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Our ref: IM-72092
Contact officer: Emma Moulds
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24 January 2023

Dear Interested Party,

Re: Request for submissions: Woolworths Group Limited's proposed acquisition of a 55% interest in PETstock Pty Ltd

The Australian Competition and Consumer Commission (**ACCC**) is currently reviewing the proposed acquisition by Woolworths Group Limited (**Woolworths**) of 55% of the shares in PETstock Pty Ltd (**Petspiration Group** or **PG**) (the **proposed acquisition**). Further information on the merger parties is in **Attachment A**.

The ACCC is considering the proposed acquisition under section 50 of the *Competition and Consumer Act 2010*. Section 50 of the Act prohibits mergers and acquisitions that substantially lessen competition in the market or are likely to do so. Information from firms like yours is one of the ACCC's most valuable tools in assessing mergers. Your expertise in pet products and services will help the ACCC understand the impact of the proposed acquisition, including how your business may be affected.

Request for submissions

The ACCC is seeking comments from market participants and interested parties with its review of the proposed acquisition and would welcome any comments you have in relation to the competitive effects of the transaction. The ACCC's investigation is focused on the impact on competition. In particular, we are seeking your views on:

- the likely impact of the proposed acquisition on prices, product choice, range and/or service quality;
- how closely Woolworths and Petspiration Group compete with each other and for what products/services;
- how the proposed acquisition may affect Woolworths or Petspiration Group's suppliers, or increase Woolworths/Petspiration Group's bargaining power, and the impacts of this.

How to share your views

A list of specific questions is at **Attachment B**. The more information we have, the better we can assess the impact of the proposed acquisition, but if you are unsure of any questions, you can leave them blank.

You can contact us in two ways:

- If you would like to comment in writing, please do so by 4pm 14 February 2023 via email with the title: *Submission re: Woolworths / Petspiration Group – attention Emma Moulds/Susan Zhuang*. If you require more time to respond, please let us know.
- If you would like to arrange a time to discuss the matter with ACCC officers, or have any questions about this letter, please contact Emma Moulds on (08) 8456 3508 or Susan Zhuang on (02) 6243 1097.

This matter is public, and you can forward this letter to anybody who may be interested.

Updates regarding the ACCC's investigation will be available on the ACCC's Public Mergers Register at ([ACCC mergers register](#)).

Confidentiality of submissions

The ACCC treats sensitive information it receives during a merger review as confidential and will not publish your submission. We will not disclose submissions to third parties (except our advisors/consultants) unless compelled by law (for example, under freedom of information legislation or during court proceedings) or in accordance with s155AAA of the Competition and Consumer Act 2010. Where the ACCC is required to disclose confidential information, we will notify you in advance where possible so that you have an opportunity to be heard. Therefore, please clearly indicate if any information you provide is confidential. Our [Informal Merger Review Process Guidelines](#) contain more information on confidentiality.

Yours sincerely



Mark Basile
Acting General Manager
Merger Investigations

Attachment A: Background on the merger parties

Petspiration Group

Petspiration Group is an Australian and New Zealand specialty pet retailer, with a broad range of pet products, rural supplies, and pet services in-store and online. It operates under various retail banners, including PETstock, Best Friends, My Pet Warehouse, Pet City and PETstock Country (with a greater focus on rural supplies, equine, and livestock products).

PG's product range includes pet food, cat litter, equine, fish, and other small animal products, pet accessories and pet health products. It has its own brand range including Billie's Bowl, Caribu and Glow. PG also offers pet services such as dog grooming, water testing, pet training, doggy day-care, DIY dog wash, puppy school, pet adoption, pet laundry, pet ID tags and cat boarding. It also offers veterinary services, with a network of 63 vet hospitals in Melbourne, Sydney, Brisbane, and Perth, most of which are located within retail store locations. PG has a 2.4-million-member loyalty program named PETstock Rewards.

PG also has interests in the pet product manufacturers Agribrands and Big Dog Pet Foods and pet accessory wholesaler Time Pet Products.

Woolworths

Woolworths is an ASX-listed Australian and New Zealand retailer. Its operations in Australia primarily include supermarkets and general merchandise. Woolworths operates a national supermarket business, including its own distribution centres for the vast majority of products, and is one of Australia's largest grocery retailers. Woolworths operates a loyalty program called Everyday Rewards.

Woolworths also operates the discount department store BIG W (instore and online) and Everyday Market, an online marketplace that lists products from Woolworths' owned sellers and third-party sellers.

Woolworths has a 60% interest in PetCulture, an online specialty pet retail business (<http://www.petculture.com.au>) that supplies dog and cat food, treats, accessories and health products. PetCulture also offers VetChat, a 24/7 online vet advice service, and partners with Woolworths Insurance (pet insurance) and Everyday Rewards.

The proposed acquisition

On 15 December 2022, Woolworths announced that it proposes to acquire a 55% equity interest in Petspiration Group. PG's founders will continue in leadership roles and together with existing shareholders will retain a 45% interest. Completion of the transaction is expected in mid-2023.

Attachment B: Questions

1. Please provide a brief description of your business or organisation, including any relationship you have with Woolworths or Petspiration Group.

Competition in pet products and services

2. On what basis do retailers of pet products and services compete (e.g. price, convenience, product range, service, quality, size, and other factors).
3. To what extent do you consider each of the following retail channels to be competitors to Petspiration Group (including PETstock, Best Friends, My Pet Warehouse and Pet City and PETstock Country):
 - a) Specialty pet retail chains with both physical and online stores;
 - b) Independent specialty pet retailers with physical stores;
 - c) Online-only specialty pet retailers;
 - d) Supermarkets;
 - e) Discount department stores;
 - f) Veterinary clinics; and
 - g) Other (please specify).
4. Please describe how closely each of Woolworths (including BIG W) and Pet Culture competes with Petspiration Group, or may compete in the future (without the proposed acquisition), including the type(s) of products or services where they compete with each other.
5. How far are customers willing to travel to buy pet products and services? Does this differ depending on the type of pet product/service, and in regional vs metropolitan areas, and if so how?
6. Please explain whether and how competition in the retail supply of pet products and services occurs differently in physical retail stores vs online.
7. Please explain whether it is important for pet product retailers to have both online and physical stores and the extent to which online-only stores compete with physical retail stores.

Questions for wholesale suppliers or distributors of pet products and services

8. Please describe the types of pet products and services you supply in Australia, and whether you supply specialty pet retailers and/or supermarkets or general retailers.
9. Please identify your annual supply, by volume and value, of pet products and services:
 - a) in total (to all customers across Australia);
 - b) supplied to Petspiration Group in Australia;
 - c) supplied to Woolworths (including BIG W) in Australia; and
 - d) supplied to Pet Culture in Australia.

10. Please explain the extent to which your product offering, pricing and terms of supply differs between specialty pet retailers and supermarkets/general retailers.
11. Is the proposed acquisition likely to affect the pricing, product offering, or other terms of your supply to Woolworths and/or Petspiration Group? If so, how would your business likely respond?
12. Will the proposed acquisition likely affect your ability to supply competitors to Woolworths and/or Petspiration Group? If so, how?

Questions for retailers of pet products and services

13. Please identify your competitors and estimate market shares where possible.
14. Please describe what is required to enter into or expand in the retail supply of pet products and services. You may wish to comment on the following:
 - a) the time it would take to enter or expand;
 - b) costs that would be incurred;
 - c) the scale required to be competitive;
 - d) availability of real estate assets;
 - e) ability to access to wholesale supply of products;
 - f) importance of brand and the extent of brand loyalty;
 - g) examples of recent or failed entry; and
 - h) whether the proposed acquisition would impact barriers to entry and/or expansion.

Other

15. Do you have any concerns about the impact the proposed acquisition will have on competition? Please explain your answer.
16. Please provide any additional information or comments that you consider relevant to the ACCC's consideration of the proposed acquisition.

Thank you for your time.