

To Mr.:

Graeme Samuel - ACCC  
Alan Jones - 2GB  
Peter Kell - CEO Choice Magazine

FILE No:
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Dear Sirs,

After listening to and reading several articles and thoughts in regards to the actual price inquiry which the ACCC is conducting, I have decided to write to you with the objective of helping you discover some accurate information and to disclose the real facts behind the outrageous things that the big grocery retailers such as WOOLWORTHS are doing to the Australian people.

Given I am a supplier you can imagine how difficult it is for me to do this, but above being a Woolworths supplier, my family and I are Australian citizens and I think we have had enough. I apologize for not disclosing my details but you can understand what kind of retaliation I would get from Woolworths -this powerful organization- if they found out my name and the company I work for.

Australians are being ripped off by this almost official duopoly between Woolworths and Coles. The lack of competition in our market allows them to abuse the customers. We do not get the best offers and at the same time we pay one of the highest prices for groceries when compared to countries such as the US or the UK. At the same time we certainly get one of the poorest customer services. To my mind, this is simply unacceptable.

What I am trying to achieve through this letter is to help you find substantial facts which will disclose the abusive pricing practices which are causing financial grief to the Australian people. I ask you to please read it carefully and I really hope that the ACCC can manage to come up with some substantial and effective action to stop this disgrace.

- 1) "Profit Chase": After talking to numerous buyers from Woolworths, I understood that they often increase their retail prices without even getting any cost increase from the suppliers solely to increase their profit figures. Ask them to disclose their 2007 October, November and December data files in regards to cost and sell price for their grocery products and you will see that there were a lot of products with price increases without any cost increase behind. Coincidentally that matches with their 2<sup>nd</sup>. quarter results period announced which showed an incredible result with +8% in sales and +20% in profits!!! How do you grow your profit by 20% when you grow your sales by 8%?? Isn't it strange?
- 2) Profit "Crypt": Another terrible practice they do is to increase the sell price much more than the cost price. I noticed this when I realized that some of the products I supply which my company had to submit to a cost increase in relation to the

current economic situation had a sell price adjustment higher when compared to what we've asked as a cost increase. The cost increase figure they accepted was 5% and they adjusted the retail price by 8.5%. When I asked the buyer why it happened the answer I got (with a lot of arrogance) was that "we control our shelves and our sell prices"!! Another buyer told me that it is a common practice in order to increase "the category value" and once they do this, the other competitors will follow suit given they are the market leaders. In my opinion it is an outrageous action to increase the category value by deceiving their costumers. As a customer it simply makes me feel that myself and others are being unfairly ripped off. If you cross check their data files, the cost prices and sell prices for the last 6 to 12 months, you will find this out for yourselves.

These are the two main facts I wanted to bring to your attention. Another sad thing is that both the Supermarkets Director and the Grocery General Manager drive and support these strategies.

I hope to be of help and that this price enquiry can really bring about a better and fairer outcome for the Australian people.

Thank you.

ACCC

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