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Commonwealth of Australia

AUST COMPETITION & CONSUMER

Competition and Consumer Act 2010 — 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 Competition and Consumer Act 2010, 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**

Name of person giving notice: (a)

N97314 Chicco Coffee Pty Ltd (ACN 087 883 261)

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

> Chicco Coffee Pty Ltd is a franchisor concerned with the establishment of cafe outlets under the business name 'Kicco' through adherence to the Kicco Franchise system and associated trademarks.

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

Attn: Serina Pace Chicco Coffee Ptv Ltd 192 Gilbert Street, Adelaide, SA 5000

2. Notified arrangement

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

Milk and whipped cream Kitchen food supplies

Cleaning/dishwasher chemicals Smoked Ham

Chicken Tenderloins Sour Dough Sliced Bread

Cheeses

Fruit and vegetable supplies

(b) Description of the conduct or proposed conduct:

Under the Kicco Franchise system, Franchisees must purchase approved products and services from the relevant 'required suppliers' listed in the Franchise Manual which will be updated at the Franchisor's discretion.

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:

Franchisees that operate a Kicco Franchise.

Suppliers who are identified as 'required suppliers' in the Kicco Franchise Manual.

(b) Number of those persons:

(i) At present time:

5.

3.

There are, at present, a total of 8 required suppliers.

(ii) Estimated within the next year:

It is not anticipated that the number of required suppliers will increase within the next year.

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

Tweedvale Milk 25 Pioneer Ave Lobethal SA 5241

Chesser Chemicals 124 Days Rd FERRYDEN PARK SA 5010

Riviera Bakery 96 Hayward Avenue TORRENSVILLE SA 5031

AMJ Produce 13 Burma Rd POORAKA SA 5095 Galipo Food Company Commercial Ct

DRY CREEK SA 5094

Gourmet Poultry 14 Newcastle Crescent CAVAN SA 5094

La Casa Del Formaggio 35 Sunbeam Rd GLYNDE SA 5070

Westfalia Meats
512 Tapleys Hill Rd
FULHAM GARDENS SA 5024

4. Public benefit claims

(a) Arguments in support of notification:

Franchisees will benefit from the proposed arrangement as they will obtain lower prices for supplied goods and services.

Furthermore, the approved suppliers were chosen due to their reputation for providing high quality products and services.

Kicco Pty Ltd is a relatively small market participant in the market for providing cafe outlet franchises. A cafe owner could stock their own cafes with an extensive range of products if they choose not to acquire a Kicco Franchise.

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

Enclosed are invoices or price lists from the above required suppliers.

Also **enclosed** are copies of price lists from alternative suppliers.

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):

The relevant markets likely to be affected by the proposed conduct are:

• The market for the provision of coffee, coffee based beverages, baked goods and similar products sold in coffee shop outlets.

The suppliers in this market include:

- Cafes which supply a similar range of products to those offered by Kicco franchises; and
- Bakeries which supply a wide range of baked goods in addition to the products offered by Kicco franchises.

The goods which are the subject matter of the notification have many substitutes as they are food, beverages or other common products which are readily available at cafes and other stores.

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:

• Decreased competition:

The exclusive dealing required of participating franchisees will, by definition, result in decreased competition. However, Chicco Coffee asserts that any decrease in competition will be negligible for the following reasons:

- (i) Several of the required suppliers are locally owned independent businesses who do not possess a major market share and thus do not have major influence in their respective markets;
- (ii) Clause 13(10) of the Franchise Agreement stipulates that a Franchisee may purchase products from a supplier who is not an approved supplier in certain circumstances;
- (iii) The large number of existing cafe outlets, including several cafe franchises, makes the market share held by Kicco franchises negligible; and
- (iv) The limited range of the products offered by a Kicco franchise.

(b) Facts and evidence relevant to these detriments:

Enclosed are copies of screen captures of a google maps search which depicts alternative suppliers of the goods and services the subject of this notification in the relevant geographic areas.

7. Further information

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

Serina Pace Pace Lawyers 192 Gilbert Street Adelaide SA 5000 Phone 08 8410 9294

Dated OS March 2014

Signed on behalf of the applicant by Pace Lawyers

Per

Serina Iolanda Pace

Principal

s.pace@pacelawyers.com

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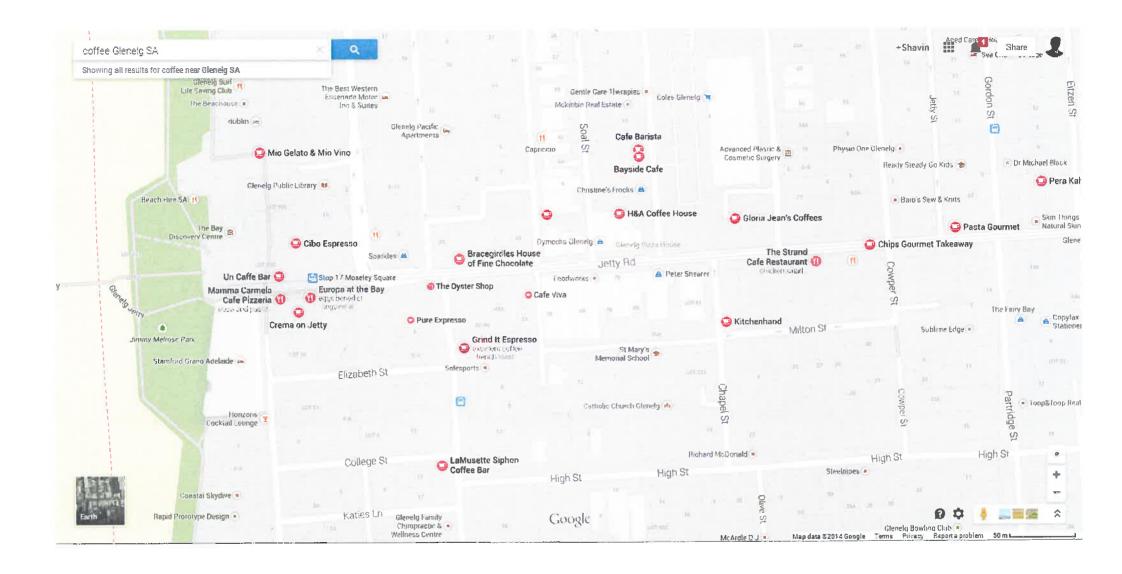
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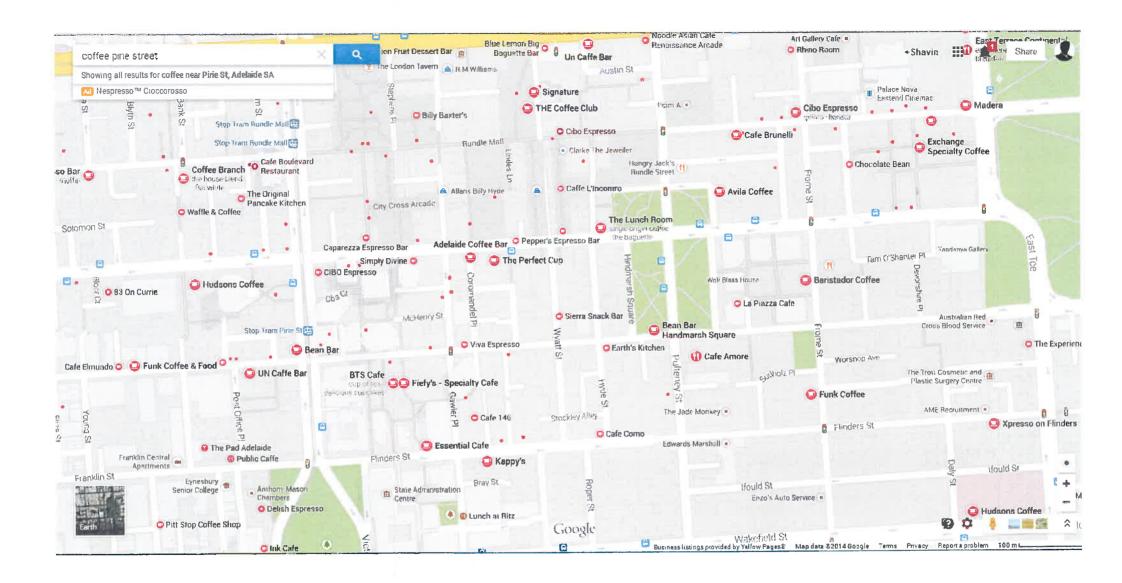
AUST COMPETITION & CONSUMER COMMISSION - ADELAIDE

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 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 Competition and Consumer Act 2010 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.

ALTERNATIVE SUPPLIERS IN THE AREA





LAYOUT AND DESIGNS OF EXISTING STORES





