



Deacons

CCC
24 DEC 2009
PERTH

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23 December 2009

Australian Competition & Consumer Commission
PO Box 6381
EAST PERTH WA 6892

Our Ref: 2645365

Dear Sirs

**Notification of Exclusive Dealing
Snap Franchising Ltd**

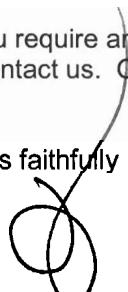
We act for Snap Franchising Ltd.

Pursuant to sub section 93(1) of the *Trade Practices Act 1974*, please find enclosed a Notification of Exclusive Dealing (**Notification**) on behalf of our client in respect of proposed supply arrangements with its franchisees.

We also enclose a cheque for \$100 for the lodgement fee.

If you require any additional information in regard to the Notification, please don't hesitate to contact us. Otherwise, we look forward to hearing from you in due course.

Yours faithfully


Tamra Seaton
Partner
Deacons
Direct line: (08) 9426 3404
Email: tamra.seaton@deacons.com.au

DOC ID:

Encl.

Other Offices

Brisbane
Canberra
Melbourne
Sydney

**Independent
Affiliated Firms**

Hong Kong
Indonesia
Malaysia
People's Republic of China
Singapore
Taiwan
Thailand
Vietnam

Form G

Commonwealth of Australia

Trade Practices Act 1974 — subsection 93 (1)

NOTIFICATION OF EXCLUSIVE DEALING

To the Australian Competition and Consumer Commission:

Notice is hereby given, in accordance with subsection 93 (1) of the *Trade Practices Act 1974*, of particulars of conduct or of proposed conduct of a kind referred to subsections 47 (2), (3), (4), (5), (6), (7), (8) or (9) of that Act in which the person giving notice engages or proposes to engage.

PLEASE FOLLOW DIRECTIONS ON BACK OF THIS FORM

1. Applicant

(a) Name of person giving notice:

(Refer to direction 2)

N94399 Snap Franchising Ltd ABN 51 009 016 013 (**Snap**)

(b) Short description of business carried on by that person:

(Refer to direction 3)

Franchising of marketing and print related service centres operated by franchisees

(c) Address in Australia for service of documents on that person:

Care of Deacons, Level 39, BankWest Tower, 108 St Georges Terrace,
Perth WA 6000

2. Notified arrangement

(a) Description of the goods or services in relation to the supply or acquisition of which this notice relates:

The proposed arrangement relates to the acquisition by franchisees of site brand re-imaging services from a supplier approved by Snap. Snap is embarking on a nation wide re-imaging of all its franchise sites. The re-image is expected to span over 3 years. Snap proposes to enter into a group procurement arrangement with Diadem DDM Pty Ltd (**Diadem**) (and or another supplier authorised and approved by Snap) whereby a franchisee will be required to enter into a supplementary procurement arrangement under which Diadem will provide franchisees of Snap with procurement of and implementation of site brand re-imaging at franchise sites. The Diadem services include design, construction and site documentation, procurement, installation and programmed maintenance.

(b) Description of the conduct or proposed conduct:
(Refer to direction 4)

Snap franchisees will be required to enter into agreements with Diadem (and or another supplier authorised and approved by Snap), for the provisions of goods and services described in 2(a). This is provided for in clause 6.1 of the Franchise Agreement which provides as follows:

“The franchisee must obtain all goods and services for use or supply in the franchised business specified by Snap from Snap or a supplier approved by Snap and not from any other person without first obtaining Snap’s written consent.”

Franchisees that enter into the re-image program and acquire the goods or services in 2(a) from Diadem will also be eligible for a subsidy from the Franchise Marketing Fund which is managed by Snap.

3. Persons, or classes of persons, affected or likely to be affected by the notified conduct

(a) Class or classes of persons to which the conduct relates:
(Refer to direction 5)

Snap franchisees of Snap branded retail sites

(b) Number of those persons:

(i) At present time:

151 franchisees

(ii) Estimated within the next year:
(Refer to direction 6)

In addition to the 151 franchisees, Snap estimates that there may be up to 20 greenfields franchisees within the next year.

(c) Where number of persons stated in item 3 (b) (i) is less than 50, their names and addresses:

Not applicable

4. Public benefit claims

(a) Arguments in support of notification:

(Refer to direction 7)

The proposed conduct is likely to benefit Snap franchisees and customers:

- i. The proposed conduct promotes consistency, uniformity and product quality across the national Snap network which is critical to, achieving the maintenance and continuing growth of the Snap brand. This in turn promotes competition in the relevant market which benefits Snap customers.

- ii. Through the delivery of services by one supplier, Snap franchisees will be able to focus their time on the day to day running of their businesses, rather than each individual attempting to engage a supplier to provide the services and ensure that such services can meet the standards required by Snap. Business efficiencies will be further achieved by franchisees dealing with the one approved supplier who has the knowledge, experience and resource levels to search for, negotiate and engage appropriate contractors for franchisees at an individual site and on scaled multi site brand re-imaging.
- iii. Snap has made use of the network's economies of scale to negotiate a competitive price, having regard to the scale and geographical dispersion of the rollout. This promotes competition in the market for re-imaging services.

(b) Facts and evidence relied upon in support of these claims:

These claims are self evident. Snap has undertaken an extensive assessment of the brand re-image requirements of the Snap franchise network and critical to a franchise system is the requirement for brand image consistency and quality.

5. Market definition

Provide a description of the market(s) in which the goods or services described at 2 (a) are supplied or acquired and other affected markets including: significant suppliers and acquirers; substitutes available for the relevant goods or services; any restriction on the supply or acquisition of the relevant goods or services (for example geographic or legal restrictions):

(Refer to direction 8)

The markets in which the goods or services described at 2(a) are supplied or acquired and other affected markets can be identified as:

- The market for site brand re-imaging services to franchisees; and
- The market for marketing and print related services to customers.

6. Public detriments

(a) Detriments to the public resulting or likely to result from the notification, in particular the likely effect of the notified conduct on the prices of the goods or services described at 2 (a) above and the prices of goods or services in other affected markets:

(Refer to direction 9)

Snap submits that the proposed conduct is not likely to cause any detriment to the public and that if there is any detriment, it would be outweighed by the benefits to the public as follows:

- i. While franchisees will be not able to acquire the goods or services described at 2(a) from alternative suppliers not authorised and approved by Snap, there is no detriment to franchisees arising from the lack of choice in supplier given the specialisation required for the roll out given signage and brand implementation management is a highly specialised supply industry.
- ii. Customers will not be affected by the proposed conduct as they will continue to be able to source printing and marketing services across various suppliers.

(b) Facts and evidence relevant to these detriments:

Nil

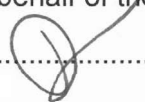
7. Further information

(a) Name, postal address and contact telephone details of the person authorised to provide additional information in relation to this notification:

Tamra Seaton
 Partner
 Deacons
 Level 39, BankWest Tower
 108 St Georges Terrace
 Perth WA 6000
 (08) 9426 3404

Dated..... 20.12.09

Signed by/on behalf of the applicant

.....
 (Signature) 

.....
 (Full Name) TAMRA SEATON

.....
 (Organisation) DEACONS

.....
 (Position in Organisation) PARTNER

DIRECTIONS

1. In lodging this form, applicants must include all information, including supporting evidence that they wish the Commission to take into account in assessing their notification.

Where there is insufficient space on this form to furnish the required information, the information is to be shown on separate sheets, numbered consecutively and signed by or on behalf of the applicant.

2. If the notice is given by or on behalf of a corporation, the name of the corporation is to be inserted in item 1 (a), not the name of the person signing the notice, and the notice is to be signed by a person authorised by the corporation to do so.
3. Describe that part of the business of the person giving the notice in the course of the business which the conduct is engaged in.
4. If particulars of a condition or of a reason of the type referred to in section 47 of the *Trade Practices Act 1974* have been reduced in whole or in part to writing, a copy of the writing is to be provided with the notice.
5. Describe the business or consumers likely to be affected by the conduct.
6. State an estimate of the highest number of persons with whom the entity giving the notice is likely to deal in the course of engaging in the conduct at any time during the next year.
7. Provide details of those public benefits claimed to result or to be likely to result from the proposed conduct including quantification of those benefits where possible.
8. Provide details of the market(s) likely to be affected by the notified conduct, in particular having regard to goods or services that may be substitutes for the good or service that is the subject matter of the notification.
9. Provide details of the detriments to the public which may result from the proposed conduct including quantification of those detriments where possible.