

25 January 2021

Miriam Kolacz
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Adjudication Division
Australian Competition & Consumer Commission
Level 17 Casselden
2 Lonsdale Street, Melbourne 3000

Dear Miriam

Exclusive dealing notifications lodged by TVSN Channel Pty Ltd

We refer to the meeting between openshop and the ACCC on 27 January 2021 and the list of questions for the meeting set out in an email from the ACCC to Ashurst on 4 December 2020.

To assist the ACCC, we have prepared written responses to some of these questions ahead of the meeting. These responses are set out below.

1. How the business has performed

It has been about 18 months since the launch of openshop's business in Australia. As a new entrant into the Australian market, openshop has [REDACTED].

However, the home shopping business inevitably requires substantial [REDACTED]. openshop has invested almost [REDACTED].

openshop's sales performance was [REDACTED]. openshop's sales revenue in 2020 was around [REDACTED].

It is necessary for openshop to [REDACTED].

2. Experience in attracting suppliers and customers

Before openshop launched in Australia, openshop considered various aspects of the Australian market for approximately 2 to 3 years including the transmission environment, distribution conditions, payment practices, etc. [REDACTED].

[REDACTED]

Openshop, as a new retailer in Australia, [REDACTED]. There is a relatively small pool of suppliers handling products suitable for home shopping. Most of them are engaged by TVSN who has run its business for over 20 years. [REDACTED]

[REDACTED] TVSN effectively forces them to choose between TVSN and openshop rather than letting them supply to both of us.

In order to attract suppliers, [REDACTED]. For customers, we have utilised different marketing strategies to TVSN such as differentiated products, prices, and services (free shipping and reserves).

Nevertheless, openshop has [REDACTED].

The number of potential suppliers that are suitable for home shopping is further limited by the core target demographic for home shopping. Both openshop and TVSN primarily target the same customer demographic: female customers in their 50s or older. This is because this demographic is the most likely to buy products through home shopping.

While there are some product categories (eg, televisions and phones) that can be targeted to a wide range of customers, most products sold through home shopping are suitable only for a certain type of customer demographic. For example, there are numerous brands for beauty, fashion and jewellery product categories, but, generally, the brands preferred by different age groups in these categories are very different. [REDACTED]

3. Expectations going forward and future plans

openshop has [REDACTED].

In terms of products, [REDACTED].

The Australian market does not have a large pool of suppliers that supply products suitable for the home shopping industry. openshop believes that a competitive home shopping market can be established in Australia if suppliers are not restricted by TVSN from dealing with openshop.

4. Any available details on audience numbers, demographics etc

As at December 2020, openshop has about [REDACTED], and the openshop channel is being broadcasted in 5 major cities.

openshop's main customers are [REDACTED].

5. Future expansion of openshop's broadcast footprint

Please see our answer above.

6. openshop's broadcast schedule [REDACTED]

openshop's strategy is to [REDACTED]

[REDACTED] This strategy is not caused by TVSN's exclusivity conduct.

The number of hours of live broadcasting which openshop [REDACTED]

TVSN's live broadcast time is about 13 hours a day which is more than 10 times longer than openshop's current live broadcast time on a per week basis.

7. How openshop differentiates itself stylistically from TVSN's programs in order to attract viewers away from TVSN (elaboration on the points at paragraph 2.26 of ASN's submission and any other relevant points of difference)

The way the presenters and guests appear and explain the product in openshop's show is very similar to TVSN as this is the common format used worldwide, including the US, the UK and Korea. However, openshop is trying to give customers a more enjoyable shopping experience through implementing [REDACTED].

8. openshop's product offering (brands and categories) compared to TVSN

As previously communicated to the ACCC the categories of products which are likely to be successful in home shopping are relatively limited. openshop sells a range of products across categories similar to those of TVSN (ie, fashion, life, jewellery, kitchen, home appliance, etc.). While openshop currently focuses particularly on kitchen and home appliance products, TVSN focuses on a higher proportion of fashion and jewellery products.

9. openshop's use of producers, presenters and other staff that have previously been employed by TVSN (in a general sense, we don't want to discuss specific instances of openshop engaging ex TVSN staff)

When hiring staff, it is preferable for openshop to engage buyers and producers with previous experience in the home shopping industry as they need to understand the business. Any individual with the relevant experience in Australia must have had a past or existing relationship with TVSN because it was the only home shopping business operating in Australia for over 23 years.

openshop has no employees working in online operations, IT, or administration who have a previous relationship with TVSN.

10. The contention that there is a subset of suppliers who can be considered 'captive suppliers' and that most existing captive suppliers in Australia have an existing or previous relationship with TVSN – including what proportion of openshop's current sales are by 'captive suppliers' and its strategy [REDACTED] (per paragraph 2.19 of ASN's submission)

The proportion of openshop's sales driven by brands and products of captive suppliers is currently [REDACTED]. openshop is in need of [REDACTED]

11. openshop's experience and observations more generally about trying to source suppliers.

openshop will discuss its experience and observations with the ACCC during the scheduled interview.



Jason Kim

Managing Director & CEO