

**COMPETITION TRIBUNAL  
REPUBLIC OF SOUTH AFRICA**

**Case No: 91/LM/Oct05**

**In the large merger between:**

**JD Group Limited**

**and**

**Connection Group Holdings Limited**

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**Reasons for Decision**

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**Approval**

On 24 November 2005 the Competition Tribunal issued a Merger Clearance Certificate approving the merger between the JD Group Ltd and Connection Group Holdings Ltd. The reasons for the decision appear below.

**The transaction**

1. The JD Group Ltd ("JD") will acquire the entire issued share capital of the Connection Group ("Connection"). Connection's listing on the JSE will be terminated after the merger, however, it will continue to trade under its own brand identity, merchandise range and market profile.
2. JD, a holding company listed on the JSE, owns the following furniture, electrical and electronic retail chains that offers a wide variety of home furniture, home electrical appliances and consumer electronic goods nationally:
  - ?? Barnetts
  - ?? Price and Pride
  - ?? Joshua Doore
  - ?? Russels
  - ?? Bradlows
  - ?? Morkels
  - ?? Electric Express

?? Hi-Fi Corporation

3. Connection is involved in the sale of consumer electronic goods through two national retail chains:

?? Photo Connection

?? Incredible Connection

### Rationale for the Transaction

4. The transaction affords Connection the opportunity to expand its business by accessing the credit granting skills and the asset, customer and capital base of JD.
5. According to JD the transaction will expand its business into product markets in which it has limited exposure. JD intends to introduce credit sales in Connection thereby affording lower LSM's the opportunity to acquire computers and various photographic products.

### Effect on Competition

6. The Competition Commission identified the following national product markets:
- ?? photographic imaging products and related services,
  - ?? computer hardware and software products and related services,
  - ?? small business machines,
  - ?? mobile telephony termination devices, and
  - ?? media and multimedia products.
7. Within these relevant markets the merging parties' market shares, post the transaction, will change as follows:

Product market	JD	Connection	Merged entity
Photographic	1.47%	7.09%	8.56%
Computer	1.69%	13.53%	15.22%
Small Business machines	1.05%	13.47%	14.52%
Mobile telephony	0.25%	0.08%	0.33%
Multi-media	Not available	Not available	Not available

8. The parties were not able to provide estimated market shares for the Media and Multimedia products market but the Commission found that, based on the revenues generated by each, the market share of the merged entity post the transaction would represent an inconsequential small proportion of the total market, less than 2%.
9. According to the Competition Commission large retail chains compete with the merging parties in all of the above product markets. In the photographic imaging market Massmart (with a market share of 20%) and Nu-World (with 10%) compete with the merged entity. In the computer hardware product market Massmart (13.53%) and Metcash (2%), as well as computer manufacturers, offer products through retail and wholesale distribution outlets. In the market for small business machines Massmart (45%) and Metcash (1.54%) compete while the merging entity's market share in the mobile telephony and the media and multi-media markets are too insignificant to substantially affect competition.
10. Connection has exclusive supply agreements with vendors such as Acer, HP, Packard Bell and Sony to supply their computer products. However, these agreements relate only to specific models within each brand and not to the whole product range within each brand. Other brands that compete with these are Mecer, Dell, Fujitsu Siemens, IBM, Epson, LG and Toshiba.
11. In light of the above we find that the merger would not substantially prevent or lessen competition in any of the relevant markets.

### **Public Interest issues**

12. There are no significant public interest issues arising from the transaction.

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29 November 2005

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**Date**

Concurring: Y. Carrim, M Mokuena

For the merging parties: Adv Willem Pretorius acting for Feinsteins Attorneys For the Commission: Thamsanqa Kekana
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