ANALYSIS OF AGREEMENT CONTAINING CONSENT ORDERS
TO AID PUBLIC COMMENT

In the Matter of Lone Star Fund V (U.S.), L.P., Bi-Lo Holdings, LLC, Etablissements Delhaize Frères et Cie "Le Lion" (Group Delhaize) SA/NV, and Delhaize America, LLC,
File No. 131-0162

I. INTRODUCTION AND BACKGROUND

The Federal Trade Commission ("Commission") has accepted for public comment, subject to final approval, an significant competitive harm, specifically higher prices and diminished quality and service levels in these markets. The proposed Consent Order would remedy the alleged violations by requiring Respondent Bi-Lo to divest the acquired Delhaize America supermarkets in the relevant geographic markets. The divestitures will establish a new independent competitor to Respondent Bi-Lo in the relevant geographic markets, replacing competition that otherwise would be eliminated as a result of the Acquisition.

II. THE RESPONDENTS

Bi-Lo is the parent company of the BI-LO and Winn-Dixie grocery store chains, which are located in the Southeastern United States. As of July 10, 2013, Bi-Lo operated 685 supermarkets throughout Alabama, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, and Tennessee under its Winn-Dixie and BI-LO banners. Lone Star Funds, a private equity firm specializing in distressed assets, through Respondent Lone Star, is the majority owner of Bi-Lo.

Delhaize America is a wholly owned subsidiary of Delhaize. Delhaize owns supermarket chains in North America, Europe, and Indonesia. In the Northeast and Southeast of the United States, Delhaize America operates six supermarket chains: Sweetbay, Harveys, Reid's, Hannaford, Bottom Dollar Food, and Food Lion. Food Lion is Delhaize America's primary banner, and it accounts for 73% (1,127 stores) of its total 1,553 U.S. stores.

III. SUPERMARKET COMPETITION IN THE RELEVANT AREAS IN FLORIDA, GEORGIA, AND SOUTH CAROLINA

Bi-Lo's proposed acquisition of Delhaize's Sweetbay, Harvey's, and Reid's supermarkets poses substantial antitrust concerns in the retail sale of food and other grocery products in supermarkets in the relevant geographic markets.[2] Supermarkets are defined as traditional full-line retail grocery stores that sell, on a large-scale basis, food and non-food products that customers regularly consume at home—including, but not limited to, fresh meat, dairy products, frozen foods, beverages, bakery goods, dry groceries, detergents, and health and beauty products. This broad set of products and services provides a "one-stop shopping" experience for consumers by enabling them to shop in a single store for all of their food and non-food grocery needs. The ability to offer consumers one-stop shopping is a critical differentiating factor between supermarkets and other food retailers.

The relevant product market includes supermarkets within "hypermarkets," such as Wal-Mart Supercenters. Hypermarkets also sell an array of products that would not be found in traditional supermarkets. However, hypermarkets, like conventional supermarkets, contain bakeries, delis, dairy, produce, fresh meat, and sufficient product offerings to enable customers to purchase all of their weekly grocery requirements in a single shopping visit.

---

[2] The Acquisition raises competitive concern in five markets in Florida, five markets in Georgia, and one market in South Carolina.

Other types of retailers – such as convenience stores, specialty food stores, limited assortment stores, hard-discounters, and club stores – also sell certain food and non-food grocery items. However, these types of retailers do not compete in the relevant product market because they do not have a supermarket's full complement of products and services. Shoppers typically do not view these food and other grocery retailers as adequate substitutes for supermarkets.[3] Further, although these other types of retailers offer some competition to supermarkets, supermarkets do not view them as providing significant or close competition as traditional supermarkets. Thus, consistent with prior Commission precedent, these other types of retailers are not considered as competitors in the relevant product market.[4]

The relevant geographic markets in which to analyze the Acquisition's effects are the areas within an approximate three- to ten-mile radius of the parties' supermarkets in each of the following eleven localized areas: Arcadia, Dunnellon, Lake Placid, Madison, and Wauchula, Florida; Bainbridge, Statesboro, Sylvania, Vidalia, and Waynesboro, Georgia; and Batesburg, South Carolina. Where the Respondents' supermarkets are located in rural, isolated areas, the relevant geographic areas are larger than areas where the Respondents' supermarkets are located in more densely populated suburban areas. A hypothetical monopolist of the retail sale of food and non-food grocery products in supermarkets in each relevant geographic market could profitably impose a small but significant non-transitory increase in price.

The evidence gathered during the course of staff's investigation demonstrates that Respondents are close and vigorous competitors in terms of format, service, product offerings, promotional activity, and location in the relevant geographic markets. Bi-Lo and Delhaize America have the only supermarkets in Madison, Florida and Sylvania, Georgia. Additionally, Bi-Lo and Delhaize America have the only traditional supermarkets in eight of the relevant geographic markets; the remaining competitor in each of these eight markets is a hypermarket, Wal-Mart Supercenter. Moreover, the Bi-Lo and Delhaize stores are located near each other—less than 1 mile apart in three markets, 1 to 2 miles apart in six markets, and 2 to 3 miles apart in two markets. Competition in food retailing is primarily a function of similarity of format and proximity between competing stores. Stores with similar formats located nearby each other provide a greater competitive constraint on each other's pricing than do stores of different formats or stores located farther apart from each other. Absent the relief, the Acquisition would eliminate significant head-to-head competition between Respondents and would increase Respondent Bi-Lo's ability and incentive to raise prices unilaterally post-Acquisition. The Acquisition also would decrease incentives to compete on non-price factors, such as service levels, convenience, and quality. Finally, absent the relief, the Acquisition may also facilitate

[3] Shoppers would be unlikely to switch to one of these retailers in response to a small but significant price increase or "SSNIP" by a hypothetical supermarket monopolist. *See* U.S. DOJ and FTC Horizontal Merger Guidelines § 4.1.1 (2010).

[4] *See, e.g.*, *AB Acquisition, LLC*, Docket C-4424 (Dec. 23, 2013); *Koninklijke Ahold N.V./Safeway Inc.*, Docket C-4367 (Aug. 17, 2012); *Shaw's/Star Markets*, Docket C- 3934 (June 28, 1999); *Kroger/Fred Meyer*, Docket C-3917 (Jan. 10, 2000); *Albertson's/American Stores*, Docket C–3986 (June 22, 1999); *Ahold/Giant*, Docket C-3861 (Apr. 5, 1999); *Albertson's/Buttrey*, Docket C-3838 (Dec. 8, 1998); *Jitney-Jungle Stores of America, Inc.*, Docket C-3784 (Jan. 30, 1998). *But see Wal-Mart/Supermercados Amigo*, Docket C-4066 (Nov. 21, 2002) (the Commission's complaint alleged that in Puerto Rico, club stores should be included in a product market that included supermarkets because club stores in Puerto Rico enabled consumers to purchase substantially all of their weekly food and grocery requirements in a single shopping visit).

coordination in markets where only the parties' stores and one other traditional supermarket competitor remains post-Acquisition. Given the transparency of pricing and promotional practices between supermarkets and the fact that supermarkets "price check" competitors in the ordinary course of business, reducing the number of nearby competitors from three to two may facilitate collusion between the remaining supermarket competitors by making coordination easier to establish and monitor.

The relevant geographic markets are highly concentrated already, and would become significantly more so post-Acquisition. The Acquisition would result in an effective merger-to-monopoly in two relevant areas, Madison, Florida and Sylvania, Georgia, and an effective merger-to-duopoly in nine relevant areas.[5] The Acquisition would increase the Herfindahl-

EXHIBIT A

Delta					
City	State				
3 to 2	5016	5666	540		
Bainbridge	GA				
Madison	FL	2 to 1	5556	10000	
Statesboro	GA	3 to 2	4798	5423	