The Autorité de la concurrence innovates by analyzing the online and in-store sales of toys as a single market

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The Autorité de la concurrence clears the acquisition of joint control of Luderix International (Picwic) by Jellej Jouets (Toys'R'Us) and by the undivided ownership Mulliez[1].

Parties to the transaction

On 22 November 2018, the company Jellej Jouets (Toys'R'Us brand) notified the Autorité de la concurrence of its planned acquisition of joint control of the company Luderix International (PicWic brand) alongside the undivided ownership resulting from the estate of Mr. Stéphane Mulliez[2].

By decision of the Commercial Court of Evry of October 2018, Jellej Jouets, controlled by the investment fund Cyrus Capital, had acquired the assets and activities of the French company Toys'R'Us group placed into receivership, notably its 44 stores specializing in toys and its website.

Luderix International specializes in the sector of buying and retail of games and toys and owns 25 Picwic stores as well as a website.

Following the transaction, during which Jellej will contribute its assets to Luderix's capital, Luderix will operate Toys'R'Us France, Picwic and their websites.

Following an examination of the impact of this transaction on the markets of manufacturing and wholesale marketing of toys and the retail distribution of

toys, the Autorité de la concurrence cleared the transaction by considering that it did not raise competition concerns.

The Autorité innovates in its practice by taking into account, for the first time, in the definition of the relevant market of toys, online and in-store sales.

The Autorité de la concurrence has considered that the characteristics of the toy distribution market justify taking direct account of the competitive pressure of online sales on physical outlets and to analyze these two channels as belonging to one and same relevant market. It considers that the competitive pressure of online sales, be it "pure players" (such as Amazon or Cdiscount) or websites of conventional retail chains, as well as the proximity of this distribution method and those of physical store have now become important enough for the relevant market to integrate these two channels.

By this decision, which is a first at the European level on the sector of toys, the Autorité is implementing an approach it had adopted in 2016 for the distribution sector of televisions and household appliance products.

In its 2016 decision clearing the acquisition of Darty by Fnac, the Autorité de la concurrence had decided to innovate in the competitive analysis of physical distribution and online sales in the sector of brown and grey household appliance products distribution. On the occasion of the acquisition of Darty by Fnac, the Autorité had then considered that the reconciliation of in-store and online sales of brown household products (televisions, cameras and audio products: MP3, DVD players and Blu-ray ...) and grey (tablets, laptops, smartphones, etc.)[1], led the players to no longer substantially differentiate their behavior, competition acting cross-sell on in-store and online sales. It had therefore changed its appreciation of the markets by identifying a single market, including the distribution of toys online and in-stores.

Regarding the distribution of toys, the Autorité de la concurrence has taken into account similar criteria to those adopted in 2016 in the Fnac / Darty decision to consider that it was necessary to take into account, in an integrated way, physical sales and online sales : the penetration rate of online sales in the toy

market (28.3% in 2017), the adoption of an internal organization "omnichannel" by the parties, the setting up by the players of a sales and pricing strategy taking into account the analogy of the range of products and services offered in-stores and online, and finally, the growing price standardization within the various distribution channels.

The competitive analysis was conducted, for the assessment of the transaction, at the national level, but also at a local level. Thus, catchment areas affected by activity overlap, ie areas where both Toy'R'Us and Picwic stores are located, have been the subject of a local competitive analysis. As there was no problem of competition in these areas, the transaction was cleared, without commitments, at the end of a phase 1.

> To see the full text of the decision 19-DCC-65 of 17 April 2019

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[1]This is the undivided ownership resulting from the succession of Mr. Stéphane Mulliez.
[2]Luderix was solely controlled by this undivided ownership prior to the transaction.
[3]Decision n° 16-DCC-111 of 27 July 2016 regarding the acquisition of the Darty company by the Fnac group – See the press release