

Response ID ANON-FTNX-YRT2-H

Submitted to Supermarkets inquiry issues paper
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Introduction

What is your name?

Name:

[REDACTED]

What is your email address?

Email:

[REDACTED]

What is the name of your organisation?

Organisation:

[REDACTED]

Are you responding to this survey as:

Supplier

If other, please specify: :

What is the size of your organisation?

Small business – less than \$10 million annual turnover

Do you wish to publish your submission anonymously?

Yes - please suppress my name and organisation name

Guided submission - Tell us about yourself

Your response:

Please provide some background information about yourself:

My name is [REDACTED]. [REDACTED]

My interest in this inquiry is because I have managed brands through supermarkets in [REDACTED]. There are two clear practices that are unique to the Australian retailers that are the underlaying cause of what Aussie consumers pay far more than they need to for their groceries. I can share these practices with the panel and show how these practices do not happen overseas...

Is there any confidential information you would like to provide in support of your response?

Please provide any confidential background information if applicable here:

No.

Why is this information confidential?

Please provide reason for background confidential reason:

None.

Guided submission - Pricing and margins

Your response:

Please provide response to pricing and margin question:

There are two practices that both Coles and WW enforce upon their suppliers that do not happen to the same degree when trading with overseas retailers. These are:

1. Promotions
2. Co-Op media spend

PROMOTIONS

In all other regions the supermarkets co-fund promotional activity to some degree. However, when working with Coles and WW as a supplier you are expected to fully fund the margin reduction and cover their full margin when on promotion. What's more, you are forced to run promotions for 16-20 weeks of the year.

The impact of this is that suppliers all (without fail) have to put their prices up to cover the margin shortfall and ensure that they can break even while on promotion. This means Aussies all pay too much for their daily groceries.

I have one product for example that sells at \$9.99... I am made to cover the margin reduction for 20 weeks for promotional activity. This means that although I could easily make profits selling at \$7, I have to bump up the price for the rest of the year to not go broke. Therefore, the policy of these retailers pressures suppliers to put prices up, they pass these on to the consumer and make the same margin whether on promotion or not... It's a crude and awful practice that doesn't happen in other markets.

CO-OP SPEND

This "co-op" spend is a line item that is enforced by buyers that the suppliers have to spend back on the Coles or WW owned media channels. This spend is in addition to your margin reductions.

The issue with this co-op spend is that the media suppliers receive is generally very poor and the costing is absurd.

For example, using "Coles 360" I can book YouTube advertising with them. However, the cost is more than 4x if I book that media directly through my agency.

Again, this practice of forcing suppliers to fund extra revenue streams (which is all their media channels are) results in bigger prices for the consumer. One of by businesses is expected to pay \$40,000 per line we have in the supermarket to support with "Co-op" - this has to get built into the overall pricing and is reflected in a higher price to the consumer than is necessary.

Is there any confidential information you would like to provide in support of your response?

Please provide confidential response to pricing and margin question if applicable:

no.

Why is this information confidential?

Please provide reason for confidential response to pricing and margin question if applicable:

It is not. In fact, I am available for further comment and discussion if required.

If we want lower pricing for Aussie consumers, it's necessary to create legislation that ensures the retailers cannot force suppliers to:

- a) fully fund promotions
- b) spend their media support money with them

These actions will deliver lower grocery prices.