



17<sup>th</sup> July 2020

**Australian Competition & Consumer Commission**  
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### **AACS SUBMISSION: AA1000477 – Coles Group – Submission**

On behalf of members of the Australasian Association of Convenience Stores (AACS), the peak body for the convenience industry in Australia, we make the following submission as an interested party to the ACCC's draft determination to grant the authorisation lodged by Coles Group until 31 March 2021.

As we have previously reiterated, it is not our intention to restrain the trade of any business including Coles and other major supermarkets, especially in these unprecedented times.

Yet the authorisation has the potential to do just this where smaller retailers including convenience stores are concerned.

#### **Inequitable supply of critical items**

When 'panic buying' by consumers first started, the authorisation appeared to have a negative impact on convenience stores because the distribution of critical items from suppliers was inequitable in some instances.

The major supermarkets have been able to dominate the supply of items such as rice, pasta, toilet paper, paper towels, hand sanitiser, anti-bacterial wipes and other cleaning products, while orders of these items by convenience stores have often gone unfulfilled.

It is the trade of convenience stores and other smaller retailers that is potentially restrained because of this authorisation, even though we are also considered an essential service by Government.

With the potential for panic buying to re-emerge in response to the pandemic's second wave, we urge the ACCC to urgently review the draft determination given the potential for the authorisation to overwhelm the supply chain, once again to the competitive advantage of the major supermarkets.

## **An inappropriate authorisation period**

As we have seen in Victoria in recent weeks, the pandemic can shift the goalposts for businesses and industries very quickly.

This is a dynamic situation which can change for better or worse, week to week, and even day to day.

As such, the AACS questions the length of the authorisation period through to the end of March 2021.

This seems excessively long and is at odds with the rapidly changing nature of the pandemic and its impacts on consumer behaviour and therefore business operations.

## **Broader impacts on competition**

Convenience stores are not the only businesses potentially placed at a competitive disadvantage because of the difficulties they are experiencing securing the necessary supply of essential items.

Independent supermarkets around Australia are similarly impacted. This not only affects the ability of these businesses to serve their customers and remain profitable, but also contributes to customer loyalty shifts to the major supermarkets. Some of these customers will be lost for good.

Like independent supermarkets, convenience stores have experienced difficulty in securing supply of critical items in city, regional and remote communities.

## **Consumers are more comfortable in smaller format stores**

The impacts of the authorisation mean it also represents a missed opportunity. Research shows that consumers actually prefer to shop in smaller format stores in the current climate, on account of the premises being less crowded, safe, clean and comfortable.

According to research<sup>1</sup> commissioned by AACS and undertaken by Convenience Measures Australia, the most compelling reasons people still choose to shop at convenience stores over alternatives is trust in the hygiene standards in store, and to avoid large crowds.

The graph below shows that of all retail formats, consumers trust the convenience channel more than others to provide a safe and comfortable environment.

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<sup>1</sup> COVID-19 Impact Study Wave 2: How shoppers are using convenience stores in Australia, Convenience Measures Australia, June 2020



It is counterproductive to lessen the ability of our stores to provide the items consumers need when we know that they are more comfortable buying these items from convenience stores.

### Strict conditions required

Finally, we are aware of instances in which smaller retailers in some remote communities have been unable to secure supplies of essential items, while at the same time the major supermarkets lifted buying limits and were offering home delivery of these items in these communities.

Obviously, this is unfair. It is also, in our view, unethical.

We reiterate to the ACCC our view that strict conditions to the authorisation should be applied to ensure small retailers are accounted for in the distribution and supply of critical items that they need to remain open and to serve the community.

While the majority of suppliers have worked to support the convenience channel, manufacturers and major distributors should have these messages reinforced.

Convenience stores provide an essential service to the community. There are essential items we need to continue to provide this service.

Thank you for your consideration of our submission. Don't hesitate to contact me should you require further information.

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## About the AACS

Established in 1990, the Australasian Association of Convenience Stores (AACS) is the peak body for the convenience industry in Australia.

Nationally, our industry employs over 40,000 people in approximately 7,000 stores. The majority of these stores operate as family run businesses, often under licence or franchise agreement, or independent ownership. They regularly employ family members and people from the local communities in which they operate.

The AACS represents the interests of these small businesses; their owners, staff, suppliers and customers.

The convenience industry in Australia was valued at approximately \$8.8 billion in merchandise sales in 2019 excluding petrol, according to companies contributing to the 2019 AACS Annual State of the Industry Report. Petrol accounted for approximately \$35 billion in sales in 2019.

The AACS State of the Industry Report contains the most comprehensive information available on the convenience industry in Australia. We have also recently commissioned research on how consumers have used the convenience channel over the course of the COVID-19 pandemic and we would be pleased to provide copies of both the AACS State of the Industry Report and the research, should these assist any decisions or actions be taken.

Finally, as an Association we enjoy strong ties with our international counterparts including the convenience stores associations in the US, Canada, the UK and New Zealand. We also visit similar stores in South East Asia to keep abreast of changing and emerging trends.