



4 October 2024

Dr Sean Turner  
Committee Secretary  
Senate Economic References Committee  
PO Box 6100  
Parliament House  
Canberra ACT 2600

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

**Endeavour Group: Submission to the Senate Economic References Committee into 'Big box' retailer price setting**

Dear Dr Turner,

Thank you for your invitation to Endeavour Group Limited on 29 August 2024, to make a submission to the Senate Inquiry into 'Big box' retailer price setting.

It should be noted none of our Brands offer a format size that would qualify for the typical definition - greater than 4500 sqm - of a 'Big box' retailer. Our Dan Murphy's brand, which represents 2.6% of packaged liquor licences nationally, offers the largest format size at an average floor plate of about 980m<sup>2</sup> across our network.

Additionally, earlier this year Endeavour Group made a submission to and participated in the *Senate Select Committee on Supermarket Prices*, which highlighted the positive approach we take to working with our suppliers and offering great value to our customers (**Attachment A**).

Nonetheless, we are happy to provide some updated information for the Committee's benefit. We have more than 2000 suppliers across beer, wine, spirits, packaging and consumables. Importantly we have doubled the number of small suppliers we range in our bottle shops with since 2018, and now 90 percent of what we range is sourced from independent, small suppliers.

In September 2024, Endeavour Group held its inaugural Supplier Summit in Sydney, the first of its kind - combining a small supplier networking opportunity, the Supplier Forum, and the Supplier of the Year Awards into an in-person event. This Summit was the largest gathering of Australian drinks industry representatives since the pandemic. As part of the Summit Endeavour unveiled two key initiatives:

- Our first Trade Supplier Charter: A new public commitment to continuous improvement in supplier relations, which builds on our existing policies and initiatives.
- Complete Liquor: An industry-first data tool for suppliers established by data and insights company Circana (after the instigation/encouragement etc of EDV), in response to growing demand for greater data and insights transparency in the retail liquor industry.

About the Trade Supplier Charter

The Charter outlines three guiding principles:



1. We're transparent - We openly share our goals and expectations with our suppliers, and provide timely, quality data to help you make informed business decisions.
2. We keep things simple - We're committed to simplifying our systems and processes so that you can concentrate on doing what you do best - making great products our customers love.
3. We work together as genuine partners - Together, we strive to align product innovation to meet consumer demand, respond quickly to challenges, and capitalise on opportunities.

Our Supplier Charter can be found [here](#)

#### About Complete Liquor

Established by data and insights company Circana, Complete Liquor will be built to offer a single source of truth, increasing clarity about the retail liquor market for suppliers of all sizes. For the first time, the industry will have access to a free report offering a top-level overview of the beer, wine, spirits and premix categories, providing a clear and comprehensive market perspective. Complete Liquor will go live in November 2024.

These two recently launched initiatives build on the body of work we have undertaken to develop strong relationships with suppliers. These include:

- Seeking feedback via annual Voice of Supplier programmes; these are anonymous surveys that help to identify issues and opportunities for us to improve; in FY24, more than three quarters of our respondents said they would recommend Endeavour as a strategic retail partner.
- 14-day payment terms are now permanently available for small suppliers, while 30 day terms are also in place for many more suppliers; we have a good track record as reflected in our payment performance as per the Federal reporting requirements.
- Improved supplier onboarding processes with a dedicated merchandise (buying) assistance team created to reduce the time it takes to onboard.
- Dedicated supplier communications that aim to share consumer insights widely with our suppliers. This program includes twice-yearly forums, a quarterly magazine with substantial detail around consumer data and insights.
- Establishing Dan Murphy's Marketplace, an eCommerce sales option for nearly 18,000 products from wineries, distilleries and breweries. This option allows more producers to showcase products to the Dan Murphy's customer base.

If you have any questions in relation to this please don't hesitate to contact me directly at [REDACTED] or Rob Malinauskas, GM Policy Public Affairs and Industry Relations on [REDACTED] or at [REDACTED]

Regards,

[REDACTED]  
Dan Holland  
Director - Corporate Affairs and Sustainability  
Endeavour Group



## ATTACHMENT A

15 March 2024

Senator Nick McKim  
Chair  
Senate Select Committee on Supermarket Prices  
PO Box 6100  
Parliament House  
Canberra ACT 2600

By email: [supermarketprices.sen@aph.gov.au](mailto:supermarketprices.sen@aph.gov.au)

### **Endeavour Group: Submission to the Senate Select Committee on Supermarket Prices**

Dear Senator,

Thank you for your letter to Endeavour Group Limited dated 15 February 2024.

As requested we have prepared the attached submission with an overview of Endeavour Group. We demerged from Woolworths in 2021, and have been a stand-alone ASX company since.

We aim to address your questions with some information about the diverse structure of retail liquor in Australia, our work with drinks producers (our suppliers) and information regarding our Pinnacle Drinks Business.

As referenced in your letter, while we do operate the single largest combined liquor retail network, this constitutes 21% of total available packaged liquor licences; the largest holders of these licences are independents at 51%. We also produce and exclusively range a selection of wines, this accounts for approximately 15% of our total wine range across our retail network. This means the vast majority of what we make available for sale to Australian consumers is made by other businesses. More information is provided in the attached submission.

If you have any questions in relation to this please don't hesitate to contact me directly

[REDACTED] or Dan Holland, Director - Corporate Affairs and Sustainability on [REDACTED] or [REDACTED]

Regards,

Steve Donohue  
Chief Executive Officer and Managing Director  
Endeavour Group

### **Endeavour Group Limited Overview**



Endeavour Group formally demerged from the Woolworths Group in June 2021, and was independently listed on the ASX at that time (ASX: EDV). We're among the newest, large Australian enterprises.

We operate in 1500 communities in every State and Territory across Australia; with more than 30,000 team members. We're proud to provide 1) employment and career opportunities for tens of thousands of people in numerous professions and 2) to range thousands of suppliers, proudly growing many of their businesses together. Our market disclosures also detail our plans to deliver sustainable shareholder returns for investors.

We, like many other businesses in Australia, face rising cost challenges across our supply chain, including inflationary pressures affecting our suppliers, and wage increases. These issues exist across the economy and are well-documented due to post-COVID effects and geopolitical issues. It's important to underscore that operating in discretionary/non essential categories, cost-of-living pressures have different implications for our sectors than those providing essential goods and/or services. During the pandemic we not only demerged from Woolworths but also concurrently executed a range of projects to assist suppliers and workers deeply affected. These included rapidly establishing eCommerce sales options for nearly 900 products from wineries, distilleries and breweries that had lost hospitality and export markets; bringing in 14-day payment terms to assist with cash flow for small suppliers (which are now permanent) and redeploying as many hospitality staff as possible into the retail business to keep people in work.

We have over 8000 suppliers across beer, wine, spirits, packaging and consumables. Our internal supplier governance includes [Responsible Sourcing Program Supplier Guidelines](#), [Responsible Sourcing Policy](#); a supplier training package and a [detailed grievance process](#).

It's important to restate that our sectors are discretionary; for socialising, enjoyment and entertainment. Our products are not considered a necessity and generally not considered a part of the weekly staple shopping basket for most households. Moreover, Governments at all levels regulate, tax and licence our sectors with health and community safety objectives in mind; this again underscores the differences in our sectors from other retail or entertainment companies.

Most importantly, the range of drinks products in our stores is constantly changing to reflect the changing tastes and drinking occasions of consumers. Australians are consuming a lower volume of alcohol each year, often choosing to reduce the quantity and focus on higher quality products. This long term trend is paired with the other key trend of lower brand loyalty. Consumers historically chose drinks from a small number of familiar brands but now instead select new and different products regularly.

The relationship between customer trends and purchasing, and the unique characteristics of the liquor market, is summarised below.

## **Customers**

With any discretionary category, it's important to first consider macro consumer trends.



The amount of alcohol each Australian drinks every year has been decreasing over time – with consumption falling for almost 50 years. Alcohol consumption in Australia peaked at 13.1 litres of pure alcohol per person in 1974-75. By 2017-18, consumption had fallen by 25 per cent to 9.51 litres per capita in 2017-18<sup>1</sup>. The average number of standard drinks consumed by a person on their most recent drinking occasion is 3.4<sup>2</sup>. That is within the National Health and Medical Research Council's (NHMRC) recommended limit of 4 standard drinks (for single occasion drinking).

This macro trend is viewed as positive by a wide range of policy makers, including civil society organisations and Governments, as it demonstrates positive progress in Australia's drinking culture and the move towards more premium consumption for enjoyment while lowering of overall alcohol volume intake.

The other important customer and consumer factor to consider is price dynamics and impacts in cost of living and inflation on purchase habits. Price inflation in liquor is largely driven by twice-yearly excise increases, which are linked to CPI.

### **Liquor Market**

The liquor market is competitive, highly regulated and defined by a licensing structure split into the on-premise and off-premise categories. The market is regulated at the State and Territory level and strictly controlled through liquor licensing regimes enforced by the relevant authorities in each jurisdiction. The off-premise category includes packaged liquor licences (PLL). Endeavour holds 21% of PLLs nationally, and it's important to note the competitive diversity of the sector. Independent retailers are the largest holder of PLLs nationally with approximately 51%. A number of well-known retail groups also hold substantial numbers of PLLs.

In FY23, it is worth noting a total of 184 packaged liquor licences were approved (nationally) with only 20 granted to Endeavour. Online retailing has increased significantly, including from major international companies. Our view is that the retailing of liquor remains competitive as there are numerous and diverse routes to market, including direct-to-consumer sales.

### **Our workplace**

Our team is central to management's focus and we're committed to a safe and inclusive workplace. Approximately 96% of our retail team are covered by award or Enterprise Agreements with the vast majority of our retail team members represented by the SDA union.

We offer a range of career opportunities across our group businesses, from winemakers, viticulturists, frontline retail team members, chefs, cooks and venue managers, specialist roles with our head office support team across marketing, human resources, finance and data analysts, just to name a few. We were recently recognised in the inaugural Workplace Gender Equality Agency employer gender pay gap report as within the top five ASX listed companies to fall close to gender pay parity.

### **Our hospitality business**

---

<sup>1</sup> ABS, Apparent Consumption of Alcohol, 2017-2018)

<sup>2</sup> AIHW, National Drug Strategy Household Survey 2019



Our network of more than 350 hotels are located across metro, rural and regional areas of Australia employs 12,000 team members who live and work in the communities they serve.

Known as ALH Hotels (**ALH**), our hotels business has been ranked number two and number four employer in the Randstad Top Employer Awards in 2022 and 2023 respectively. Our hotel business regularly supports local clubs, organisations and charities through events, donations and in-kind support.

### **Suppliers to our retail businesses**

We have 1785 drinks suppliers; big and small-sized companies across beer, wine, and spirits with 85% domestic suppliers. We work to develop strong relationships with suppliers, and invest in a number of programs:

1. We seek feedback via annual surveys; this is an anonymous survey that helps to identify issues and opportunities for us to improve; in FY23, 84% of our respondents said they would recommend Endeavour as a strategic retail partner.
2. 14-day payment terms are now permanently available for small suppliers, while 30 day terms are also in place for many more suppliers; we have a good track record as reflected in our payment performance as per the Federal reporting requirements.
3. Supplier onboarding processes have been improved with a dedicated merchandise (buying) assistance team created to reduce the time it takes to onboard.
4. Dedicated supplier communications that aim to share consumer insights widely with our suppliers. This program includes twice-yearly online forums, a quarterly magazine with substantial detail around consumer data and insights, and an annual awards event.

We conduct annual range reviews across all beer, wine and spirit categories which involves an extensive consultation process with our suppliers:

1. Suppliers are notified of the upcoming range review and invited to make submissions
2. Specific guidance is documented on the product characteristics Endeavour is seeking. e.g recently we have sought more products with lighter alcohol content, or zero alcohol content.
3. Metrics used to evaluate the existing range are documented and shared well in advance.
4. Timelines are documented in any supplier communications regarding range reviews.

As with any industry, suppliers do raise concerns from time to time and we have a number of ways our suppliers can work with our team to resolve issues.

1. Directly with our team; our category managers have direct relationships with each supplier and are generally the first point of contact should an issue arise.
2. Directly with management; we provide links online to enable escalation of issues with a manager.
3. Anonymously; Endeavour Whistleblowing is a service provided by Deloitte and covers suppliers as well as team members.

Our team engages directly with suppliers to resolve issues swiftly on a case by case basis. We're invested and focussed on finding ways to improve our processes and practices across all aspects of our supplier relations. We hold forums every six months where over 1,000 suppliers attend and can interact directly with our leadership team.



## Our Pinnacle business

Pinnacle Drinks (**Pinnacle**) is a collection of businesses that were brought together under the same banner in 2012, but many components have long histories in servicing different parts of the industry. Our Pinnacle business employs 720 team members total, with the majority (circa 500) based in the Barossa Valley. Pinnacle's operations include:

1. **Vinpac International.** A bottling and packaging business founded in 1975 that supports 350 small and medium independent wineries.
2. **Partnerships with independent producers.** Pinnacle sources products locally and internationally for ranging in the Endeavour retail network and beyond.
3. **Viticulture and winemaking.** We have a small number of owned vineyards, actively manage 142 hectares of leased vineyards and a collection of premium wineries with cellar doors. We also operate a winery in the Barossa (Dorrien), for which we source grapes through a range of arrangements from growers.

### Vinpac International

There are three bottling facilities located across the Barossa and McLaren Vale regions. Vinpac International offers over 350 independent businesses a complete service from bottling their products, to packaging material supplies, such as corks and bottles, secondary and outer packaging ready for domestic and international distribution, along with winemaking, bulk wine storage, laboratory services, warehousing and distribution.

### Partnerships with independent producers

Pinnacle works with independent producers to source a range of products for our retail network. These arrangements include special edition products under existing brands or contracting producers to create specific brands and products. Producer partnerships also involve import arrangements for select drinks into Australia.

In 2023 Pinnacle released 550 new products across beer, wine and spirits categories, 290 are considered seasonal and are only available short term in retail outlets and 260 products remain as longer term product lines today.

### Viticulture and winemaking

Across our Pinnacle portfolio we have 22 winemakers and 14 viticulturalists managing 550 hectares of owned and leased vineyards. Pinnacle wine makes up 15% of our total wine range across our retail network; the vast majority of what we make available for sale to Australian consumers is made by other businesses. As a grape grower, we grow fruit on our own vineyards; we grow fruit on vineyards we lease; we also contract suppliers to grow fruit on our behalf and purchase fruit via grower contracts in addition to purchasing bulk wine.

Dorrien Estate, is our scale winemaking facility located in the Barossa Valley. We've recently made a significant investment and upgraded the facility which will drive production efficiencies and lower grape- to-bottle conversion costs which will maintain quality and value for customers.



In regards to grape sourcing, Endeavour's contractual arrangements have provided stability for many growers over the 12 years that Endeavour has owned Dorrien Estate. The agreed price is detailed in every contract ahead of vintage along with agreed quality specifications and a fair dispute resolution mechanism. This contract detail is a higher standard than many operators in the industry. We work with suppliers very early in the grape growth cycle to ensure that the grapes will meet the agreed standard, providing much needed security for these growers by considerably limiting occurrences of grape rejection.

Supplier protections are standard in our contracts and we recognise that providing stability and assurances around revenue streams is critical for small business and we're a proud signatory to the Australian Grape and Wine Code of Conduct.