



25 November 2024

Committee Secretariat  
Senate Economics References Committee  
PO Box 6100  
Parliament House  
Canberra ACT 2600

Via email: [economics.sen@aph.gov.au](mailto:economics.sen@aph.gov.au)

Dear Senators,

Thank you for the opportunity to respond to Greenlife Industry Australia's (**GIA**) submission to the Senate's Standing Committee on Economics inquiry (**Inquiry**) into 'Big box' retailer price setting (**GIA Submission**).

Our response provides the Committee with further information about the issues and inaccuracies contained in the GIA submission, particularly as it relates to the competitive greenlife market, as well as the processes that underpin the relationships we have with our greenlife suppliers.

Whilst GIA purports to represent the entire greenlife industry, it is important to note that it does not – we understand that some of our greenlife suppliers are not represented by GIA or a state industry association.

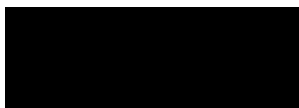
Some greenlife suppliers have also expressed concerns about the way GIA is representing itself and are concerned that some of their proposed changes may have unintended consequences, particularly for small suppliers.

We wish to reiterate the importance we place on building longstanding relationships with our suppliers—more than half of our network of approximately 220 greenlife suppliers have worked with Bunnings for over 20 years.

We endeavour every day to conduct our business with integrity and respect in accordance with our core values and our embedded culture of 'doing the right thing'. These values are the foundation of our relationships with our suppliers who are critical to our ability to deliver on our promise of lowest prices, widest range and best service.

We trust that the information in our enclosed submission further addresses any questions the Committee has about Bunnings and our participation in Australia's competitive greenlife industry.

Yours sincerely,



**Michael Schneider**  
Managing Director



## 1 Introduction

Bunnings appreciates the opportunity to respond to the GIA Submission.

Specifically, Bunnings wishes to address a number of repeatedly incorrect assertions and inaccuracies contained in the GIA submission, particularly those regarding Bunnings' competitive environment in greenlife and Bunnings' relationships with our greenlife suppliers.

## 2 Bunnings vigorously competes in the greenlife sector

As explained in Bunnings' submission to this Inquiry dated 27 September 2024 (**First Submission**), Bunnings operates in a vibrant and highly competitive greenlife sector. Growers have numerous and varied channels to market from which they can choose, including supplying to the growing number of garden supplies retail businesses in Australia (2,406 in 2024) or to wholesale nurseries.

### 2.1 Bunnings' market share in greenlife retailing is less than 25%

GIA estimates Bunnings' share of the retail plant market (being 'sales to the public of plants for their homes, gardens and veggie patches') as '70% of the national total.

This assertion has been shown to be incorrect on many occasions and Bunnings considers this estimate to be inaccurate for the following reasons:

#### **Independent external industry analysis records the value of the Australian plant retail sector at \$2.9 billion**

As explained in our First Submission, Bunnings' estimate of our share of the plant retail sector is based on independent, publicly available and credible research by IBISWorld. The IBISWorld Garden Supplies Retailing in Australia Report dated March 2024 (**IBISWorld Report**) confirms that the Australian plant retail sector (i.e., the total value of trees, plants, shrubs, bulbs, cuttings and seedlings by retailers to end customers in Australia) is valued at \$2.9 billion.

#### **The value of the nursery production market is different to the value of the retail nursery market**

In formulating its claims about Bunnings' purported share of the Australian plant retail sector, GIA appears to have relied substantially on the *Nursery Industry Statistics* report by Down to Earth Research dated February 2024 (**Down to Earth Report**). The GIA's reliance is misconceived. This report is focussed on the value and composition of nursery production in Australia. The report estimates:

- the value of *plant sales by nursery producers to all channels* (excluding wholesalers to avoid double counting) in Australia in 2022-23 as ~\$2.8 billion (close to the \$2.9 billion figure GIA reports); and
- the value of *plant sales by nursery producers to retailers* in Australia in 2021-22 as ~\$1.5 billion (close to the \$1.4 billion figure GIA reports).

GIA claims that Bunnings should calculate its estimated share of the Australian retail plant market based on the lower \$1.4 billion value, and that doing so would result in Bunnings' share of the retail plant market being 'between 52% and 62%'.

In making this assertion, Bunnings believes that GIA has deliberately misapplied the Down to Earth Report (which observed *nursery production data*) when forming an assessment of the Australian *plant retail sector*.

In particular:

- GIA has failed to acknowledge that the value of plant sales by nursery producers to retail channels is substantially lower than the value of plant retail sales by retail businesses to their end customers. The primary reason for the difference in these values is due to the margin earned by retailers and wholesalers on the sale of greenlife products purchased from nursery producers.



- As a consequence, GIA has taken an incorrect approach to estimating Bunnings' share of the plant retail sector as outlined below.

GIA Approach		Bunnings Approach			
Bunnings share of the plant retail sector	=	$\frac{\text{Bunnings greenlife sales to end customers}}{\text{Value of nursery production sold by greenlife producers to retailers}}$	Bunnings share of the plant retail sector	=	$\frac{\text{Bunnings greenlife sales to end customers}}{\text{Value of greenlife sales by all retailers in Australia}}$

For the reasons set out above, Bunnings' maintains the view expressed in our First Submission that our estimated market share in greenlife retail in Australia is less than 25 per cent, and that our share of the entire value of all greenlife production from Australian nursery production businesses is even lower.

## 2.2 Competition in the greenlife sector

As an active participant in the greenlife retail sector, Bunnings strongly disagrees with GIA's assessment of the competitive intensity of the plant retailing sector in Australia. Greenlife retailing is highly competitive with multiple and varied channels to market for suppliers and many retailers for consumers and commercial customers to purchase from.

### **The number of greenlife retail businesses is large, growing and diverse**

In its submission, GIA asserts that the number of independent plant retailers in Australia has contracted and there is evidence that the independent sector is in general decline. Contrary to this assertion, the IBISWorld Report demonstrates that the number of garden supplies retail businesses in Australia grew by 1.5% between 2019 and 2024, to a total of 2,406 businesses in 2024.

### **Growers have a diverse range of channels to market, both within the retail sector and beyond**

The Down To Earth Report estimates that:

- 33 per cent of all Australian production nurseries sold plants to big box retailers in 2022-23;
- of those production nurseries who sell to the retail channel, 53 per cent of them sell to 'big box' retailers; and
- 56 per cent of all sales by production nurseries to the retail channel are directed to 'big box' retailers.

Assuming the accuracy of these figures, it is evident that:

- two thirds of all production nurseries do not sell plants to 'big box' retailers;
- almost half of those remaining production nurseries who sell via the retail channel do so via retailers other than 'big box' retailers;
- almost half of the revenue earned by greenlife growers from sales to retailers is derived from sales to non 'big box' retailers.

Bunnings also knows of growers who supply to both retailers and greenlife wholesalers using a similar supply chain. The Down To Earth Report estimates these wholesalers to represent a substantial channel to market for nursery producers (\$766 million in annual sales in FY2023, equating to 22 per cent of the value of all nursery production in Australia during this period).



Accordingly, this data:

- evidences that greenlife growers have and do use various other retail and non-retail channels to sell their plants; and
- directly contradicts GIA's claim that 'other plant retailers such as Mitre 10, IKEA, garden centres, supermarkets and lifestyle stores...together...purchase a fraction of the plants Bunnings buys'.

### **Bunnings' relationships with our greenlife suppliers are non-exclusive and mutually beneficial**

Bunnings has non-exclusive trading arrangements with each of our approximately 220 greenlife suppliers and Bunnings is aware that some of our greenlife suppliers actively sell to retailers other than Bunnings.

Bunnings however appreciates that there are a number of greenlife suppliers who prefer to direct a large proportion of their business to Bunnings for the following reasons:

- Bunnings has the required scale to take stock at larger volumes, leading to increased predictability for greenlife suppliers;
- It is convenient to deal with fewer entities, rather than multiple smaller retailers under different sets of trading terms and delivery schedules and locations; and
- Bunnings makes payment on time, so Greenlife suppliers do not need to 'chase' Bunnings for payment.

### **2.3 Market share is not a relevant consideration for Bunnings' supplier dealings**

Bunnings has provided the information above for the purpose of correcting inaccurate assertions in the GIA Submission. However, Bunnings also disagrees with any premise from the GIA Submission that Bunnings' scale of participation in the greenlife retail channel is a relevant factor in determining the principles that inform Bunnings' engagement with our greenlife suppliers.

## **3 Relationships with suppliers and contractual terms**

To reiterate the information provided in our First Submission, conducting business with integrity, honesty and respect are part of our core values, which underpins our embedded culture of 'doing the right thing'. This is implemented through our mandatory and well-established team member training programmes and processes. The Bunnings business is built on longstanding partnerships with suppliers across Australia, including our highly valued network of greenlife suppliers who we work closely with to provide the best offer to our customers.

The GIA Submission raises specific concerns regarding Bunnings' conduct in relation to:

- volume commitments to and trading terms agreed with greenlife suppliers;
- pricing practices, including rebates;
- conditions surrounding the quality and delivery of products supplied to Bunnings; and
- avenues available to greenlife suppliers for complaint and dispute resolution.

Each of these concerns are addressed below.

### **3.1 Bunnings makes meaningful volume commitments**

The GIA Submission raises concerns that Bunnings offers greenlife suppliers no meaningful commitments regarding volumes. This is incorrect. Bunnings has the following formal process that applies to agreeing volume or 'stock' commitments with our greenlife suppliers.

If a greenlife supplier wishes to agree a stock commitment with Bunnings, they can initiate that process by providing a 'stock tracker' to the buyer.



A stock tracker is a spreadsheet which shows the number of units of a particular plant that a greenlife supplier proposes to supply to Bunnings over a given period (generally, six to twelve months). The buyer will review the stock tracker and discuss any commitment Bunnings can make to purchase the plants covered by the stock tracker with the greenlife supplier. The buyer will then provide written confirmation to the greenlife supplier of the commitment Bunnings agrees to make. Once the greenlife supplier has notified Bunnings that the stock we have committed to buy is ready to be delivered (generally two weeks before the due date as outlined in the stock tracker), the buyer will raise a purchase order for that stock. Bunnings has recently reminded greenlife suppliers of their ability to request stock commitments.

Bunnings also has other mechanisms in place to enable suppliers to sell large volumes of stock to Bunnings at one time, outside of a stock commitment. This process is referred to as an 'ad-hoc allocation' and generally applies to plants that a greenlife supplier has already grown, for example, excess stock on the ground or plants grown for other supply chains. A greenlife supplier can request an ad-hoc allocation, which a buyer will consider and, if agreed, raise a purchase order for the relevant stock. Equally, a buyer often initiates ad-hoc allocations, for example, to ensure key lines are well represented across the Bunnings store network, such as bagged roses, bulbs and Christmas trees.

If Bunnings commits to buy a specific volume of plants, whether that be using the stock tracker process or via an ad-hoc allocation, that commitment is honoured. If the supplier is unable to meet their quantity commitment in the agreed timeframe, Bunnings will always purchase the amount of plants available.

Bunnings strongly rejects any suggestion that we over-order some products from multiple greenlife suppliers and then reject some of those products arbitrarily. Bunnings also does not provide specific volume estimates for products to individual greenlife suppliers.

### **3.2 Bunnings considers price increase requests in good faith and does not misuse information it receives from growers**

Price reviews for greenlife products are typically driven by suppliers and may be requested at any time, including for products in respect of which Bunnings has already made a stock commitment. Bunnings' price review process, as set out in our supplier trading terms, is as follows:

- Greenlife suppliers propose a cost per unit.
- Bunnings will consider this, alongside factors such as product availability, quality, customer demand, historical pricing, and the market price.
- Bunnings either accepts that price or discusses a revision with the supplier. Any agreed price changes are documented in writing and implemented.

While Bunnings is always looking to improve our processes, we do not consider our price review process (as set out in our supplier trading terms) to be burdensome. Suppliers are asked to provide their current and proposed pricing, and high-level information about why they are proposing a price increase. The process does not take 6 months as GIA suggests. Requests are considered in the order received and are typically reviewed and finalised within 65 days (including a 45-day implementation period).

Bunnings rejects any contention that we use market information to make 'take it or leave it offers' or that we request greenlife suppliers to supply at or below cost. Bunnings processes involve greenlife suppliers proposing a fair price and, if required, engaging in negotiations about that price in good faith. In any event, we simply do not have the information to set a price at or below cost.

Bunnings engages closely with greenlife suppliers to meet their changing needs and develop an enduring and strong partnership, including by providing monthly Key Performance Indicators to suppliers on their products stocked at Bunnings, in addition to unit sales figures on a weekly basis.



Bunnings understands greenlife suppliers find this information useful for the purposes of planning their production, and that it provides insight into customer purchases and demand. During our greenlife supplier briefings, we also offer our views on trends and overall category growth.

### **3.3 Bunnings' use of rebates is clear and fair**

The GIA Submission asserts that Bunnings' rebates are 'unfair and unclear' and that Bunnings sometimes imposes them on growers. Bunnings disagrees with this characterisation of our supplier rebates and sets out information regarding their function and effect below.

The types of rebates greenlife suppliers may agree to are clearly set out in Bunnings' trading terms and the core rebates (including volume and marketing allowance rebates) are agreed in advance of a greenlife supplier setting its product costs. Greenlife suppliers are therefore able to build the cost of the rebates into the price that they charge Bunnings. Greenlife consolidation and transport consolidation rebates are also negotiated at the start of a supplier relationship and if requested by the greenlife supplier can be reviewed at least annually, as part of the supplier trading terms renewal process. Though payment receipts to suppliers contain rebates as one line item, Bunnings supports suppliers with providing responses to any questions they have about the breakdown or calculation of rebates applied to their invoices.

The GIA Submission raises specific concerns about the new store opening rebate and long-term rebate. Following consultation with our greenlife suppliers, Bunnings has made the following permanent changes in reviewing our supplier trading terms for the 2025 financial year:

- removed the new store opening and refit rebate for all greenlife suppliers; and
- removed the long-term rebate for greenlife suppliers with less than \$10 million in purchases in FY2024. This means that the long-term rebate will only apply for greenlife suppliers who have exceeded \$10 million in purchases by Bunnings in the preceding financial year. Only eight greenlife suppliers currently have a long-term rebate in place.

Bunnings remains committed to open and frank dialogue with our greenlife suppliers, as well as good faith negotiation, in relation to the application of rebates under the supplier trading terms.

### **3.4 Bunnings' Cross Docks freight arrangements are voluntary**

The GIA Submission alleges that many greenlife suppliers have been 'obliged' to switch to Bunnings' mandated freight arrangements, Greenlife Cross Docks. The Submission alleges that growers report examples of Bunnings cancelling their product allocations if they reserve the right to continue to use their own freight.

Bunnings rejects any suggestion that it forces greenlife suppliers to use our Greenlife Cross Dock program. This is not a mandatory program but a voluntary program which greenlife suppliers are free to opt in or out of at any time. Bunnings considers the program benefits greenlife suppliers, particularly small suppliers who may not have their own freight providers or the scope to complete these checks efficiently.

A fee (the Greenlife Consolidation Rebate) is applied to greenlife suppliers who opt in to the Greenlife Cross Dock program, covering freight services, quality control, biosecurity checks, quantity checks and merchandising. The Greenlife Consolidation Rebate varies for each grower, taking into account location, value of purchase order and certain other factors discussed with the supplier.

In addition, Bunnings disagrees that we reject plants arbitrarily for failure to meet quality requirements, including to force suppliers to use the Greenlife Cross Dock program. Bunnings' Plant Quality criteria and quality matrix are available to all greenlife suppliers and set out clear and objective guidance as to expectations around plant quality and possible outcomes if those expectations are not met.



### **3.5 Greenlife packaging requirements**

The GIA Submission alleges that it is not unusual for Bunnings to make demands for growers to repackage their plants in unbranded containers and to replace their own labels with home brand labels at short notice.

This is incorrect - Bunnings does not have 'home brand labels' and we have not required our greenlife suppliers to make changes to their packaging at short notice. For context, in 2018 Bunnings introduced Plant Label Guidelines which aim to assist customers with choosing the right plants for their needs and to drive improvements in sustainable practices. At the time of implementing these guidelines, as well as any subsequent updates, Bunnings has always purchased any stock on hand with pots or labels that differed from the guidelines. Further, although Bunnings encourages greenlife suppliers to follow the guidelines, they are not mandatory and greenlife suppliers continue to supply us their plants in packaging that does not meet the guidelines.

As detailed in the First Submission, Bunnings implemented a range of enhancements to our business processes following concerns raised by GIA. As part of this, we provided a simple fact sheet to suppliers to address queries about packaging requirements. We have provided this for reference (refer to Appendix).

### **3.6 Supplier complaints and dispute resolution processes**

The GIA Submission states that growers have informed GIA that they do not feel able to raise concerns or complaints with Bunnings for fear of adverse consequences.

Bunnings is committed to promoting and supporting a strong culture of honest and ethical behaviour. On first hearing the concerns raised by GIA, Bunning consulted with our greenlife suppliers and implemented specific enhancements to our business processes, which included reviewing our trading terms, to provide greater clarity on our complaint escalation process. As detailed in section 2.3 of our First Submission, the trading terms outline the following dispute resolution process:

- Suppliers should raise any concerns with their buyer or category manager.
- If the supplier is unhappy with the response they receive to their concerns, they are encouraged to escalate the issue to the General Manager, Director of Merchandise or Managing Director. Contact details for each of these Bunnings executives have been directly shared with all greenlife suppliers.
- If the supplier does not wish to raise concerns directly, confidential channels are offered through our whistleblower process, 'SpeakUp', which is independently operated by Deloitte.

Additionally, Bunnings' parent company, Wesfarmers, maintains a separate whistleblower process with nominated Protected Disclosure Officers displayed on its publicly available policy and/or through its separately hosted external line conducted by KPMG. Bunnings' and Wesfarmers' policies and services are publicised on their websites.

Bunnings is committed to continuing the dialogue with our greenlife suppliers directly as a priority, and other organisations to which some of our greenlife suppliers belong including state-based organisations and GIA, to promote an environment in which greenlife suppliers will continue to raise concerns with Bunnings and have those concerns addressed.

## **4 Bunnings and the Food and Grocery Code of Conduct**

The GIA Submission asserts that it is logical and appropriate to extend the Code to Bunnings, including because Bunnings sell plants, which are defined as groceries under the Code. As set out in the First Submission, the proposition that the Code be extended beyond the supermarket industry has already been extensively considered, including in the Food and Grocery Code of Conduct Review.



As GIA acknowledges, that review concluded that the Code should not be extended beyond supermarkets to cover other retailers and should continue to apply to supermarkets as conventionally understood, including because this is the purpose for which the Code was developed.

As noted in our First Submission, Bunnings continues to actively and constructively engage with GIA to explore, as recommended in the June 2024 Independent Review of the Food and Grocery Code of Conduct Final Report, the prospects of developing a document setting out expectations relating to the supply of nursery plants. We reiterate that Bunnings remains committed to working constructively with our greenlife suppliers and relevant organisations to achieve continuing, positive outcomes for our greenlife suppliers.



# GREENLIFE PLANT PACKAGING

## Supplier Fact Sheet

### Sustainable packaging for greenlife is based on five key principles:

- Designing packaging for recovery (packaging should be reusable or recyclable).
- Reducing unnecessary packaging.
- Designing packaging to ensure adequate protection of greenlife products.
- Maximising the use of recycled materials.
- Working together.

### Recycled Material in Plastic Pots

We encourage growers to aim to use the highest percentage of recycled material available in their plastic pots. We're aiming for a minimum of 90% recycled plastic, but the key piece of advice for sustainable packaging in pots is to talk with your buyer to reach an outcome suitable to you, Bunnings and our customers.

- Black has traditionally contained the highest level of recycled material however we know this may not suit all growers.
- If you are a grower who uses a coloured pot, please maximise the highest percentage of recycled material available.
- Long term, the aim is to phase out the use of virgin plastic and increase recycled material. If this is not possible, please raise with your buyer – communication is key.
- If you are printing on pots, please use approved and permitted inks.
- If any of the suggested changes result in higher costs, please talk with your buyer.

### When growers design their labels

The intent should be to reduce waste at label production, including maximising the number of labels per sheet.

- The shape and size of the label design should minimise waste by optimising use of the plastic sheet during manufacturing.
- Plant label size is intended to complement the pot size.

### Additional Considerations

As part of our sustainable packaging guidelines for greenlife we also ask growers to kindly consider:

- Removing prosticks where not required.
- Removing unnecessary plastic sleeves unless specifically required.
- Phasing out Polystyrene PS6 including transfer trays as there are limited recycling and resource recovery options available.
- Removing carry handles from multi-packs where possible.

Working together, we can improve the sustainability of greenlife products and packaging. We are also supporting the sustainability of the wider system through our plastic pot reuse and recycling program for customers, available in more than 200 stores.



Information & pictures are  
CODE  
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Retailer Price Setting  
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**Name Variety**  
*Botanical name*  
Description  
Description  
Description  
Description

**Position:** Explain position requirements (eg Prefers light)  
**Soil:** Advice on suitable soil types and preferences.  
**Watering:** Advice on watering requirements to establish, and when established.  
**Fertilise:** Advice on fertilising requirements and frequency.  
**Use:** Examples of cooking uses.  
**Growing Tips:** Advice to help the gardener have success.

Medium Watering   Prefers Sunlight   Pots & Containers   Hanging Baskets

CAUTION: Statement if required

garden club Please join our Garden Club at [www.bunnings.com.au/gardenclub](http://www.bunnings.com.au/gardenclub)

Medium Watering   Prefers Sunlight   Pots & Containers   Hanging Baskets

PBR<sup>®</sup> Australia Unauthorised commercial propagation or any sale, conditioning, export, import or stocking of propagating material of this variety is an infringement under the Plant Breeder's Rights Act 1994

CAUTION: Statement if required

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# DELIVERING BEST EXPERIENCE IN THE NURSERY

These guidelines are available when our growers are designing labels and reflects our commitment to give customers Best Experience when purchasing greenlife.

## Sustainable packaging for greenlife key principles:

For Best Experience in the nursery, we listened to our team members and customers, especially on the most common questions our customers are asking about plants. Off the back of that, and in conjunction with Immij and Norwood, plant label guidelines were developed with the intention to assist customers in choosing the best plant for their needs, and giving our growers flexibility to design their labels.

These changes make it easier for customers to know what plant they want, where to find it and how to care for it.

## Changes to nursery layout:

Previously, we made changes to our nursery layout so that all common/alike plants are located together to make it as simple and easy for a customer to locate the plant &/or group of plants. For example:

- Kangaroo Paws, Lavender, Cordyline, Pittosporum, Dianthus
- Hedging, Screening, Flower, Vegetable, Herb

Our layouts will continue to evolve based on feedback from our customers.

## Request for Point of Selection information on Labels:

When customers are buying plants they often look at the label to help select the most appropriate plant for their needs.

Having this information on the front of the label helps a customer understand if the plant is best suited for their needs; positioning in the garden (e.g. full sun), how big it will grow, how to care for it, what type of conditions are best suited. To make this a simple and consistent step for customers, we encourage key product information, including icons, to be on the front of the label.

## Label example from style guide regarding key plant selection information

Plant label guidelines share layout and key information to help customers easily choose the right plant for them.

We encourage flexibility to incorporate key information, in keeping with your brand, to create a label that captures customers' attention with clear and concise tips on each product. Please speak with your buyer if you require a copy of the guidelines.

