



Submission to ACCC Review into Supermarkets

Submission made by Dr Carina Garland MP, Federal Member for Chisholm, on behalf of the Chisholm electorate

This submission provides a community perspective on pricing and competition in Australia's supermarket sector. It is informed by a range of engagement activities undertaken across my electorate of Chisholm, including direct feedback received via electronic correspondence and mobile offices, but primarily via the results of a comprehensive Chisholm Supermarket Survey conducted by my office throughout the Chisholm electorate, to which 260 responses were received.

The Chisholm Supermarket Survey provided respondents with the opportunity to provide both quantitative and qualitative feedback about pricing and competition in the supermarket sector in Chisholm. Insights from the Chisholm Supermarket Survey have been instrumental in shaping this submission.

Chisholm Electorate

The Chisholm electorate is a metropolitan region in the state of Victoria which encompasses the suburbs of Ashwood, Blackburn, Blackburn South, Box Hill, Box Hill South, Burwood, Burwood East, Chadstone, Clayton, Glen Waverley, Mount Waverley, Mulgrave, Notting Hill, Oakleigh and Wheelers Hill.

Pricing and competition in the supermarket sector is a significant issue for the Chisholm community. Rising food and grocery prices have had a notable impact on households in Chisholm, particularly for families, retirees and pensioners, and people on a fixed income - groups which are feeling the affects of price increases most acutely.

Chisholm Supermarket Survey

This submission refers to data from the Chisholm Supermarket Survey, which had 260 respondents.

71% of respondents were the main shopper, 23% share grocery shopping with others, 6% help decide which products to buy but do not usually do grocery shopping.

17% shop for one person, 23% shop for two people, 20% shop for three people, 28% of respondents shop for four people, 8% shop for five people, 3% shop for six people and 1% shop for eight people.

1% of survey respondents spent \$49 or less on groceries each week, 10% spent \$50 - \$99 on groceries each week, 20% of respondent spent \$100 - \$149 on groceries each week, 16% spent \$150 - \$199 on groceries each week, 17% spent \$200 - \$249 on groceries each week, 11% spent \$250 - \$299 on groceries each week, 10% spent \$300 - \$349 on groceries each week, 6% spent \$350 - \$399 on groceries each week, 7% spend \$400 - \$499 on groceries each week, 2% spent \$500 - \$599 on groceries each week, and 1% spent \$600 or more on groceries each week.

Competition In Chisholm

In Chisholm, major supermarkets are well represented. There are eight Woolworths stores in Chisholm, five Coles stores, four Aldi stores and four IGA stores. Speciality Asian grocery stores are also well represented, with approximately ten Asian grocery stores in Chisholm, including Chinese, Korean, and Indian grocery stores. There are more than 20 speciality stores, including bakeries, butchers, green grocers and fishmongers. There are only a handful of independent grocery stores in Chisholm.

Given the significant number of Woolworths stores in Chisholm, it is no surprise that 49% of survey respondents use Woolworths for the majority of their grocery shopping. 27% of respondents use Coles for the majority of their grocery shopping, 16% use Aldi for the majority of their grocery shopping, 4% use IGA for the majority of their grocery shopping, 2% use an independent supermarket or grocer for the majority of their grocery shopping, and 1% use speciality stores (butcher, bakery, greengrocer, etc.) for the majority of their grocery shopping.

25% of survey respondents only visit one store when doing their grocery shopping, 35% visit two stores, 27% visit three stores, 8% visit four stores, and 5% visit five or more stores.

Survey respondents expressed a desire for more independent supermarkets and grocers in Chisholm. I've heard from members of my community who are concerned about the number of smaller retailers who have closed because of high rents, and challenges competing with the major supermarkets. Many respondents explained that they are choosing to shop in suburbs further out in order to access cheaper prices. People in Chisholm want more competition and would welcome more independent and speciality grocery stores in the community.

Factors Influencing Consumer Shopping Behaviour

The two main factors that impact where people in Chisholm choose to purchase their groceries are price and convenience.

Survey respondents explained that they choose to shop at the grocery store that had the best prices for what they regularly purchased, offered the best value for money, and had the best discounts or specials.

After price, convenience was the next major factor that influenced where respondents chose to shop. Respondents choose to shop at the store that is closest to their home, within walking distance, or with good parking options. Additionally, the convenience of delivery, click and collect options, and an easy-to-use phone app for the store impacted where people chose to shop. Only Coles and Woolworths offer delivery, which reduces choice for those that require delivery for their individual circumstances.

Additional factors that influenced where people chose to shop include:

- Range of products, including the variety of brand available in store, and the store stocking the respondent's favourite brands.
- Product quality, including freshness of produce.
- Customer loyalty programs which provide discounts or cashback.
- The layout of the store, including accessibility of the store and the respondent's familiarity with the layout.
- Availability of speciality products, including gluten free products, lactose free products, organic products, and vegan products.

- Customer service of staff at the store, including keeping shelves well stocked, keeping store clean, and friendliness of staff members.

Changes In Consumer Purchasing Behaviour

In response to continually rising food and grocery prices, purchasing behaviour in Chisholm has changed dramatically within the past year.

People in Chisholm are now choosing to only buy the necessities, they are shopping around for the best prices, buying less meat, shopping only once a week, stopping any impulse buys, buying in bulk when on special, and closely scrutinising the unit price to ensure they are buying the cheapest item.

Survey respondents describe becoming incredibly price sensitive in the past year. People have shared their struggles with me, I've heard stories of parents going without so that their children can eat healthy meals, of families having to choose between putting food on the table or extra-curricular activities for their children, of pensioners no longer being able to afford the brands and products they have bought for many years.

Additional changes to consumer behaviour over the past year include:

- Choosing to buy the cheapest item, which is often a home brand item, disregarding quality and prioritising price.
- Buying the same products and same brands each week, as they can no longer afford a range.
- Choosing to try to grow their own produce, as fruit and vegetable prices have become too expensive.
- Forgoing brand loyalty in favour of value for money.

- Waiting for discounts on key items before making a purchase.
- No longer eating out or getting takeaway because the household budget has been spent on groceries.
- Making unhealthy food choices, because healthy, quality groceries have become too expensive.

Supermarket Pricing Practices

Price gouging is the number one issue people in Chisholm have with supermarkets.

Consumers have noticed price increases of at least 50% in supermarkets in the past year in Chisholm. Some of the products which have had notable price increases include: cheese, dairy products, cleaning products, fresh fruit and vegetables, nuts, detergent, washing powder, dishwashing tablets, olive oil, meat, fish and sanitary products.

During COVID, and after natural disasters such as floods, supermarket prices went up – but people in Chisholm have not seen these prices go down. In fact, prices only continue to go up. As a result, 83% of survey respondents check or compare grocery prices before they go shopping. 21% of respondents check or compare grocery prices daily, or every time before they go shopping.

People in Chisholm are calling for strong regulation of pricing practices and an end to price gouging. Essential groceries should not be inaccessible, and their prices should not continue to go up.

Consumer Feedback About Specials

People in Chisholm have expressed concern over the deceptive and manipulative tactics of supermarkets when advertising 'specials'.

Many people in Chisholm rely on 'specials' to buy their groceries. They feel deceived, as often, the 'special discount' is actually the price of the product from a year ago. Additionally, 'specials' often advertise only a few cents in savings. Products are also sold for half price on alternating weeks, which has consumers questioning what the actual price of the product is, and whether they are being taken advantage of when purchasing at a non-discounted price. The frequency of 'specials' has become confusing for people in Chisholm.

People in Chisholm are calling for regulation of 'specials' advertising, to ensure that 'specials' advertise genuine discounts and are not deceptive or manipulative. They are calling for transparency about pricing.

Consumer Concerns About Producer Payments

A strong theme that came through in the Chisholm Supermarket Survey was a community concern about how primary producers, such as farmers, are being treated by supermarkets. People in Chisholm want farmers to be compensated appropriately for their products, and want profits to be passed on to primary producers. They want Australian producers to be supported above overseas suppliers.

People in Chisholm are calling for accountability to ensure that primary producers are not taken advantage of, and that stocking Australian products is incentivised.

Shrinkflation In Chisholm

Shrinkflation is a significant issue that is experienced by consumers in Chisholm. Survey respondents described paying more for less because of shrinkflation practices.

The products that were described as having been impacted by shrinkflation include:

shampoo and conditioner, confectionery, snacks, chocolate, cereal, protein bars, tinned goods, dairy products including ice cream and cheese, nuts, gluten free bread, biscuits, peanut butter, cleaning products, tissues, laundry detergent, pasta, rice, toilet paper, chips, paper towels, soap, toothpaste, and packaged cold meats.

People in Chisholm urge the ACCC to investigate shrinkflation practices and take action to hold those to account.

Supermarket Loyalty Programs

Most people in Chisholm use a supermarket loyalty program. Only 14% of survey respondents do not use any supermarket loyalty programs.

Primarily people chose to use supermarket loyalty programs for the discounts available, including discounts on groceries and fuel. Additionally, people chose to use the program because of their connections to other stores (such as Flybuys for Kmart, Target and Coles) or other loyalty programs (such as Everyday Rewards and Qantas Frequent Flyers).

42% of survey respondents used Flybuys (Coles), 40% used Everyday Rewards (Woolworths) and 3% used IGA rewards.

Survey respondents stated that supermarket loyalty programs had a significant influence on where they choose to purchase their groceries, as it is an added incentive, and provides money off at the register.

Seniors described a preference for shopping at Woolworths because of the discount they receive with Everyday Rewards if they hold a Seniors Card.

People described choosing to shop at Coles because they make up to \$500 a year with Flybuys or can use the points to purchase Christmas gifts for loved ones.

Data and Privacy

The main reason that people choose not to use supermarket loyalty programs is because of concerns about how their data is used, and privacy concerns.

People in Chisholm reported being targeted based on their shopping behaviour through their use of supermarket loyalty programs. They receive targeted marketing emails, and often receive discounted offers for products they have purchased before because they are part of the loyalty program. These offers are not available to everyone – just members, which means non-members are having to pay higher prices.

There is significant community concern about how supermarkets use the data that they collect. Many people in the community believe that their data will be sold, and there is a lack of transparency about how supermarkets use the data that they collect.

People in Chisholm want to know how long data is stored for, how safe their data is and what data security is in place to protect the data, and details of who supermarkets share their data with.

People in Chisholm are calling for robust data security regulations for supermarkets and supermarket loyalty programs to ensure that businesses are treating personal data securely and are not using data inappropriately. They want strict penalties for companies that misuse data.

Key Findings & Recommendations

People in Chisholm want real action to follow from this ACCC Inquiry into supermarkets.

Below are the key outcomes that people in Chisholm wish the ACCC Inquiry to deliver:

1. Strong regulation of pricing practices and an end to price gouging.
2. A stop to 'voluntary codes' for supermarkets, ensuring supermarkets must adhere to compulsory codes of conduct or face significant penalties.
3. The ACCC to have teeth and impose significant penalties for supermarkets that are found to be engaging in unlawful or unethical practices.
4. New rules to be implemented to ensure that the prices of essential food and grocery products are standardised and not subjected to price gouging, potentially through the capping of profit margins on essential food and grocery products.
5. Increased transparency about pricing, including pricing practices and the flow of profits to farmers.
6. Measures to encourage stocking of local Australian products in supermarkets.
7. Implement a legally enforceable supermarket and grocery industry code of conduct with clear and real obligations and a framework for the ACCC to take enforcement action where appropriate.

8. Measures to ensure that farmers and primary producers are being paid a fair price by supermarkets and are protected from predatory and manipulative practices by supermarkets.
9. Support for local independent supermarkets and grocers and speciality grocery stores to enter the market.
10. Robust data security requirements for supermarkets and supermarket loyalty programs to ensure that businesses are treating personal data securely and are not using data inappropriately, with strict penalties for companies that misuse data.
11. Investigation into shrinkflation practices, and supermarkets and manufacturers held to account for this behaviour.
12. Regulation of 'specials' advertising, to ensure that 'specials' advertise genuine discounts and are not deceptive or manipulative, with strict penalties in place for supermarkets that breach these regulations.