

J Sainsbury PLC

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Sainsbury's-Asda merger raises competition concerns, CMA reveals

The proposed merger of J Sainsbury PLC (LON:SBRY) and Walmart Inc's (NYSE:WMT) Asda has raised concerns that it could lead to higher prices and reduced choice for customers, the UK competition watchdog said on Monday.

UK Competition and Markets Authority last month invited interested parties to submit initial views on the impact of the deal.

READ: Sainsbury's Asda merger faces hurdle after MPs criticise changes to staff pay

The regulator on Monday said it has received submissions from supermarket groups, wholesalers, suppliers, trade associations, not-for-profit organisations with an interest in the groceries sector, local government representatives and members of the public.

In a summary of these views, the CMA said a number of submissions raised worries that the merger could result in fewer national players in the supermarket sector with Tesco and Sainsbury's-Asda holding higher market share.

"Some respondents suggested that this could give rise to higher prices, reduced choice, or a loss of innovation within the supply of groceries," the CMA said.

One respondent perceived Asda as a pricing 'maverick', a company that plays a particularly disruptive competitive role in the market.

Sainsbury's-Asda merger 'could squeeze suppliers'

Others raised concerns that the deal could put a squeeze on suppliers as the combined group would have increased buying power that would allow it to negotiate lower prices.

The respondents argued that it could result in reduced margins for suppliers, affecting their ability to innovate and potentially reducing the quality of products.

Some see a greater risk of "tacit coordination" within the supply of groceries. This means competing firms recognise they are mutually interdependent and can reach a more profitable outcome if they coordinate to limit their rivalry.

Worries on potential job losses

Another risk highlighted was the potential impact that any store closures could have on jobs and communities.

The CMA said it will consider all the submissions as its investigation progresses.

A further 'invitation to comment' will be launched once the CMA's formal investigation begins.

The CMA added that it is likely to proactively contact companies in markets affected by the deal.

Price: 211.7

Market Cap: £4.68 billion

1 Year Share Price Graph



Share Information

Code: SBRY

Listing: LSE

52 week High Low
20130 177.05

Sector: Retail

Website: www.sainsburys.co.uk

Company Synopsis:

J Sainsbury PLC is a United Kingdom-based company principally engaged in grocery and related retailing, and financial services.

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