

9th December 2019



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Australian Competition & Consumer Commission
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Re: CB10000472 – TSG Franchise Management Pty Ltd – submission.

Dear Louisa,

I refer to your letter of 25th November 2019, and invitation as an interested party to comment on the above submission by TSG Franchise Management Pty Ltd.

Cignall, CTC, Freechoice, King Of The Pack, and TSG are all franchisor groups that operate Specialist Tobacco retail stores under their respective banners throughout Australia.

The **basic** business operating model for the five retailing groups is in essence similar.

During the course of the current year, supply agreements and trading terms with the Target, and its competitors have expired, and new negotiations have taken place with all 5 franchise groups.

It is my understanding from general marketplace feedback that 4 of the 5 franchisors have agreed to terms with the Target, and direct competitors of the Target.

Duration of trading agreements are not always fixed and can vary from between 2 – 5 year terms.

The basic premise of supply agreements and trading term benefits for the franchisor and Specialist retailers is relatively straight forward. All 3 major suppliers have put forward a matrix of requirements and it is up to the various franchisors to determine which components they are able to fulfil in order to achieve the best trading term agreement outcomes for the franchisor and their Specialist retailers.

It should also be noted that there are a few smaller suppliers that have entered into the market place over the years. These suppliers are also offering basic trading agreements. As with any negotiations / offers, it is incumbent on the franchisors to carefully vet each proposal and determine which outcome is the most beneficial for their and their Retailers business.

Whilst in principle I support the notion that it would be ideal for the TSG Specialist retailers to settle terms with the Target, I **do not** support the process undertaken, and the desired outcomes sought.

It is my view that this action seeks to dilute the ability of the Target in this instance to set a minimum standard of compliance to trading terms.
Competitors of the Target have their own set of compliance requirements.

What incentive / benefit is there for **any** supplier to invest in this instance the Specialist retailer if they are unable or unwilling to perform to a minimum standard ?

We as Specialist retailers are dealing with a product that is readily available in a multitude of outlets, from national grocery chains, convenience stores, fuel outlets, and in most instances the corner store.
Consumers have the benefit of being able to purchase their preferred product in the majority of instances at any of these outlets. Not all of these outlets carry the same range of product. Retailers limiting the range available in any particular outlet does not preclude the consumer from sourcing their preferred product.

Competition amongst other branded stores for the consumer is not the most significant threat to the sustainability or viability of the Specialist retailer. In recent times we have seen the national grocery chains regularly engage in direct supply to the Specialist retailers, at a price that is under supplier wholesale list pricing.

In summary:

I am not convinced that the matters detailed in the Notifying parties' submission are totally accurate, and that the remedy sought is for the benefit of Specialist retailers as a whole, or that there is any real detriment to the consumer.

Trading terms offered by the Target, and its direct competitors and other suppliers are not always palatable in every aspect. There are always instances whereby one supplier's interests can be in conflict with another supplier.

Fortunately, there is the ability and opportunity to evaluate and select which options from competing suppliers we choose to implement. Conversely, it is erroneous to expect that we can be all things to all suppliers, and consumers at the same time.

Yours sincerely



Con Sarris
DIRECTOR