

Public version

AlphaTheta Corporation / Serato Audio Research Limited Cross-submission by AlphaTheta Corporation in relation to submissions made in response to Statement of Preliminary Issues

1. This cross-submission is made by AlphaTheta Corporation (**AlphaTheta**) in relation to submissions made in response to the Statement of Preliminary Issues published by the Commerce Commission on 26 October 2023.
2. AlphaTheta is very grateful to all those who have filed submissions supporting its proposed acquisition of Serato. Since founding, AlphaTheta has been innovative in its product developments which has been key to its success. This has contributed to growth of the DJ industry as a whole and will continue to be AlphaTheta's goal.
3. There have been some assertions made in regard to AlphaTheta's clearance application which AlphaTheta wishes to respond to:
 - (a) There has been an assertion that AlphaTheta will, through the acquisition of shares in Serato, monopolise Serato in some form or other. This is not AlphaTheta's intention or the rationale behind its proposed acquisition. AlphaTheta will not take any action that will cause AlphaTheta's or Serato's customers any grief, as this would go against AlphaTheta's very raison d'être: AlphaTheta's customers.
 - (b) There has been an assertion that rekordbox is tightly integrated with Pioneer DJ hardware. As rekordbox subscribers would know, the paid version of rekordbox is already MIDI supported allowing it to be mapped to other (non-AlphaTheta) hardware products. It would not make sense for AlphaTheta to move away from the widely accepted MIDI industry standard.
 - (c) There has been an assertion that AlphaTheta is unwilling to collaborate with others in the industry. AlphaTheta has never turned down any collaboration offers. AlphaTheta has previously worked with Native Instruments, Atomix (Virtual DJ), Algoriddim (djay), MWM (edjing) and others, and is always looking for partners with whom it can collaborate so as to take each other to new heights. AlphaTheta eagerly would like to start collaborative discussions with any interested party immediately.
4. AlphaTheta has asked NERA economic consultants to prepare the **annexed** economic report which addresses some of the matters raised in Statement of Preliminary Issues and the submissions in response. To assist NERA's analysis, AlphaTheta provides the following additional information:

- (a) ATC estimates that the upfront R&D costs for developing DJ desktop software would be approximately:
- (i) [] manpower per month), for a new entrant to develop a desktop DJ software application as sophisticated as rekordbox (Application);
 - (ii) [] manpower per month), for a company that already has a mobile DJ app; and
 - (iii) [] manpower per month), to add DJ functionality to an existing music production software application.
- (b) Information about DJ hardware retail prices in New Zealand in the spreadsheet annexed to this submission. The spreadsheet lists and compares the pricing for a selection of Pioneer DJ and competitor DJ hardware models based on publicly available retail prices for those products in the New Zealand market. This is not an exhaustive comparison of all models sold in New Zealand since January 2020 and AlphaTheta notes for completeness that it has not undertaken a comparison of the available features for each hardware product. Therefore there may be differences in the available features for the hardware listed in each price range.
5. AlphaTheta has only commented on a few key assertions given the limited timeframe available. However, AlphaTheta repeats the matters raised in its clearance application and is confident that the Commission will conclude that the proposed acquisition will not have the effect of substantially lessening competition.