



Australian National
Retailers Association

**Submission to the Senate Economics References
Committee
Inquiry into the Grocery Choice Website**

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Prepared by

Australian National Retailers Association

www.anra.com.au

8/16 Bougainville Street, Manuka ACT 2603

P 02 6260 7710 | F 02 6260 7705

Level 9, 1 Spring Street, Sydney, NSW 2001

P 02 8249 4520 | F 02 8249 4914

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EXECUTIVE SUMMARY

ANRA has welcomed the decision of the Government not to proceed with the Grocery Choice program. In particular, ANRA noted that the Government has recognised the complexities in the provision of grocery price information.

ANRA has held the concern that the rationale for the Grocery Choice model was based on an inaccurate premise in relation to how retail grocery products are priced. The proposed model assumed that shelf prices are set by head office across the network of stores of each major retailer and are stable throughout the weekly retail cycle. However, no retailer has a centralised data system which records in real time the prices of grocery items sold across the chain. Shelf prices in individual stores frequently vary from what might be called the standard price.

In addition the program had some key deficiencies. There were unresolved issues associated with liability for provision of unintentionally inaccurate or out of date information. There were also considerable unresolved issues associated with comparing like-for-like products and dealing with loyalty schemes.

ANRA rejects allegations made by Choice in relation to ANRA in its submission.

INTRODUCTION

The Australian National Retailers Association (ANRA) represents the leading national retailers in Australia, across a broad range of retail products and services. Members of the Association include Australia's most trusted household names in supermarket chains, department stores and speciality retailers.

ANRA members are:

Woolworths	McDonalds	Bunnings Group
Coles Group	Just Group	Best + Less
Franklins	David Jones	Angus and Robertson
Borders	Luxottica Australia	Harvey Norman
Reece	Spotlight	Forty Winks

In 2007 ANRA members employed about 450,000 Australians.

ANRA was formed in 2006 to ensure that governments, and the community, understand the contribution retailing makes to the national economy. The retail sector touches the lives of all Australians every day. An efficient, competitive retail sector generates tremendous consumer and economic benefits. ANRA seeks to ensure that public policy makers understand the retail sector and support policies which enhance the capacity of the sector to meet consumer needs.

ANRA welcomes the opportunity to present its view to the Senate Economic References Committee in relation to the program and the inclusion of the concerns of major retailers in the Terms of References of the inquiry.

ANRA'S POSITION IN RELATION TO THE PROVISION OF GROCERY PRICE INFORMATION

ANRA believes that an abundance of pricing information is readily and freely provided to the community by ANRA members. ANRA's members provide many millions of catalogues packed with price information to consumers each week. In addition, members' websites provide a very substantial quantity of online product pricing information in real time. Grocery markets are likely to represent one of the sectors of the economy most well served by accurate price information.

ANRA, however, understands the original objectives of the Government through the GroceryWatch initiative. The goal of providing the most accurate and timely information to consumers is a worthy one. Still, any program to implement such arrangement would have to be based on a sound understanding of commercial pricing principles, and would have to be capable of practical application at low cost with a minimal compliance burden. Unfortunately, these requirements were not met and consequently ANRA welcomed the decision of the Government not to proceed with the Grocery Choice program. ANRA will work with the Government on any revised model it may choose to propose.

MISCONCEPTIONS IN RELATION TO HOW GROCERY PRICES ARE SET

The membership subscription organisation Choice had based its proposal for the Grocery Choice website on an inaccurate premise in relation to how retail grocery products are priced. Its model assumed that shelf prices are set by head office across the network of stores of each major retailer and are stable through the weekly retail cycle. In fact, the retail grocery market is far more flexible and adaptable to needs of consumers.

There are some key misconceptions that need to be corrected in any cogent analysis of grocery pricing. Firstly, no retailer has a centralised data system which records in real time the prices of grocery items sold across the chain. Creating a system of centralised real time prices would cost the industry many millions every year. ANRA estimates that compliance with unit pricing has cost the grocery sector approximately \$40m. Provision of real time pricing data would be expected to impose a higher ongoing compliance cost than unit pricing. These compliance costs would need to be passed on to consumers through higher prices.

Secondly, shelf prices in individual stores frequently vary from what might be called the standard price. Store managers have the discretion to respond to local competition by marking down products. Store managers may also discount below the standard price to clear perishable products. On a broader scale, a standard price set on one day can be changed across many stores the next day as retailers respond to competition. Thus the standard price is often not the actual shelf price in many stores or may only be valid, for many stores, for a short period.

This pattern of local short-term discounting or sudden shifts in the standard price across a network of retail outlets is found in other high volume, low margin markets. However, price volatility is all the greater in the case of supermarkets which have as many as 30,000 items on sale in a single store. Prices for up to 30 per cent of the product range may change over the course of a week. Even changes in standard prices do not occur uniformly or instantly across a retail chain. Stores have some discretion to change the shelf price subject to available staff and other store priorities. Price changes may be delayed for such operational reasons.

These dynamic and flexible pricing approaches means better prices and greater choices for consumers.

DEFICIENCIES IN THE GROCERY CHOICE PROGRAM

ANRA held significant concerns in relation to deficiencies in the Grocery Choice program.

1. Legal issues.

Retailers were concerned about their potential liability, under s.52 and other provisions of the Trade Practices Act 1974, when pricing information provided in good faith is found to be inaccurate. Appropriate arrangements to ensure that the liability of retailers is limited to cases of deliberately misleading conduct were not established.

Retailers were concerned that the standing of the website with customers can be easily compromised where the reported standard price varies from the actual shelf price.

Another legal concern related to the potential risk of breaching the Trade Practices Act by providing a “discounted price” for discontinued items or items in limited supply. The Australian Competition and Consumer Commission (ACCC) insists retailers who advertise products at a certain price must be able to offer to supply those goods at that discounted price for a period that is reasonable, and in quantities that are reasonable. The proposed scheme did not provide sufficient assurance that there it would have in no way risk creating the unintended consequence of a technical breach of breach of s.56 of the Trade Practices Act.

2. In- store checking

For these legal reasons amongst others, retailers have held a strong preference for in-store price checking which reports the actual shelf price of the targeted items. While in-store price checking would produce results which date as quickly as any other method, it does have the advantage of reporting an actual price. In the absence of readily available actual price data for the thousands of products sold across the hundreds of stores operated by each major retailer, in-store price checking is likely to be the most reliable price reporting method.

3. Product comparisons

ANRA members were concerned in relation to a lack of clarity about the previously proposed methodology for product comparisons. Accurate comparisons need to compare “like for like” goods. In the case of fresh food, meat and private label products, for example, each retailer sets its own product specifications. ANRA members did not support the proposal that Choice would have applied its own ratings to products.

ANRA members were also concerned about how “loyalty” and petrol discount offers were to be recognised in the overall comparison of the true value of their respective basket values. It was not clear which methodology was to be adopted to inform users of the website how retailers charged their customers for plastic bags and recover credit card and debit card commissions from their customers, as is the case with Aldi.

ANRA members also do not support the proposal from Aldi that its products were to be compared to proprietary branded products rather than retailers’ private label products. Since Aldi’s products are only available at Aldi stores, Aldi’s products could only have been compared with retailers’ private label products.

4. Neutral Website

ANRA members understood that the purpose of the Grocery Choice website was to provide accurate information to consumers, free of editorial bias or commentary. Retailers have noted that Choice proposed to highlight “bargains for the week” which would inevitably have been selective and compromised the neutrality of the website. ANRA members saw great risks in a Government funded website potentially being used as a cross selling platform for Choice’s products and services. The proposal to rename the website Choice Grocery and to integrate it into the suite of Choice business products highlighted this conflict of interest.

RESPONSE TO ALLEGATIONS MADE BY CHOICE IN RELATION TO ANRA

In its submission to this inquiry Choice has made a number of extreme statements in relation to ANRA. In particular Choice has alleged that ANRA has acted at the expense of consumers and public policy” (p.20). In addition, Choice has stated that:

Whether or not ANRA’s behaviour was in breach of the Trade Practices Act, it had the effect of advantaging sellers (supermarkets) at the expense of buyers (consumers). The Committee should consider the power and influence of ANRA as a barrier to the future competitiveness of the sector as much as their role in the demise of Grocery Choice (p.13)

ANRA emphatically rejects these claims which have no basis in fact. ANRA’s members operate in a highly competitive retail environment. ANRA supports pro-competitive policies.

Such inflammatory statements are unhelpful at best, and at worst could be construed as self-interested attempts by a membership subscription organisation to fuel its own commercial operations.