

**COMPETITION TRIBUNAL
REPUBLIC OF SOUTH AFRICA**

Case No: 70/LM/Sep02

In the large merger between:

Edgars Consolidated Stores Limited

and

Elixir Marketing (Pty) Ltd

Reasons

Approval

The Competition Tribunal issued a Merger Clearance Certificate on 16 October 2002 approving the merger without conditions. The reasons are set out below.

The merger

The Transaction

Edgars Consolidated Stores (“Edcon”) is purchasing the entire issued share capital in Elixir Marketing (Pty) Ltd.

The parties to the transaction

The primary acquiring firm is Edcon, a public company listed in the JSE. Edcon is not controlled by any firm.

The primary target firm is Elixir Marketing (Pty) Ltd, which trades as Super Mart. There are currently 7 stores situated in Johannesburg, Pretoria, Germiston, Rustenburg, Witbank, Klerksdorp and Vereeniging. Through a joint venture with Laurel Gold, of which Super Mart owns 50.1%, it also offers a full range of clothing.

Rationale for the transaction

According to Edcon it is interested in expanding its existing clothing, footwear and accessories business into product categories that are attracting a greater proportion of

consumers' spend due to the changing needs of South African buyers Edcon will not re-brand the Super Mart Stores.

Evaluating the merger

Relevant market

Edcon trades predominantly in the retailing of clothing, footwear and accessories throughout South Africa and in neighboring countries. Edcon's major retail formats are Edgars, Jet, Sales House, Red Square, Cuthberts, Smiley's Wearhouse and ABC, which target the lower-middle to upper-middle income groups.

Super Mart stores are large discount departmental stores aimed at the middle to lower income groups. It sells electrical appliances and sound equipment, house and kitchenware, DIY products, flooring, blankets and linen, jewelry, beauty products and cosmetics, music and video, schoolwear, stationery, toys and luggage. It also offers a full range of clothing for men, ladies, kiddies and infants.

Both Edcon and Super Mart sell the same kind of products, however, the customer profile, the different store formats and the large difference in prices charged for the various product groups indicate that they do not compete in the same relevant product markets, for example:

Apparel

Super Mart's clothes are on average 20% less than that of Edcon and less contemporary.

Schoolwear

Edcon only stocks standard schoolwear whereas Super Mart also stocks a small amount of "unique schoolwear". Edcon's schoolwear offerings are priced, on average, between 15% - 60% higher than those sold by Super Mart.

Cosmetics

Edcon stocks "prestige" and "fast-moving" products and its prices are between 96% for hair care, 317% for fragrances and 288% for skincare products, higher than those of Super Mart.

Textiles

Edcon's textile products that overlap with Super Mart's top twenty sellers are approximately 32% more expensive, with bedroom products 119% and bathroom products 255% more expensive.

Stationery

Edgars sells a small amount of greeting cards while Super Mart sells school

exercise books, rulers and pens.

Music

One of Super Mart's main products is music tapes and CD's, which represents 16% of its turnover. Edcon is currently still experimenting with this product and only sells music in four Edgars and eighteen Jet stores.

Moreover, Super Mart indicated to us that it competes with Shoprite's non-food divisions as well as large retail stores such as Game. It has never perceived Edcon as a competitor. Edcon, inter alia, competes with stores such as Truworths, Foschini and Woolworths.

Prices are set on a national basis and we, therefore, agree with the Commission that the geographic market is national.

Effect on competition

Although Edcon is vertically integrated into the upstream manufacturing market, Super Mart is not, nor does it purchase any of the trading stock from Edcon's upstream manufacturing business.

According to the parties a new competitor, Fashaf/Vetsacor, has recently entered in direct competition with Super Mart in Johannesburg, indicating that barriers to entry into this market are low.

In light of the above we find that competition will not be substantially lessened or prevented as a result of the merger.

Public interest

The transaction does not raise any other substantial public interest grounds.

8 November 2002

N. Manoim

Date

Concurring: D. Lewis, U. Bhoola

For the merging parties: Werksmans Attorneys
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For the Competition Commission: A Coetzee, Legal Services Division