

## Identification of problem stores

TABLE 1 Customer and revenue diversion ratios for problem stores

	<i>Customer diversion ratio</i>	<i>Revenue diversion ratio</i>	<i>Gross margin</i>	<i>Illustrative price increase (i)*</i>	<i>Illustrative price increase (ii)*</i>	<i>Somerfield's estimated pre- merger share (i)†</i>	<i>Somerfield's estimated pre- merger share (ii)†</i>	<i>Somerfield's estimated post- merger share</i>
Johnstone	59.4	72.1	26.9	1,898.4§	34.7			
South Shields	40.7	43.4	25.7	36.0	9.8			
Peebles	46.3	36.2	20.8	17.5	5.9			
Middlesborough Linthorpe	23.1	34.3	26.0	22.4	6.8			
Frome King St‡	29.9	29.3	25.3	16.3	5.2			
Pocklington	37.1	28.4	30.7	21.3	6.1			
Yarm	29.0	22.4	28.8	13.2	4.1			
Newark	23.6	23.4	25.8	11.9	3.9			
Paisley‡	19.3	21.4	25.4	10.3	3.5			
Filey	21.2	20.6	27.8	11.1	3.6			
Poole	14.9	18.8	25.3	8.5	2.9			
Whitburn	16.3	16.7	24.8	7.1	2.5			

Source: CC Study.

\*Illustrative price increase (i) is calculated assuming that demand is isoelastic and (ii) is calculated assuming that demand is linear (using the formulae set out in paragraph 12 of Appendix D).

†Somerfield's estimated pre-merger share (i) was provided by Somerfield and is based on Chorus data and (ii) is estimated by Somerfield based on information in companies' accounts, census data and its own store revenue data.

‡We have not identified an SLC given the expected opening of a new one-stop shop in the near future.

§See paragraph 7.26 for a discussion.

Kelso and Littlehampton, where the proximity stores have shut, are excluded from the table because there is no diversion ratio from the acquired to proximity store.

TABLE 2 Summary of identification of SLC stores as potential problem at Stage 1 of analysis

		Verified by GeoBusiness on basis of				Identified by OFT as potential problem store on basis of	
		Isochrone re-centring			per cent		
	Size category	Primary isochrone*	Store†	Population‡	Population affected§	Safeway 2003 isochrone rules	OFT 5 isochrone rules¶
Johnstone	One-stop shop	Yes	Yes	Yes	47.4	Yes	Yes
South Shields	Mid-range	Yes	Yes	Yes	92.4	Yes	Yes
Peebles	Mid-range (close to one-stop shop)	Yes	Yes	Yes	100.0	Yes	Yes
Middlesbrough	Mid-range	Yes	Yes	Yes	63.8	Yes	Yes
Pocklington	Mid-range	Yes	Yes	Yes	100.0	Yes	Yes
Yarm	Mid-range	Yes	Yes	Yes	62.4	No#	No#
Newark	Mid-range	Yes	Yes	Yes	38.6	No#	No#
Filey	Convenience	Yes	Yes	Yes	100.0	Yes	Yes
Poole	Mid-range (close to one-stop shop)	No	No	Yes	58.4	No~	No★
Whitburn	Mid-range (close to convenience)	Yes	Yes	Yes	71.9	No#	Yes◆
Kelso	Mid-range	Yes	Yes	Yes	98.1	Yes	Yes
Littlehampton	Mid-range	Yes	Yes	Yes	79.2	No#	No#

Source: CC and GeoBusiness.

\*The primary isochrone is the isochrone centred on the acquired store.

†Re-centring on all stores within the competitor set over 280 sq metres (3,000 sq feet) in the primary isochrone.

‡On the basis of census output area population re-centring. All stores except Johnstone, Newark, Poole and Littlehampton also are identified on the basis of re-centring on population centres (eg towns).

§Percentage of population in isochrones centred on census output areas in primary isochrone affected by fascia reduction.

¶One-mile radial catchment for convenience and close to convenience stores, 5-minute (urban) and 10-minute (rural) isochrones for mid-range stores, and 10 minute (urban) and 15-minute (rural) isochrones for close-to-one-stop shop and one-stop shop stores.

#Because GeoBusiness reclassified the store from rural to urban on the basis of more recent population Census information than was available to Somerfield.

~Because the OFT considered only primary isochrones.

★Because the OFT considered only primary isochrones and its isochrone for urban, close-to-one-stop shop stores was wider (10 minutes) than the 5-minute isochrone using the Safeway 2003 rules.

◆Because the OFT's catchment for close-to-convenience stores (1-mile radius) was narrower than the 10-minute isochrone using the Safeway 2003 rules.