17 January 2020

Steven Lee Adjudication Branch Australian Competition and Consumer Commission GPO Box 3131 Canberra ACT 2601

By Email: adjudication@accc.gov.au

Dear Mr Lee

N1000509 – TVSN Channel Pty Ltd – submission

We act for Australian Shopping Network Pty Ltd which has operated the "Openshop" television shopping network in Australia since 1 August 2019.

Our client opposes the exclusive dealing notification lodged by TVSN Channel Pty Ltd (TVSN) under cover of a letter from its solicitors, Moulis Legal, dated 30 October 2019 (the Notification).

For reasons which are set out in more detail below:

- The ACCC should not accept the submission made by TVSN in paragraph 9.4 of the Notification that the exclusive dealing in which TVSN wishes to be permitted to engage will not infringe section 47 of the Competition and Consumer Act 2010 (Cth) (the Act). If that submission was correct, then there would be no need for the Notification to have been made;
- 2. If TVSN is permitted to engage in the notified exclusive dealing conduct, the consequence of that permission will be a substantial lessening of competition in the market for the sale and promotion of goods by means of a television shopping network format:
- 3. Prior to the entry into the market of our client, TVSN held a monopoly position in the market for the sale and promotion of goods by means of a television shopping network format. Regardless of whether or not the Notification is specifically intended to entrench TVSN's power in that market, it is likely to have that effect;
- 4. The "public benefit" on which TVSN relies in its submission in support of its notification is does not withstand scrutiny for a number of reasons, most notably because the matters on which TVSN relies are principally matters which are of benefit to TVSN, not to the benefit the public;
- 5. Further, many of the "purposes" on which TVSN relies as supporting its Notification can be secured without the need to engage in exclusive dealing (and without the consequence of the detrimental impact on competition which exclusive dealing creates). For example, the purpose of "preventing TVSN suppliers from misusing TVSN's proprietary TV shopping selection information sales metrics data" (see paragraph 9.4(a)(3) of the Notification) can, to the extent that such information is confidential, be protected by contractual provisions between TVSN and its suppliers; and
- 6. Even if any public benefit at all can be discerned from the Notification, the benefit does not outweigh the detriment which is likely to result if TVSN is permitted to engage in the



exclusive dealing which is subject of the Notification. The likely effect of the conduct is to substantially diminish competition in relation to the sale of consumer goods via the "television shopping network" format.

7. In particular, in the short time in which our client has been operating as the only competitor to TVSN, a number of examples which are described in more detail below (including the "Legmaster", Samsung, Trophy Skin, Django & Juliette, and Diana Ferrari) demonstrates that where a supplier of goods has the opportunity to market those goods via different television shopping network market participants, the consequence of that opportunity is competition in relation to the price, and terms of sale, of those goods (leading to a more effective market and ultimately, better prices for consumers). The opportunity for that competition between television shopping networks would be destroyed if TVSN was permitted to engage suppliers on an exclusive basis as set out in the Notification.

Accordingly, our client submits that the ACCC should revoke TVSN's Notification by giving TVSN a notice pursuant to section 93(3) of the Act.

The nature of the relevant market

The Notification appears to proceed on the basis that the relevant market is "the retail market for consumer goods in Australia" - see paragraphs 6 and 8 of the Notification. Our client submits that to describe the relevant market which will be affected by the exclusive dealing in this way is not correct. The "retail market for consumer goods" is large, and there are vast swathes of that market which will be entirely unaffected by the exclusive dealing in which TVSN wishes to engage. Accordingly, it is not correct to assess the Notification by reference to the entire "retail market for consumer goods".

Rather, our client submits that the relevant market is, in fact, the market for the "promotion and sale of products on television shopping channels or direct selling mediums involving video footage or livestreaming in the presentation and promotion of goods and which utilise the presentation and/or demonstration of goods is an integral part of the marketing and sales process" – namely, the very definition which TVSN uses in the Notification to define the expression "Competitor Shopping Channels". That is, the best guide to the relevant market is not what TVSN identifies as being the market, but what TVSN identifies as the sphere of activity in which it wishes to engage in exclusive dealing.

We note that on 10 January 2020, Moulis Legal sent a further letter (the **10 January Letter**) to the ACCC in order to "clarify what is intended by the term Competitor Shopping Channels" referred to in the Notification. The level of detail and the specific features of "Competitor Shopping Channels" which are described in the 10 January Letter only serve to emphasise that the market in which TVSN seeks to be permitted to engage in exclusive dealing is not the "retail market for consumer goods", but a very distinct and specific subset of that market; namely the market for sale of products on television shopping channels.

TVSN has a very substantial degree of power in the market for the promotion and sale of products on television shopping channels - indeed, until our client commenced operations on about 1 August 2019, TVSN had an effective monopoly on that market. Our client's entry into that market has disrupted TVSN's monopoly and brought competition to the market, and whether or not the Notification is calculated to re-entrench TVSN's monopoly position, our client submits that it is likely to have that effect.

Because our client is a new business, our client is not presently able to estimate the respective shares of the market for the promotion and sale of products by television shopping network which are held by our client and by TVSN. However, despite the fact that there is now competition in this market as a result of our client's commencement of operation, TVSN still has a substantial degree of power in the market, particularly given circumstances in which:

- 1. TVSN and/or its predecessors have been broadcasting in Australia since about 1995, whereas our client commenced operation only on 1 August 2019; and
- 2. TVSN is able to reach virtually every household in Australia via Foxtel Channel 176, Freeview Channel 14 (Metro) and Freeview Channels 57, 75 & 84 (in regional areas Channel 75 is used by TVSN in Darwin), whereas our client's current broadcasting on Freeview Channel 75 (Metro and Regional Queensland) limits our client to Australia's five mainland State capital cities and certain regional Queensland markets.

Paragraph 6 of the Notification sets out the categories of consumer goods which TVSN sells in Australia. Although our client's business is at an early stage of development (so that our client does not currently sell goods in every one of the categories listed by TVSN) our client expects that there will be very little difference between the categories of goods which TVSN has listed and the categories of goods which our client will wish to sell. This is because there are particular consumer goods which are inherently suitable for sale and promotion by the television shopping network format (and, equally, consumer goods which are unsuitable for sale by this format).

It is plainly in the interest of suppliers of goods that they should have the opportunity to sell their goods through as many channels as possible (and through as many different participants in each channel as possible). That is of particular relevance in relation to television shopping network channels, because the channel is available to suppliers of relatively modest size. For example, many suppliers which do not have access to a sufficient quantity of goods to be able to obtain shelf space in a major supermarket will be able to use television shopping network channels to sell their goods. One such supplier with whom our client works is Rohr Remedy, which makes a range of natural skin care products, created from Australian bush medicines. As is clear from Rohr Remedy's list of stockists:

https://www.rohrremedy.com/pages/stockists

Rohr Remedy products are not carried by any "bricks and mortar" supplier which has the national reach which our client is able to provide.

Accordingly, the fact that TVSN has significant power in the television shopping network format in Australia means that if TVSN is permitted to deal with suppliers on the basis that those suppliers then cannot deal with our client (or other competitors in the market), the likely consequence is that those suppliers will accept exclusivity as a condition of being able to sell goods to TVSN. Although our client is not in a position to identify specific suppliers who have advised our client that they would deal with TVSN to the exclusion of our client if TVSN require them to do so, our client is aware of suppliers who have expressed this view.

The consequence of this will not only be the immediate lessening of competition in the existing television shopping network market, but also the likelihood that the development of a mature and competitive television shopping network market will be thwarted entirely.

Competition in a mature market for the promotion and sale of products on television and shopping channels

Although our client has been operating in Australia only since about 1 August 2019, our client is a subsidiary of South Korea's leading home shopping channel operator, Hyundai Home Shopping Network Corp (HHSN). HHSN is listed on the Korean Stock Exchange and has a market capitalisation in excess of \$A1 billion.

The television home shopping network market in South Korea is extensive, competitive and mature. A guide to "E-commerce in Korea" produced by Austrade in 2017¹ identified the following shopping channels amongst the "Major Online Shopping Websites" in Korea:

- 1. CJ O Shopping;
- 2. GS Homeshopping;
- 3. Home & Shopping;
- 4. IM Shopping;
- 5. Lotte Homeshopping;
- 6. Nongsusan Homeshopping;
- 7. the channel known at the time of the Austrade report in 2017 as "VTV Hyundai Homeshopping" and now known as Hyundai Homeshopping (which is our client's parent company).

On the basis of figures extracted from the DART (Data Analysis, Retrieval and Transfer) system which is operated by the Financial Supervisory Service (which is South Korea's regulator of financial services), the total size of the South Korean television home shopping market in 2018 is estimated to be in excess of \$A6.5billion annually.

The fact that our client is able to offer access to the South Korean home shopping market to Australian suppliers of goods is an important aspect of our client's ability to secure suppliers of goods. Of course, Australian suppliers will not be able to obtain this access if they are prevented, as a condition of entering into an agreement with TVSN, from also dealing with our client.

However the nature of the South Korean market is also of particular relevance to the assessment of the Notification, because it provides a practical example of the way in which a competitive market can and should operate. If TVSN is successful in preventing the development of a competitive market for television shopping network services in Australia, then all the benefits which would accrue to both consumers, and to Australian suppliers, would be lost.

At paragraph 6 of the Notification, TVSN asserts that "it is usual practice in other countries that product lines or brands are only promoted and distributed on a singularly owned shopping network". No evidence is provided to support this assertion, and at least as far as the South Korean television shopping network market is concerned, our client considers that the assertion is wrong. Attached to this letter and marked "A" is a bundle of screenshots from the websites of different Korean television shopping networks which our client has prepared for the purposes of this response. The screenshots indicate that a number of different South Korean shopping channels simultaneously offer goods manufactured by the same manufacturer with and this is demonstrated (not as an exhaustive list, but by way of example only) in relation to:

- 1. Samsung; and
- 2. Dr.Jart+ (a Korean matter manufacturer of beauty products; and
- 3. Dyson.

¹ Available at https://www.austrade.gov.au/ArticleDocuments/1358/E-Commerce-Korea-Guide.pdf.aspx

Competition in the relevant market in relation to goods from the same supplier

We have set out above the benefits to suppliers of having access to multiple players in the television shopping network format. Competition between participants in the television shopping network market is also of benefit to consumers, as can be demonstrated by the example of the sale by our client, of products from the same supplier.

The first example is in relation to the "Legmaster". During the short period of time in which our client has been operating in Australia, it has sold, amongst other products, a product called the "Legmaster". The Legmaster is a piece of fitness equipment which enables people to tone and strengthen particular muscle groups in the legs and elsewhere in the body. The "Legmaster" is supplied to our client (and our client assumes, to TVSN) by Rockin Direct.

As at the date of this letter, our client offers the "Legmaster" for sale for \$159, including free delivery. Our client also offers consumers the opportunity to spread the payment over four payments using Afterpay. Although TVSN's website indicates that the "Legmaster" "is sold out or no longer available", that website also indicates a price of \$159 with an additional delivery charge of \$9.95. Further, the TVSN website only offers the option of spreading the cost over two payments, and does not offer consumers the option of using Afterpay. Screenshots from TVSN's website and from our client's website prepared for the purpose of this response are attached and marked "B".

This is a practical example of competition in action when one supplier supplies the same product to both TVSN and to our client. If TVSN was permitted to engage with suppliers on an exclusive basis, any competition in relation to the "Legmaster" in the television shopping network channel would have been entirely foreclosed.

Other examples of competition involve the suppliers Samsung, Django & Juliette, and Diana Ferrari. Prior to the commencement of our client's operations, each of those suppliers offered their products for sale on TVSN. Since the arrival of our client into the Australian television shopping network marketplace, each of those suppliers have also offered their products for sale on our client's television shopping network.

For the purposes of responding to the Notification, our client has prepared a bundle of historical and current screenshots from TVSN's website, and from our client's website, which is attached to this letter and marked "C". Those screenshots show that that in respect of each of those suppliers, TVSN has appears to have responded to the decision of those suppliers to deal with our client by offering those suppliers' goods for sale at clearance prices. Accordingly, the benefit to consumers of competition between television shopping networks is not merely theoretical but is demonstrated by the fact that TVSN has offered lower prices to consumers as part of its strategy to compete with our client.

TVSN's stated purposes disclose no public benefit

Paragraph 9.4 of the Notification sets out the purposes for which the notification is sought. Those purposes are then developed further in paragraph 10 of the Notification in an attempt to establish that the purposes give rise to a public benefit which is said to arise from the exclusive dealing in which TVSN wishes to engage.

Without seeking to deal exhaustively with each and every purpose, our client submits that either taken together or individually, the purposes do not disclose any public benefit.

In particular:

 As noted above, our client is a subsidiary of the leading home shopping channel operator in South Korea. Our client does not wish to (and does not need to) "free-ride" on anything which is being done by TVSN. Rather, our client's intention is to grow and develop the television shopping network market in Australia. To do that our client will need to build and develop its own unique brand (albeit based upon the knowledge available to our client from the experiences of its market-leading South Korean parent company);

- 2. it is a characteristic of goods which are suitable for sale by television shopping network that they have a "brand story" which lends itself to a more detailed explanation than can be conveyed in, for example, a 30 second television commercial. However, the "brand story" does not belong to TVSN (or to our client) it belongs to the supplier. Accordingly, to the extent that TVSN asserts that it is entitled to protect "consumer interest" in the product which features (see paragraph 9.4(a)(2) of the Notification) that assertion is no more and no less than an attempt by TVSN to appropriate to itself an asset which belongs to the supplier, not to TVSN;
- 3. The suggestion that TVSN has developed some valuable method of promoting and selling goods which is known to TVSN alone must be rejected first, because the demonstration of goods to the public on television is the antithesis of confidential activity, and secondly, because many of the matters referred to by TVSN are simple common sense. For example, it is obvious that any trader wishing to sell goods through a TV shopping network format would:
 - a. seek to source goods which are "reputable, exciting and appealing" (see paragraph 10(1)(i) of the Notification); and
 - b. require the trader's employees to have "an in-depth knowledge of the products and product line being featured" (see paragraph 10(1)(iv) of the Notification); and
 - c. ensure that the trader's employees were well versed in the Australian Consumer Law (see paragraph 10(1)(xi) of the Notification);
- 4. Although our client does not believe that TV\$N suppliers are provided with any information which could properly be capable of being characterised as confidential information (such as the asserted "TV\$N's proprietary TV shopping selection information sales metrics data" referred to in paragraph 9.4(a) (iv) of the Notification), if TV\$N does disclose that information to its suppliers, then that information is capable of being protected by confidentiality provisions in the contracts between TV\$N and its suppliers. It is entirely in the keeping of TV\$N to determine whether it discloses any confidential information to its suppliers, and it is not necessary, in order to protect any confidential motion which is disclosed, to prevent those suppliers from dealing with our client;
- 5. The proposition that TVSN is entitled to prevent the "dilution" of interest in its products by preventing those products from being sold by trade rivals need only be stated aloud to be rejected. No doubt Woolworths would like to prevent "dilution" of its customers' interest in grocery products by preventing those products from being sold by Coles, but that is plainly not a justifiable basis to prevent competition in a market.

If our client's primary position (namely, that TVSN has failed to establish any public benefit at all) is accepted, it follows that the balancing exercise between public benefit and public detriment does not arise because the Notification fails at the first hurdle of section 93(3)(b(i) of the Act.

However, even if some public benefit can be discerned from the matters relied upon by TVSN in the Notification, that public benefit is outweighed (for all of the reasons set out above) by the public detriment in enabling TVSN to entrench its power in the relevant market. TVSN no longer holds monopoly power in that market, and should not, accordingly, be permitted to monopolise particular suppliers.

Conclusion

For the reasons set out in this submission, the Commission should revoke the Notification by giving to TVSN notice pursuant to section 93(3) of the Act.

Please contact the writer if you wish to discuss further anything arising from this letter.

Yours faithfully

Stevens Vuaran Lawyers

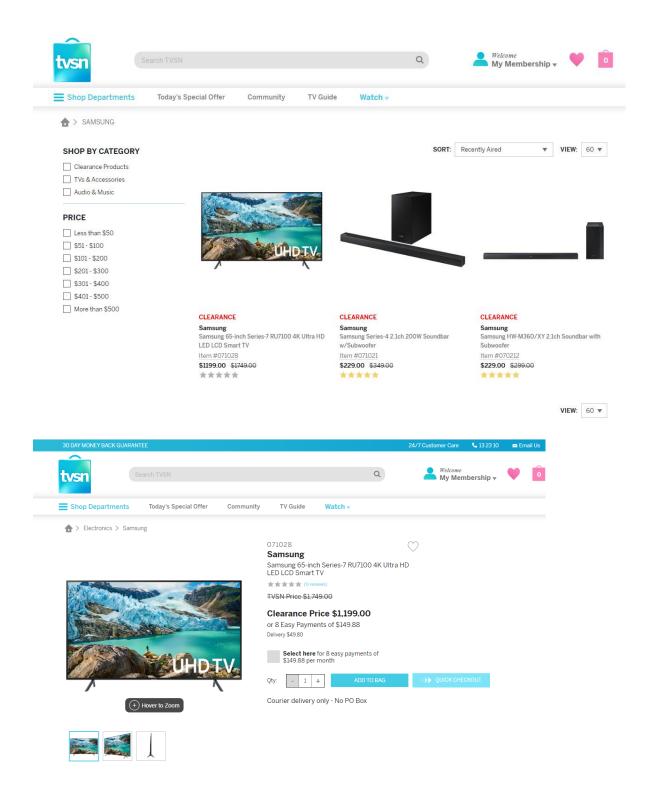
Angus Macinnis
Tel:

Attachment A

1. Samsung

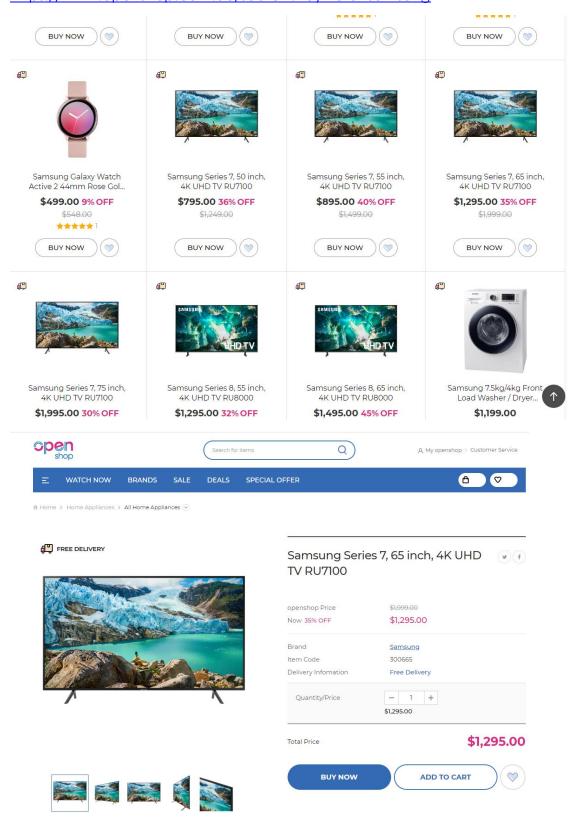
TVSN

https://www.itvsn.com.au/search/samsung?searchstring=samsung



Openshop

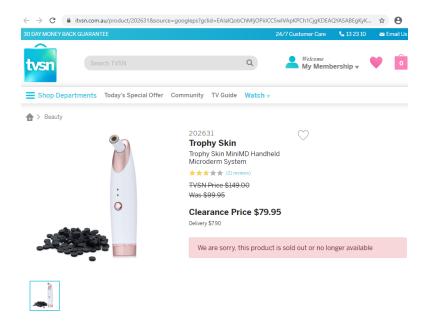
https://www.openshop.com.au/search?keyword=samsung



2. Trophy Skin

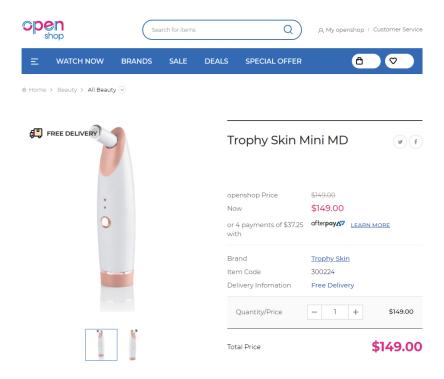
TVSN

https://www.itvsn.com.au/product/202631&source=googleps?gclid=EAlalQobChMlhtGnroCC5wlVjxiPCh14FQ- EAQYASABEgLqVvD BwE



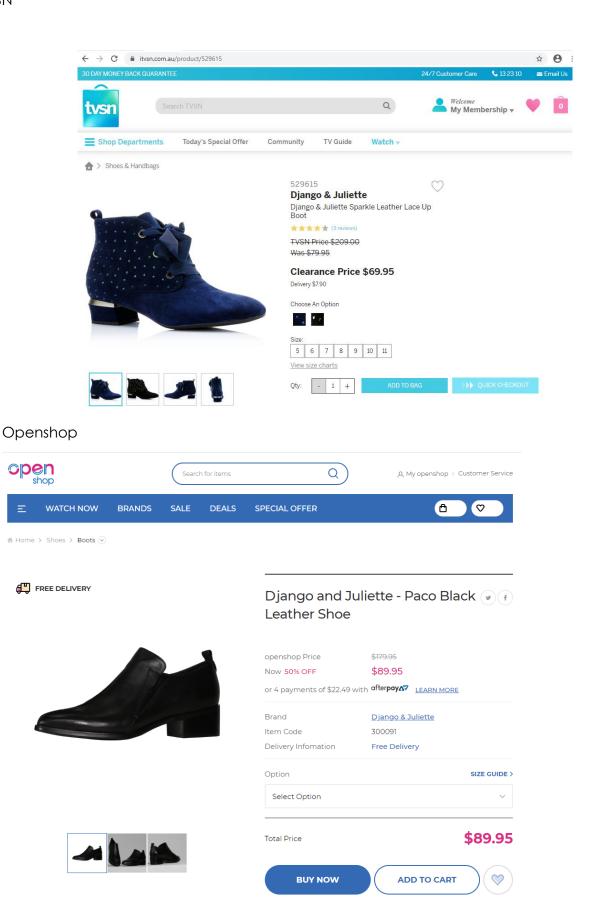
Openshop

https://www.openshop.com.au/product/300224



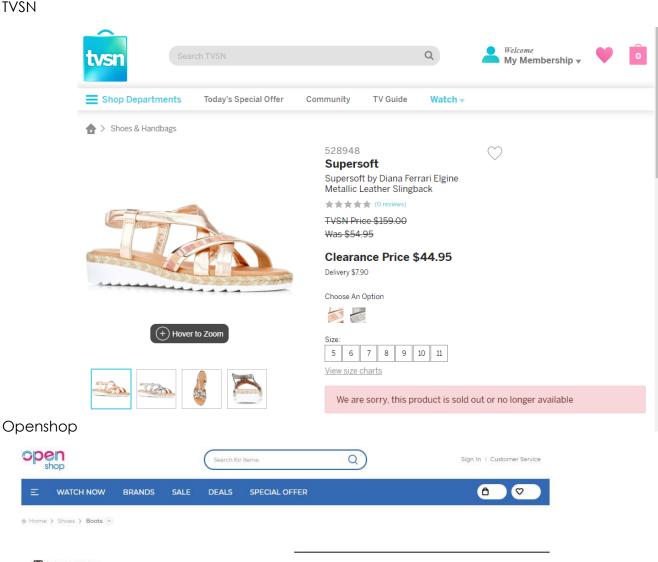
3. Django & Juliette

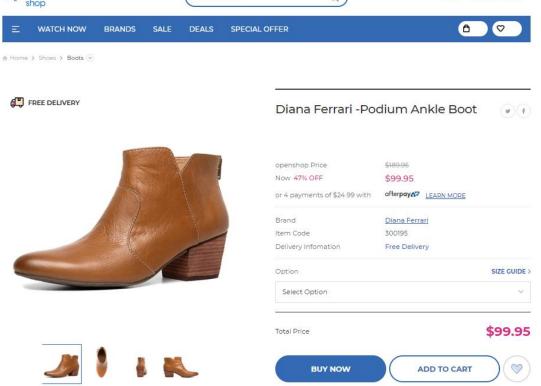
TVSN



4. Diana Ferrari

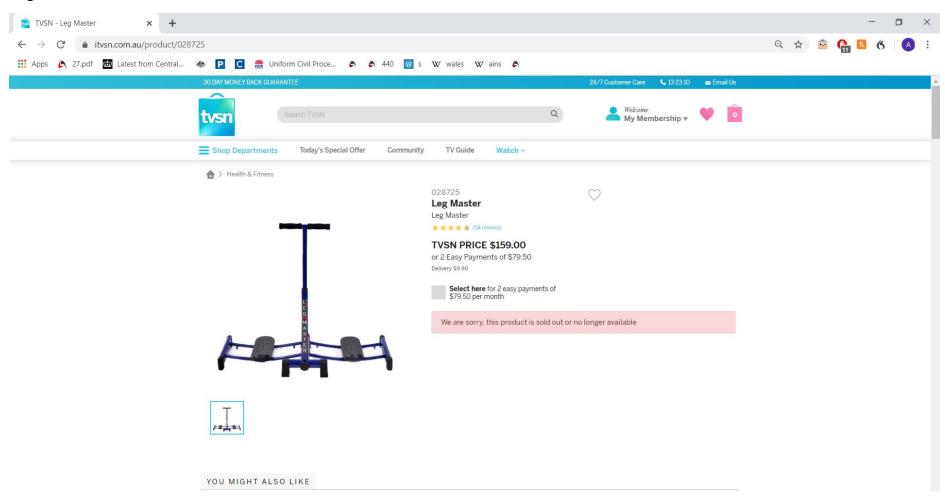
TVSN



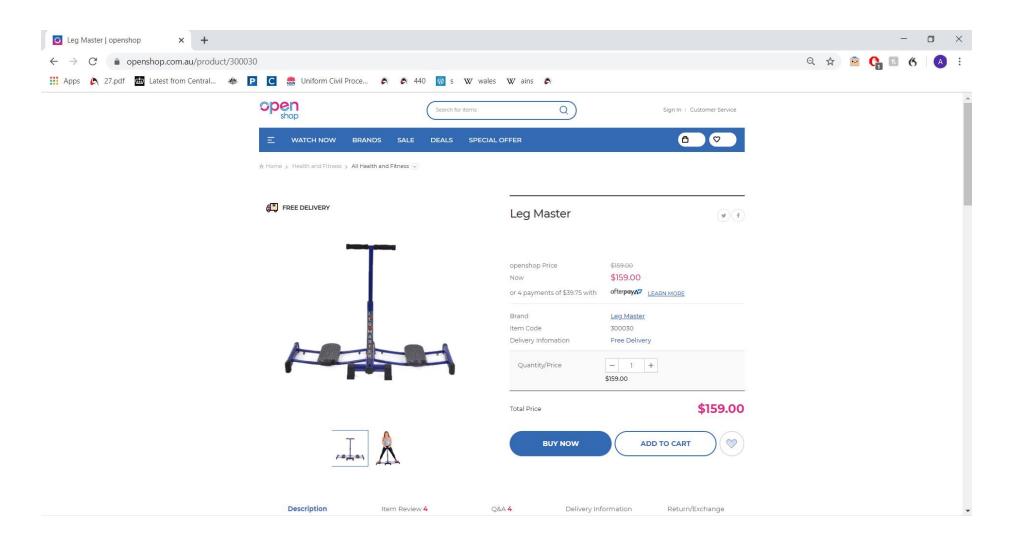


Attachment B

Legmaster - TVSN



Legmaster - Openshop



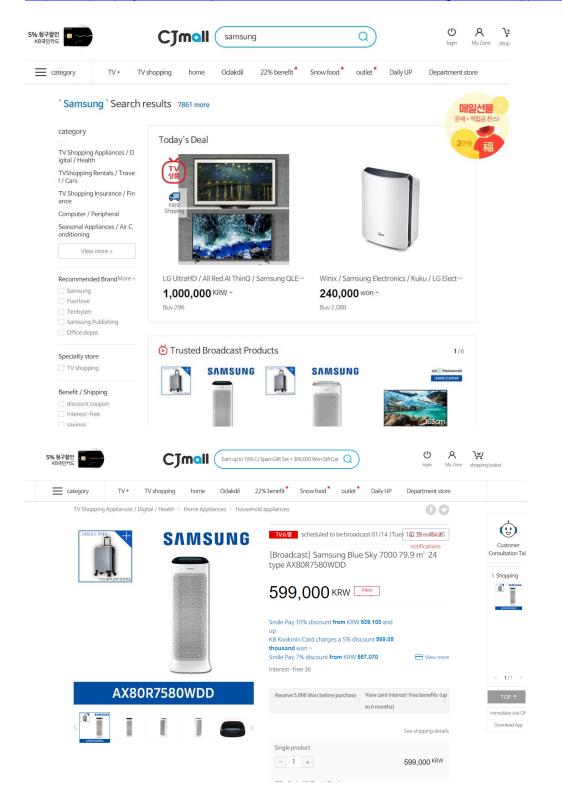
Attachment C

Korean shopping network - competition examples

1. Samsung

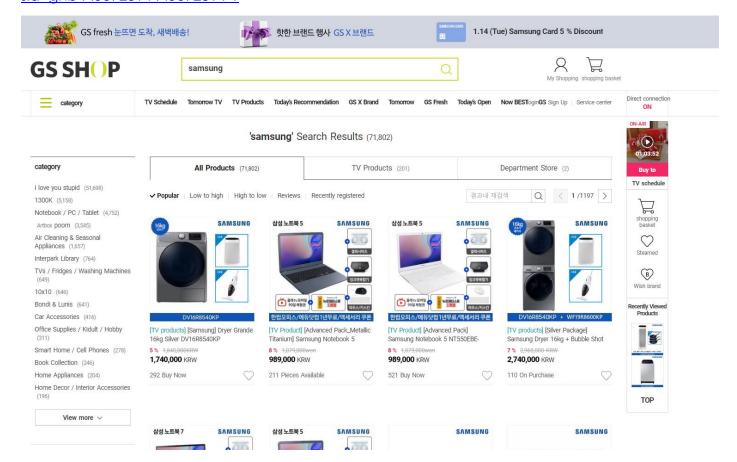
CJ Mall

http://display.cjmall.com/p/search/searchAllList?k=samsung&searchType=ALL



GS Shop

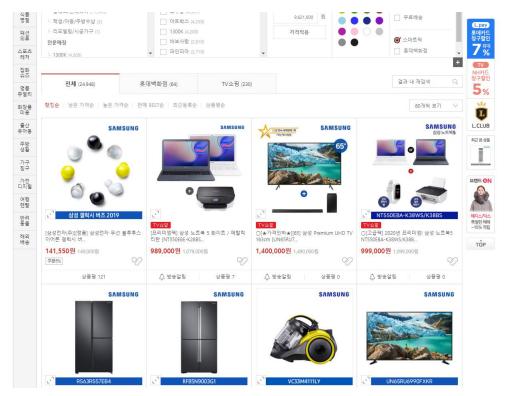
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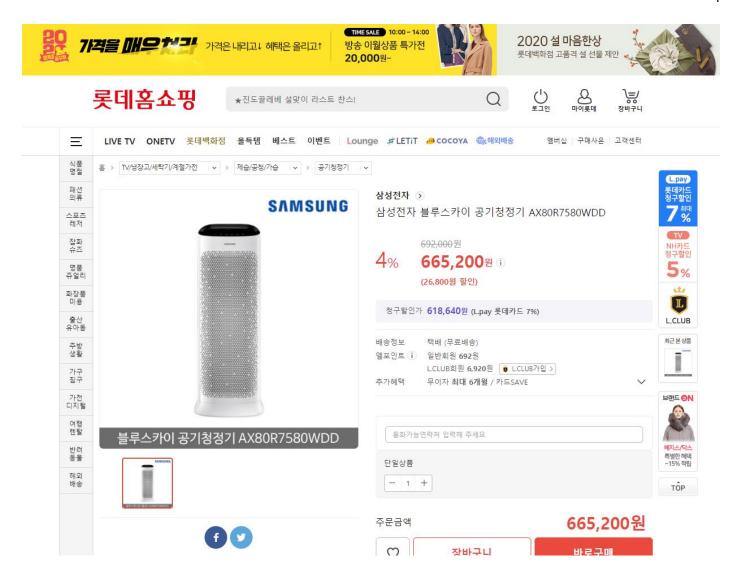




Lotte Mall

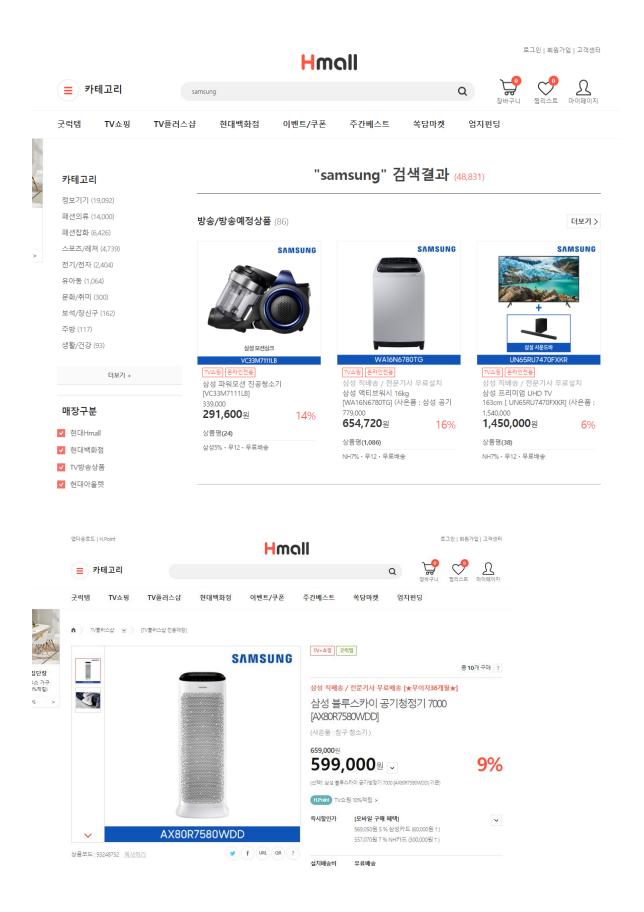
http://www.lotteimall.com/search/search/Main.lotte?slog=80060 1&headerQuery=samsung&lvl1 cate no=&lvl2 cate no=&lvl3 cate no=&lvl4 cate no=&lvl5 cate no=&cateDepth=1&selected filter=&rccode=pc detail4





H Mall

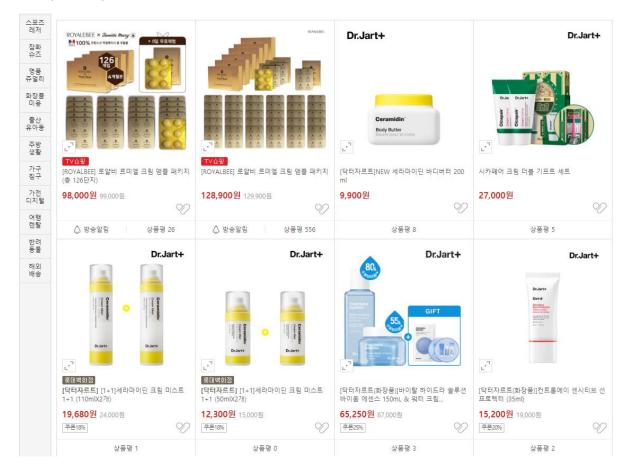
https://www.hyundaihmall.com/front/pde/search.do?searchTerm=samsung&gnbSearchYn=Y



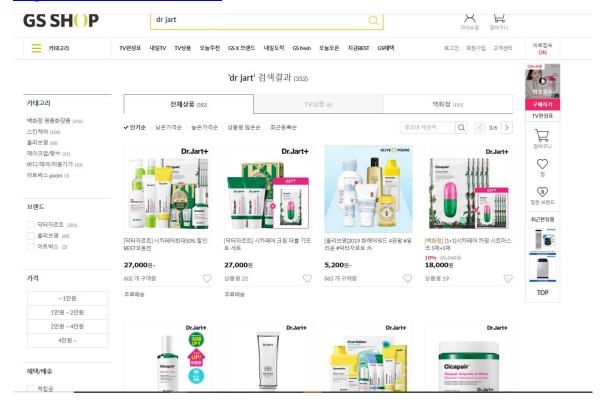
2. DR JART Examples (Korean beauty Brand)

http://www.lotteimall.com/search/searchMain.lotte?slog=80060 1&headerQuery=dr+jart&lv11 cate no=&lv12 cate no=&lv13 cate no=&lv14 cate no=&lv15 cate no=&cateDepth=1&selected filter =&rccode=pc detail4

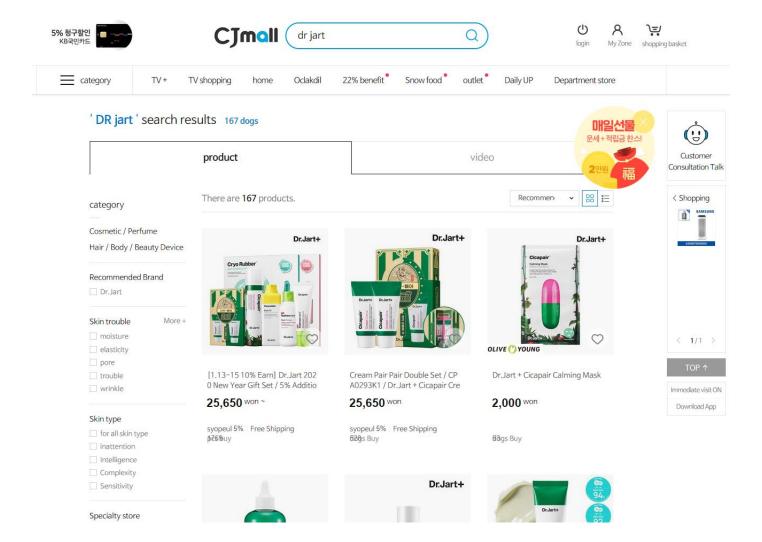
Examples of products available



https://www.gsshop.com/shop/search/main.gs?lseq=392814&tq=dr%20jart&initSrchYn=Y&ab=&gsid=gnb-AU392814-AU392814-1



http://display.cjmall.com/p/search/searchAllList?k=dr%20jart&searchType=ALL



HMall

https://www.hyundaihmall.com/front/pde/search.do?searchTerm=dr+jart&gnbSearchYn=Y



TV쇼핑 은라인전용

Fere Fere

닥터자르트 캡슐앰플에 선물용 쇼. 닥터자르트 바이탈 하이드라 솔루션 캡슐앰플 기프트패키지

89,000원

상품평(1,009)

삼성5% · 무3 · 무료배송



TV쇼핑 온라인전용

닥터자르트 캡슐앰플집중 패키지 X. 닥터자르트 바이탈 하이드라 솔루션 캡슐앰플 앰플집중 관리구성

10%

148,000

133,200원

상품평(1,007)

삼성5% · 무3 · 무료배송



30개씩 보기 ~

TV쇼핑 은라인전용

닥터자르트 시카페어 패키지 X 현대. 닥터자르트 시카페어 크림세럼 현대 단독패키지 69,000

62,100 원

상품평(1,009)

10%

삼성5% · 무3 · 무료배송





Q

제외





TV쇼핑 은라인전용

닥터자르트 바이탈 하이드라 솔루션 캡슐 앰플 1BOX

69.000

62,100원

10%

상품평(1,007) 삼성5% · 무료배송 Dr.Jart+

은라인전용

[닥터자르트/DrJart] 더메이크업 핏 쿠 션 기획세트

37,000

35,150원

상품평(6)

무료배송



TV쇼핑 은라인전용

닥터자르트 바이옴X시카 단독패키지 닥터자르트 가성비갑 심플패키지

49.000

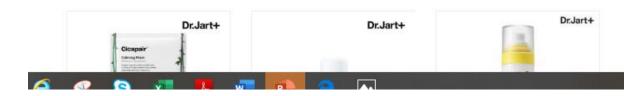
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상품평(2)

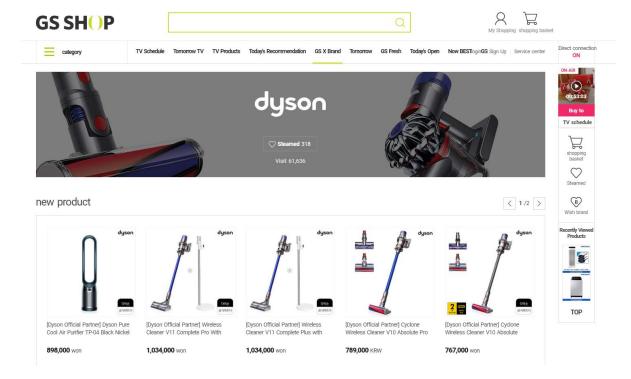
무료배송



DYSON

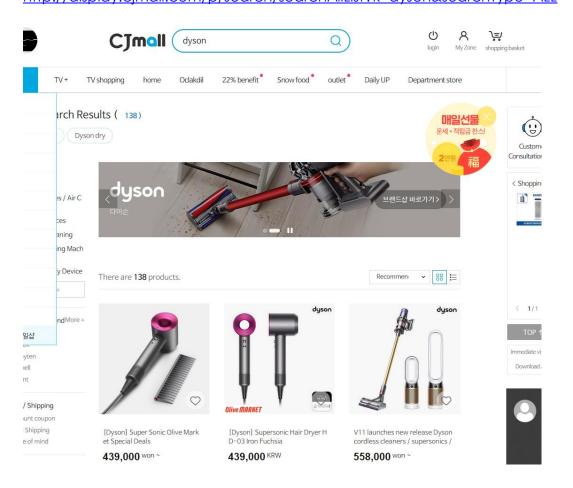
GS Shop

https://www.gsshop.com/shop/jbp/main.gs?jbpBrandCd=1000000546&lseq=414301-10_2



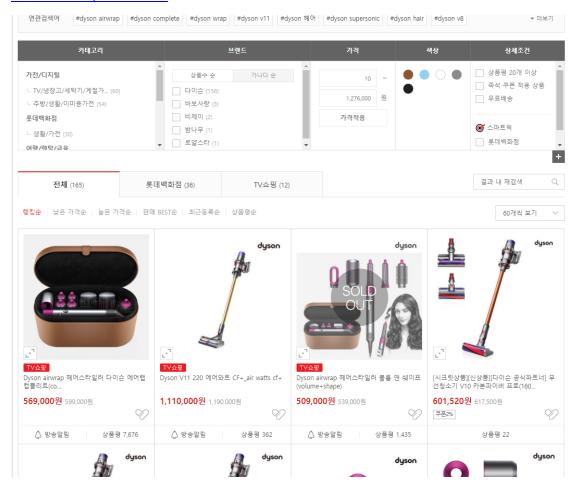
CJ Mall

http://display.cjmall.com/p/search/searchAllList?k=dyson&searchType=ALL



Lotte Mall

http://www.lotteimall.com/search/search/Main.lotte?slog=80060 1&headerQuery=dyson&lvl1 cate no=&lvl2 cate no=&lvl3 cate no=&lvl4 cate no=&lvl5 cate no=&cateDepth=1&selected filter =&rccode=pc detail4



HMall

https://www.hyundaihmall.com/front/pde/search.do?searchTerm=dyson&gnbSearchYn=Y

