

Dear ACCC,

Having looked through your huge list of questions and expected responses I unfortunately do not have the time to spend completing the exercise.

The one key thing I think you need to focus on re price gouging from the two big supermarkets related to price increases and decreases is as follows.

The common practice goes like this:

- Supplier requests a price increase, with all the justifying rational.
- Retail buyer pushes it to another department to justify any increases; which they usually come back and say no to; this starts the negotiation.
- The retailers then asks for any increase in costs to be 'Mitigated back'; i.e. given back in increased funding for promotions/magazines etc.
- This negotiation game is played out for at least 11 weeks.
- Each retailer will then state that they cannot increase a shelf ticket before their competitors; again another bargaining/stalling tactic against the supplier, who will end up paying one or the other some extra money to make the first retail move.
- Retailer may then accept a 10% price increase.
- Retailer then increases shelf prices by 13%; margin creep and this now sets a false product margin for all promotions/activity going forward.
- If the cost prices come down in the future, the retailer may negotiate a 8% decrease from the supplier and then only reduce the shelf price by 5% and often a week or two after the supplier has reduced the prices.

THIS IS WHY RETAILERS LOVE PRICE CHANGES, THEY MAKE MORE % ON THE WAY UP AND MORE % AGAIN ON THE WAY DOWN.

To prove this all you need to do is explore several prices changes across varies categories and manufacturers to find evidence of this practice; it will not be difficult to find.

Anther margin enhancing tactic is for the retailer to demand cash maintained promotional discounts i.e a \$5 product is promoted at \$4, the manufacturer is expected to fund the whole retail value decrease i.e. \$1. This in effect increases the promotional margin vs normal margin for the retailer and cripples the manufacturer.

In all the interviews and TV programs related to this topic over the last few months nobody has asked the outright question of the leaders, "Do you increase retail prices by more than the cost prices you receive"; I would love to see them deny this practice goes on. Please, Please, Please just ask this obvious question.

Best Regards

