CMA
Competition & Markets Authority

POUNDLAND/99P STORES MERGER INQUIRY

Summary of a telephone call with Iceland on 27 February 2015

1. Iceland said that, for the financial year 2014 its total turnover was £2.7 billion, of which 98.8% was generated in the UK.

2. Iceland conducted weekly visits to Poundland and 99p Stores locations and took written notes of their respective offers and how they may impact Iceland. Iceland said that, as a result of these reports, some changes to Iceland's offer might be suggested and implemented. Iceland also used these reports to [✂]. Iceland said that it was not necessarily supplied by the same companies that supplied Poundland and 99p Stores.

3. Iceland said that the offer of single price point retailers was very aggressive and that it was [✂].

4. Iceland reacted to Poundland and B&M [✂]. It said that these companies could offer one-off deals to which Iceland must respond in order to remain competitive. Iceland said that it was [✂].

5. Iceland said that it was not the case that it would be more concerned about the effect of the merger in certain local areas than others. Instead, it said that competition would be lessened anywhere Poundland and 99p Stores overlapped.

6. Iceland was not aware of any instances of Poundland reacting to 99p Stores offers at the local level or vice versa.

7. Iceland said that it set its offer centrally at the national level and that its offer did not change locally. Iceland did not conduct promotions or any type of special offer at local level. Iceland said that there were some regional variations in its offer. For example, regional products that were only available in its stores in Scotland.

8. Iceland said that Poundland would increase its scale through the merger and that this could generate efficiencies and lead to lower costs. Iceland expressed its view that, post-merger, Poundland might be able to obtain products at lower prices due to this increased scale.

9. Single price point retailers procured their stock mainly from the secondary market and not directly from the suppliers (ie the brand owners/ manufacturers). [✂] Iceland was unsure as to whether, after the merger, Poundland would continue to be supplied mostly from the secondary market.

10. Iceland said that it was unlikely that the merger would significantly impact its expansion plans, but that it might reconsider opening some of its planned store openings in any areas where there was a combined Poundland/99p store, were the merger to proceed.

11. Iceland said that, although it already faced the competitive constraint of Poundland and 99p Stores, and would currently take this into account when opening stores, it was likely that the constraint might increase to some extent post-merger.

12. Iceland planned to open [✂] stores in the next year. It said that, in previous years, it had opened 30 to 40 stores per year. Iceland said that its expansion plans for the coming years were [✂]. Its pipeline stores would be located both in high street and retail park locations.

13. Iceland provided information on the number of stock-keeping units (SKUs) in its product catalogue that were at or near the 99p/£1 price point:

Unit price	*Frozen*	*Grocery*	*Chilled*	*Grand total*
Under 99p	[✂]	[✂]	[✂]	[✂]
At 99p	[✂]	[✂]	[✂]	[✂]
At £1	[✂]	[✂]	[✂]	[✂]
Over £1	[✂]	[✂]	[✂]	[✂]
Grand total	[✂]	[✂]	[✂]	[✂]

14. Iceland said that there was a variation of SKUs at £1/99p price point of around [✂] SKUs a year. It said that most of the products at this price point were from the [✂] category.

15. Iceland said that, to some extent, there might be some competition between products with different prices, in some cases due to differing pack-sizes and or quality.

16. Iceland's average gross margin was around [✂]%. Its gross margin differed from product to product and could be as low as [✂]% in the case of some products. It said that, in some promotional or footfall-driver products – such as milk – Iceland's gross margin could be as low as [✂].