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Our ref: IM-70705
Contact officer: Briony Siviour
Contact phone: (02) 9230 9107

29 June 2020

Dear Interested Party

Re: Request for submissions: Metcash's proposed acquisition of Total Tools Holdings

The Australian Competition and Consumer Commission (**ACCC**) is seeking your views on the proposed acquisition of a majority stake in Total Tools Holdings Pty Ltd (**TTH**), franchisor of "Total Tools" stores, by Metcash Limited (**Metcash**) (the **proposed acquisition**).

Through its Independent Hardware Group division (**IHG**), Metcash is a wholesaler and retailer of hardware and home improvement products. IHG's brands include Mitre 10, Home Timber & Hardware, Thrifty-Link Hardware, True Value Hardware, and Hardings. IHG supplies company owned and independent retailers operating under these brands, and also supplies non-IHG branded independent retail stores.

TTH is the franchisor of the Total Tools network, a national specialist tool and equipment retailer. Further details regarding the acquisition can be found at **Attachment A**.

The ACCC's investigation is focused on the impact of the proposed acquisition on competition. In particular, we are seeking your views on:

- how closely IHG branded hardware stores and Total Tools compete with each other, and for which products/services; and
- the likely impact of the proposed acquisition on prices and/or service quality.

Further issues you may wish to address are set out in **Attachment B**.

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

The legal test which the ACCC applies in considering the proposed acquisition is in section 50 of the *Competition and Consumer Act 2010*. Section 50 prohibits acquisitions that are likely to have the effect of substantially lessening competition in a market.

Please provide your response by no later than **5pm on 13 July 2020**. Responses may be

emailed to mergers@acc.gov.au with the title: *Submission re: Metcash Total Tools - attention Briony Siviour*. If you would like to arrange a time to discuss the matter with ACCC officers, or have any questions about this letter, please contact Briony Siviour on (02) 9230 9107.

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 will not publish submissions regarding the proposed acquisition. 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, the ACCC will notify you in advance where possible so that you may have an opportunity to be heard. Therefore, if the information provided to the ACCC is of a confidential nature, please indicate as such. Our [Informal Merger Review Process Guidelines](#) contain more information on confidentiality.

Yours sincerely



Tom Leuner
General Manager
Merger Investigations

Attachment A

Metcash

Metcash is a wholesale distribution and marketing company specialising in groceries, fresh produce, liquor, hardware and other fast moving consumer goods. Metcash is ASX listed (ASX: MTS).

The Independent Hardware Group (**IHG**) is a division of Metcash. Through IHG, Metcash owns the Mitre 10, Home Timber & Hardware (**Home**), Thrifty-Link Hardware (**Thrifty-Link**), True Value Hardware (**True Value**) and Hardings brands. IHG is a:

- National retailer (excluding WA and NT) of hardware and home improvement products through a number of company-owned and joint venture stores operating under IHG's branded hardware stores. Out of IHG's 650 branded hardware stores, approximately 100 are owned by IHG or are an IHG joint venture.
- National wholesaler (excluding ACT) of hardware and home improvement products to independent retailers operating under IHG's brands. Out of IHG's 650 branded hardware stores, approximately 550 are independently owned.
- National wholesaler of hardware and home improvement products to independent retailers not operating under an IHG brand (IHG supplies products to over 800 of these independent retailers).

Mitre 10 and Home are multi-category hardware retailers in medium to large format stores (usually 1,000 - 2,500m²). Mitre 10 and Home have an online presence which offers click and collect services from a chosen Mitre 10 or Home store. Thrifty-Link and True Value are convenience multi-category hardware stores in small format (usually 200 - 300m²). Hardings supplies kitchen and bathroom products, specialising in servicing trade customers.

Total Tools Holdings

Total Tools Holdings (**TTH**) is the franchisor of the Total Tools network, a national specialist tool and equipment retailer. The Total Tools network consists of one company owned store and 80 independent franchised stores.

Total Tools sells a wide range of hand tools, power tools and outdoor and garden tools. Total Tools' stores range in size from less than 1,000m² to over 2,300m².

TTH has an online presence through which customers can purchase directly from TTH and have products delivered or can click and collect from a nominated Total Tools store. While TTH directly manages the online process, individual franchise stores fulfil the online order.

TTH does not wholesale tools and equipment to independent tool retailers outside the Total Tools network.

The proposed acquisition

Metcash proposes to acquire 70 per cent of the shares in TTH. The proposed acquisition was announced by Metcash by ASX release on 22 June 2020.

Attachment B

1. Please provide a brief description of your business or organisation.
2. Please outline the reasons for your interest in the proposed acquisition, including any commercial relationship/s with either of IHG branded hardware stores or Total Tools.

Products and services

For retailers / customers

3. Please explain the factors that a customer is likely to consider in deciding where to shop when seeking to purchase tools and hardware equipment (for example, price, product range, location, service and shipping costs/duration). In providing a response, please comment on:
 - a) which factors the customer is likely to regard as the most important;
 - b) which factors determine whether a customer would choose to shop at a retail shop or online; and
 - c) whether the considerations are different (and if so explain the difference) for:
 - i. non-trade customers (private consumers and DIY enthusiasts);
 - ii. 'trade' customers (tradespeople and builders); and
 - iii. commercial accounts (large organisations with high demand for tools and hardware equipment).
4. Please estimate how far a customer would generally be prepared to travel to source tools and hardware equipment. If this differs for metropolitan and regional areas, please provide an estimate for each.
5. If you are a retailer, please describe your process for acquiring tools and hardware equipment from suppliers. In your response, please include:
 - a) who you acquire tools and hardware equipment from;
 - b) what types of products your suppliers supply to you;
 - c) the other supplier options available to you; and
 - d) any reasons or benefits that come from acquiring directly from a manufacturer/its Australian distributors compared to a wholesaler.

Competitive dynamics

6. Please describe the closeness of competition between IHG branded hardware stores (Mitre 10, Home Timber & Hardware, Thrifty-Link Hardware, True Value Hardware and Hardings) on one hand, and Total Tools on the other hand, for the supply of tools and hardware equipment in each state/territory and nationwide. Please comment on the closeness of this competition via physical retail outlets and online.

Relevant factors may include their product ranges, geographic areas of supply and/or responding to each other's promotional activity. Please provide specific examples where possible.

7. Please identify other suppliers of tools and hardware equipment in each state/territory and nationwide. Please explain how they compete with IHG branded hardware stores and Total Tools, including the closeness of this competition via physical retail outlets and online. Are there any especially vigorous or effective competitors? If so, what are they doing to win market share?

Please include in your response a discussion of the pricing, product range, quality and service levels of these alternative suppliers.

8. Please address the likely effect of the proposed acquisition on competition in particular state/territory locations or nationwide. In doing so, please discuss the extent of competition the combined IHG/Total Tools entity is likely to face from other competitors in each location in which you consider there may be an issue.

Potential competitive constraints

9. Please identify any potential entrants to the retail supply of tools and hardware equipment in each state/territory or nationwide and outline your views on barriers to entry, such as:
 - a) the scale necessary to supply at competitive prices;
 - b) set up costs, such as establishing a new store or purchasing a franchise licence;
 - c) availability of suitable sites;
 - d) the importance of brand recognition and customer loyalty; and
 - e) access to tool suppliers.

Other information or competition issues

10. Please provide any additional information or comments, or identify other competition issues, that you consider relevant to the ACCC's consideration of the proposed acquisition under section 50 of the *Competition and Consumer Act 2010*.