Completed acquisition by Park Group plc of Home Farm Hampers Limited

The OFT's decision on reference under section 22(1) given on 23 August 2007. Full text of decision published 31 August 2007.

PARTIES

1. **Park Group plc** (Park) is primarily active in the operation of 'Christmas hamper savings schemes'[1] under the Park Christmas Savings, Country Christmas Savings Club and Family Christmas Savings Club brands. Park's divisional turnover for the year ended 2006 was around £230 million.

2. **Home Farm Hampers Limited** (Home Farm) was also active in the provision of Christmas hamper savings schemes. Home Farm's UK turnover was in excess of £30 million in the year ended 2006.

3. Until October 2006 Home Farm was a joint venture company owned 60 per cent by Findel plc (Findel) and 40 per cent by Farepak Food and Gifts Limited (Farepak), a subsidiary of European Home Retail plc (EHR). Findel provided the marketing support and Farepak – which at the time operated its own Christmas hamper savings scheme - provided the operational management, finance, logistics and customer service support. Following the insolvency of EHR and the resultant administration of Farepak, Findel acquired the shares of Home Farm held by Farepak and so took full control of Home Farm.

[1] For the purposes of this decision this term is taken to include vouchers. In using this term the OFT recognizes that the parties' business is predominantly related to the sale of vouchers which make up the majority of sales but uses this term as a convenient way to differentiate the products of the parties.

TRANSACTION

4. On 7 March 2007, Park acquired Home Farm from Findel for £300,000 (around one per cent of its historic order value) in a transaction structured in two stages:

   - the acquisition of Home Farm's business assets (essentially, its customer/agent list[2] and customer deposited funds), and

   - the acquisition of all shares in the limited company itself (i.e. the shell company, without any assets which had all been transferred to Findel).

5. Both stages were completed on the same day. No physical assets or employees were transferred to Park. Home Farm's customer/agent list was merged into Park's database prior to the OFT's investigation and so initial undertakings were considered inappropriate.

6. The transaction was notified to the OFT on 9 May 2007. The statutory deadline in this case is 23 August 2007.[3]

JURISDICTION

7. The OFT has treated the two events described in paragraph 4 above as a single transaction for the purposes of section 27(5) Enterprise Act 2002 (the Act). As a result of this transaction Park and Home Farm ceased to be distinct. The parties overlap in the supply of Christmas hamper savings schemes and the share of supply test in section 23 of the Act is met given the parties have a share of in excess of 25 per cent of such supply. The OFT therefore believes that it is or may be the case that a relevant merger situation has been created.

---

[2] A list of those customers and agents who had paid money into a current (2007) Home Farm pre-payment scheme.

[3] The statutory deadline was extended by 20 working days under section 25(1) of the Enterprise Act 2002 by agreement with the parties.

BACKGROUND

The Farepak collapse

8. As described above, EHR, the parent company of Farepak, which operated its own Christmas hamper savings scheme, became insolvent in late 2006 placing Farepak into administration. The deposits of the customers of Farepak were not protected in any way and when it went into administration this resulted in over 100,000 customers losing money. There was significant media coverage and a resultant adverse impact on public confidence in such schemes. In November 2006, the Economic Secretary to the Treasury asked the Chairman of the Financial Inclusion Taskforce to investigate the Christmas savings market and to examine the reasons why people opt to use hamper schemes and similar vehicles instead of mainstream financial products, and in light of this to consider how the savings needs of this group of customers might be better met. The result of this work was the 'Pomeroy Report'[4]. Although this report does not look at the same issues as a merger investigation, the OFT has considered its findings as part of its assessment where they are relevant.

9. Following on from the Farepak collapse the OFT was asked by Ian McCartney, the then Department for Trade and Industry (DTI) Minister for Trade, to work with DTI and Financial Services Authority to provide advice on the issues raised by the collapse with regard to the regulatory framework in which Farepak operated. This culminated in the OFT producing advice in December 2006, 'Farepak: review of the regulatory framework, Advice from The Office of Fair Trading'. In March 2007, following a recommendation of the Pomeroy Report, the Treasury also made £1 million available from the Financial Inclusion Fund to conduct an awareness campaign on customers' options when saving for Christmas[5]. One of the major findings of the Pomeroy Report was that the payments made by customers into these savings schemes should be protected such that should the company fail then customers could be fully repaid the sums they had paid into the scheme.

10. Pomeroy also recommended that the OFT should consider whether there are 'any competition issues that need to be addressed in this sector'. The

[4] Review of Christmas Savings Schemes, March 2007, HM Treasury.
[5] The 'Save Xmas' campaign was launched in June 2007 as a result.

consideration of this merger has necessarily required a limited investigation into the supply of Christmas hamper savings schemes and what alternatives are available to customers.

Rationale for sale/purchase

11. Park and Findel submit that the collapse of Farepak had direct repercussions for the other Christmas hamper savings schemes and particularly Home Farm with which Farepak was linked. Home Farm's projected turnover at the time of sale was around £6 million for Christmas 2007, a £24 million or 80 per cent decline from the 2006 figure of £30 million, and still only a fraction of the projections for 2007 (£26 million) calculated before Farepak collapsed. The parties submit that this dramatic reduction was as a direct result of faltering consumer confidence in the hamper savings scheme model following the collapse of Farepak. The weakness of the target business is further evidenced by the fact that the order book was eventually sold for just £300,000, which represents around one per cent of the historic order value. However, it is not clear to what extent the fall in revenue for 2007 was the result of Findel failing to advertise and promote the Home Farm business in the crucial early months of 2007. It appears that Findel had already decided at that point that it was not willing to continue with the Home Farm business.

12. Although, Home Farm is not a 'failing firm' as described in OFT Guidance,[6] it was operating in a declining market in which, post Farepak, there was a lack of consumer confidence in this method of saving for Christmas. The profitability of the business, while still positive, had been gradually declining as had turnover over the previous two years (even before the collapse of Farepak).

13. The negative effect on Home Farm of the collapse of Farepak and its dramatically reduced projected turnover is supported by the internal board documents of Findel dated 23 January 2007:

    '... following the adverse reaction to the industry resulting from the demise of Farepak: this has also left the business unsaleable with its projected sales reduced from £27m to £6m'.

[6] Paragraph 4.37

14. Findel also submitted that it had considered closing or disposing of Home Farm. One reason for the sale was that the loss of Farepak as a joint-venture partner had placed considerable pressure on Findel, which was not able to fill the role previously undertaken by Farepak. Findel therefore decided to offer Home Farm to Park. Park took the view that if it did not purchase, there was a possibility that Findel might wind up Home Farm. It submitted to the OFT that the closing of yet another Christmas hamper savings operator (albeit in circumstances where savers would technically have the opportunity to receive their money back, rather than losing it altogether) would have further damaged the reputation of the industry, which would in turn have had an adverse impact on the level of payment into Park's own schemes. In order primarily to protect this existing business, therefore, Park agreed to buy Home Farm. Park claims not to be aware of there having been any other viable purchasers for Home Farm.

MARKET DEFINITION

Product market

15. At the very narrowest level, the parties overlap in the supply of 'Christmas hamper savings schemes'. These schemes involve the regular (either weekly or monthly) payment by customers of modest sums of money either direct to the company or through local collectors/agents who remit the payments to the company. At the start of the year customers choose from a catalogue what mixture of vouchers, gifts or hampers they want to save for. However, customers are able to change or reduce the mix of products they wish to receive during the year if they wish to, without a penalty being levied. The goods and vouchers are distributed in November and early December in time for Christmas.

16. The shift of orders away from gifts and hampers towards vouchers has been a particularly significant trend in recent years and now vouchers represent the overwhelming majority of orders. Park estimates that over 90 per cent of its sales are of vouchers, and that pre-merger around 85 per cent of Home Farm sales were of vouchers. Park's vouchers ('High Street Gift Voucher') are redeemable in a variety of large UK high street retailers (for example Boots, Argos and Woolworths).

17. The supplier set for similar savings schemes is not easily identifiable. Other than Variety Christmas Club (Variety),[7] a number of other firms, particularly home service businesses, sell hampers as a sideline to their primary trade. For example, home credit companies, as well as dairy companies, have traditionally offered Christmas hamper savings schemes. There is also a wide range of informal savings clubs and schemes offered by local butchers and toyshops. The extent of these, and the constraint they place on the parties, is not easily quantifiable.

Features of Christmas hamper savings schemes

18. The parties submit that hampers and vouchers are substitutable with many other products, and that the relevant product market should include a variety of savings products and other financial products which can be used for saving towards the cost of Christmas.

19. Christmas hamper saving schemes appear to display a number of features which distinguish them from other types of products or services and which customers find attractive. Those listed below were identified in the Pomeroy Report[8] as reasons why people use hamper schemes. In particular:

    - Payments are locked-in; first, once money has been paid in, customers cannot easily access it before November, which prevents temptation for customers to redeem their money in advance of Christmas for other purposes; secondly, as the money is received in the form of goods and/or vouchers, this ensures that the accrued amount is used for its intended purpose and not spent on other things.

    - A flexible choice of hampers, vouchers, gifts, alcohol and food is given within the scheme.

[7] Variety (www.varietychristmasclub.co.uk) is the other significant player active in this sector, based in Newton Le Willows, Merseyside. The company's principal activity is the operation of a voucher based Christmas savings scheme, although Park understands that it also sells a small number of food hampers to its agents. It also offers short term loans and a cheque encashment service. The company offers a range of 15 different vouchers, valid at stores such as Marks & Spencer, Debenhams, Toys-R-Us, and Arcadia Group, as well as five of the biggest supermarket chains - Asda, Sainsbury, Iceland, Somerfield and Waitrose.

[8] Part 4

- The convenience of a door-to-door/home collection service. Many customers value the convenience associated with the scheme and the discipline imposed on them by having an agent collect money, ensuring that it is safely put away for the purpose for which it was intended.

- Peace of mind and an alternative to debt. Some customers believe that the scheme takes the stress out of the financing of Christmas. It is seen as a way of paying up-front and for these customers it is an alternative to debt.

- There is also a social element to the schemes. Often agents are member of the community and their visits are an anticipated part of the count down to Christmas.

20. The Pomeroy Report focused on the reasons *why* people use these schemes rather than identifying alternatives to which customers may switch. However, some of the products which were identified by customers as alternatives included: regular savings accounts with banks, building societies or credit unions; special Christmas savings accounts offered by building societies and credit unions and Christmas savings schemes offered by large retailers.[9] The Pomeroy Report itself states that the consumer workshops undertaken for the Report as well as the poll of former-Farepak customers run on the 'Unfarepak' web-site (a support site set up for former customers of Farepak following its collapse[10]) indicate that *'former customers of the hamper industry have looked at a wide range of alternatives for Christmas 2007 because of the uncertainty left by Farepak'*[11].

21. The alternative products (identified by Pomeroy and the further OFT enquiries undertaken as part of this merger investigation) share some of the features/characteristics of hamper and voucher schemes that customers find desirable. Although none of these products are perfect substitutes, they may be sufficiently close alternatives that they are able to constrain the behaviour of a hypothetical monopolist and therefore justify a wider frame of reference in this case.

[9] Pomeroy Report paragraph 5.3
[10] www.unfarepak.co.uk
[11] Pomeroy Report paragraph 5.2

22. Third parties contacted by the OFT tend to describe a wider market for savings schemes aimed at customers. Variety informed the OFT that it believed, based on evidence it had, that many of the customers who had left Christmas hamper savings schemes are now saving using bank and building society accounts, and that they believed that customers were aware of other schemes (e.g. Argos Christmas Savings Club, Woolworth Savings Card, supermarket cards, HBOS Christmas savings club, Credit Unions) and that they can use these as alternatives to Christmas hamper savings schemes. They added that many of their own customers also used supermarket stamps and home collected credit.

Park's surveys

23. Park submitted two pieces of market research to the OFT, one e-mail based survey and one telephone-based survey.

24. The e-mail based survey carried out in July 2007 for the purposes of this mergers enquiry found that many respondents (agents and customers) who left Park still save for Christmas in some other way. In addition, there was evidence of customers switching away from Park to other savings products (bank accounts, building society accounts, retailer specific stamp schemes, informal savings clubs, credit unions, gift vouchers, premium bonds). Generic savings accounts appear to be the most important alternative for those who left Park. Although helpful in identifying alternatives, this survey does not address the likely volumes of switching of customers to other products in the presence of a hypothetical five to 10 per cent price increase necessary for the purposes of market definition via the standard 'SSNIP' or 'hypothetical monopolist' test.

25. Park also undertook a telephone survey in July 2007, comprising 250 lapsed Park customers. This found that around 60 per cent of these customers are currently using a savings or bank account. Around a third of these accounts were opened specifically for Christmas savings (although few are specialised Christmas savings accounts). Among the remainder of customers the most common ways of saving are through retailer savings stamps (of which Asda is the most popular) or ad hoc arrangements made through friends or family. A few have work based savings schemes while others simply use a piggy bank.

26. It is clear from the evidence above that many former customers are saving money, that otherwise would have been deposited in Christmas hamper savings schemes, through other alternative savings products or schemes. Customers have not only indicated a willingness to switch but there is evidence of actual switching to alternative schemes.

OFT Survey and critical loss analysis

27. In order to overcome some of the informational gaps surrounding the operation of this sector,[12] the OFT undertook a survey of both former Farepak customers and current Park customers (including ex-Home Farm customers). The purpose of this exercise was to attempt to ascertain not only customer awareness of other types of savings/pre-payment products (which each replicate to a differing extent the characteristics identified in Pomeroy as being attractive to users of Christmas hamper savings schemes) but also the extent to which they are prepared to switch from the kind of service offered by the merging parties to other savings and/or pre-payment products and services. Using this information, the OFT also undertook a critical loss analysis (see below). In order to obtain a broad sample the OFT contacted both current and former users of Hamper schemes.[13]

28. The OFT surveyed 60 customers, including both ex-Farepak customers and current Park customers,[14] on whether they would switch to an alternative product following a 10 per cent price increase. Approximately 51 per cent of ex-Farepak customers[15] indicated that they would have switched; if Park customers are also included, 62 per cent would switch.[16] The 95 per cent confidence interval for this size sample gives a range of 50.5 per cent and 73.5 per cent.

---

[12] The main recent sources of information in this area are the work undertaken by Pomeroy, the evidence submitted by the parties and the OFT paper 'Farepak: review of the regulatory framework, December 2006'. There is little information about what products customers perceive as substitutes.

[13] It is possible that if only former customers of Christmas hamper savings schemes were contacted they may have shown some disproportionate bias against these schemes following the Farepak collapse, or may have left the scheme they were using because of the adverse effect on the perception of such schemes, and as a result not want to use such schemes again. The mixed sample ensured that a broad cross section of customers views were captured.

[14] Of which 47 were ex-Farepak customers and 13 current Park customers.

[15] 24 of 47 respondents.

[16] 37 of 60 respondents.

29. The key question, however, is whether it would nevertheless be profitable for the merged firm to lose customers at this level of switching in order to earn a greater profit from those customers who remain with the firm. To do this we estimate the 'critical loss': the percentage of customers the firm would have to lose before the hypothesised price increase would become unprofitable. Analysis of profit margin data for the past six years suggests an average figure for the critical loss of around 62 per cent.

30. The level of prospective switching is therefore of a similar order of magnitude to the estimated critical loss, with a significant chance that the scale of switching could be greater than this. This suggests that customers switching to alternative products may well constrain a hamper provider from reducing value for money and, as such, provides support to the notion that the frame of reference should not be restricted to hamper saving schemes only but should also take into account the range of alternatives described above.

31. This conclusion on switching/critical loss is consistent, among other things, with two other pieces of evidence, namely that OFT enquiries have indicated that providers of these alternative products see themselves as competitors to the parties and, secondly, that the parties themselves see other products as competing.

32. For example, an internal pre-merger document obtained from the parties supports the parties' assertion that they see other products as competing with their own[17]:

    'While our traditional competitors appear to be in disarray, new competition is popping up all around us. The competition is taking the form of in store savings schemes. Asda, Tesco, Debenham's and Iceland are but a few of the stores to offer this service to customers. In these cases there is usually some monetary incentive for the customer to deposit their money with the store. The narrow range offered by individual retailers in the past meant that the flexibility of multi-redemption vouchers gave Christmas savings clubs a USP [unique selling point]. However, the ubiquity of the modern supermarket superstore has eroded this advantage'.

[17] Park Strategy Document 2005, page 8

33. Other suppliers also regarded themselves as targeting the customer base of the parties and Variety and in competition with them. For example, Argos, Woolworths and Skipton Building Society.

Geographic market

34. Third party responses indicate that most customers tend to buy from their local agent, either based on the localised area where they live or possibly through a work or social connection.

35. Nonetheless, Park and Findel (Home Farm's previous owner) have confirmed offering their hamper schemes on a UK-wide basis, which is only limited by their respective agent spread – that is, there is no limit to the customers that they can deliver to within the UK if they can be contacted by an agent.[18] The parties submit that they do not consider the degree of overlap in any particular local area to be significantly different from that existing at the UK level.

36. Variety, also suggested that hamper schemes constituted a national market, as neither they nor the parties alter their retail offering based on geographic area.

37. Moreover many of the non-hamper savings alternatives, especially retail schemes and building society offerings are also offered on a national basis.

38. There are a number of other more informal Christmas schemes which are run at a local level,[19] though they do not have the access to infrastructure that may be necessary to achieve UK-wide delivery of either goods or vouchers and hence are likely to only offer a local constraint.

39. Whilst many individuals undertake Christmas savings with a local provider and some providers only operate in certain areas, the evidence suggests that the geographic scope of competition may be much wider than individual local areas and may well be regarded as UK-wide. In any event, no concerns arise under any reasonable geographic market definition, so the question may be left open.

---

[18] Historically, the operation of such schemes has tended to focus in Scotland, South Wales and parts of Northern England, where advertising is focused.

[19] Such as local credit unions (e.g. Hull and East Yorkshire Credit Union).

HORIZONTAL ISSUES

40. The critical loss analysis, consistent with other evidence, suggests that it is unlikely for it to be profitable for a hypothetical monopolist of Christmas voucher/hamper scheme services to raise price (or otherwise reduce value for money) above pre-merger levels. If a supplier with a 100 per cent market share cannot profitably raise price post-merger because of demand-side switching to alternatives in sufficient volume to products 'outside' the candidate product market, this also suggests that a supplier with any share less than 100 per cent could not profitably raise price either.

41. While there will nevertheless be cases where adverse unilateral effects could still arise if the merged firm combined close substitutes within a wider candidate market (for example, if a merger combined two players each with 30 per cent share of supply of a wider market), the evidence available to the OFT does not suggest that this type of merger effect will arise in this case.

42. As shown in the market definition section there are a wide number of alternative products available and the increment resulting from the merger is therefore small. Whilst the OFT has no precise quantitative evidence on the increment arising from the transaction the OFT has found no evidence that it is not modest: even if only Christmas hamper savings schemes were considered, the increment would be only around seven per cent.

43. Significantly, the OFT survey as well as those surveys undertaken by Park indicate that respondents did not leave Park in order to join another Christmas hamper savings scheme. Former customers were more likely to use other alternatives rather than another Christmas hamper savings scheme provider, which is indicative that the other providers such as Variety and, pre-merger, Home Farm may not be as strong a constraint on Park as the alternative product providers identified above for example in paragraph 22.

44. There are a wide variety of other companies offering savings schemes which offer customers some of the features they find attractive in hamper savings schemes. The parties argue that most of the large supermarkets operate stamp-based Christmas savings schemes and retailers such as Argos and Woolworth are increasingly adopting more sophisticated ways of

meeting customer needs to save or pre-pay for Christmas. They have also argued that a wide variety of financial institutions offer hybrid products that directly address the demands met by Christmas hamper savings schemes, such as savings schemes that offer benefits if savers do not withdraw money until Christmas but do not require the money withdrawn to be used to purchase specific products. Beyond specific schemes geared towards Christmas savings, customers also have a wide range of other options for saving money, including regular bank savings accounts, or spreading the cost of Christmas by borrowing, whether by using a credit card, bank loan or home credit. The evidence available supports the proposition that a variety of companies with differentiated business models operate to constrain the parties and discipline Park post-merger because they target the same customers, and customers are aware of these alternatives and, on the basis of their stated intentions, are willing to switch to them.

45. In conclusion, the OFT has found no evidence that Home Farm was a strong constraint on Park pre-merger as evidenced by Parks internal documents, which indicate that Park believed the strongest constraint came from a variety of companies as identified above, as well as the evidence from customers indicating that they do not generally switch from one hamper scheme to another.

Merger effects on customers unable or unwilling to switch

46. It is recognised that the Pomeroy Report alluded to a small group of customers for which there are limited substitutes to Christmas hamper savings schemes. Pomeroy concluded that, the lower an individuals' income, and the more financially excluded they are, the more likely it appears that they will want to continue to use hamper savings schemes. Different users of hamper schemes value different features to differing degrees, and some are more willing to sacrifice them up than others. For these customers it may be the case that they may not consider the alternatives identified above.

47. The OFT has therefore looked carefully at whether this category of customer might be harmed by the merger. However, the OFT does not believe that these customers will be harmed as a result of this merger by, for example, the parties raising prices or reducing the quality of products on offer. This is because the parties are unable to price discriminate

between these and other customers. A catalogue is issued early on in the calendar year and prices are the same to all customers, and indeed hamper customers are able to switch to vouchers at any point in the year without penalty. With regard to vouchers, which as already mentioned, account for 90 per cent of Parks' revenues, Park has no ability to change the retail price of these, as they are priced at face value. Although, the parties' may have more flexibility in the pricing of hampers/gifts, this is ultimately constrained by the pricing of similar products by rival retailers such as Argos and the major supermarkets.

Barriers to entry and expansion

48. The parties argue that there are few entry barriers for companies already active in a related sector looking to launch a Christmas savings scheme. They use the example of a credit union or home credit provider who they argue would be likely to have a high level of relevant customer knowledge which would make entry relatively easy. They also argue that a large voucher provider could use its existing business infrastructure as a base for entry. While reputation can be a barrier to entry, this factor is not likely to favour incumbent voucher/hamper providers, Park and Variety, given the Farepak collapse.

49. Variety indicated that it believes that, many companies would be seeking to enter the wider market providing savings schemes for these customers, and that this is a trend which was likely to continue over the coming years. They pointed to the example of Argos and HBOS who had set up 'Christmas savings schemes' within a relatively short time frame after the Pomeroy Report had been published.

50. This is substantiated by OFT enquiries which have revealed that a variety of third parties have entered the wider 'market', in the sense of offering Christmas savings services, in competition with the parties to the transaction. There appear to be no obvious barriers to expansion by businesses already operating in related areas.

Third party views

51. A wide range of companies were contacted and none had any concerns about this merger. In addition, a significant number of customers of Park and other Christmas hamper savings schemes were contacted as part of

OFT enquiries and no merger-specific concerns were raised by any of them, which is significant given the adverse publicity surrounding this business model following the collapse of Farepak.

52. Variety did not have any competition concerns about the transaction. It submitted that it believed there were a wide range of products available which compete with Christmas hamper savings schemes and that this trend was likely to continue, stating that *'our sector will be awash with competition over the next couple of years'.*

Conclusion on horizontal issues

53. On the basis of the evidence set out above, the OFT does not believe that there is a realistic prospect that the merger will result in a substantial lessening of competition such that customers will be worse off than absent the merger. Survey and other evidence points to a wide variety of alternatives to hamper schemes for many customers and the increment to Park's business resulting from the merger is modest. Moreover, there are a number of examples of recent entry into the Christmas savings business and no obvious barriers to expansion by businesses already operating in this area. This analysis is consistent with a notable lack of customer and other third party concern about this transaction.

ASSESSMENT

54. The parties both provide 'Christmas hamper' savings schemes through which customers can save small amounts on a regular basis towards the purchase of hampers, gifts or multi-retailer vouchers. The vast majority (85-90 per cent) of the parties' business is in the sale of vouchers with the remainder split roughly equally between gifts and hampers. The goods and vouchers are distributed in November and early December in time for Christmas.

55. The failure of the Christmas hamper savings scheme operated by Farepak in late 2006 had a significant effect on the sector, especially on Home Farm, a joint venture between Farepak and Findel. When Farepak went into administration, Findel acquired sole control of Home Farm but does not appear to have been committed to the future of the business. While Home Farm was not a 'failing firm', as applied by the OFT, it seems clear that

Findel was looking to dispose of or close down the business. As the parties contend, there seems an arguable case that, absent the merger, Home Farm would have exited the market in one way or another. However, it is not necessary for the OFT to reach a view on this since the overall weight of the evidence compels the conclusion that the merger does not raise competition concerns even assuming Home Farm had continued as an independent player absent the merger.

56. The collapse of Farepak has resulted in a lack of consumer confidence in hamper savings schemes in general and Park expects total sales of all Christmas hamper savings schemes in 2007 to be significantly down on the previous year. Home Farm itself was forecasting sales of only £6 million in 2007 against £26 million in 2006. While some former customers will have simply ceased saving, on the basis of the evidence it has gathered the OFT believes that a large proportion of former customers have switched to alternative sources of saving, including credit unions, stamp savings schemes operated by supermarkets and bank accounts. The OFT believes that these alternatives will continue to operate as a constraint on the merging parties. It appears to the OFT, from the research it, Pomeroy and the parties have undertaken that the majority of customers are at the very least aware of alternative products and are willing to exercise their judgment in switching between a wide range of products.

57. While not in itself conclusive, switching data obtained by an OFT survey of current Park customers and ex-Farepak customers would support such a conclusion. This conclusion is supported further by the views expressed by other players targeting the same customers, internal documentary evidence from Park, and the thorough lack of customer or other third party concern about the merger.

58. For customers who are unable or unwilling to switch, the OFT does not believe that they will be subject to detriment as a result of the merger. This is because the parties are unable to price discriminate between these and other customers. A catalogue is issued early on in the calendar year and prices are the same to all customers, and indeed hamper customers are able to switch to vouchers at any point in the year without penalty. With regard to vouchers, Park has no ability to change the retail price of these, as they are priced at face value. Although, the parties' may have more flexibility in the pricing of hampers/gifts, this is ultimately constrained by the pricing of similar products by rival retailers.

59. Given the publicity surrounding this sector and in particular the collapse of Farepak, it is significant that no competition concerns were raised either by competitors or customers relating to this merger. That said, there may be legitimate wider public interest concerns regarding the operation of such savings schemes, in particular as regards the protection of customer prepayments which are being addressed elsewhere. However, these are not competition issues and nor are they specific to the effects of this merger.

60. 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

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