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19 May 2021

Dear Interested Party

**Re: Request for submissions: Bunnings' proposed acquisition of Beaumont Tiles**

The Australian Competition and Consumer Commission (**ACCC**) is seeking your views on the proposed acquisition of R J Beaumont & Co Pty Limited (**Beaumont Tiles**) by Bunnings Group Limited (**Bunnings**) (the **proposed acquisition**).

Bunnings is a national multi-category home improvement and outdoor living retailer. Beaumont Tiles is a national specialist tile retailer and franchise operator, with a commercial sales business. Further details are provided at **Attachment A**.

The ACCC's investigation is focused on the impact on competition. In particular, we are seeking your views on:

- how closely Bunnings and Beaumont Tiles compete with each other and for which products/services
- which other retailers compete with Bunnings and Beaumont Tiles in the supply of tiles, tiling accessories (e.g. tile glues & adhesives, grout and sealers) and bathroomware
- to what extent do customers view other types of hard surfaces/flooring (e.g. timber, vinyl, laminate and hybrid) as well as soft flooring (e.g. carpet) as alternatives to tiles
- which retailers of other types of hard surfaces/flooring offer products most comparable to the tiles available from Bunnings and Beaumont Tiles
- the likely impact of the proposed acquisition on prices and/or service quality.

Further issues you may wish to address are set out in **Attachment B**.

This matter is public and you can forward this letter to anybody who may be interested.

The legal test which the ACCC applies in considering the proposed acquisition is in section 50 of the *Competition and Consumer Act 2010*. Section 50 prohibits acquisitions that are likely to have the effect of substantially lessening competition in a market.

Please provide your response by **5pm on Friday 4 June 2021** via email with the title: *Submission re: Bunnings/Beaumont Tiles - attention John Rouw/Soo Sian Koh*.

If you would like to arrange a time to discuss the matter with ACCC officers, or have any questions about this letter, please contact John Rouw on (03) 9290 1402 or Soo Sian Koh on (03) 9290 1904.

Updates regarding the ACCC's investigation will be available on the ACCC's Public Mergers Register at ([ACCC mergers register](#)).

***Confidentiality of submissions***

The ACCC will not publish submissions regarding the proposed acquisition. We will not disclose submissions to third parties (except our advisors/consultants) unless compelled by law (for example, under freedom of information legislation or during court proceedings) or in accordance with s155AAA of the *Competition and Consumer Act 2010*. Where the ACCC is required to disclose confidential information, the ACCC will notify you in advance where possible so that you may have an opportunity to be heard. Therefore, if the information provided to the ACCC is of a confidential nature, please indicate as such. Our [Informal Merger Review Process Guidelines](#) contain more information on confidentiality.

Yours sincerely



Daniel McCracken-Hewson  
General Manager  
Merger Investigations

## **Attachment A**

### **Bunnings**

Bunnings is a national multi-category home improvement and outdoor living retailer which supplies a broad range of household hardware, garden supplies and outdoor furniture. Bunnings is a subsidiary of Wesfarmers, which is ASX listed (ASX: WES).

Bunnings operates over 300 retail stores in Australia, most of them as large format warehouses. Bunnings additionally operates over 30 Trade Centres in Australia which focuses on trade customers and bulk purchases. Bunnings also has an online store which offers nationwide click & collect services and delivery services.

Details of the broader range of products supplied by Bunnings can be found at [www.bunnings.com.au](http://www.bunnings.com.au)

### **Beaumont Tiles**

Beaumont Tiles is a national specialist tile retailer and franchise operator with over 110 retail locations in Australia supplying tiles, tiling accessories (including glues, grouts, sealers, cleaners, adhesives, floor trimming, tools and underlay) and bathroomware.

Beaumont Tiles operates through a mixture of corporate-owned and franchised retail locations, trading under the Beaumont Tiles-brand (with the exception of one "Life's Tiles" franchised store). Nationally, 30 of these locations incorporate a format called Trade Central, with a separate trades customer entrance and pick-up point.

Details of the broader range of products supplied by Beaumont Tiles can be found at [www.beaumont-tiles.com.au](http://www.beaumont-tiles.com.au)

### **The proposed acquisition**

Bunnings proposes to acquire all of the shares of Beaumont Tiles. The proposed acquisition became public on 28 April 2021.

## Attachment B

1. Please describe your business or organisation.
2. Please outline the reasons for your interest in the proposed acquisition, including any commercial relationship(s) with either of Bunnings or Beaumont Tiles.

### Products and services

#### For customers / competitors

3. What are customers likely to consider when deciding where to shop for:
  - a. floor and wall tiles;
  - b. tiling accessories (e.g. tile glues & adhesives, grout and sealers); and/or
  - c. bathroomware,(for example, price, product range, location, service and shipping costs/duration, national presence, reputation)? In providing a response, please comment on:
  - i. which considerations are most important (in rank order if possible);
  - ii. which considerations determine whether a customer shops at a retail store or online; and
  - iii. if the considerations are different (and if so explain the difference) for:
    - A. non-trade customers (private consumers and DIY enthusiasts);
    - B. trade customers (residential tradespeople and builders); and
    - C. commercial customers (large commercial projects).
4. To what extent do customers consider other types of hard surfaces/flooring (for example, laminate, vinyl or timber) to be a substitute for tiles?
5. To what extent do customers consider soft flooring such as carpet (including rugs & mats) to be a substitute for tiles?
6. How far would a customer generally be prepared to travel to source tiles, tiling accessories and/or bathroomware? If this differs for metropolitan and regional areas, please provide an estimate for each.
7. If you are a retailer:

What is your process for acquiring tiles, tiling accessories and/or bathroomware from suppliers, and what factors do you take into account in choosing suppliers (e.g. price, product range, quality, reputation)? In your response, please include:

  - a. who you acquire tiles, tiling accessories and bathroomware from;
  - b. what types of products your suppliers supply to you;
  - c. the other supplier options available to you;
  - d. any reasons or benefits that come from acquiring directly from a manufacturer/its Australian distributors compared to a wholesaler; and
  - e. any other relevant factors you take into account.
8. If you are a retailer, what potential impacts may the proposed acquisition have on your ability to acquire tiles, tiling accessories and/or bathroomware? These impacts may be positive, neutral or negative, and may include pricing, service quality and contractual terms.

#### For suppliers

9. Do you supply tiles, tiling accessories and/or bathroomware exclusively to certain retailers? If so, please explain the reasons why.

10. Is the proposed acquisition likely to affect the pricing or other terms of your supply to Bunnings and/or Beaumont Tiles? If so, how would your business likely respond?
11. Is the proposed acquisition likely to affect your ability to supply competitors to Bunnings and/or Beaumont Tiles? If so, explain how.

### **Competition**

12. Please describe the extent to which Bunnings and Beaumont Tiles compete in the supply of tiles, tiling accessories and/or bathroomware in each state/territory and nationwide. Please comment on the extent of this competition via physical retail stores and online.

Relevant factors may include their product ranges, geographic areas of supply and/or responding to each other's promotional activity. Please provide specific examples where possible.

13. Please identify other retailers of tiles, tiling accessories and/or bathroomware in each state/territory and nationwide. Please explain how they compete with Bunnings and/or Beaumont Tiles, including the extent of this competition via physical retail stores and online. Who are the especially strong competitors? What are they doing to win customers?

Your response may consider factors such as pricing, product range, quality and service levels of these alternative suppliers. Please estimate market shares where possible.

14. Please identify retailers of other types of hard flooring and/or soft flooring (for example, laminate, vinyl, timber and carpet) that compete most closely with either or both Bunnings and Beaumont Tiles. What makes these retailers strong competitors?
15. What are the likely impacts of the proposed acquisition on competition in particular state/territory locations or nationwide? In particular, what competition is the combined Bunnings/Beaumont Tiles entity likely to face?

### **Likelihood of new entrants**

16. Please identify any potential or recent entrants to the retail supply of tiles, tiling accessories and/or bathroomware in each state/territory or nationwide and outline your views on the key challenges to establishing a competing business, such as:
  - a. the scale necessary to supply at competitive prices, in terms of annual sales per store or in total;
  - b. set up costs, such as establishing a new store or purchasing a franchise licence, and the approximate value of such costs;
  - c. availability of suitable sites;
  - d. the importance of brand recognition and customer loyalty; and
  - e. access to tiles, tiling accessories and bathroomware suppliers.
17. To what extent are the key challenges different in establishing a competing tile, tiling accessories and/or bathroomware business for existing hard flooring and/or soft flooring retailers (for example, laminate, vinyl, timber and carpet)?

### **Other**

18. Please provide any additional information or comments, or identify other competition issues, that you consider relevant to the ACCC's consideration of the proposed acquisition under section 50 of the *Competition and Consumer Act 2010*.