Republic of Serbia
COMMISSION FOR PROTECTION OF COMPETITION

REPORT ON THE COMPETITION CONDITIONS INQUIRY INTO THE SPORTS FOOTWEAR, CLOTHING AND EQUIPMENT MARKET IN THE REPUBLIC OF SERBIA IN THE PERIOD 2014-2016

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Table of contents

1. Subject and objective of the inquiry, data sources and relevant legal and methodological framework

The Commission for Protection of Competition (hereinafter referred to as the Commission), pursuant to the provision of Article 21(1/6) of the Law on Protection of Competition (Official Gazette of the RS 51/09 and 95/13, hereinafter referred to as the Law) stipulating the competence of the Commission to monitor and analyze conditions of competition on individual markets and in individual sectors, conducted a competition conditions inquiry into the sports footwear, sports clothing and sports equipment market.

Considering the increasing number of cases concerning related markets, particularly in competition infringement proceedings, the Commission conducted the inquiry concerned with the objective of establishing more qualitative and comprehensive approach in cases with reference to this sector, but also towards raising awareness and education level of undertakings, since all, including this activity as well, are directed at securing efficient competition on the territory of the Republic of Serbia.

The main objective of the inquiry is to establish the market structure, market volume, relations between main competitors and their respective market shares. The subject of the research are sports footwear, sports clothing and sports equipment markets on the territory of the Republic of Serbia in the period 2014-2016.

To gain an understanding of the comprehensive situation on relevant markets, the Commission included the following segments in this inquiry:

- Definitions of markets and undertakings;
- Calculations of market shares of respective undertakings;
- Dynamics of change – market entry-exit dynamics;
- Inquiry into the degree and intensity of competition based on market shares and economic and financial power of undertakings (inquiry into the supply and sales markets).

The main data and information sources for the inquiry-related purposes are:

- Data submitted by undertakings;
- Current legislation;
- Publicly available data, including Internet-based data (desk research).

When selecting undertakings to whom the Commission has addressed for the submission of data, the Commission instituted from the data on relevant markets and respective undertakings, submitted on the part of undertakings as parties in cases of individual exemption of restrictive agreements from prohibition, in which the most significant undertakings operating on the sports footwear, clothing and equipment markets are identified. In addition to the mentioned manner, the Commission also used a desk research method to complete the list of undertakings to whom has addressed with the request for submission of data. The sample of 15 undertakings is then concluded, including the following companies: Sport vision doo, Adidas Serbia doo, Đak doo, Preduzeće za trgovinu Holy doo, N-Sport doo, Office-shoes doo, Carvel doo, UNIVERS-CO doo, Stefan doo, INTERSPORT S TRGOVINA, Sport time, Deichman trgovina obućom SRB doo, Trend coo doo, Planet bike co. Doo and Beo-sport system doo.

For the inquiry-related purposes, the Commission instituted from the basic legal solutions regulating the area concerned, and to that end, the following paragraphs offer a short summary of the relevant legislative framework regulating activities on the markets concerned:

Law on Trade (Official Gazette of the RS 53/2010 and 10/2013)

The provisions of the Law on Trade regulate conditions, manner for conduct and development of trade, as well as market protection, protection from unfair market competition, and surveillance. The provisions of the said law are implemented, accordingly, on wholesale and retail trade operations concerning sports footwear, clothing and equipment products, as freely traded goods on the market of the Republic of Serbia.

Law on Customs Tariff (Official Gazette of the RS 62/05, 61/07 and 5/09)

The provisions of the said law regulate the area concerned in the part of regulation stipulating the tariff rate established by the Customs Tariff that refer to the group of products commercially labeled as sports footwear, sports clothing and sports equipment, as well as tariff rates implemented in accordance with concluded agreements on free trade, applied in the segment of harmonized nomenclature.

In accordance with the Regulation on harmonization of the Customs Tariff nomenclature for the 2017 (Official Gazette of the RS 97/2016), it is evident that categories of sports footwear, clothing and equipment do not correspond to the heading of goods by tariff position. The description system for imported goods is primarily based on materials used in the production of related products (in the case of clothing, headings are established in relation to the materials used: cotton, synthetics, synthetic fibers, wool etc.… while in the case of footwear exists a differentiation between materials used for upper/outer face and outer sole), while our observed categories for the inquiry-related needs are defined by the intended use of those products. Regardless of the differences, it may be said that almost the entire products portfolio under the related categories of goods is exempt from custom duties in accordance with the agreements on free trade concluded with EU, CEFTA and EFTA countries, Customs Union of Belarus, Kazakhstan and Russian Federation, while liable for payment of customs duties for imports from other countries, relative to the category of imported goods.

Provisions of the Law on Value Added Tax (Official Gazette of the RS 84/2004, 86/2004 – corr., 61/2005, 61/2007, 93/2012, 108/2013, 6/2014, 68/2014 – as amended, 142/2014, 5/2015, 83/2015, 5/2016, 108/2016 and 7/2017) are implemented in the form of consumption tax rates, calculated and paid in all phases of production and trade of goods and services, including products traded within the categories of this inquiry.

Provisions of the Law on Consumer Protection (Official Gazette of the RS 62/2014 and 6/2016)

Towards protecting the position of consumers, this law regulates the rights and obligations of the consumers, conditions and means of consumer protection, informing and advancing the knowledge of consumers on their rights and manners of protection thereof, rights and obligations of the consumer protection organizations and associations, establishment of the system of out-of-court settlement of consumer disputes, and the rights and responsibilities of the state institutions in the area of consumer protection, as well as other issues of significance for the consumer position and protection.

Law on Publishing (Official Gazette of the RS 6/2016)

The provisions of this law regulate the advertising content, general advertising rules, special rules and limitations, direct marketing, sponsorship etc. This law is of particular importance for the activity concerned, as well as for trading of products from the categories observed, considering that this sector often advertises sales incentive programs.

2. General sports footwear, clothing and equipment market indicators – size, structure, undertakings and market concentration

This segment analyses the market position (power) of companies as undertakings operative on the sports footwear, clothing and equipment market. The market positioning research covered the size of market share, degree of market concentration of existing competitors, and market entry barriers. To that end, the Commission collected respective data from selected undertakings, as well as data on business operations, assessing the competitive market conditions, considering that there are no reliable statistics on the total number of stores owned by individual undertakings, as well as on the total value of observed markets.

2.1. Global sports footwear and clothing market

In accordance with world reports on the global footwear[1] and clothing[2] market in reference to the potentials and forecasts for the period 2014-2020, it is stated that the global sports footwear

[1] http://www.strategyr.com/MarketResearch/Footwear_Market_Trends.asp (accessed on Feb 3, 2017)

market will reach US$371.8 billion by 2020, while the sports equipment market is expected to garner US$184.6 billion in 2020, with an average annual growth rate of 4.3% in the period 2015-2020. General features of this market are constant growth, foremost owning to the growing health and sports awareness, health lifestyle trend, improved living standards in the developed countries, increasing number of sport and fitness activities such as aerobics, swimming, running and yoga, as well as owing to the increased women participation in fitness and sport activities, and popularity of elegant and comfortable sports apparel suitable for daily "casual" wear.

If we observe the global market, the North America region is the single largest market worldwide in value terms of sports clothing and footwear, but by 2020 is expected that the leadership position will take the Asia-Pacific region, foremost owing to the average annual growth rate of this market by 8.1% led by factors such as improved living standards and increasing disposable income of consumers in the fast-growing economies of China and India. As per global market reports, the US sports footwear industry sales revenue is US$54 billion. Two undertakings are notable in terms of revenue generated, namely: Nike with 47.1% share, and Adidas with 35.6%, totaling to 82.8% share of the total sports footwear market in the United States.

The US sports footwear industry is a highly profitable activity and on average generates gross margins of 45%, which is considered as high even compared to the top 10 companies operating in the manufacture and trade sectors of luxury or upmarket goods[3]. Such high margins are foremost the result of low prices of raw materials (synthetic rubber, nylon, cloth…) used for end-products, while in addition to the reduction in material costs, companies have also generated considerable cost savings in the last couple of years by focusing on the direct sales to consumers (implying both online and own network of retail stores and outlet sales) while increasingly "bypassing" the wholesale distribution channels or other forms of "indirect" sales.

2.2. Sports footwear, clothing and equipment market in Serbia

The official national sports statistics in the Republic of Serbia, published on the website of the Ministry of Youth and Sports[4], shows 250,000 registered athletes and approx. 500,000 citizens of the Republic of Serbia included in recreational sports activities in 2015. Besides official statistics, it is evident that the importance of sports activities, foremost for health reasons, is an increasingly growing awareness, thus corresponds to the data reported on the increasing number of persons actively or recreationally involved in sports activities. In that respect, the sports footwear, clothing and equipment market in Serbia also records an upward trend (to be further demonstrated in the inquiry), parallel to the growing popularity of sports in the segment of sports

[2] https://www.alliedmarketresearch.com/sports-apparel-market (accessed on Jun 19, 2017)

[3] They are non-essential goods that include both products and services, with a growing demand parallel to the increase of consumer income. They include: durable goods, apparel, entertainment and leisure, motor vehicles….

[4] http://www.mos.gov.rs/public/wp-content/uploads/2016/06/Statistika-u-oblasti-nacionalnog-sporta-u-Republici-Srbiji-za-2015.godinu-1.pdf (accessed on July 26, 2017)

fashion, increase in purchasing power, but foremost due to the increase in popularity of sports activities in general.

Prior to the market inquiry, defined per types of traded products, as well as positions in the distribution chain, we will briefly cover the total market of all observed categories of goods – footwear, clothing and equipment – as an indicator of the total turnover value for all categories, independently from the manner of distribution. The reason behind such approach can be found in the fact that registered subjects for trade operations in specialized sports stores, in the majority of cases have all three groups of goods in their assortment of products, as well as the fact that the most significant undertakings operate at all levels of distribution, that is, at the wholesale level (sales to other sports footwear, clothing and equipment dealers) and at the retail level, in own chain of retail stores (sales to end-users).

Total sports footwear, clothing and equipment market

The table given below shows the consolidated sales values (in RSD) of sports footwear, clothing and equipment, based on data provided by undertakings on retail revenues (sales in own retail stores), and wholesale revenues (sales of the specified category of goods to other dealers).

Table 1. Total sales of sports footwear, clothing and equipment, in RSD, 2014-2016

Total sales of sports footwear, clothing and equipment, in RSD		
2014	2015	2016
18,681,383,385.90	26,135,643,459.58	30,350,160,915.10

Source: Data submitted by undertakings

As evident from the overview given above, the total market recorded a considerable increase during the observed three-year period. The highest growth is recorded in 2015, with 40% y-o-y total market increase. In 2016, the market grew by 16% y-o-y, while the sales increase was close to **65%** relative to the 2014 values. If we convert these values in line with the NBS official average exchange rate for 2014, 2015 and 2016, and then compared, the sports footwear, clothing and equipment market in Serbia (estimations are based on data collected from the most significant undertakings) reached approx. €160 million in 2014, over €215 million in 2015, only to reach approx. €250 million value mark in 2016[5], or €36 per capita[6], which represents an increase by 55% against 2014.

[5] For the sake of comparison, the value of the sports apparel and equipment market in Croatia in 2016 was €160 million, or €38 per capita (population projections for Croatia are taken from the Eurostat's population projections overview http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=tps00002&plugin=1 projecting 4,225,316 as a likely future size of the population in 2015), as stated by the Managing Director of the leading retail chain of sports apparel and equipment „Hervis“ for Croatia and Slovenia in an interview published on http://objektivno.hr/i-hervis-najavljuje-snazan-iskorak-u-online-prodaji-82072.

[6] Data on the population size is taken from the website of the Statistical Office of the Republic of Serbia, registering the national population size of 7,040,272 as on Jan 1, 2017.

The Herfindahl-Hirschman Index (HHI) represents a degree of concentration on the relevant market and represents the sum of the squares of individual shares of all undertakings on the relevant market (in accordance with the definition given in the Regulation on the content and manner of submitting notification of concentration, published in the Official Gazette of the RS 5/2016). The concentration ratio measured by the HHI, recorded the value of 2192 in 2014, that is, score of 3030 in 2016, which demonstrates that such defined market, as the total sports footwear, clothing and equipment market, is highly concentrated. When interpreting these results, it should be mentioned that the consolidated market share of companies Sport vision, Sport time and Planeta sport is taken into consideration when calculating the value of this index, since are considered as a single undertaking in accordance with the provisions of Article 5 of the Law on Protection of Competition. In line with the above-mentioned, the following companies: Sport vision, Sport time and Planeta sport, will be considered hereinafter as affiliated companies and will be referred to as Sport vision Group.

In relation to the above-mentioned, the following three undertakings are distinguished in terms of revenues generated and respective market shares, namely: Sport vision Group, Đak sport and Adidas Serbia doo. Other undertakings have lower market shares.

Besides the market share per undertaking, it was also interesting to perceive the structure of the total turnover per categories of goods, in total values and by channels of distribution. If we observe the total sales and the share of categories – sports footwear, clothing and equipment in such presented turnover, the proportional share of observed categories is 57%:29%:14%. When observed per channels of distribution, traded values per categories are 53%:31%:16% in the total turnover when sold in own retail stores, while such proportion is 63%:26%:11% when sold to other dealers of sports footwear, clothing and equipment, with a remark that in 2015 and 2016 these proportions were almost identical per all categories and channels of distribution.

Sports footwear, clothing and equipment retail market

If we observe the revenue generated by undertakings in their own retail stores by selling sports footwear, clothing and equipment, it is evident that respective market is concentrated, thereby the HHI value in 2014 recorded the score of 2192, and 3218 in 2016, which in accordance with the index value is interpreted as highly concentrated market. As the most significant undertaking on such defined market is Sport vision Group, followed by Đak sport and N Sport. In line with the submitted data by undertakings, the revenue increase in the related category is recorded in the case of all undertakings concerned.

The table given below shows the consolidated retail sales values (in RSD) of sports footwear, clothing and equipment, based on data provided by undertakings on retail revenues (sales of specified category of goods in own retail stores).

Table 2. Retail revenues of sports footwear, clothing and equipment, in RSD, 2014-2016

Sales of sports footwear, clothing and equipment in own retail stores, in RSD		
2014	2015	2016
12,952,381,870.57	16,791,915,313.47	19,780,452,334.90

Source: Data submitted by undertakings

The average annual growth rate in sales of sports footwear, clothing and equipment in own retail stores garnered 24%.

Sports footwear, clothing and equipment wholesale market

There is an additional manner of defining markets per channel of distribution, which relates to the fact that certain undertakings are acting as general importers, i.e. exclusive distributors of individual brands on the territory of the Republic of Serbia, and in such manner company Sport time distributes the sports brand Nike; Adidas Serbia doo distributes the Adidas and Adidas-owned Reebok brands; N sport distributes the following brands: Puma, Russel and Sergio Tacchini; Planeta sport distributes the sports brands New balance and Rang; Đak distributes the sports brands Humel and Kappa, INTERSPORT S TRGOVINA has own brands: McKINLEY, Energetics, Firefly, Pro touch, Tecnopro, Etirel, Nakamura, as well as Deichman trgovina obućom SRB doo with its own brand products. In relation to the above-mentioned, it is justifiable to also observe the related market by wholesale revenues, generated from the sales of sports footwear, clothing and equipment to other dealers of sports footwear, clothing and equipment, and which could be observed, with certain restrictions[7], as a wholesale distribution channel for sports footwear, clothing and equipment.

Such observed market is characterized as highly concentrated, considering the HHI value of 3560 in 2016. There are two undertakings operating on such defined market which are notable, distinguished by a high market share (Sport vision Group and Adidas Serbia doo), while other undertakings have considerably lower market shares.

The table given below shows the consolidated wholesale values (in RSD) of sports footwear, clothing and equipment, based on data provided by undertakings on wholesale revenues (sales of specified category of goods to other dealers).

Table 3. Wholesale revenues of sports footwear, clothing and equipment - sales to other dealers of sports footwear, clothing and equipment, in RSD

Sales to other dealers of sports footwear, clothing and equipment, in RSD		
2014	2015	2016
5,627,050,162.83	9,250,233,591.11	10,506,120,484.37

Source: Data submitted by undertakings

[7] Listed data do not include own retail sales.

The average annual sales growth rate of sports footwear, clothing and equipment to other dealers of the goods concerned garnered 39%, foremost owning to the intensive growth by 64% in 2015.

When defining the relevant markets as the subject of the competition conditions inquiry, the Commission instituted from the existing practice, that is, manners in which markets are defined in cases pertaining to the exemption and M&A controls in the respective sectors, and accordingly, the following markets defined in such manner will be analyzed, specifically:

1. Sports footwear wholesale market,
2. Sports footwear retail market,
3. Sports clothing wholesale market,
4. Sports clothing retail market,
5. Sports equipment wholesale market,
6. Sports equipment retail market.

2.3. Sports footwear wholesale and retail market

The Rulebook on labeling footwear (Official Gazette of the RS 1/2014) stipulates requirements for labeling the main parts of footwear intended for sale to consumers. The mentioned rulebook regulates the category of "special sports footwear" as a separate class, which as per stipulated characteristics includes: special sports footwear which is designed for a sporting activity and has, or has provision for the attachment of, spikes, studs, various kinds of buckles or the like, as well as skating boots, ski boots and cross-country ski footwear, wrestling boots, boxing boots and cycling boots and also composite articles such as footwear with (ice or roller) skates attached. When defining this product as the relevant product, the Commission instituted from the criterion of product's characteristics and common purpose, as elements stipulated by the Regulation on criteria in defining the relevant market (Official Gazette of the RS 89/2009). In relation to the observed sports footwear as the relevant product, and the market of the Republic of Serbia as the relevant geographic market[8], below is inquired into segments of purchasing and sales. Based on data submitted by interviewed undertakings, we are capable to perceive the structure of sports footwear purchasing and sales, and define market shares of interviewed undertakings based on specified segments.

In the part of inquiry on sports footwear purchases, it was interesting to perceive the share size of sports footwear purchases in relation to the (direct) imports of sports footwear and domestic purchasing sources. It is important to mention that the term 'domestic purchasing sources' does not relate to the sports footwear manufacture in the territory of Serbia, but primarily relates to the

[8] See the relvent markt in the case http://www.kzk.gov.rs/kzk/wp-content/uploads/2015/12/SPORT-TIME-doo-Nike-European-Operations-Netherlands-BV-Holandija.pdf, English version, enacting terms only: http://www.kzk.gov.rs/kzk/wp-content/uploads/2017/04/DECISION-on-the-exemption-from-prohibition-Sport-Time-Nike-European-Operations-Netherlands.pdf

purchase from other (direct or indirect) importers of sports footwear[9]. The structure of the total purchased quantities of sports footwear is presented in the following table:

Table 4. Sports footwear purchasing structure in the period 2014-2016, in %

Sports footwear purchasing structure	2014	2015	2016
Direct imports	44%	55%	57%
Domestic purchasing sources, other dealers	56%	45%	43%

Source: Data submitted by undertakings

In the observed period, the purchasing structure altered in favor of (direct) imports of sports footwear. In such manner, imports garnered 44% in 2014, and fully 57% in 2016 of the total purchases. In terms of purchases per specific undertakings, there are significant differences in the prevalent purchasing sources. Several undertakings purchase the entire sport footwear inventory from the imports, while some companies are almost entirely supplied with the sports footwear from domestic sources, by purchasing goods from other sports footwear dealers. During the observed period, all undertakings recorded an increase in the value of purchased sports footwear, while in aggregate terms the value of purchased sports footwear grew by 66%.

It is evident that the purchase increase resulted from the increase in demand for related products and related sales increase. The sports footwear market sales value, converted in line with the NBS official average dinar-euro exchange rate for each of the observed years, grew from €94 million in 2014 to €139 million in 2016. Observing the nominal dinar-currency amounts, the increase in sales values during the observed period amounted to fully 55%.

In the sports footwear sales structure, we can differentiate between the wholesale revenues (generated from sales of sports footwear to other dealers of sports footwear) and retail revenues (generated in own retail stores). In the observed period, the structure of such segmented sales has not changed, thus the proportion observed at the level of total sold quantities is 60:40, in favor of sales in own retail stores. However, at the level of individual undertakings, such proportion is somewhat different. In this way, specific number of undertakings do not sell to other undertakings, but sells the entire purchased quantities in own stores, while some companies generate almost 90% of revenues from sales to other undertakings. The majority of undertakings' retail revenues range between 80-90% of the total value of sales.

If we observe the sales segment in aggregate terms as the sum of revenues generated from sales to other dealers and from sales in own stores, it is evident that the sales increase is recorded in both revenues observed in aggregate terms and in the case of each interviewed undertaking in the

[9] The Commission has not collected data on the imported quantities of sports footwear from the Customs Administration due to the impossibility to receive data on imports of such defined product, considering that the commercial labeling of goods does not correspond to the description of goods in line with tariff designations. For the inquiry-related purposes, data on imports are collected from undertakings.

observed period, individually. The average sales increase in 2015 was 34%, while sales revenues increased by 16% y-o-y in 2016.

Table 5. Retail and wholesale revenues of sports footwear (sales in own stores and to other undertakings), in RSD, 2014-2016

Total sports footwear sales, in RSD		
2014	2015	2016
10,975,351,321.62	14,755,862,192.37	17,104,926,352.82

Source: Data submitted by undertakings

Undertakings with the largest market share on the sports footwear sales market in 2016 are Sport vision Group, Đak sport and Adidas Serbia. The HHI value in 2016 for such defined market is 2442, and is in the range of highly concentrated markets.

Considering the fact that undertakings are predominately sales oriented via various distribution channels, and consequently operate on the different levels of sale, here below in a separately presented manner are given the wholesale revenues, i.e. revenues generated from the sales to other sports footwear dealers (own retail margin excluded), as well as revenues generated by specific undertakings from the sales to end-users in own retail networks. In relation to the mentioned differences concerning the levels of distribution that correspond to business policies of individual undertakings, the sports footwear wholesale and retail markets are observed separately.

Table 6. Wholesale revenues of sports footwear (sales to other sports footwear dealers), in RSD, 2014-2016

Sport footwear sales to other sports footwear dealers, in RSD		
2014	2015	2016
3,862,220,129.80	5,778,533,685.68	6,643,731,017.24

Source: Data submitted by undertakings

The average annual growth rate of the sports footwear wholesale market in the observed period was 32%. Particularly intensive revenue growth is recorded in 2015 with 50% y-o-y increase stream. In terms of revenues generated and corresponding market shares, two undertakings operative on the wholesale sports footwear market are notable, namely: Adidas Serbia and Sport vision Group. The HHI value also demonstrates highly concentrated market, with the score of 3394 in 2016.

Table 7. Retail revenues of sports footwear, in RSD, and market shares of undertakings, in %, 2014-2016

Sport footwear sales in own retail stores, in RSD		
2014	2015	2016
7,113,131,191.82	8,977,328,506.69	10,461,195,335.58

Source: Data submitted by undertakings

The average annual growth rate of the observed market garnered 20%. In line with the criterion on revenues generated and corresponding market shares, two undertakings are notable on the observed market, namely Sport vision Group and Đak doo. Company N sport also has a considerable market share out of the remaining undertakings, while others have considerably lower market shares on the sports footwear retail market in Serbia. The HHI value is considerably lower against the values for the sports footwear wholesale market, but still remains in the range of highly concentrated markets with the score of 2724 in 2016.

2.4. Sports clothing wholesale and retail market

Sports clothing is primarily intended for athletes, but increasingly more for consumers also who are recreationally involved in sports activities, if at all, but look for comfortable wear for casual and leisure time activities. With the advent of modern sports, emerged the need for standardization of sports equipment and props used in sports activities, and thus, aimed at securing the regularity of sports competitions and in order to secure the protection of athletes from potential injuries, the sector imposed standards in terms of sports clothing manufacture by setting precise measures of weight, dimension and form, along with materials for the manufacture of sports clothing and equipment. The main material-related requirements used for the manufacture of sports clothing are becoming increasingly more strict, and relate to comfort, possibility of freedom of movements, drying time, possibility of clothing thermal insulation maintenance, elasticity and shape-memory features, influence on muscle vibrations affecting the energy-use efficiency etc. By using modern techniques and new advanced materials, manufacturers introduce constant innovations and improvements in terms of the quality and comfort of various sports clothing, but also of daily wear apparel, wherewith the sports equipment industry has found a way to reach a great number of consumers, thus, nowadays, it occupies an important place in the economy. The sports apparel assortment is very wide and foremost includes: t-shirts, sweat suits, shorts, compression sports clothes, tracksuits and jerseys, etc. Considering the intended purpose, features or characteristics of products as a part of the sports clothing assortment, we can observe the sports clothing assortment as the relative product, and in such manner continue to analyze the volume and structure of the sports clothing market and active undertakings on the respective market.

When perceiving the structure of market defined in such manner, based on data received from the relevant undertakings operating on the Serbian market, we have instituted from the sports clothing purchasing segment. In 2014, close to 4 billion dinars or €33 million in value of sports clothing is purchased, while the value concerned doubled in 2016. During the observed period, in addition to the considerable change in value, the sports clothing purchase has also changed in terms of purchasing sources in favor of imports. In 2014, observed undertakings have purchased sports clothing in almost equal values from both domestic wholesalers and imports, while recorded a considerable increase in the imported value of goods in 2016 (as far as two-and-one-half times increase in values than in 2014), resulting in the increase in imports of total purchased quantities in a manner where at the end of the observed period, the value of imported sports clothing garnered 63% of the total purchased values of sports clothing in Serbia. When observed in terms of individual undertakings, certain number of companies purchase the entire sports clothing inventory directly from imports, while individual companies are predominately supplied with sports clothing from domestic purchasing sources, by purchasing goods from other sports clothing dealers. Here should also be mentioned that the term 'domestic purchasing sources' does not relate to the sports clothing manufacture in the territory of Serbia, but primarily relates to the purchase from other (direct or indirect) importers of sports clothing.

Table 8. Sports clothing purchasing structure in the period 2014-2016, in %

Sports clothing purchasing structure	**2014**	**2015**	**2016**
Direct imports	51%	65%	63%
Domestic purchasing sources, other dealers	49%	35%	37%

Source: Data submitted by undertakings

In terms of values, the sports clothing sales value amounted to approx. €41 million or 4.9 billion dinars in 2014, while in 2016 this market surged to €73 million or 8.9 billion dinars in value terms, bringing the cumulative increase to 75%. Particularly dynamic growth is recorded in 2015 when in value terms, the sports clothing sales increased by 60% against 2014. Individually observed, the sports clothing revenue increase is registered in relation to all undertakings during the observed period.

In aggregate terms, undertakings sold 70% of sports clothing in own retail stores, while 30% of sports clothing is sold to other sports clothing dealers, and this proportion remains stable throughout the observed period. Considering the fact that individual traders are general importers, i.e. have exclusive supply contracts for certain sport brands, and supply other dealers with imported quantities as well, while selling smaller quantities in own stores, exist considerable differences between undertakings in the value of clothing goods they sell to other dealers relative to the clothing goods they sell to consumers directly.

The table given below shows the consolidated sports clothing wholesale and retail revenues, generated from sales to other dealers and sales in own retail stores.

Table 9. Retail and wholesale revenues of sports clothing (sales in own stores and to other undertakings), in RSD, 2014-2016

Sports clothing sales, in RSD		
2014	2015	2016
4,848,097,899.62	7,620,092,630.85	8,897,616,879.21

Source: Data submitted by undertakings

The value of HHI on such defined market in 2016 scores 4784 and is interpreted as highly concentrated market. Such high value of the market concentration index is the result of a high market share of Sport vision Group. The first subsequent undertaking in terms of revenues generated is Đak doo, while other undertakings have considerably smaller market shares on the sports clothing sales market in the Republic of Serbia.

In relation to differences concerning the levels of distribution that correspond to business policies of interviewed undertakings, the sports clothing wholesale and retail markets are observed separately, and in this respect tables below show revenues generated by undertakings through sports clothing wholesale and retail selling.

Table 10. Wholesale revenues of sports clothing (sales to other sports clothing dealers), in RSD, 2014-2016

Sports clothing sales to other sports clothing dealers, in RSD		
2014	2015	2016
1,087,402,926.66	2,465,533,754.19	2,716,623,855.42

Source: Data submitted by undertakings

The intensive increase of such defined market is evident, thus, the average annual growth rate garnered 68%, which is primarily the result of a highly intensive surge in 2015, with 120% y-o-y revenue stream increase. In terms of individual undertakings, when observing the wholesale revenues (sales to other sports clothing dealers), Sport vision Group and Adidas Serbia particularly stand out. Highly concentrated market is also demonstrated by the high value of HHI, with the score of 5956 in 2016.

Table 11. Retail revenues of sports clothing, in RSD, 2014-2016

Sports clothing sales in own retail stores, in RSD		
2014	2015	2016
3,760,694,972.96	5,154,558,876.66	6,180,993,023.79

Source: Data submitted by undertakings

In aggregate terms, the sports clothing retail market is also characterized by growth in the observed period. The average annual growth rate garnered 28%. In terms of the sports clothing retail market in Serbia, in accordance with the sports clothing retail revenues, generated by sales in own retail networks, Sport vision Group distinguishes as an undertaking with the highest market share, followed by Đak doo and N sport, while other undertakings have considerably lower revenues, and thus, corresponding market shares as well. The HHI value still remains in the range of highly concentrated markets with the score of 4438 in 2016.

2.5. Sports equipment wholesale and retail market

The term 'sports equipment' covers a very wide range of the product assortment and is highly heterogeneous. In line with some definitions[10], sporting goods include appliances, devices, instruments, trainer devices, props, clothing, footwear and various apparatus, which must be

[10] http://savremenisport.com/sportski-recnik/S/strana-2, (accessed on July 19, 2017)

manufactured and attested in line with the safety, hygiene, practical training, competitive and environment protection standards regulated by competent authorities. Previously is established that the sports footwear and sports clothing are separate markets, thus in the context of our further inquiry, the term 'sports equipment' will be observed in a narrower meaning, thus in the concept of more constricted definition of sports equipment, the sports footwear and sports clothing will not be included.

Namely, the sports equipment market in Serbia was not of primary interest for the purpose of conducting the competition conditions inquiry into the sports footwear, clothing and equipment market, thus we emphasize that when selecting respective undertakings, the Commission was not primarily focused on the selection of undertakings that are exclusively active on the sports equipment market as such. In that respect, at the very beginning we are pointing to the possibility that when analyzing the sports equipment market, not all relevant subjects are taken into consideration (since we assume the existence of a certain number of subjects that are non-exclusive in terms of sports equipment trade, which is not the case in the other two categories – footwear and clothing), and on the possibility that the sports equipment market is larger than here presented.

Initiating from data submitted by interviewed undertakings active on the sports equipment market, we can establish that out of the group of undertakings who have submitted data for the inquiry-related needs, only two are not involved in the trade of goods categorized as sports equipment. Other undertakings have presented purchasing and sales of goods from the defined category.

In 2014, slightly over 2 billion dinars or €18 million[11] in value of sports equipment is purchased, while in 2016, the related category grew by 65% and amounted to 3.5 billion dinars or €28 million[12]. The sports equipment purchase in the observed period, alike other categories, is conducted via direct imports and purchase from other sports equipment dealers. Here should also be mentioned that the term 'domestic purchasing sources' does not relate to the sports equipment manufacture in the territory of Serbia, but primarily relates to the purchase from other (direct or indirect) importers of sports equipment. Out of the total value of sports equipment purchased in the observed period, the majority is purchased directly from imports.

Table 12. Sports equipment purchasing structure in the period 2014-2016, in %

Sports equipment purchasing structure	**2014**	**2015**	**2016**
Direct imports	52%	60%	56%
Domestic purchasing sources, other dealers	48%	40%	44%

Source: Data submitted by undertakings

[11] Calculated based on the NBS official average exchange rate for 2014.
[12] Calculated based on the NBS official average exchange rate for 2016.

In terms of values, the sports equipment sales value amounted to approx. €24 million or 2.7 billion dinars in 2014, while in 2016 this market surged to approx. €35 million or 4.3 billion dinars. During the observed period, the sports equipment sales revenues had the average annual growth rate of 25%. Individually observed, it can be concluded that all undertakings recorded an increase in the sports equipment sales revenue during the observed period.

In aggregate terms, undertakings sold 73% of sports equipment in own retail stores, while 27% of sports equipment is sold to other sports equipment dealers, and this proportion remains stable throughout the observed period.

Undertakings that act as general importers or have exclusive agreements for the most popular sport brands, generate fully 87%, that is, 83% of the total sports equipment revenues by selling to other sports equipment dealers, while certain number of companies do not sell to other dealers, but generate revenues solely from the sales to end-users in own retail stores.

The table given below shows the total sports equipment sales revenue per observed undertakings, and their respective market shares:

Table 13. Sports equipment sales revenue, in RSD, 2014-2016

Sports equipment sales, in RSD		
2014	2015	2016
2,755,982,812.16	3,666,194,081.35	4,284,030,217.24

Source: Data submitted by undertakings

The HHI value in 2016 for such defined market scored 3832, while this value points to highly concentrated market. Sport vision Group distinguishes as the highest earning undertaking, with correspondingly the largest market share on the observed market, followed by Đak doo and Planet bike, while other undertakings have considerably lower market shares.

In relation to differences concerning the levels of distribution that correspond to business policies of interviewed undertakings, the sports equipment wholesale and retail markets are observed individually, and in this respect tables below show revenues generated by undertakings through sports equipment wholesale and retail selling.

Table 14. Wholesale revenues of sports equipment (sales to other sports equipment dealers), in RSD, 2014-2016

Sports equipment sales to other sports equipment dealers, in RSD		
2014	2015	2016
677,427,106.37	1,006,166,151.24	1,145,766,241.71

Source: Data submitted by undertakings

The average annual revenue growth rate garnered 31%, while particularly intensive revenue growth is recorded in 2015 with 50% y-o-y revenue increase. On the sports equipment wholesale market, in line with the wholesale revenues, generated from the sales to other sports equipment dealers, the highest market share is achieved by Sport vision Group, followed by Planet bike and Adidas Serbia. The HHI value also demonstrates highly concentrated market, with the score of 3742 in 2016.

Table 15. Retail revenues of sports equipment, in RSD, 2014-2016

Sports equipment sales in own retail stores, in RSD		
2014	2015	2016
2,078,555,705.79	2,660,027,930.11	3,138,263,975.53

Source: Data submitted by undertakings

The average annual growth rate of such defined market during the observed period reached 23%. In line with the retail revenues, generated by undertakings from the sales of sports equipment in own retail networks, the following undertakings distinguish as companies with the highest market share: Sport vision Group, Đak doo and Planet bike. Market defined in such manner allows for the HHI value to point to highly concentrated market, with the score of 3988 in 2016.

3. Market access – barriers to entry and growth, assessment of competitive intensity and importance of contractual relations with suppliers

The existence of barriers to entry on the market concerned, as well as barriers to growth in respect of already active undertakings, all based on opinions of active undertakings on the sports footwear, clothing and equipment market, presented an additional matter of particular interest to investigate. Undertakings operative on the respective market are called upon to assess the existence of barriers to entry and growth, and if considered to be existing, list those barriers they encounter in their business operations, whereas undertakings were free to list several categories and areas they consider relevant.

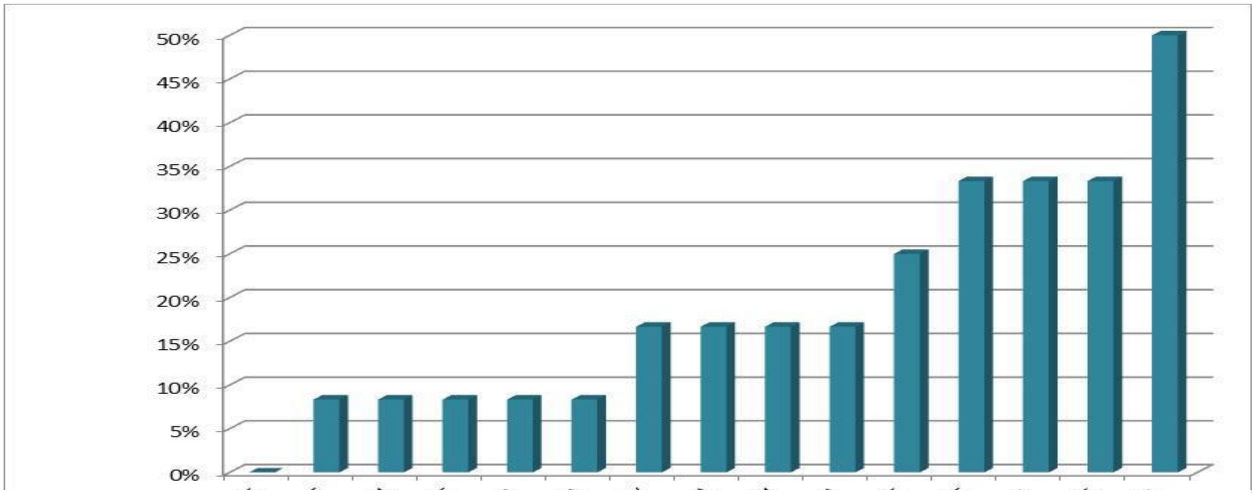
In general terms, there are two main types of barriers to entry for new undertakings, namely: administrative (legal) and actual (factual) barriers. The administrative (legal) barriers may relate to procedures with regard to the establishment of new enterprises, as well as when constructing or purchasing buildings. In addition to the above-mentioned, the position of foreign investors, degree of investor protection, but also unfavorable contract guarantees may be observed as formal barriers, while the tax policy, monetary stability and customs legislation may also be seen as very substantial barriers. The actual (factual) barriers to entry on the market most often may relate to: population density on the market, purchasing power, cost of labor, lack of available potential stores, etc.

The administrative (factual) barriers are of a general nature and affect all potential undertakings. Accordingly, in line with the WB Doing business 2017 report, Serbia has considerably advanced in the business environment ranking, with ‘starting a business’ component ranking at the 47th place among 190 countries. Seven days and 5 procedures are necessary to start a business in Serbia, which represents a considerable improvement against the 2016 ranking when twelve days and 6 procedures were needed. However, the 2016 World Economic Forum's Global Competitiveness Index shows that the competitiveness of Serbian economy remains unfavorable. Measured relative to the component of basic market conditions in the global competitiveness index, Serbia ranks at the 87th position among 138 countries, with the index value of 4.3.

As evident from the overview presented below, none of the undertakings interviewed believe that barriers to entry exist in terms of a formal start of doing business in the sports footwear, clothing and equipment market. However, although the trade is fully liberal, one third of interviewees believe that the economic instability is one of the barriers to entry and growth on the respective market, while 17% of interviewees mention the high customs duties and uneven practice in the inspection surveillance as relevant barriers, foremost mirrored in the insufficiently precise legal provisions of the Law on Trade and various practical interpretations of the legal provisions by the market inspection. Close to 8% of interviewees see the presence of political instability, as well as high fiscal and para-fiscal duties as barriers to growth on the market concerned.

In terms of the actual (factual) barriers, one half of interviewed companies emphasize the black market of sports footwear, clothing and equipment, run outside legal channels, free from payment of duties and taxes, with controversial origin and quality of goods, as the biggest barrier to growth, while one third of interviewees believe that the counterfeited goods (goods sold on open-air markets, replicas and forged goods), in addition to the limited people's purchasing power, represent the biggest obstacles and barrier to growth on the market. In addition to those, interviewees also listed the following barriers to entry and growth as considerable: irregular payments and market illiquidity (17%), decrease in profitability and seasonal purchase orders (17%), increasingly reduced quality of goods, thus the increasing number of consumer complaints and returns (8%), and insufficiently qualitative business premises in the existing shopping centers (8% of interviewees).

Chart 1. Percentage of interviewees in relation to the relevance of specific barriers



PROCEDURE TO START A BUSINESS
POLITICAL INSTABILITY
TAX POLICY – HIGH TAXES AND DUTIES
INCREASINGLY REDUCED PRODUCTION QUALITY
NUMEROUS CONSUMER COMPLAINTS AND RETURNS
INSUFFICIENT CAPACITIES OF BUSINESS PREMISES IN THE EXISTING SHOPPING CENTERS
UNEVEN PRACTICE IN THE INSPECTION SURVEILLANCE
MARKET ILLIQUIDITY (IRREGULAR PAYMENTS)
PROFITABILITY DECREASE
DEMAND PREDICTABILITY (SEASONAL PURCHASE ORDERS)
CUSTOMS POLICY – HIGH IMPORT DUTIES
ECONOMIC INSTABILITY
POOR PURCHASING POWER
BLACK MARKET
COUNTERFEITED GOODS

Source: Data submitted by undertakings

In addition to questions in relation to barriers to entry and growth on the market, undertakings were asked to assess the competitive intensity on the market concerned, as well as the importance of contractual relations with suppliers of sports footwear, clothing and equipment.

Only seven percent of submitted replies assessed the competition as moderate, while 93% of interviewed undertakings assessed the competition as strong.

The importance of contractual relations with suppliers, as manufacturers or exclusive importers of sports footwear, clothing and equipment is assessed as very significant and significant in the case of 74% of interviewees, while 26% of interviewees believed that contractual relations and negotiating power are of minor importance or without importance for achieving business results.

Table 16. Percentage of companies that provided the assessment on the importance of contractual relations with suppliers

Importance of contractual relations with suppliers	Extremely significant	Very significant	Significant	Minor significance	Insignificant	Total
%	8%	8%	58%	8%	17%	100%

Source: Data submitted by undertakings

The largest number of undertakings to assess the contractual relations with suppliers as significant, pointed that the mentioned significance foremost relates to the conditions of purchase, predominately determined by the volume of purchase and mirrored in more favorable buying (input) prices, payment deadlines and rebate policy.

The negotiating capacity and power of suppliers and buyers may be best perceived by analyzing contracts and contractual provisions stipulating the commercial, marketing and other specific sales or purchase-related requirements, particularly the rebate policy and payment deadlines. In several instances and via several proceedings, the Commission achieved an insight into individual agreements, and will continue to monitor this sector with a particular attention in the future as well, considering some previously noted occurrences that might be the source of the Commission's concerns.

4. Retail trade network of sports footwear, clothing and equipment

For the purpose of inquiry into territorial coverage of retail trade network of sports footwear, clothing and equipment, as well as trends in revenues generated per municipalities, undertakings were asked to submit the list of retail stores, with corresponding addresses, surface area and sales revenue per categories of goods: sports footwear, clothing and equipment. For the purpose of this part of inquiry, the Commission compared data on the market share of interviewed undertakings based on the number of retail stores criterion, in relation to the market shares calculated based on the retail revenues of sports footwear, clothing and equipment.

In addition to the mentioned, given below is a table with the number of retail stores of sports footwear, clothing and equipment, per municipalities. Besides territorial distribution of the stores, researchers also compared received data observed per municipalities and number of inhabitants. Derived data, when observed per municipalities, showed significant differences in the number of inhabitants per one retail store of sports footwear, clothing and equipment. At the consolidated municipal level, there is one retail store for every 18,166 people, while individually observed, Stara Pazova municipality has the highest number of inhabitants per one retail store (65.213), opposite to Raška municipality with one retail store for every 2,143 people. In the majority of Serbian municipalities, this average is between 10,000-20,000 inhabitants per one trade store of sports footwear, clothing and equipment.

Table 17. Number of retail stores per municipalities

Municipality	Number of retail stores	Municipality	Number of retail stores
Apatin	1	Paraćin	2
Aranđelovac	4	Pirot	2
Bačka Palanka	3	Požarevac	5
Bačka Topola	1	Požega	2
Bajina Bašta	1	Prokuplje	2
Bečej	2	Raška	11
Belgrade	145	Ruma	4
Bor	3	Senta	1
Čačak	11	Smederevo	7
Gornji Milanovac	3	Smederevska Palanka	1
Inđija	10	Sokobanja	1
Ivanjica	1	Sombor	7
Jagodina	8	Sremska Mitrovica	3
Kikinda	3	Stara Pazova	1
Knjaževac	1	Subotica	10
Kragujevac	18	Šabac	10
Kraljevo	8	Užice	5
Kruševac	12	Valjevo	11
Kuršumlija	1	Velika Plana	2
Leskovac	7	Vranje	5
Loznica	5	Vrbas	3
Negotin	1	Vrnjačka banja	1
Niš	24	Vršac	5
Novi Pazar	5	Zaječar	6
Novi Sad	27	Zlatibor	2
Pančevo	11	Zrenjanin	8
Total: 433 retail stores			

Source: Data submitted by undertakings

5. Overview of the CPC case history

Competition infringement cases:

In the case entered under number 4/0-02-89/2017, the Commission for Protection of Competition established the infringement of competition and imposed a measure for protection of competition against 15 undertakings operating on the sports footwear, clothing and equipment wholesale and retail markets. It is established that undertakings „N SPORT“ Beograd – Zemun, „PREDUZEĆE ĐAK“ DOO Beograd, „OFFICE-SHOES“ DOO Subotica, „K...G...FASHION“ DOO Čačak, “ZORAN VESIĆ PR, SAMOSTALNA TRGOVINSKA RADNJA KOMISION SPORT ONE”, Paraćin, „TRIM“ DOO Vrbas, „CARVEL“ Beograd, „EUROSTAR“ DOO Šabac, entrepreneur „STR FOKUS SNEŽANA ZLATKOVIĆ KOSTOV PR“ Pirot, SPORTMARKET“ Sombor, „UNIVERS-CO“ DOO Beograd, „TOTAL SPORT“ DOO Beograd, „KOPELLI“ DOO Kupusina, „SPORTIKO“ DOO Aranđelovac and „PLANETA SPORT“ DOO Beograd, have concluded restrictive agreements – agreements on purchase and sale containing provisions that regulate prices in further sales, which represent the infringement of competition from Article 10 of the Law on Protection of Competition. The Commission established that certain provisions of concluded agreements represent a mutually agreed commitment that in a prohibited manner regulate prices and conditions of trade.

Case number 4/0-03-671-1/2015

The case of individual exemption of the restrictive agreement from prohibition, specifically, the Contract on distribution – exclusive distribution of clothing, footwear and equipment of the Nike brand merchandise in the Republic of Serbia, concluded between companies Sport time doo Beograd and Nike European Operations Netherlands B.V.

The Commission rejected the proposal of the Parties concerning the definition of the relevant markets, thus, in the proceeding concerned, the relevant markets are defined in the following manner:

1. Sports footwear wholesale market in the territory of the Republic of Serbia,
2. Sports clothing wholesale market in the territory of the Republic of Serbia, and
3. Sports equipment and accessories wholesale market in the territory of the Republic of Serbia.

The Parties have stated that their assumption is that the wholesale market shares correspond to the retail market shares and pointed that the presented seems as reasonable approach, since it can be expected that the supply and demand for sports clothing and footwear at the retail level are closely connected with the supply and demand at the wholesale level.

By analyzing restrictive provisions in the contract concerned, the “hard core” restrictions of competition are not noted, while restrictions contained in the agreement are typical for contracts on exclusive distribution, and as such are solely agreed towards securing and advancing distribution, and not with the goal of restricting, distorting or preventing competition. By analyzing the request concerned and contract-related documents, the Commission assessed that the contract concerned does not impose restrictions against undertakings that are unnecessary for the contract-related purposes, that is, that the competition on the relevant market or its significant part is not excluded by entering into and implementing the agreement concerned.

Case number 4/0-03-64/2016

The case of individual exemption of the restrictive agreement from prohibition, specifically, the 2016 Contract on purchase and sale, concluded between companies Sport time doo Beograd and N sport doo Novi Sad. By enacting the Commission's Decision of May 10, 2016, Article 7.3 of the Contract is exempt from the prohibition, relating to setting up of a selective distribution system in terms of retail stores that may sell merchandize of the brand NIKE, while in Paragraph II of enacting terms of the Decision is stated that the article of restrictive agreement relating to setting up of a selective distribution system in terms of retail stores that may sell only selected groups of NIKE brand merchandise is not exempt from the prohibition.

The Commission has not accepted the proposal of the Parties concerning the definition of the relevant markets, which in addition to the production market also encompassed the import, wholesale and retail markets, considering that the mentioned activities are at the different levels of distribution chain. In addition to the market volume, the Commission found as unacceptable those statements claiming that within the same relevant market should be included both sports footwear (sneakers) and daily footwear. The Commission partially accepted the assessment on the substitution of products, but established only partial demand-side substitution, while it is stated that the definition of the relevant market foremost depends on the product as the subject of investigation from the competition protection standpoint. For purposes of the proceeding concerned, the Commission defined relevant markets as in the case entered under number 4/0-03-671-1/2015.

Case number 6/0-02-54/2015: Planeta sport/Holy doo

The Commission approved concentration of undertakings in summary procedure, in which company Planeta sport doo acquired control over a part of retail business operations of company Holy doo. The mentioned transaction enabled the Party to become a majority shareholder and owner of 70% of share capital interests in the newly founded company Planeta Sport doo. The scope of business operations of the newly founded company foremost relates to the establishment of a capability to manage 56 retail stores previously leased by company Holy doo. Newly established company took over the naming rights, seal and other intellectual property rights relating to brand "Rang", while company Holy doo will continue to operate as an independent undertaking in the field of imports, wholesale and retail (in the remaining 30+ retail stores) of sports footwear, clothing and equipment.

For purposes of this proceeding, the Commission defined the relevant product market as the sports footwear, clothing and equipment retail market in specialized retail sports clothing, footwear and equipment stores, while when providing the definition of geographic determination of the relevant product market, it has observed the narrower geographically defined relevant product markets, more specifically as the broader neighborhood of cities where retail stores are located as a part of the target business. It is assessed that the transaction concerned, upon its implementation, will not cause adverse effects on previously defined markets, because the number of participants operating on the relevant market will remain the same, and that only the “redistribution” of market power will occur between undertakings.

6. Short summary

The growing awareness on the importance of sports activities, foremost for health reasons, resulted in the increasing number of persons actively or recreationally involved in sports activities. In addition to the above-mentioned, the increasing popularity of sports in the segment of athletic fashion, accompanied by the increase in purchasing power, jointly caused a considerable growth of sports footwear, clothing and equipment markets, both globally and in Serbia.

The Commission instituted from the total sports footwear, clothing and equipment market indicator, considering that companies registered for trade operations in specialized sports stores, in the majority of cases have all three groups of goods in their assortment of products, as well as the fact that the most significant undertakings operate at all levels of distribution, that is, at the wholesale level (sales to other sports footwear, clothing and equipment dealers) and at the retail level, in own chain of retail stores (sales to end-users). Besides these general indicators, when defining the relevant markets which will be the subject of the competition conditions inquiry, the Commission instituted from the criterion of related products’ characteristics and purpose, and also considered the differences in channels of distribution, which are related to the fact that individual undertakings are general importers, i.e. exclusive distributors for individual brands. Thereby, the sports footwear, clothing and equipment wholesales and retail markets are analyzed separately.

The sports footwear wholesale market and *sports footwear retail market* are characterized by intensive growth in the observed period. In the total sales revenues of sports footwear, the wholesale revenues, generated from the sales to other sports footwear dealers, amounted to 40%, while the retail revenues, generated in own retail stores, garnered 60%. The increase in sales revenues is recorded in the case of all interviewed undertakings. Both markets are characterized by the high HHI values, pointing to highly concentrated market.

The sports clothing wholesale market and *sports clothing retail market* are also characterized by intensive growth in the observed period, and particularly in 2015. In the total sales revenues of sports clothing, the wholesale revenues, generated from the sales to other sports clothing dealers amounted to 30%, while the retail revenues, generated in own retail stores, garnered 70%. The increase in sales revenues is recorded in the case of all interviewed undertakings. The high HHI values, particularly in the wholesales, point to the highly concentrated analyzed sports clothing markets.

The sports equipment wholesale market, as well as *sports equipment retail market* are characterized by intensive growth in the observed period. The wholesale revenues, generated from the sales to other sports equipment dealers, garnered ¼, while the retail revenues, generated in own retail stores, made the remaining ¾ of the total sales revenues on the sports equipment markets. The increase in sales revenues is recorded in the case of all interviewed undertakings. Both markets are characterized as highly concentrated, measured by the HHI value. The inquiry mentions the possibility that the sports equipment market is underestimated and that certain findings should be taken with a particular dose of caution.

When assessing the barriers to entry and growth on the markets concerned, interviewees assessed that there are no barriers to entry in terms of a formal start of business operations in the filed concerned, one third of interviewees believe that the economic instability is an important barrier, while 17% of interviewees speak of the high custom duties and uneven practice in the inspection surveillance, foremost mirrored in the insufficiently precise legal provisions of the Law on Trade and various practical interpretations of the legal provisions by the market inspection, as the relevant barriers. One half of interviewed companies emphasize the black market as the most significant real barrier, while one third of interviewees believe that the issue of counterfeited goods, together with poor people's purchasing power, represent the biggest obstacles and barriers for the market growth. Fully 93% of interviewees assessed the competition on the markets concerned as strong.

Considering that the position of undertakings is to a great extent also determined by the contractual relations with suppliers, and that differences between undertakings in the purchasing segment are present on the markets concerned (they either purchase as direct importers or purchase from other undertakings), the analysis of contractual relations with suppliers and buyers represents a very important segment of the inquiry into the markets concerned. Considering some previously noted occurrences and instigated proceedings relating to competition infringements, the Commission will continue to monitor this sector with a particular attention in the future as well.