
Sent: Wednesday, 14 May 2008 1:19 AM

To: Grocery Prices Inquiry

Subject: Public Submission to ACCC Grocery Inquiry by Tim Mitchell on 12/05/08

• **the nature of competition at the retail levels of the grocery industry** , In my considered opinion on competition, is we do not have any, that is, true competition. I do not mean to overly simplify Australia's grocery competition but with just Coles and Safeway having 80% of the market and they deny that, and always will. They have learnt that it doesn't matter what popular belief are or notions their customer still comes in day in day out and spend. They never comment on what is reported on TV as they know it will go away. So they can sell fruit and veges at over inflated prices even though they are old and stale. they can over charge on their petrol and give 4 cents of an over inflated price, They can push up bread prices because of extra margins not extra cost of goods sold, they can squeeze out their small competitors and nothing ever happens to them. Before going on to specific price issues I wish to point out general observations that need remedying.

- We need 4 to 7 new national competitors that are private companies (like Aldi but with the same big range of coles and safeway)
- In order to get from 0 to 500 nationally we would have to invite large overseas companies.
- They need to be private companies as public companies keep employing CEO that have no idea about RETAIL ,all they know is how to cut cost and lift margins ie that is why BREAD is so high because % margin is not what they want but \$\$\$\$ margin, no matter what they charge for bread they still sell 1.5 million loaves a day (each) @ \$1.09 or at \$5.00 so what price point do you think they push. THE ONLY REASON YOU HAVE A \$1.09 PRICE POINT IN BREAD IS BECAUSE OF ALDI prior to ALDI the cheapest was \$1.99.
- So the question on the above from you is show me your invoices for your \$1.09 bread compare Aldi Coles and Safeway see that they pay 65 cents make up is 30% no show me invoices for premium breads that sell for \$3.69 say and why if they cost you \$2.00 don't they sell for \$2.60 because they work on \$\$\$ mark up and they need to earn \$1.70 minimum per loaf.
- We need to cap all grocery competitors to 15 % of the market (this means coles and safeway must sell off 60% of their business to a genuine competitor)
- If you had 80 % of the market the chances are that you are not going to increase your market share so they never match or lead in lower prices from bulk purchases they make. They are constantly trying to get market leaders to increase their price at retail and share the proceeds. remember not % mark up but \$\$\$\$ mark up. ie John West red salmon they have pushed it close to \$6.00 per 210gm tin ALDI do the same quality at \$2.99, coles own brand at \$4.49 is rubbish should be \$1.99 for the quality but because they work \$ markup John west is the bench they make \$3.00 profit a tin and are constantly pushing John West to push it up to \$7.00 and split the profit. Considering John West salmon comes from Alaska and is sold cheaper in every country in the world, Ireland England Holland south Africa and so on, WHY you ask because we have a duopoly here and they have broken all the market leaders to sell at the highest possible price that the consumer will pay hence Australia prices have risen the most in the developed world.

• **the pricing practices of the national grocery retailers and the representation of grocery prices to consumers**

- Coles have been forced but reluctantly to compete with ALDI but they only compete where there is an ALDI store.
- ie Uht milk Aldi have Full cream and skim milk so where there is an ALDI store they match these but Aldi don't have low fat 98% fat free so what do think Coles do, yes they sell their low fat at a higher price than their Full cream and skim milk. This shows they will give nothing for nothing, and don't lead but only reluctantly follow
- Coles have brought a new range out to compete with ALDI, again ALDI have made them compete without ALDI we would be worst off hence we need those new competitors ASAP. The new range is COLES super price, now the you love Coles Flour which is \$1.79 and ALDI is 95 cents, they didn't move this down because they would of lost face so they created a new brand same product same cost price to them same everything but to sell at 95 cents. So you can see with every product group ALDI have forced Coles and Safeway to compete. Can you

imagine if we had 4 to 7 competitors selling all brands forcing these two complacent giants to compete and to reduce there combined market share to 30%. If you did problem would be solved over night.

In final Submission, retail is an easy subject for me and Coles/ Safeway may or may not pull the wool over the government eyes, i could allude you to thousands of examples but of course i am 1 person and it would take me 2 years to gather all the little tricks that they employ. most of there tricks however i could recite from my head but would still take me years to put every one down. I am currently off sick from work having treatment for cancer for the past 16 months but have an immense interest in retail and have been in it for 32 years and know every trick, and have all the immediate answers in my head. I have been doing the Grocery shopping for the past 16 months in order to fill my day and have noticed that it is in the 16 months that they have been working the price of everything up and ALDI have become a thorn in their plan and they wish they could shut them down but can't and that is why large overseas competitors are the answer and not small local operators as Coles and Safeway will just keep on closing them down or buyig them out which ofcourse is another story

Regards

Tim Mtchell
CROYDON