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30 November 2009

**CONFIRMATION
 OF E-MAIL**

BY POST AND EMAIL: Gina.D'Ettorre@acc.gov.au

Australian Competition and Consumer Commission
 GPO Box 3131
 CANBERRA ACT 2601

Attention: Dr Richard Chadwick/Ms Gina D'Ettore

Dear Dr Chadwick and Ms D'Ettore

Essential Beauty - Exclusive Dealing Notifications N94070 – N94082

We refer to the ACCC's letter of 11 November 2009 regarding the above referenced notifications filed by the Franchisors and Master Franchisees of Essential Beauty.

The Franchisors welcome the opportunity to confirm and clarify the intended scope of the notified arrangements for the benefit of its franchisees, as well as the ACCC. Accordingly, in response to the specific queries raised in the ACCC's correspondence, the Franchisors advise as follows.

The conduct of an Essential Beauty franchised business involves goods and services which are key components of, and essential to, the franchise model. It also involves certain goods and services which are not integral elements of the Essential Beauty franchise system.

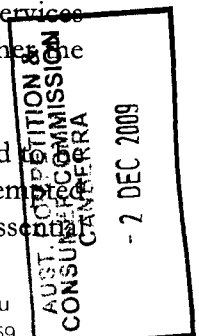
The Franchisors confirm that franchisees are free to acquire goods and services which are not integral elements of the Essential Beauty system from any supplier of their choosing.

In respect of those goods and services which are necessary for the conduct of an Essential Beauty franchise, the Franchisor intends to designate these items (or particular variants of them) as "Approved", and specify that these particular goods and services be acquired by franchisees only from the Franchisors or Approved Suppliers.

It is difficult for the Franchisors to advise the ACCC as to the specific proportion of the goods and services which franchisees presently use, which will be required to be acquired from the Franchisors or Approved Suppliers if the notified arrangements are allowed to stand, as this will obviously vary across the franchise and depend upon the precise circumstances of each franchisee.

However, as a guide, the Franchisors estimate that approximately 75% of the goods and services used in a typical Essential Beauty franchise business will be required to be acquired from either the Franchisors or its Approved Suppliers, if the notified arrangements are allowed to stand.

To confirm for the benefit of franchisees and the ACCC precisely which items are considered essential to the Essential Beauty franchise system, and which are not, the Franchisor has attempted to collate a comprehensive list of all the goods and services which are typically used in an Essential Beauty franchise system.



Beauty store, and indicated which items are considered essential and therefore intended to be designated as "Approved", and acquired solely from the Franchisors or Approved Suppliers pursuant to the notified arrangements. This list is included as Annexure A to this letter.

As you can no doubt appreciate, the Essential Beauty business services a market which is continually changing, as fashions and trends come and go. Therefore, it is likely that goods and services will from time to time enter the market, which the Franchisors will designate as "Approved" for the purposes of the Essential Beauty system. Similarly, as a result of particular experiences, for quality control purposes the Franchisors may from time to time determine that items which are not presently designated as "Approved" should be so designated, moving forwards. The Franchisors will of course notify franchisees in writing of any decisions of this nature.

The Franchisors recognise that in the conduct of their Essential Beauty businesses, franchisees may identify goods or services of the type which are considered to be crucial to the Essential Beauty system but are not presently designated as "Approved", or alternative suppliers of goods or services which are considered to be crucial to the Essential Beauty system which are not presently Approved but which franchisees believe meet the high standards of quality, reliability, regularity of supply and product control required for franchisees to effectively operate their Essential Beauty businesses.

Accordingly, the Franchisors also wish to take this opportunity to confirm that if the notified arrangements are allowed to stand, it will be implementing procedures to allow franchisees to nominate items for consideration as Approved Goods or Services. These nomination procedures will also allow franchisees to suggest suppliers for consideration and approval as Approved Suppliers. It is proposed that the decision as to whether any future additional nominated item or supplier should be designated as "Approved" for the purposes of the Essential Beauty franchise system will be made solely by franchisees, via a consensus decision making process.

We trust that the above information, in conjunction with Annexure A, is sufficient to clarify the scope of the notified arrangements.

We understand that the ACCC intends to place a copy of this correspondence, including Annexure A, upon its public register, and distribute this material amongst franchisees, and confirm that the Franchisors have no objection to this.

Please do not hesitate to contact the writer should the ACCC have any queries regarding any of the above, or require any further information.

Yours faithfully
KELLY & CO

per:



LUKE DALE

Partner

Direct Telephone: 08 8205 0580

Direct Facsimile: 08 8205 0805

Email: ldale@kellyco.com.au

Enclosure(s): As above

Annexure A

PRODUCT	APPROVED?
Body washes, butters and scrubs	✓
Hand and foot lotions/moisturisers	✓
Tanning lotions and sprays	✓
Acrylic nail adhesives, primers and liquids	✓
Eye pads	
Body piercing sprays, swabs, clamps and products (excluding body jewellery)	✓
Earrings and studs	✓
Body jewellery	✓
Needles	✓
Beauty cases	
Tweezers	
Foot files and pumice stones	
Lipstick and lip gloss	
Eyeliner	
Eyelash curlers	
Makeup sponges and brushes	
Scissors	
Hair clippers	
Splinter probes	
Refresher towelettes	
Dermatology kits	
Stainless steel bowls, tint bowls, empty containers	
Ingrown hair treatment products	✓
Eye care products (excluding eyelash curlers and eyeliner) <ul style="list-style-type: none"> • False eyelashes • Eyelash adhesives and glue • Eyelash tints • Eyelash tinting eye pads and papers • Eyelash perming rods • Eyelash perming solutions • Eyelash tint remover 	✓
Nail accessories (excluding nail polish and acrylic nail adhesives, powders, primers and liquids) <ul style="list-style-type: none"> • Top coat • Nail polish remover • Nail embellishments (rhinestones, decals, etc) • Nail glue • Nail cream • Nail glitter • Nail files 	

<ul style="list-style-type: none"> • Buff and polish packs • Brush cleaner • Cuticle sticks • Nail buffers • Nail drills and drill bits • Nail tips • Nail clippers 	
Nail polish	✓
Nail powders and liquids	✓
Skin care products <ul style="list-style-type: none"> • Facial washes, cleansers, toners, creams, eye masks, facial masks • Microfoliants and moisturisers 	✓
General waxing consumables (excluding strip wax, hot wax, pre-wax preparations, waxing strips, after wax lotions and strong drills) <ul style="list-style-type: none"> • Wax removers • Bed roll • Pre-wax preparations • Wax pots • Disposable underwear • Wax applicators 	
Strip wax and hot wax	✓
Pre-wax preparations and pre-waxing strips	✓
Waxing strips	✓
After wax lotions and body polish	
Strong drills	
Permanent makeup products (excluding colours) <ul style="list-style-type: none"> • Glass jars • Tattoo needles and caps 	
Permanent makeup colours	✓
General medical consumables (excluding gloves) <ul style="list-style-type: none"> • Unipouches • Face masks • Alcohol preps • Medicated creams • Lip roll • Sharps containers 	
Gloves	✓
Gels	✓
Mitts and Sponges	
Microdermabrasion Equipment & Supplies	✓
Miscellaneous fixtures & fittings for shops e.g. lamps and lamp fittings	
Miscellaneous business items e.g. Appointment book, carry bags	
Essential Beauty product brochures (e.g. VPL and Crystaless	✓

Microdermabrasion)	
Essential Beauty Gift Vouchers – Cards & Wallets	✓
Essential Beauty Price lists	✓
Essential Beauty Business cards	✓
Essential Beauty Uniforms	✓
Hair straighteners and dryers	
Disposable hair caps	
Shavers	
Master IPL- hair removal machine	✓*
Teeth whitening machine	✓*
Point of Sale System – Shortcuts Software	✓*

* Typically a once-off purchase