parties.

56. On the basis of the number of members in their respective floral networks, the parties estimated that their combined share of supply is approximately [30-40] per cent with an increment from the Target of [0-10] per cent. The parties calculated this share of supply on the basis of a total of 6,250 florist retailers.²⁴
57. On the basis of the parties' estimates and third party information, the OFT has calculated the shares of supply as set out in Table 1 above. The total number of florist members is greater than the total number of florist retailers estimated by the parties which may reflect the fact that florist retailers may, in some cases, be members of more than one floral network.
58. The shares of supply calculated by the OFT in Table 1 above confirm the parties' submission on the merged entity's share of supply. The OFT notes

²⁴ The parties stated that there were approximately [500-1000] independent florist retailers not affiliated to a floral network in 2011, representing approximately [10-20] per cent of all florist retailers.

that eflorist, Florist2Florist and iflorist, alternative suppliers of floral network services, have shares of supply in excess of the Target, with eflorist and iflorist having shares of supply close to that of the merged entity.

59. On the basis of fees generated, the parties' estimated that their combined share of supply is approximately [50-60] per cent with an increment of [0-five] per cent. The parties estimated that eflorist is ranked in second place behind the merged entity with a share of supply of approximately [20-30] per cent.
60. Estimates of fees, based on third party information, broadly confirmed the Target's share of supply and that eflorist has a share of supply greater than the Target.
61. The OFT has proceeded to triangulate the above information in relation to the parties' shares of supply with the information available to it on the closeness of competition between the parties.

Closeness of competition

62. The OFT received some third party comment that the parties were the next best alternatives in the provision of floral network services. However, the OFT notes that users of floral network services, florist retailers, did not consider the parties to be close competitors. This was because the Target was considered by them to offer a lower value product and to have a lower market penetration as demonstrated by its limited number of florist retailer members.
63. In terms of ranking, third party information placed eflorist behind Interflora, with iflorist in third position followed by the Target. Indeed it is notable that some third party feedback suggested that around 1,200 members are required to achieve national coverage, which it considered the Target could not achieve. The OFT also found no evidence that the merger would remove a constraint on Interflora and the other floral network service providers that was greater than its market share would suggest.

Conclusion on supply of floral networks services

64. Based on the above information, including the limited increment in terms of share of supply, the presence of alternative suppliers with shares of supply greater than the Target, the limited number of third party concerns and the fact that there is no strong evidence that the parties were very close or closest rivals, OFT considers that the transaction does not create a realistic prospect of a SLC in the provision of floral network services in the UK.

Barriers to entry and expansion

65. The parties stated that there is considerable potential for new market entry and expansion in the market for the sale and delivery of flowers by existing providers, and that there are few barriers to entry, especially for competitors intending to operate online. The parties estimated that entry as an online retailer could cost significantly less than £30,000 and that such expenditure would allow a new entrant to establish a floral network for as little as £1,000.
66. The parties also stated that in the past five to 10 years, there has been new market entry from Blooming Delightful, Clintons, Moonpig, Bunches and Shop Direct. In the provision of floral network services, the parties pointed to the entry of iflorist and Masterflorist.
67. The vast majority of third party respondents stated that there are barriers to entry in both the sale and delivery of flowers and the provision of floral network services. In relation to the former, third parties suggested that costs, establishing scale and consolidation in the market make entry difficult. Third parties highlighted the exit of World Flowers and Flower Fate, and the acquisition of Flowers Direct by FBL²⁵ in recent years. However, a third party indicated its intention to expand its business in the short term.
68. Regarding the provision of floral network services, third party information suggested that a certain volume of members and orders is required to establish national coverage.

²⁵ The Flowers Direct business was acquired by FBL in May 2010. Flowers Direct has previously acquired Flowergram in 2007.

69. On the basis of the information provided, the OFT has not found any strong evidence to suggest that the barriers to entry and expansion are low. However, as there are no competition concerns arising from the transaction, the OFT does not consider it necessary to reach a definitive conclusion on this matter.

THIRD PARTY VIEWS

70. The OFT contacted a number of third parties during its market enquiries, namely: suppliers of flowers, florist retailers and competitors of the parties in both the sale and delivery of flowers and the provision of floral network services. The vast majority of these third parties did not express a concern about the transaction. However, the OFT did receive some third party concerns in relation to the overall size of Interflora, the strength of its eponymous brand and the []

71. These third party concerns were predominantly focused on how Interflora [].²⁶ The OFT considers that many of these concerns were not merger-specific and that the evidence provided was not strong enough to suggest that – when account is taken of the relatively limited presence of the Target – the merger would sufficiently change the vertical structure of the market to the extent that it could result in a SLC in the sale and delivery of flowers or the provision of floral network services in the UK.

ASSESSMENT

72. The parties overlap in the sale and delivery of flowers and the provision of floral network services in the UK.

73. The OFT considered that a market for the supply of gifts was overly wide and that the analysis should be more narrowly focused on the sale and delivery of flowers. It considered whether the sale and delivery of flowers could be segmented further by route to market (how the order is placed and delivered), but did not believe that the evidence on demand and supply-side substitution would support such segmentation.

74. In relation to the sale and delivery of flowers, the parties have estimated combined shares of supply of [10-20] per cent by value and [10-20] per

²⁶ [].

cent by volume of orders, with an increment of [0-five] per cent in both measures.

75. Third party information confirmed the parties' submission on both measures and the vast majority of third parties ranked Marks and Spencer, Next, Waitrose, Serenata and eflorist above the Target in terms of their shares of supply.
76. Evidence obtained by the OFT did not suggest that the parties were particularly close competitors in the sale and delivery of flowers, with the Target noted to offer a more 'value' product than Interflora.
77. In relation to the provision of floral network services, the parties have an estimated combined share of supply of [30-40] per cent by number of members, with an increment of approximately [0-10] per cent, and [50-60] per cent by value of fees received from its members with an increment of approximately [0-five] per cent.
78. In light of some third party concerns regarding the size of Interflora and the strength of its brand name, the OFT considered the above shares of supply in conjunction with its analysis on whether the parties' are close competitors in the provision of floral network services.
79. The OFT received mixed views from third parties but overall, the evidence gathered suggested that the parties are not particularly close competitors as the Target offers a different product in terms of value, and is considered to have insufficient member numbers to give it national coverage.
80. Furthermore, third party information confirmed that there are other providers of floral networks services with shares of supply in excess of the Target, namely eflorist, iflorist and Florist2Florist.
81. Direct costs of entry faced by existing players, and the exit of some independent operators were suggested as key barriers to entry. However, there was evidence of entry and potential expansion, and increasing competition from supermarkets and grocery retailers.
82. The vast majority of third parties responding to the OFT's enquiries did not have concerns about the merger. However, the OFT did receive a number of concerns that related to []. The OFT considers that the scope of these concerns was not merger-specific.

83. Consequently, the OFT does not believe that it is or may be the case that the merger has resulted or may be expected to result in a substantial lessening of competition within a market or markets in the United Kingdom.

DECISION

This merger will therefore not be referred to the Competition Commission under section 22(1) of the Act.