

2 February 2024

Senate Select Committee on Supermarket Prices
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Committee Members,

We write to you in response to the inquiry into the price setting practices and market power of major supermarkets, and we thank you for your consideration of this important issue.

Background

Food for Health Alliance (formerly the Obesity Policy Coalition) works to improve diets and prevent overweight and obesity in Australia. We do this by identifying how governments can change laws and policies to improve our food environment – the way our food is made, labelled, sold and advertised.

Supermarkets play a central role in shaping the food environment in Australia, with profound influence over the entire food system. Major supermarkets influence the foods that are on shelves for Australians to buy, use promotions and marketing to encourage consumers to buy certain products and set the prices that consumers pay for food. Policy and regulatory change directed at supermarkets has the potential to play an important role in shaping a healthier food environment and putting health above profits.

Use and impact of price promotions on unhealthy food in Australia

Supermarket pricing influences the foods that Australians buy and can impact diets and health and wellbeing. Unfortunately, this influence drives consumers to buy more unhealthy food, with negative consequences. Price promotions or 'specials' – different forms of discount on a product's sale price – are a widely used strategy to drive higher purchases in both in-store and in online supermarket retail environments.

Although both healthy and unhealthy foods can be 'on special', price promotions are much more likely to be applied to unhealthy food and drinks, with larger discounts applied.¹ Importantly, while driving consumers to buy more unhealthy food, there is no evidence that they are saving consumers money overall.² Rather, current evidence suggests that price promotions encourage people to buy more than they usually would, rather than the same amount for a lower price.³ This suggests that these promotions are aimed to increase supermarket profits, and that this happens at the expense of consumers' health and budgets.

This is extremely concerning at a time when most Australians do not eat a healthy diet, when around two thirds of adults and more than a quarter of children are above a healthy weight,⁴ and when so many Australians are affected by non-communicable diseases linked to poor diet and excess weight, including type 2 diabetes, heart disease and cancer.⁵ The impact of price promotions is also concerning in light of current cost of living pressures, and high supermarket prices generally, which of course are the subject of this inquiry. If unhealthy foods are 'on

special' more than healthy foods, with bigger discounts applied, it seems clear that this is likely to encourage consumers to buy more unhealthy food and have a significant impact on population diets and health over the long-term.

Research on price promotions supports this view, finding that:

- price promotions are extremely common, with about 40% of all products sold in Australian supermarkets price promoted.⁶
- unhealthy foods are price promoted more than healthier foods. For example, sugary drinks were found to make up around two-thirds of all price promoted drinks.⁷
- unhealthy foods have larger discounts applied to them than healthy foods – 26% for unhealthy food and 15% for healthy food.⁸
- price promotions are often prominently placed within supermarkets, for example at the checkout or on end-of-aisle displays.⁹
- price promotions lead people to buy more unhealthy food than they usually would, and do not save consumers money.¹⁰
- consumers are particularly responsive to discounts on confectionary/dessert items such as chocolate and ice cream,¹¹ and households with children are more responsive to price promotions than households without children.¹²

Please see the [Obesity Evidence Hub](#) for more information on the use and impact of price promotions on unhealthy food, and on steps being taken in other countries, most notably the UK, to address this.

Action to address unhealthy food price promotions

We ask the Committee to consider the use and impact of price promotions on unhealthy food by supermarkets as part of this inquiry and to make recommendations to restrict them.

This action is recognised by existing government strategies – the National Preventive Health Strategy and the National Obesity Strategy. The [National Preventive Health Strategy](#) identifies the need for interventions in food retail settings to reduce the promotion of unhealthy food and drinks, and the [National Obesity Strategy](#) highlights the restriction of temporary price reductions and promotions as an example action to reduce exposure to unhealthy food marketing.

We thank you for your consideration of this issue.

Yours sincerely

Jane Martin
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