



FILE NOTE			
Matter name:	A91335 - Narta International Pty Ltd – authorisation application		
ACCC parties	Imogen Hartcher-O'Brien, Tanya Hobbs, Jasmine Tan, Yen Tran,		
TRACKIT No	49757	File No.	C2012/840
Other parties	Mathew Kentish-Jones CMS Research	Note book Ref.	
		Date / Time:	19/03/2013 at 2pm
Phone to <input checked="" type="checkbox"/>	Phone from <input type="checkbox"/>	Meeting <input type="checkbox"/>	Other <input checked="" type="checkbox"/> VCU

1. IHO thanked MKJ for making the time to talk to the ACCC and indicated that the ACCC is seeking to understand how CMS collected the data Narta had provided to the ACCC (**Narta's CMS data**), how much weight the ACCC can attach to the data and any other trends or comments CMS can provide in relation to ACCC's draft determination of Narta's authorisation.
2. MKJ explained the background of CMS and the methodology of data collection behind its data. MKJ clarified that pricing data is isolated by product and model number and is monitored and collected on a daily basis. The advertisements of bricks and mortar stores are collected from catalogues and the major metropolitan newspapers from the five largest capital cities. The physical advertisement is then scanned into a database or taken directly from an electronic version of the newspaper, where pricing points for each model can be collated, then averaged to provide an "Average Advertised Price". The average is a simple average, not weighted by sales. If there are irregularities or abnormalities in product price, CMS contacts the retailer to confirm accuracy. CMS also collects advertisements from sources such as emailed Electronic Direct Mail (EDM).
3. MKJ clarified that the term "Retailers" covers all retailers who advertise in the relevant metropolitan press. Regional newspapers are excluded. MKJ noted that it is the metropolitan cities that drive retail market prices.
4. MKJ explained that online prices are also collected daily, from the online stores of the 20 most important Australian online retailers (significance is judged by its members). The majority of the online shopping sites that CMS monitors are operated by "traditional" bricks and mortar retailers such as The Good Guys, Harvey Norman and JB HiFi. All of these retailers are involved in significant "offline" (press and catalogue) advertising. CMS currently monitors three "pure-

play” online shopping sites: Appliances Online, Big Brown Box and Deals Direct. In comparison to the “traditional” retailers, these “pure-players” do little press and catalogue advertising.

5. MKJ clarified that online average price reflects the product’s pure price point. It includes discounts but does not include add-ons such as delivery charges. CMS does not monitor a product’s actual selling price. MKJ noted that online retailers appear to often discount for relatively short periods of time – dropping their prices for a day or less or a weekend. It should be noted that retailers can discount products via their online shopping sites for extended periods of time. This is entirely consistent with the competitive dynamic at work within the market.
6. MKJ explained that, where products are sold as part of a two product bundle, an individual product number is assigned to represent this bundle in the data. However, when the advertisement offers the elements of the bundle separately but provides a discount for buying them together they generally assign the bundle to the model number of the most important category of product in the bundle. This is most often done when there are more than two elements to the bundle. The existence of the other products in the bundle is explained in an additional comments field and clients can click on the link to see the offer.
7. MKJ explained that CMS data is purchased by large electrical brands such as Canon, Sony, Panasonic, LG and retailers such as The Good Guys and Dick Smith. Narta is not a client of CMS, but CMS market research includes Narta members. Unlike GFK Retail & Technology, whose data Narta also provided to the ACCC in relation to authorisation application A91335, CMS has no limitation on scope of its data sources (that is, it uses publicly available information and can therefore include all significant retailers).
8. MKJ clarified the differences between the “Offline” and “Online” advertisement categories shown in its data.
  - a. “Offline” refers to printed press, catalogues and electronic direct mail (EDM) (for example, email subscription to catalogues or special offers).
  - b. “Online” refers to the online arm of bricks and mortar stores as well as some online-only retailers. Only the top 20 online retailers (as defined by CMS clients and determined by CMS) are surveyed to reflect the mainstream retailers. The majority of online retailers are the online version of their bricks and mortar store, with the exception of Appliances Online, Big Brown Box and Deals Direct.
9. MKJ explained how the meaning of ‘average price’ differed between offline and online advertising.
  - a. The best prices in the market are usually ‘one-off specials’ found in newspaper press and catalogues (or in PR campaigns). This is because newspapers are best suited to short-term tactical retailer strategies to drive high levels of foot traffic into bricks and mortar stores for a very limited period of time.
  - b. The next best pricing is usually in catalogues, since on average retail prices online tend to be higher than either average prices from bricks and mortar stores’ catalogues or newspaper advertisements. Initially there was a lot of experimentation with online prices and online discounting but this seems to have

reduced. Retailers appear to be trying to develop uniformity across all of their retail channels instead – catalogue, newspaper, instore and online. It should be noted that because retailers can move prices almost immediately via their online shopping sites, the prices reflected online will sometimes be lower than those seen in press and catalogues, which have a longer lead-time.

- c. Bricks and mortar stores have ‘shallow’ data behind their average advertised prices compared to online databases. Online prices are monitored and recorded on a daily basis. As a result, the effect of short-term price drops (for example, due to specials or promotions) is offset by the price data for each product for the other days of the month. This yields a genuine monthly average price, based on daily price data, which includes when the product is at a regular or higher price as well as when it is being promoted at a lower price.

This is compared to printed press advertisements, which generally advertise products when they are at lower or promotional prices, to attract consumers into a bricks and mortar store. Printed press advertisements do not display a retailer’s full range of products and generally advertise the most discounted, competitive or new release products. Data is collected only when a catalogue is issued or an advertisement run in a newspaper. Consequentially data is collected less frequently for products advertised in newspaper press and catalogues, despite the fact that more sales are made through bricks and mortar stores than through online retailers.

- d. Online advertising price and the model for online retailing in Australia is driven by incumbent bricks and mortar retailers whose strategy towards online shopping is to use it to support their bricks and mortar models rather than allow it to cannibalise sales. Online pricing re-enforces the retailers’ bricks and mortar prices.
- e. Appliances Online is often at the sharper end of the pricing spectrum, as it does not have a physical presence bricks and mortar store (it services a very differentiated niche compared to Winning Appliances).

- 10. MKJ noted that offline and online pricing of electrical products is driven by retailers. Prior to the Global Financial Crisis, retailers in Australia over-invested in bricks and mortar stores when interest rates were low and consumer confidence was high. After the GFC, retailers’ bricks and mortar stores were over-exposed to risk of downturn in the market. The market has now returned to a more sustainable level of pricing and price points are much lower than they were immediately before the GFC.
- 11. MKJ stated that it is very easy for consumers to make themselves aware of what a good price is – ebay, Lasso, newspapers, retailer websites, even ring up. So, if consumers sometimes pay more than the minimum price available to them then it is for convenience and peace of mind.
- 12. MKJ noted that a Minimum Advertising Price (MAP) may have the effect of being a consistent price, although individual stores normally try to make pricing decision in order to remain competitive within their local market, regardless of a MAP advertised within a group/corporate advertising campaign. A MAP may also benefit smaller retailers by enabling them to compete with bigger retailers such as Harvey Norman and The Good Guys.
- 13. The phone call ended at approximately 3.15pm