



K&L GATES

Non - Confidential Version

Restriction of Publication of Part Claimed

Notification of resale price maintenance

Notification by HP PPS Australia Pty Ltd

ACN 603 480 628

Notifying party

1. Provide details of the notifying party, including:

1.1. name, address (registered office), telephone number, and ACN

HP PPS Australia Pty Ltd (ACN 603 480 628)

Building F, Level 5

1 Homebush Bay Drive

Rhodes NSW 2138

Telephone: 13 15 47

1.2. contact person's name, telephone number, and email address

Colin Chang (Senior Legal Counsel, HP)

Telephone: 02 8104 2313

Email: colin.chang@hp.com

1.3. a description of business activities

HP PPS Australia Pty Ltd is a supplier of HP-branded technology products in Australia.

1.4. email address for service of documents in Australia.

Ayman Guirguis (Partner, K&L Gates)

ayman.guirguis@klgates.com

Details of the notified conduct

2. Indicate whether the notified conduct is for:

2.1. exclusive dealing (s. 47 of the Competition and Consumer Act 2010 (Cth) (the Act));

2.2. resale price maintenance (s. 48)

2.3. collective bargaining (s. 93AB). If the notified conduct is for collective bargaining, whether the notified conduct includes a collective boycott.

The notified conduct is for resale price maintenance (section 48 of the *Competition and Consumer Act (Cth)*).

3. Provide details of the notified conduct including:

3.1. a description of the notified conduct

3.2. any relevant documents detailing the terms of the notified conduct

3.3. the rationale for the notified conduct

3.4. any time period relevant to the notified conduct.

Please refer to section 3 of Annexure A.

4. Provide documents submitted to the notifying party's board or prepared by or for the notifying party's senior management for purposes of assessing or making a decision in relation to the notified conduct and any minutes or record of the decision made.

Please see Confidential Annexure B.

5. Provide the names and/or a description of the persons or classes of persons who may be directly impacted by the notified conduct and detail how or why they might be impacted.

Please refer to section 3.4 of Annexure A.

Market information and concentration

6. Describe the products and/or services, and the geographic areas, supplied by the notifying parties. Identify all products and services in which two or more parties to the notified conduct overlap (compete with each other) or have a vertical relationship (e.g. supplier-customer).

Please refer to section 4 of Annexure A.

7. Describe the relevant industry or industries. Where relevant, describe the sales process, the supply chains of any products or services involved, and the manufacturing process.

Please refer to sections 2 and 4 of Annexure A.

8. In respect of the overlapping products and/or services identified, provide estimated market shares for each of the parties where readily available.

Please refer to section 4 of Annexure A.

9. In assessing a notification, the ACCC takes into account competition faced by the parties to the proposed conduct. Describe the factors that would limit or prevent any ability for the parties involved to raise prices, reduce quality or choice, reduce innovation, or coordinate rather than compete vigorously. For example, describe:

9.1. existing competitors

9.2. likely entry by new competitors

9.3. any countervailing power of customers and/or suppliers

9.4. any other relevant factors.

Please refer to section 4 of Annexure A.

Public benefit

10. Describe the benefits to the public that are likely to result from the notified conduct. Provide information, data, documents or other evidence relevant to the ACCC's assessment of the public benefits.

Please refer to section 6 of Annexure A.

Public detriment (including likely competitive effects)

11. Describe any detriments to the public that are likely to result from the notified conduct, including those likely to result from any lessening of competition. Provide information, data, documents, or other evidence relevant to the ACCC's assessment of the detriments.

Please refer to section 7 of Annexure A.

Contact details of relevant market participants

12. Identify and/or provide names and, where possible, contact details (phone number and email address) for likely interested parties, such as actual or potential competitors, customers and suppliers, trade or industry associations and regulators.

Proposed HP Online Store Partners:

[REDACTED]

Consumer Groups:

CHOICE
57 Carrington Road
Marrickville NSW 2204
1800 069 552
ausconsumer@choice.com.au

HP Channel Partners:

Synnex
92 Carroll Road
Oakleigh South VIC 3167
03 8540 8888

Dicker Data
230 Captain Cook Drive
Kurnell NSW 2231
1800 688 586

Datacom
1 Julius Avenue
North Ryde NSW 2113
02 8875 3500
answers@datacom.com.au

Data3
67 High Street
Toowong QLD 4066
1300 232 823
servicedesk@data3.com.au

JB Hi-Fi
Level 4, Office Tower 2
Chadstone Place, Chadstone Shopping Centre
1341 Dandenong Road
Chadstone VIC 3148
03 8530 7333

Harvey Norman
A1 Richmond Road
Homebush West NSW 2140
02 9201 6111

Other HP Channel Partners are referred to in section 2.2.

Key Competitors:

Apple
Level 2
20 Martin Place
Sydney NSW 2000
133 511

Dell
Building 3
14 Aquatic Drive
Frenchs Forest NSW 2086
02 8972 5187

Acer
Homebush Business Village, Suite 16b
11-21 Underwood Rd
Homebush NSW 2140
02 8762 3000

Lenovo
Level 4
12 Help Street
Chatswood NSW 2057
02 8003 8200

Fuji Xerox
8 Khartoum Road
Macquarie Park NSW 2113
02 9856 5000

Canon
Building A, The Park Estate
5 Talavera Road
Macquarie Park NSW 2113
13 13 83

Epson
3 Talavera Road
North Ryde, NSW 2113
02 8899 3666

Other competitors are referred to in Schedule 2.

Any other information


13. Provide any other information you consider relevant to the ACCC's assessment of the notified conduct.

Please refer to section 2 (Background) and section 5 (Counterfactual) of Annexure A.

Declaration by notifying party

The undersigned declare that, to the best of their knowledge and belief, the information given in response to questions in this form is true, correct and complete, that complete copies of documents required by this form have been supplied, that all estimates are identified as such and are their best estimates of the underlying facts, and that all the opinions expressed are sincere.

The undersigned are aware that giving false or misleading information is a serious offence and are aware of the provisions of sections 137.1 and 149.1 of the Criminal Code (Cth).



Signature of authorised person

DIRECTOR

Office held

KEN MAHER

Print Name of authorised person

This 16 day of July 2019

Note: If the Notifying Party is a corporation, state the position occupied in the corporation by the person signing. If signed by a solicitor on behalf of the Notifying Party, this fact must be stated.

Annexure A - Submission in support of notification for resale price maintenance

1. Executive Summary

HP PPS Australia Pty Ltd (**HP**) is notifying the ACCC of its proposed model for the HP Online Store. The purpose of the proposed model is to improve the experience of, and service offerings to, customers of the HP Online Store, in the most efficient and cost-effective manner.

To achieve the above aims, HP proposes to partner with third parties with specialist expertise, and in particular HP will:

- utilise an eCommerce platform from a third-party provider; and
- outsource order fulfilment functions to a third-party.

Apart from the above, HP proposes to continue to control all other aspects of the HP Online Store including product and marketing strategies, and in particular, the setting of retail prices for HP products that appear on the HP Online Store.

Under the proposed model, HP will supply HP products to a third-party and the third-party will receive payments direct from customers (through the new eCommerce platform) and be responsible for the physical supply of HP products to customers.

Such an arrangement may technically be considered to amount to HP entering into an agreement for the supply of goods to a third-party where one of the terms is that the third-party sells goods at prices specified by HP. HP therefore seeks legal protection by way of a notification for resale price maintenance.

HP submits that there are numerous public benefits resulting from the proposed model for the HP Online Store (HP's control of retail pricing being an integral and inseparable component of this model), including that customers of the HP Online Store will:

- have a significantly improved user experience (on both desktop and mobile sites) through enhancements to existing functions such as on-site search capabilities and the addition of new functionality such as customer reviews and order history logs; and
- be able to avail themselves of improved service offerings including a wider range of delivery options, faster delivery, returns and refunds processes, and a wider range of payment options.

Importantly, without the ability to continue to control the retail pricing of HP products on the HP Online Store, HP will not be proceeding with the proposed model for the HP Online Store.

HP submits that there are no public detriments associated with the conduct, including no competitive detriments, due to the fact that there are numerous competing brands, in each product category sold on the HP Online Store, together with the fact that sales from the HP Online Store (the only retail store affected by the proposal) account for a very small portion of total sales of those products.

Further, the proposed model for the HP Online Store maintains the status quo whereby HP continues to utilise its experience and expertise in setting retail prices for HP products, as it

does across the globe, in a manner that develops the HP brand while protecting the viability of the broader HP distribution network.

2. Background

2.1 HP

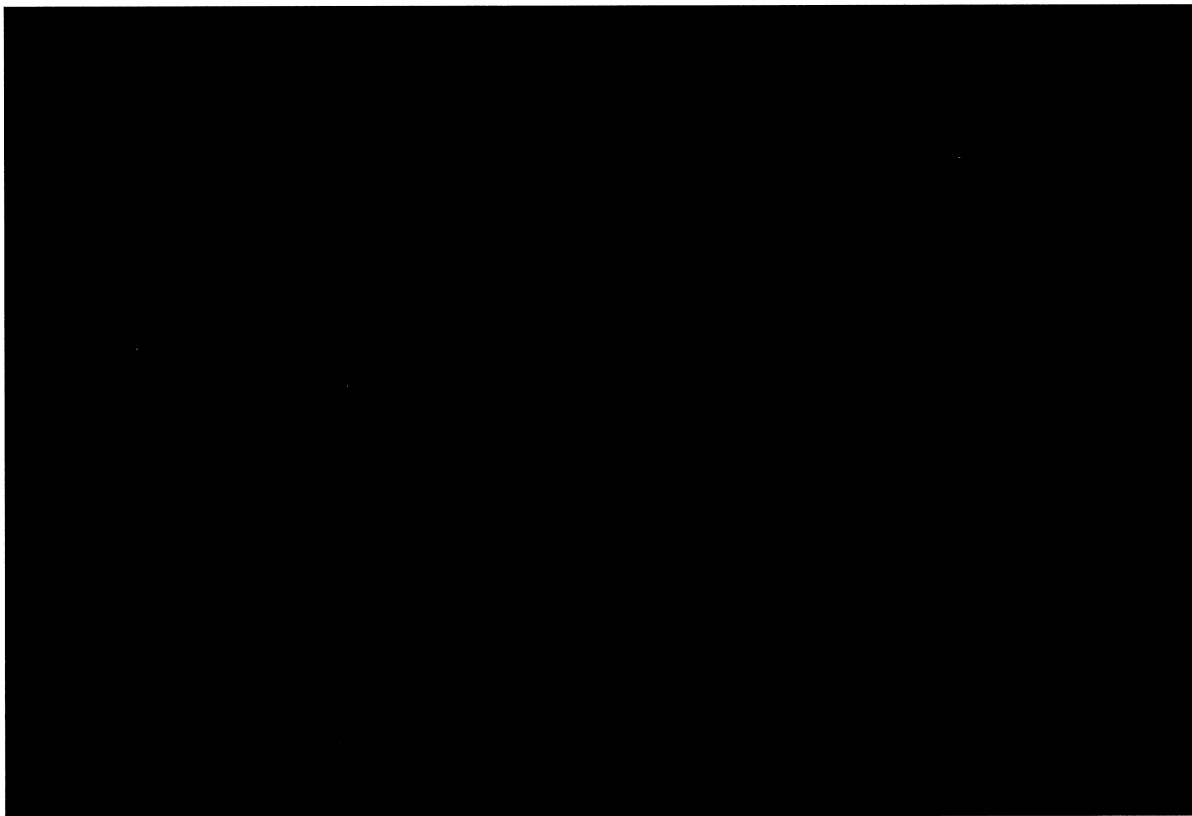
The ultimate parent company of HP is HP Inc., a manufacturer of HP-branded technology products (**HP products**) including desktop computers, notebooks, printers, and related accessories and supplies.

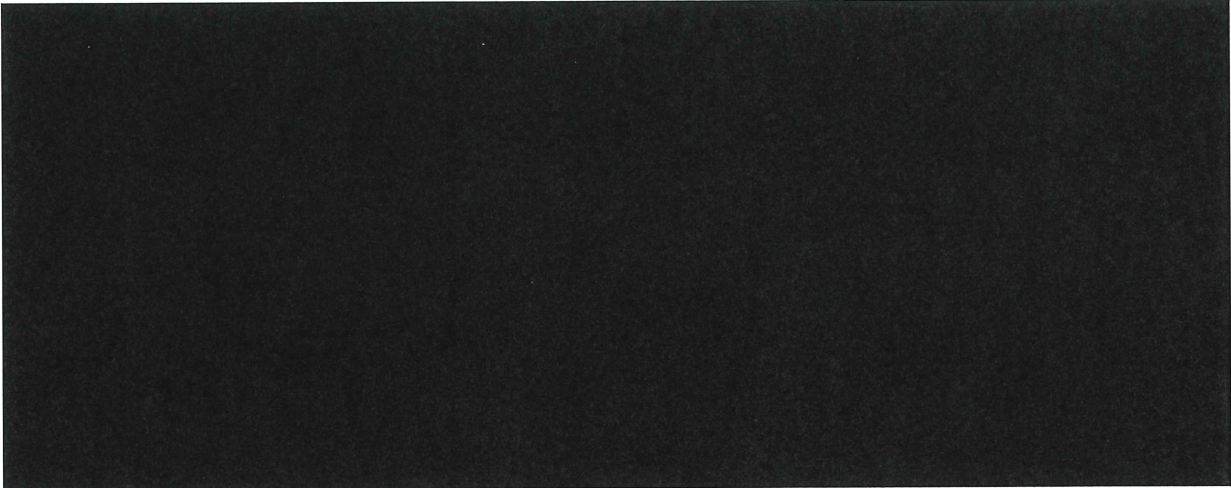
HP imports, distributes and supplies HP products in Australia through its network of authorised distributors, retail channel partners and resellers for resupply to consumer and business customers. HP also sells directly to consumers via the HP Online Store.

2.2 HP Distribution Network

The distribution of HP products through the HP supply chain primarily involves a network of HP Channel Partners (**HP Distribution Network**). [REDACTED]

[REDACTED] Outside of the HP Online Store, most sales direct from HP to end-users are to large corporate or government customers with large volume requirements.

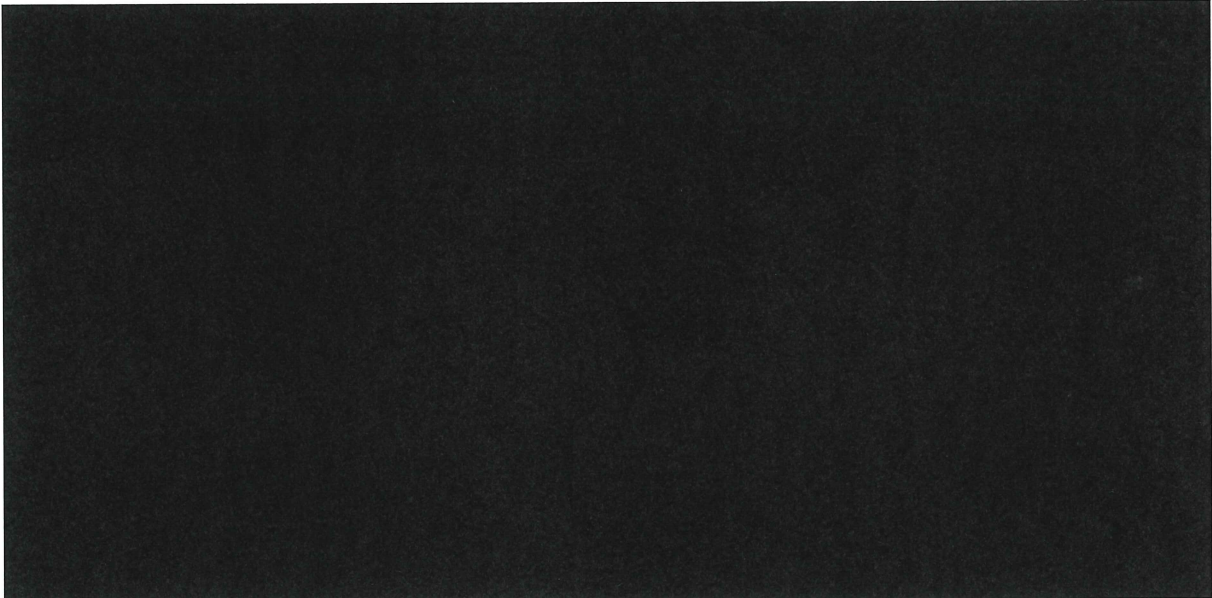




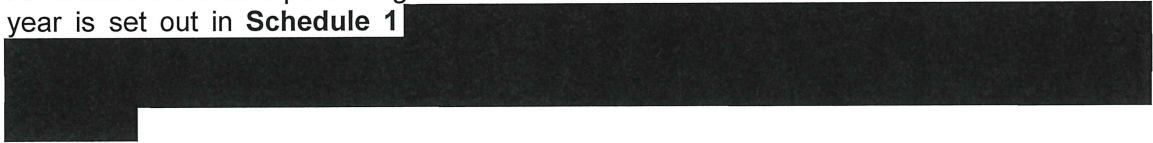
2.3 HP Online Store

One of the means by which HP sells direct to customers is through its public and private online stores (collectively referred to as the 'HP Online Store'). Each store has a separate interface and targets a difference audience. These stores are set out below.

- (a) Public HP online store is accessible at www.hpshopping.com.au. The target audience is consumers, students and small to medium businesses.



Sales made through the HP Online Store make up a small portion of HP's total sales in Australia. For each category of product sold on the HP Online Store, the revenue from the HP Online Store as a percentage of HP's total revenue in Australia for the 2017-18 financial year is set out in **Schedule 1**



HP's current model for the HP Online Store

Under the current model, HP directly manages all aspects of the HP Online Store. This includes managing the following functions:

- Product and marketing strategy – HP establishes the strategic direction of the business in terms of product ranges, target markets, business objectives and goals. All aspects of product strategy are formulated and executed by HP including pricing, promotion and distribution strategies, forecasting and range depth. The content of the websites including imagery, text and product placement is also controlled by HP.
- Technology – HP manages the eCommerce site and develops all content. HP is responsible for maintaining and integrating its eCommerce site into payment gateways, order management and partner systems for logistics.
- Finance – HP processes all orders and payments from customers are received directly into HP's systems and bank account. HP sends the invoice to the customer and contractually, HP is the merchant and seller of record. Where the customer requires finance, HP refers the customer to either HP Financial Services (**HPFS**) or Latitude Finance Australia (**LFA**).
- Resourcing – HP resources all aspects of the HP Online Store, from management, sales, marketing to pre and post sales call centre support.

At present, the only aspect of the HP Online Store's operation not directly performed by HP (in all instances) is the physical fulfilment of orders

As HP does not have large inventory holdings in Australia, HP sources many HP products sold on the HP Online Store from the inventory of one of its T1 Distributors and purchases these products from the T1 Distributor. For these products, the physical supply of the product is then undertaken by the T1 Distributor instead of HP, although contractually the supply is direct from HP to the customer.

Limitations of HP's current model for the HP Online Store

Under the current model for the HP Online Store, HP's ability to enhance the quality of experience for customers across the various interfaces on the HP Online Store is limited for the following reasons:

- HP's current eCommerce platform is leveraged from the HP EMEA business (Europe, Middle East – Africa). HP's EMEA team are responsible for releasing all major updates and enhancements to the platform. Such updates are necessarily focused on enhancing the experience of customers across Europe. Accordingly, HP's ability to release updates to the HP Online Store for the benefit of Australian customers is limited.
- The current eCommerce platform leveraged from the HP EMEA business does not have the functionality to support more advanced systems, including payment gateway systems which can facilitate the offering of a wider range of payment methods to customers.

- Customer orders are received first into HP's Order Management System then split into the Order Management System of the T1 Distributor which creates duplication in processes and some delays for customers in receiving products.
- Additionally, since the order fulfilment functions are split between HP and the T1 Distributor, products have varied delivery times meaning that customers may receive different products in a single order at different times. Accordingly, HP's ability to create a "hassle-free" and more uniform delivery experience for its customers is limited.
- As HP's core business is not the provision of logistics services, it lacks the expertise and third-party relationships of a specialist in this area to facilitate innovative logistics and delivery methods that may improve delivery times and offer more convenient delivery options for customers.

HP's proposed model for the HP Online Store

In order to address the above limitations of the current HP Online Store model, HP proposes to implement a new model that involves the following:

- HP will host and maintain a new eCommerce platform developed by a third-party provider for the Asia Pacific region. HP has established a number of teams, both locally and across Asia, that will be responsible for implementing, managing and optimising the eCommerce platform for Australian customers.
 - [REDACTED]
- HP will outsource the order fulfilment function in its entirety to a T1 Distributor.
 - [REDACTED]
 - Instead of HP purchasing products to be sold on the HP Online Store from the T1 Distributor, the T1 Distributor will order products from HP based on forecasts supplied by HP and store the products in its warehouses. However, with respect to low run-rate SKUs, the T1 Distributor will leverage its own vast stock holdings.
 - The T1 Distributor will be the merchant and seller of record. When a customer makes a purchase, the payment will go directly into a bank account nominated by the T1 Distributor, the T1 Distributor will invoice the customer and title of the product will flow from the T1 Distributor to the customer.
 - The T1 Distributor will work with HP to integrate the new eCommerce platform into the T1 Distributor's Enterprise Resource Planning (ERP) IT System, specifically the order management and payment gateway systems.
 - From a financial and back-end operational perspective, the T1 Distributor will manage all product returns and refund payments in accordance with the consumer guarantee provisions of the Australian Consumer Law for HP products purchased on the HP Online Store, under indemnification from HP. However, from the customer's perspective the process will remain unchanged since the customer will deal exclusively with HP's first tier customer support team on all aspects of their

orders. HP's customer support team will then coordinate with the T1 Distributor on returns and refunds.

Apart from the above changes, HP will continue to be the operator of the HP Online Store, maintaining control over all other aspects of its operation.

3. Proposed Conduct

3.1 Description of the Proposed Conduct

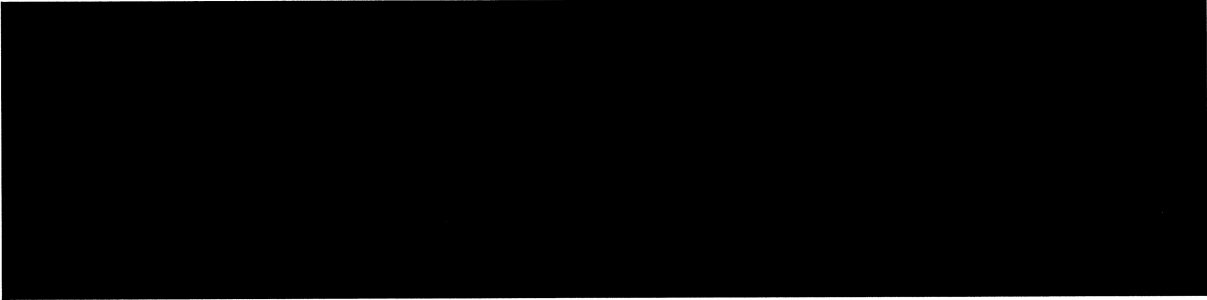
Under the proposed model for the HP Online Store, HP will retain all responsibilities with respect to product and marketing strategies and in particular, will continue to set the retail prices for HP products that appear on the HP Online Store (**Proposed Conduct**).

As the proposed model will technically involve the supply of HP products from HP to the T1 Distributor who on-sells direct to customers, the Proposed Conduct may be considered to amount to HP entering into an agreement for the supply of goods to the T1 Distributor where one of the terms is that the T1 Distributor sells goods at prices specified by HP.

HP therefore seeks legal protection by way of a notification for resale price maintenance to engage in the Proposed Conduct that will form part of HP's proposed model for operating the HP Online Store.

3.2 Rationale of the Proposed Conduct





The primary reason for implementing the proposed model for the HP Online Store is that HP is seeking to improve the experience of, and service offerings to, customers that source HP products from HP Online Store in the most efficient and cost-effective way.

To achieve this goal, HP is proposing to partner with third parties that can contribute valuable skills, capabilities and infrastructure in order to create an improved experience for customers of the HP Online Store, in circumstances where HP lacks the capabilities to create such improvements on its own accord (see limitations identified in section 2.3). Logically, HP will retain functions for which it is best placed to optimise, in order to achieve its purpose of improving the experience of customers on the HP Online Store.

HP's rationale in more detail with respect to the proposed partnerships with third parties is as follows:

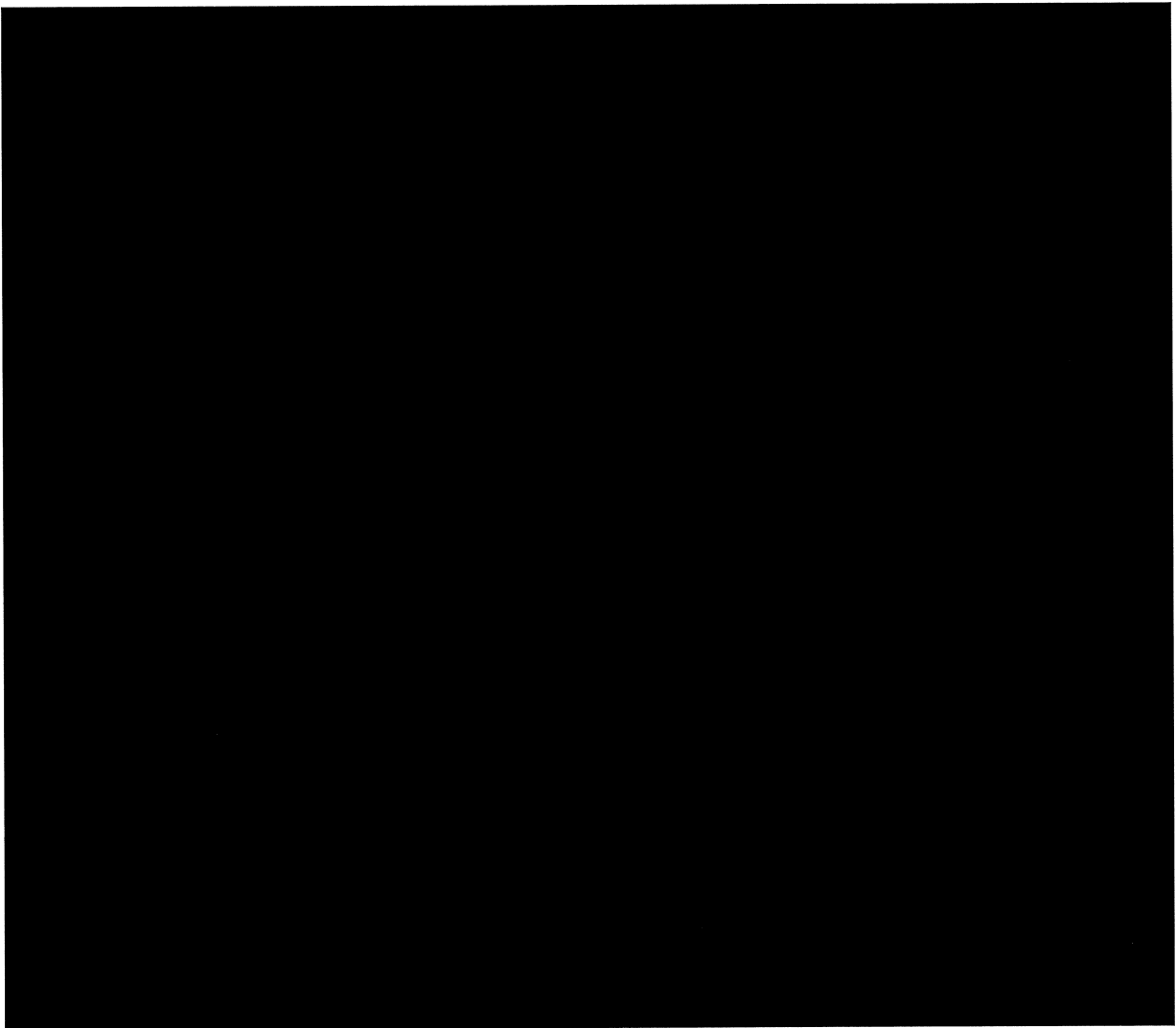
- Implementing a locally managed eCommerce platform from a third-party provider.
 - The new eCommerce platform from the third-party provider, which will be managed by HP locally, will allow HP to introduce new functionality to the HP Online Store and to streamline the ordering and logistics processes.
 - The new functionality will include an entirely new on-site and mobile experience that will assist customers in accessing the right information and products with greater ease and speed compared to the current eCommerce platform.
 - In addition, the new eCommerce platform will allow HP to introduce a significantly wider range of payment and delivery options for customers (that will be rolled out with the assistance of the T1 Distributor).
 - The new eCommerce platform also allows for orders from marketplaces such as eBay and Amazon to be more easily integrated into the T1 Distributor's order management system which HP may consider leveraging in the future.
- Outsourcing the order fulfilment function to a T1 Distributor.
 - Under HP's current model for the HP Online Store, logistics operations and fulfilment of orders is a complex process involving HP purchasing HP products from a T1 Distributor and some orders being fulfilled by HP and some by a T1 Distributor. The complexity of this process results in variable delivery times for products and some delays in customers receiving products and returns being processed.
 - Streamlining the order management process and leveraging the logistics expertise of the T1 Distributor will allow for faster delivery times, a wider range of delivery and tracking options and faster refunds and returns processes for HP customers.

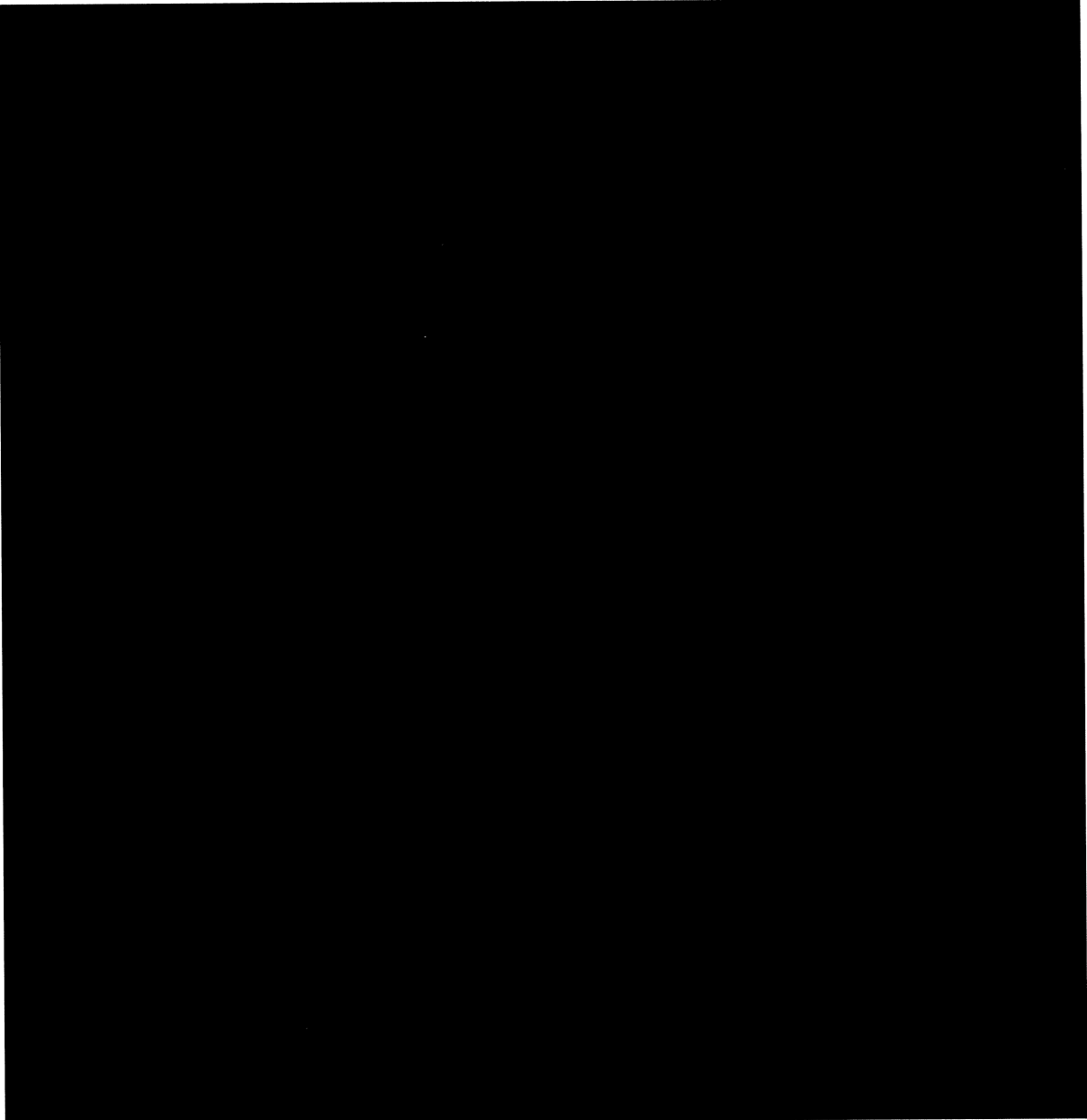
- As providing logistics services is not core to HP's business, it lacks the expertise and experience to seamlessly offer the above improvements to customers of the HP Online Store.

HP considers that the Proposed Conduct (HP maintaining control over retail prices on the HP Online Store) is essential to the proposed model for operating the HP Online Store for the following reasons:

- The T1 Distributor's core business is the distribution of technology products to resellers (not end users) including providing warehousing and logistics services. It is not in the business of, nor has any experience with, or the appropriate resources for, developing retail price, promotion and product placement strategies for almost 2000 SKUs.
- Conversely, HP is in the business of, and has expertise and experience in, retailing HP products including developing and implementing effective product, place, price and promotional strategies that meet the needs of customers, develop the HP brand and protect the viability of the HP Distribution Network. Further details about the complexity of these strategies and HP's internal resources that are required to develop and implement them, are set out in the confidential section below.

HP's pricing strategies and resources for the HP Online Store





3.3 Time period relevant to the Proposed Conduct

The Proposed Conduct will commence if and when the ACCC allows this notification to stand and will thereafter be ongoing.

3.4 Persons impacted by the Proposed Conduct

The parties or classes of persons that will be impacted by the Proposed Conduct are:

- Customers - purchasers of HP products from the HP Online Store;
- The T1 Distributor that HP intends to partner with for the proposed model for the HP Online Store; and
- The HP Distribution Network.

Customers

Under the proposed model for the HP Online Store, HP intends to maintain the same pricing strategies that it has employed in recent years. This means that customers of the HP Online Store can continue to avail themselves of the price points and promotions that are presently available on the HP Online Store.

From a customer experience perspective, the only difference under the proposed model for the HP Online Store will be that customers can benefit from an enhanced customer experience and service offerings, including a wider range of payment and delivery options and faster delivery and returns processes.

Customers will also be purchasing HP products direct from the T1 Distributor, rather than HP. HP intends to clearly communicate with customers about the identity of the organisation with whom they are contracting with when purchasing HP products from the HP Online Store.

As is the case currently, customers have numerous alternative online and "bricks and mortar" retailers from which to purchase HP products or competing brands. The proposed model for the HP Online Store does not seek to limit the availability or the retail pricing of these alternatives.

T1 Distributor

The T1 Distributor with whom HP intends to partner for the proposed model for the HP Online Store will be impacted by the Proposed Conduct, as theoretically, it will be acting as a supplier of HP products purchased by customers from the HP Online Store without the ability to set retail prices.

However, as stated above, the T1 Distributor is a warehousing and logistics provider that supplies to resellers and does not have the experience, expertise or resources to set retail prices for a product range of over almost 2000 SKUs.

By HP engaging in the Proposed Conduct as part of the new HP Online Store, the T1 Distributor will benefit from being able to obtain a new revenue stream in light of the new services being provided to HP and to retail customers.

HP Distribution Network

The impact of the Proposed Conduct on the HP Distribution Network will be neutral as HP intends to continue its holistic 'go to market' strategies which, subject to the competitive impacts of alternative brands, seek to maximise sales of HP products while ensuring that price points on the HP Online Store and RRP's provide for a margin that maintains the viability of the HP Distribution Network. This strategy seeks to promote intra-brand competition within the HP Distribution Network.

Notwithstanding the above, the introduction of higher quality service offerings on the HP Online Store under the proposed model is likely to encourage other retailers of HP products to similarly improve their service offerings.

The Proposed Conduct will not have any direct impact on the supply chains of competing brands save that it may result in these competitors similarly improving their online and/or "bricks and mortar" service offerings.

4. Markets impacted by the Proposed Conduct

HP sells HP products on the HP Online Store that can be broadly categorised as PC or Print products.

The PC category includes desktops, workstations, displays, notebooks and accessories and the Print category includes printers and print supplies such as ink and toner.

In both the PC and Print categories, the HP products sold on the HP Online Store are mainly focused for two main target markets:

- commercial – small to medium sized businesses consisting of approximately 1-99 employees; and
- consumer – at home users or students.

The HP products on the HP Online Store can be purchased and supplied to customers throughout all regions of Australia.

HP considers that the relevant markets that may be impacted by the Proposed Conduct are likely to be markets for the retail supply of:

PC	Print
<ul style="list-style-type: none"> • Consumer desktop products • Consumer notebook products • Commercial desktop products • Commercial notebook products • PC accessories 	<ul style="list-style-type: none"> • Home printers • Office printers • Home print supplies • Office print supplies

Further details about the types of products included in the above market segments are included in **Schedule 1**.

The market shares of HP and its key competitors in each of the product markets identified above is set out in **Schedule 2**.

If HP was to engage in the Proposed Conduct under the new model for the HP Online Store, it would be constrained from increasing retail prices given that:

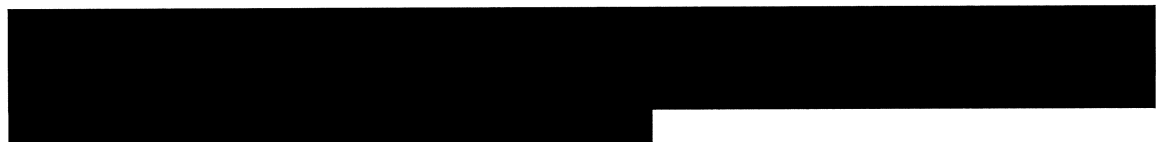
- In each of the relevant product markets, there are a large number of alternative suppliers from which HP faces strong competition. Prices of HP products are largely determined by market forces and increasing retail prices on the HP Online Store would make HP products sold through that avenue uncompetitive with other brands.
- Sales from the HP Online Store make up a very small proportion of the total sales of HP products. Increasing prices on the HP Online Store may merely shift sales to other retailers of HP products in the HP Distribution Network and undermine the viability of the HP Online Store which offers a trusted channel from which customers can purchase genuine HP products.

5. Counterfactual

In assessing the likely benefits and detriments to the public from the Proposed Conduct, HP considers that the ACCC should take into account the likely state of affairs if the Notification is allowed to stand or alternatively, if it is revoked.

If the Notification in respect of the Proposed Conduct is not allowed to stand, HP will not be proceeding with any aspect of the proposed model for the HP Online Store referred to in section 2.3. This means that HP will not look to partner with the eCommerce platform provider or the T1 Distributor to acquire the services outlined in this Notification.

In the event the Notification is not allowed to stand, HP's current plan is to continue with the existing HP Online Store model, including retaining its existing eCommerce platform and maintaining its current system of HP purchasing HP products sold on the HP Online Store from the T1 Distributor and splitting the ordering and logistics functions between HP and the T1 Distributor.



Therefore, in the event the Notification is not allowed to stand, customers of the HP Online Store will not be able to avail themselves of the enhanced customer experience and service offerings that are expected on an ongoing basis under the proposed model due to the limitations of the current HP Online Store model. The factual and the counterfactual is therefore the same.

In light of this, the counterfactual scenario should not be considered as HP proceeding with the new model for the HP Online Store in the absence of the Proposed Conduct (i.e. a situation where the T1 Distributor sets retail prices rather than HP).

Lack of commercial alternatives

In order to address the limitations of the current HP Online Store in light of the unique timing and operational factors that HP is currently facing (as identified on a confidential basis in section 3.2), the proposed model for the HP Online Store is presently the only reasonable way forward in terms of commercial viability and HP being in a position to offer better services to its customers.

For the benefit of the ACCC, HP identifies below some alternative models for the HP Online Store that may be raised in response to this submission and the reasons why these alternatives are presently unviable for HP and not in the best interests of HP customers:

- HP proceeding with the new model for the HP Online Store in the absence of the Proposed Conduct (i.e. a situation where the T1 Distributor sets retail prices rather than HP).
 - For the reasons outlined in this submission, HP considers that the Proposed Conduct cannot be considered in isolation to the other elements of the proposed model for the HP Online Store.
 - HP has highly-experienced, dedicated teams that specialise in setting product, distribution, price and promotional strategies for the HP Online Store. As identified on a confidential basis in section 3.2, HP's pricing strategies for the HP Online Store

are both complex and dynamic and cannot be separated from the other product-related strategies that HP employs.

- HP considers that the T1 Distributor, whose primary business is warehousing and logistics, does not have the necessary expertise, experience or insights into HP's business to set prices in a way that balances the interests of HP customers and participants in the broader HP Distribution Network.
- Further, the high level of promotional activity on the HP Online Store means that, for example, HP providing the T1 Distributor with RRP's for the T1 Distributor to set prices is not an option that is likely to result in a successful business model or a positive outcome for customers – hence HP will not be adopting such a model.
- HP using the third-party eCommerce platform and appointing the T1 Distributor under an agency model.

Appointing the T1 Distributor as an agent of HP to sell the products on the HP Online Store while HP remains as the merchant and seller of record (to avoid engaging in RPM) would therefore involve the T1 Distributor holding significant amounts of stock on consignment, in addition to its holding of stock in its own right as a distributor.

- Under this model, the consigned stock held by the T1 Distributor would need to be designated for sale on the HP Online Store and therefore efficiencies from pooling other stock held by the T1 Distributor (for sale to its wholesale customers) will not be realised from a logistics and operational perspective. The ability to share pooled inventory results in a wider selection of products being available and in stock on the HP Online Store and faster turn around times for customers.
- A consignment model would also create additional complexities from a financial and accounting perspective for both HP and the T1 Distributor since the inventory would remain on HP's "books" without being in its effective control, while the T1 Distributor bears the responsibility of managing two sets of inventory.

- HP using the third-party eCommerce platform in the absence of the enhanced cooperation of the T1 Distributor (i.e. retaining the model whereby the fulfilment of orders are split between HP and the T1 Distributor).

- Due to the inextricable linkage between these two limbs of the proposed model for the HP Online Store, this is not a viable option in light of the customer benefit objectives that underpin HP's decision to implement the proposed model. In particular, the new payment gateway systems and delivery options that can be facilitated through the new eCommerce platform will be directly integrated in the T1 Distributor's systems.

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6. Public benefits

The main beneficiaries of the Proposed Conduct will be customers of the HP Online Store who will benefit from the enhanced customer experience and service offerings associated with the proposed model for the HP Online Store.

Having regard to HP's rationale for implementing the proposed model for the HP Online Store (see section 3.2), in addition to the unique operational and timing factors that HP currently faces (as identified on a confidential basis), the Proposed Conduct is inextricably linked to the proposed model for the HP Online Store. The likely benefits to customers of the HP Online Store are as follows:

Improved user experience

- Customers will have a significantly improved user experience on the HP Online Store (on both desktop and mobile sites) through improvements to page load times, on site search capabilities and ease of navigation. For example, page load times will go from an average of 25+ seconds to below 5 seconds. In HP's experience, long page load times are one of the most common causes of frustration for customers.
- At present, the HP Online Store website is the most comprehensive source of information and specifications for HP products. The improved website functionality and user experience will therefore benefit a wide range of customers, including those who may visit the HP Online Store website for product information and then choose to source HP products from another retailer in the HP Distribution Network.
- Customers will also benefit from the addition of new functionality including customer reviews and order history logs. The customer review functionality will make HP more accountable to its customers and offers customers an additional means to compare and select suitable products. The addition of order history logs will enhance transparency and convenience and may assist in the deployment of loyalty programs in the future.
- Enhanced search engine optimisation will also make it easier for customers to find the right information and product whilst searching online.
- In addition, HP will be able to offer customised stores for the various interfaces of the HP Online Store, offering unique experiences to these customers.

Faster delivery times

- Customers of the HP Online Store will benefit from faster delivery times, including faster refund and returns processes. Speed of delivery is particularly important for online retailers such as the HP Online Store given that "bricks and mortar" retailers with whom the HP Online Store competes, offer customers the convenience of having products immediately available on purchase.
- In addition, since all products will be sourced from the inventory of the T1 Distributor, customers will no longer face the frustration of potentially receiving different products in the same order at different times.

Wider range of delivery options

- At present, deliveries from the HP Online Store to customers take place from 9am to 5pm, Monday to Friday, without the ability to track orders.
- Under the proposed model for the HP Online Store, customers will benefit from a wider range of delivery options that will also make the HP Online Store more competitive in the market in terms of service offerings to customers.
- It is envisaged that some of the expanded options will include express delivery, same day or next business day delivery and "Click and Collect" options, in addition to real-time tracking capabilities that will give customers greater certainty with respect to delivery times. Again, these capabilities will be directly connected from the eCommerce platform at the front end, to the T1 Distributor's systems at the back end.
- Additionally, there is the potential for the T1 Distributor to leverage its existing supply chain relationships to offer more convenient delivery options to customers.

Wider range of payment options that enhances customer choice

- The current HP Online Store only provides limited payment options (credit card, debit card, PayPal or financing through either LFA or HPFS). HP is currently looking at acquiring the services of a payment gateway provider, which would connect directly into the eCommerce platform and the T1 Distributor's payment and order management systems.
- This would allow over 10 payment options to be introduced on the new HP Online Store including WeChat pay, AliPay and instalment payment options such as Afterpay which offer greater online purchase protection for customers and gives customers greater choice and flexibility in how they pay for products.

Customers have the option of providing feedback on their purchasing experience through the HP Online Store. Through this tool, HP is aware that the current limitations of the HP Online Store such as the website functionality, slow delivery times and limited delivery options have resulted in inconvenience and frustration for some customers.

Customer feedback on these issues is summarised in **Schedule 3**. This feedback highlights that the public benefits outlined above with respect to improved user experience and service offerings are important to customers of the HP Online Store.

In addition to the benefits to customers of the HP Online Store, HP submits that:

- customers purchasing HP products from alternative retailers in the HP Distribution Network; and
- customers purchasing products from competing brands,

may also benefit as the introduction of higher quality service offerings on the HP Online Store may also encourage other websites or "bricks and mortar" stores to similarly improve their service offerings.

The Proposed Conduct also ensures that the status quo remains whereby the pricing on the HP Online Store:

- protects the viability of the broader HP Distribution Network by ensuring that prices are not set at such a level so as to hinder the ability of other retailers (particularly smaller retailers) to compete with the HP Online Store and therefore limit their ability to stock HP products (which may in turn decrease competition and customer choice);
- preserves the HP Online Store as a 'genuine' channel for purchasing high quality, genuine HP products; and
- avoids 'free riding' in the sense that retailers who offer specialist advice and expertise on HP products to customers instore may subsequently lose sales based on price to the HP Online Store (which may discourage further investment in training staff on HP products).


7. Public detriments

HP submits that there are no public detriments (including no competitive detriments) associated with the Proposed Conduct. In these circumstances, HP submits that even modest public benefits will justify the Notification being allowed to stand.

Although the Proposed Conduct means that the T1 Distributor will not be in a position to determine retail prices of HP products on the HP Online Store, this is not a public detriment having regard to the fact that this is no different to the present position for the HP Online Store and the position that HP will take should this Notification not be allowed to stand.

Additionally, the Proposed Conduct will have no impact on competition in each of the markets for products sold on the HP Online Store (other than potential pro-competitive effects) having regard to the following:

- HP is only proposing to control the retail prices of HP products sold on the HP Online Store. No other retailer in the HP Distribution Network will be impacted as the Proposed Conduct will ensure that the status quo remains, meaning that other retailers of HP products retain the widest possible freedom to set retail prices as they please.
- The HP Online Store represents a very small part of the HP supply chain.

 Customers will remain free to purchase HP products from a large number of alternative online and "bricks and mortar" retailers. Such retailers account for the vast majority of sales of HP products to consumers and small businesses at present.

- HP faces strong competition from the many alternative brands in each product category identified in **Schedule 2**. Under the Proposed Conduct, customers remain free to purchase PC and Print products from a number of alternative brands who offer similar products. In any event, with or without the Proposed Conduct, retail prices of HP products are largely influenced by the prices of the many other competing brands.
- Under the Proposed Conduct, it is also possible that non-price competition in the market may be enhanced as alternative retailers of both HP and non-HP products may need to similarly offer improved service offerings (such as more convenient payment and delivery options) that will be made available to customers of the HP Online Store.

HP submits that in the absence of any public detriments (including competitive detriments), the Proposed Conduct (which in the circumstances described in this submission, cannot be considered in isolation to the other elements of the proposed model for the HP Online Store), generates a net benefit to the public which justifies this Notification being allowed to stand.

Schedule 1 – Product segments and HP Online Store revenue

The table below contains:

- the types of products included in each product segment; and
- the revenue generated from the HP Online Store as a percentage of HP total Australian revenue in 2017-18 financial year for each relevant product segment.

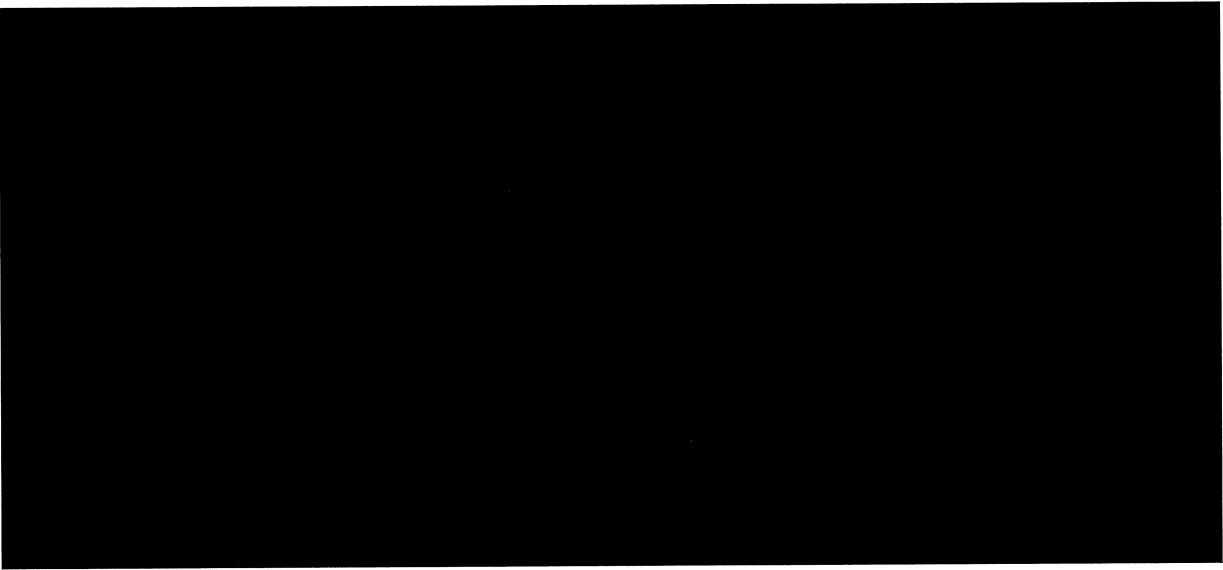
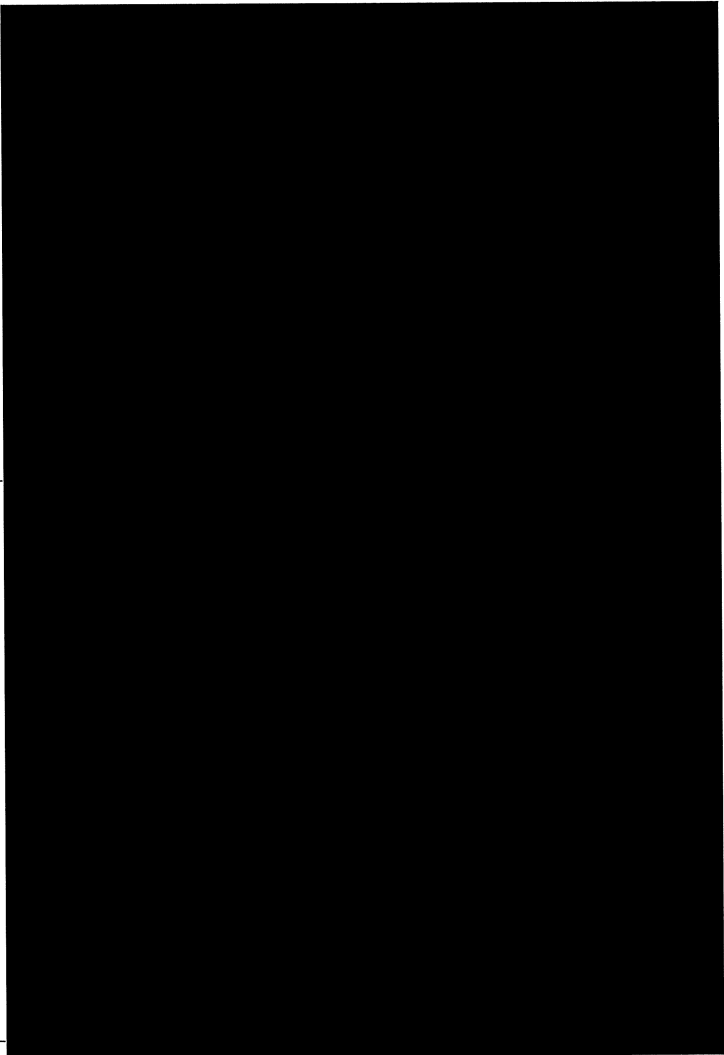
NON-CONFIDENTIAL	
Category	Product Segment
PC	Consumer desktop products (including desktops and displays)
	Consumer notebook products
	Consumer PC accessories (including power adapters, cables, mouse, bags, keyboards, pens, audio, Office 365)
	Commercial desktop products (including desktops, displays and workstations)
	Commercial notebook products (including mobile workstations)
	Commercial PC accessories (including power adapters, cables, mouse, bags, keyboards, pens, audio, Office 365)
PC Total	
Print	Home printers
	Office printers (including printers for home office, small to medium businesses, and large format printers for design or production businesses)
	Home print supplies (including ink, media and toner)
	Office print supplies (including ink and toner)
Print Total	
PC and Print Combined Total	

Schedule 2 – Market shares

The table below contains Australian market share data sourced from IDC, based on sales in the second half of 2018.

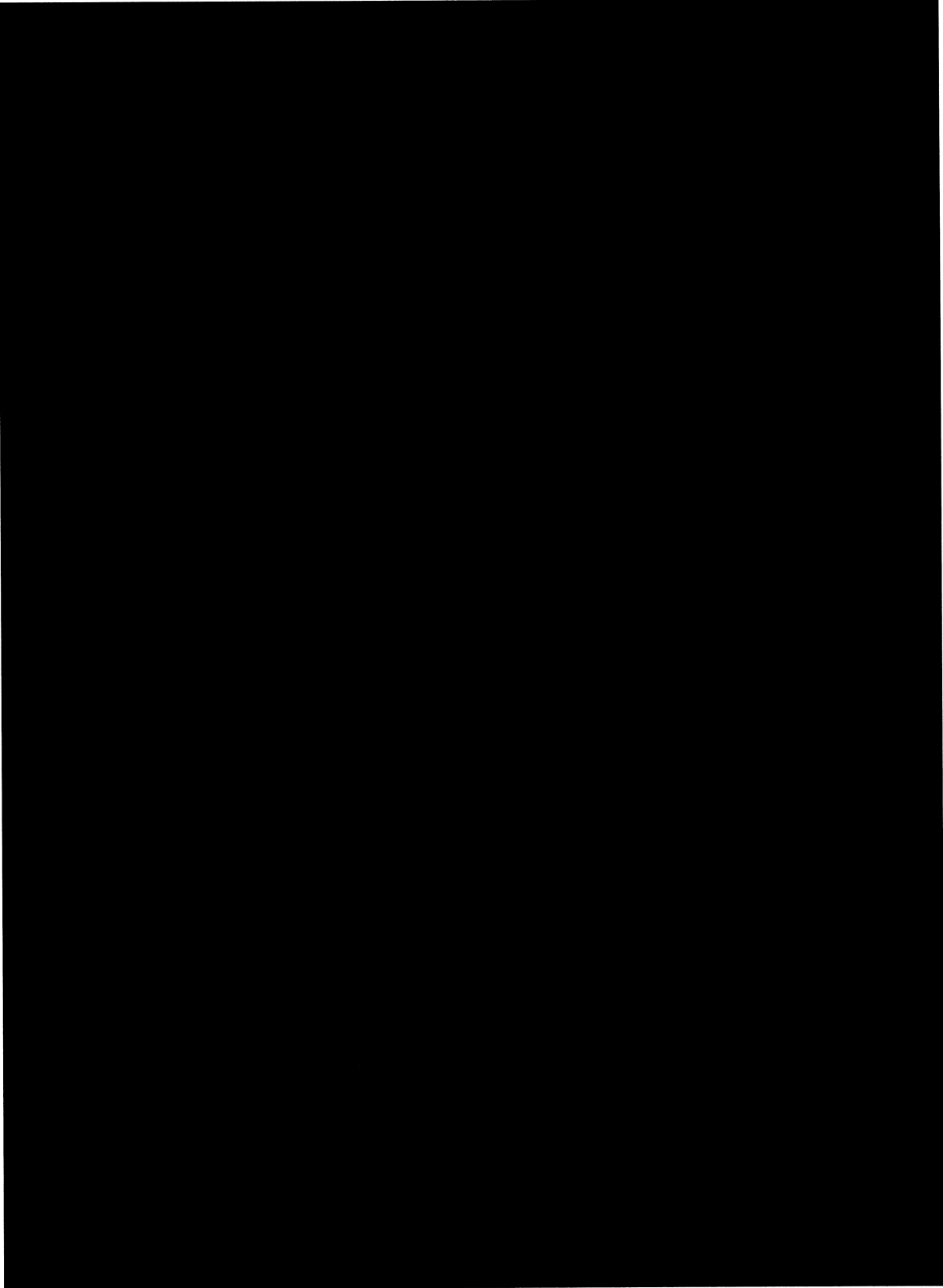
NON-CONFIDENTIAL	
Category	Product Segment
PC	Consumer desktop products
	Consumer notebook products
	Commercial desktop products
	Commercial notebook products
	PC accessories
Print	Home printers
	Office printers

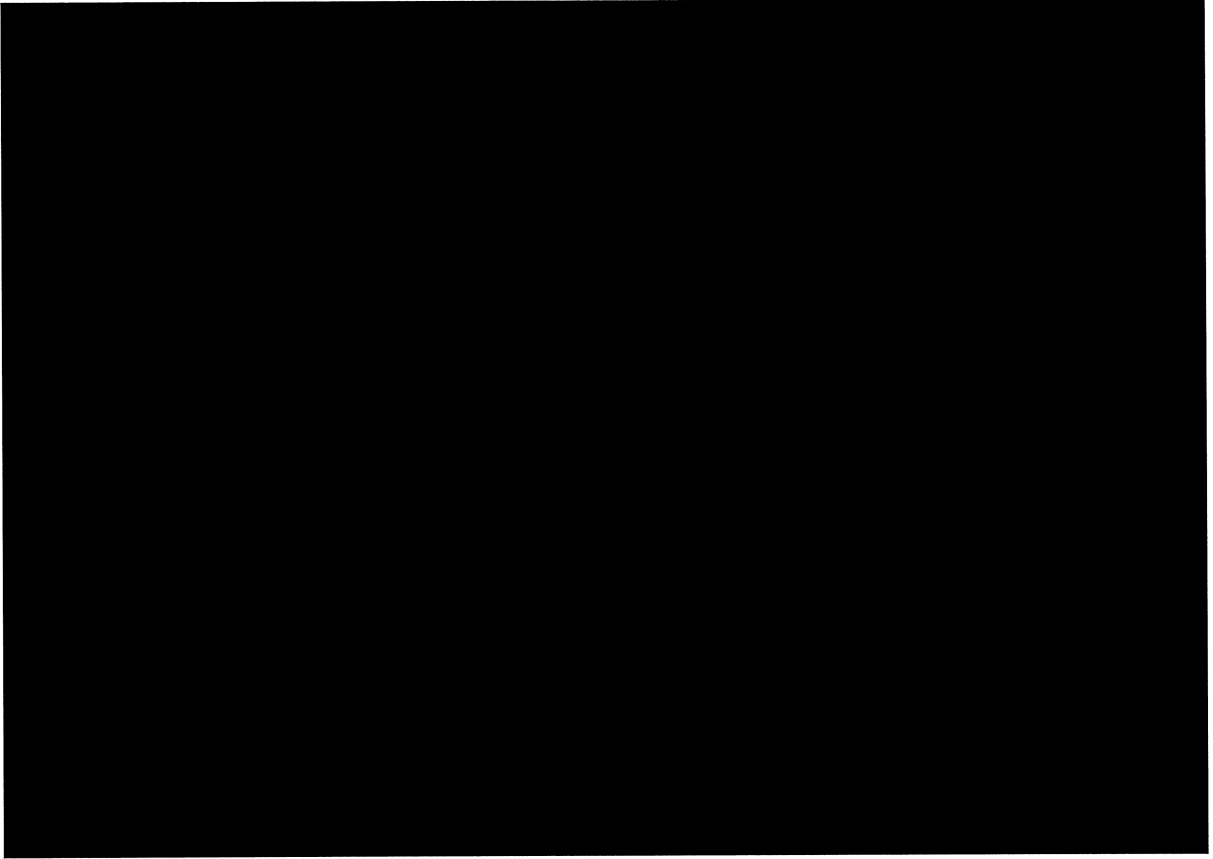
NON-CONFIDENTIAL	
	Home print supplies (Ink) ¹
	Office print supplies (Toner)



Schedule 3 – Customer feedback

The table below summarises some of the customer feedback received in relation to the HP Online Store in the 2017-18 financial year.





Confidential Annexure B