
CHAPTER 4

MARKET SHARE

...how big is too big?

Market definition

4.1 Conflicting views were put forward regarding the actual market share of the major chains. The debate centred on market definition, where the level of concentration is dependent upon how the market is defined.

National Association of Retail Grocers of Australia (NARGA)

4.2 NARGA believes that the AC Nielsen measure of market share is the correct industry standard. This covers 105 items sold through grocery supermarkets, including dairy and frozen products. On this basis, Woolworths' national share is 35.9 per cent, Coles is 30.3 per cent and Franklins is 14.2 per cent.¹ However, the AC Nielsen submission states that the market share figure of 80.4 per cent for the three major chains relates only to the dry/packageged grocery market. According to AC Nielsen, this definition is restrictive, and in order to assess the true grocery market, the definition should be expanded to include fresh meat, fresh fruit and vegetables, delicatessens, bread and liquor.² Table 4.1 represents the State and national share of the dry/packageged grocery market.

Table 4.1

*Grocery retail market shares (dry/packageged goods only)
September 1998*

	Woolworths	Coles/Bi Lo	Franklins	Total	Dauids	Others**
NSW	36.4	23.4	24.2	84.0	13.6	2.4
VIC	36.6	33.8	8.7	79.1	19.1	1.8
QLD	38.6	32.2	16.4	87.2	12.8	0
SA	29.9	38.0	7.0	74.9	25.1	0
WA	27.1	33.4	N/A	60.5	n/a	39.5
TAS	73.1*	26.9	N/A	100	n/a	0
NATIONAL	35.9	30.3	14.2	80.4	15.4	4.2

Source: AC Nielsen³

* Includes Tasmanian Independent Wholesalers

** Includes FAL and AIW

1 AC Nielsen, Submission 165, p 4.

2 AC Nielsen, Submission 165, pp 3-5.

3 Retail World Newsmagazine, AC Nielsen *Annual Report 1998*, 14 December 1998, pp 16-17.

Woolworths

4.3 Woolworths disputed NARGA's definition of the market. Mr Roger Corbett, Chief Executive Officer, told the Committee that:

...some have chosen, for whatever purpose, to use these facts incorrectly, and by doing so have created a misleading context for this inquiry and have also cast a shadow over the industry and those who lead it.⁴

4.4 Woolworths commissioned economic trend analyst, Mr Anthony Dimasi, to determine the market share based on household expenditure. Mr Dimasi believes that the relevant market shares for supermarkets are those measured as the share of total retail food and grocery spending – the 'stomach market'. This includes:

- spending on take-home food and groceries and on bottled liquor; and
- spending on food catering (cafés and restaurants).⁵

4.5 Mr Dimasi's research shows that, in 1997-98, Australians spent about \$123 billion on retail goods and retail services. This total is made up of:

- food and groceries to take home – \$47 billion;
- liquor to take home – \$5.5 billion;
- food catering (café and restaurant expenditure) – \$13.2 billion;
- non-food goods (apparel, homewares, gardening, et cetera) – \$52 billion; and
- retail services (video rental, optometry, hair and beauty etc.) – \$5.4 billion.⁶

The total market for food we can then consider, I guess, a number of different ways. If we look at all food and grocery spending in Australia, in 1997-98 that was \$65.5 billion. It comprised \$19.7 billion spent on what we call fresh food, which is meat and poultry, fresh produce, fresh seafood, delicatessen and dairy goods and bakery goods, and another \$27 billion on packaged groceries and frozen food, accounting for about 41 per cent of the total market for food and groceries.⁷

4.6 Mr Dimasi said that the AC Nielsen market share figure of 80.4 per cent relates only to some of the goods in that \$27 billion worth of packaged groceries and frozen foods. Furthermore, he disagreed that supermarkets and grocery stores compete effectively only for sales of take-home food, groceries and liquor. Rather, he argued that takeaway food stores, restaurants, hotels or taverns should also be seen as market competitors:

4 *Hansard*, Canberra, 6 April 1999, p 3.

5 Jebb Holland Dimasi, Submission 228, p 26.

6 *Hansard*, Sydney, 15 April 1999, p 359.

7 Mr Anthony Dimasi, Joint Managing Director, Jebb Holland Dimasi, *Hansard*, Sydney, 15 April 1999, pp 380-81.

My view is that, to a greater or lesser degree, they all [compete]. Some are very clearly and very obviously competitive with supermarkets, some less so. But in my view, in terms of the competitive model that supermarkets face in their day-to-day business decisions, I would take the view that they are all competitive.⁸

4.7 Table 4.2 represents Mr Dimasi's analysis of the major chains' share of all food and grocery spending.

Table 4.2

Major chain grocery retail market shares (all food and grocery spending) 1997/98

Trader	Sales (\$ Billion)	% of Total
Major Chains		
Woolworths	13.10	20.0
Coles*	11.30	17.3
Franklins	3.80	5.8
Total Major Chains	28.20	43.1
Other Traders	37.18	56.9
Total Take-home Food, Liquor and Groceries	65.38	100.0%

Source: Jebb Holland Dimasi, Submission 228, p 27.

* Includes Red Rooster sales.

Franklins

4.8 Franklins believes its market is other supermarkets, convenience stores and specialty fresh food retailers. As a result of demographic and social changes, Franklins now aims to compete with the 'ready to eat' and fresh specialty food outlets, not just the traditional supermarket. It estimates that the share of sales of groceries, liquor and fresh food (excluding takeaway food retailers) is:

- Woolworths – 35 per cent;
- Coles – 27 per cent;
- Independents – 29 per cent; and
- Franklins – 9 per cent.⁹

8 *Hansard*, Sydney, 15 April 1999, p 359.

9 Franklins, Submission 200, p iii.

Coles

4.9 Coles did not debate the issue of market concentration. Instead, it urged the Committee to focus on whether the retail sector is competitive and accessible to new entrants.¹⁰

Australian Competition and Consumer Commission (ACCC)

4.10 The ACCC defines a market as the area of close competition between firms and within which there is close price substitutability between one product and another, and close substitutability between one source of supply and another. The ACCC maintains that each market will differ as the circumstances of each case differ, and that it is inappropriate to have a pre-determined view on any dimension of a market, be it product, geographic or functional. What is crucial in the ACCC's view is that the relevant principles of defining a market are applied consistently.

4.11 One submission felt compelled to take up this point of consistency, noting that the major chains appear to want the best of both worlds:

For example, in their presentation to the Committee on Tuesday 6 April 1999, Woolworths were determined to down play the extent of their domination by quoting their market share in terms of somebody's stomach, thereby defining their share as a mere 20 per cent.

In contrast, not four weeks later, Chief Executive Roger Corbett was reassuring his shareholders that, according to AC Nielsen packaged grocery scan data, Woolworths market share had risen from 35.1 per cent to 35.6 per cent in the past twelve months.¹¹

4.12 Because of the conflicting views on market share, the Committee considered it appropriate to independently quantify the market shares of each major chain.

Australian Bureau of Statistics (ABS)

4.13 The ABS was commissioned to provide the Committee with market share information for the following sub-groups:

Measure 1

4.14 Measure 1 includes supermarket and grocery stores, including the non-petrol sales of identified convenience stores of petrol stations. It comprises ANZSIC Class 5110, which consists of units mainly engaged in retailing groceries or non-specialised food lines, whether or not the selling is organised on a self-service basis.¹²

10 Mr Alan Williams, Managing Director, Coles Supermarkets, *Hansard*, Canberra, 6 April 1999, p 31.

11 Coalition Against Major Chain Dominance, Submission 294, p 3.

12 Australian and New Zealand Standard Industrial Classification, ABS *Catalogue No 1292.0*, 1993 edition, p 158.

Table 4.3

Supermarket and Grocery industry

Trader	1994-95 %	1997-98 %
Major Chains		
Coles	23.4	27.5
Franklins	10.6	11.0
Woolworths	34.8	36.9
Total Major Chains	68.8	75.4
Other Traders	31.2	24.6

Source: ABS Retail trade special data service report (see Appendix 5).

Figure 4.1

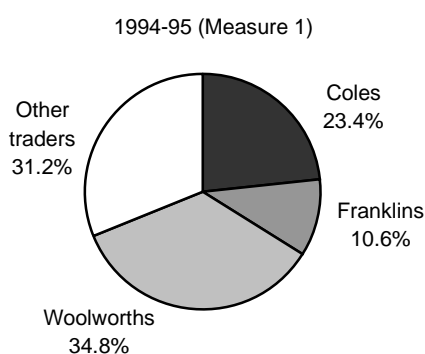
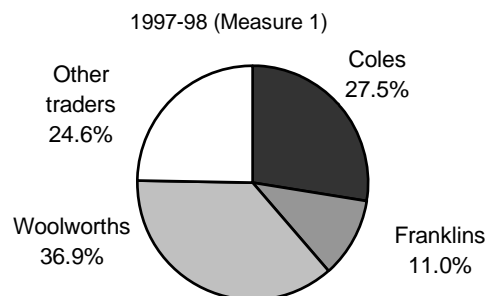


Figure 4.2



Source: ABS Retail trade special data service report (see Appendix 5).

Measure 2

4.15 Measure 2 includes items in measure 1, plus liquor retailing stores, plus other food retailing stores including fresh meat, fish and poultry retailing stores, fruit and vegetable retailing stores, bread and cake retailing stores, and other specialised food retailing stores. It comprises ANZSIC Class 5110 plus 5123 (liquor retailing), 5121 (fresh meat, fish and poultry retailing stores), 5122 (fruit and vegetable retailing stores), 5124 (bread and cake retailing stores) and 5129 (specialised food retailing).¹³

13 Australian and New Zealand Standard Industrial Classification, ABS *Catalogue No 1292.0*, 1993 edition, pp 158-159.

Table 4.4

Supermarket and Grocery industry, plus the Liquor industry and other food industry which covers bread and cakes, fresh meat, fish and poultry, fruit and vegetables and specialised food retailing

Trader	1994-95 %	1997-98 %
Major Chains		
Coles	20.3	23.9
Franklins	8.4	8.7
Woolworths	28.0	29.4
Total Major Chains	56.7	62.0
Other Traders	43.3	38.0

Source: ABS Retail trade special data service report (see Appendix 5).

Figure 4.3

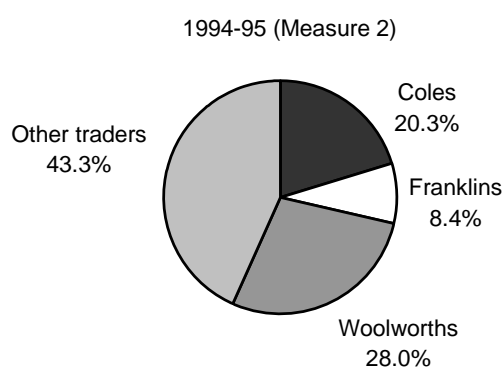
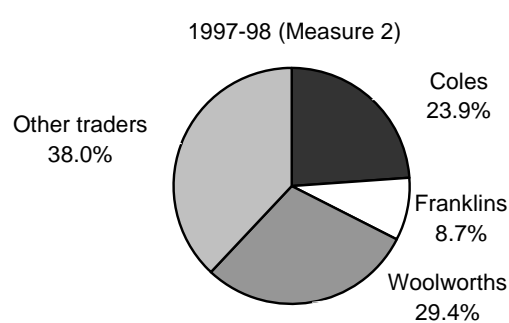


Figure 4.4



Source: ABS Retail trade special data service report (see Appendix 5).

Measure 3

4.16 Measure 3 includes items in measure 2, plus takeaway food retailing stores, which is ANZSIC Class 5125.¹⁴

Table 4.5

14 Australian and New Zealand Standard Industrial Classification, ABS Catalogue No 1292.0, 1993 edition, pp 158-159.

Combined Supermarket and Grocery industry, the Liquor industry, the Takeaway food industry and other food industry which cover fruit and vegetables, bread and cake, fresh meat, fish and poultry, specialised food retailing (delicatessens, tobacco and confectionary)

Trader	1994-95 %	1997-98 %
Major Chains		
Coles	17.8	21.0
Franklins	7.2	7.5
Woolworths	24.0	25.4
Total Major Chains	49.0	53.9
Other Traders	51.0	46.1

Source: ABS Retail trade special data service report (see Appendix 5).

Figure 4.5

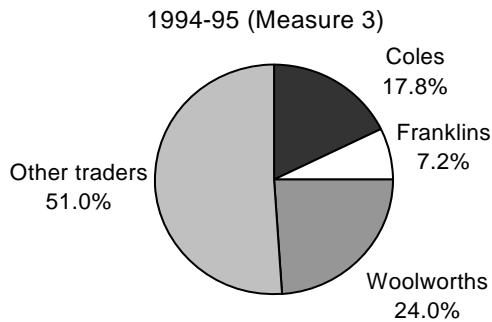
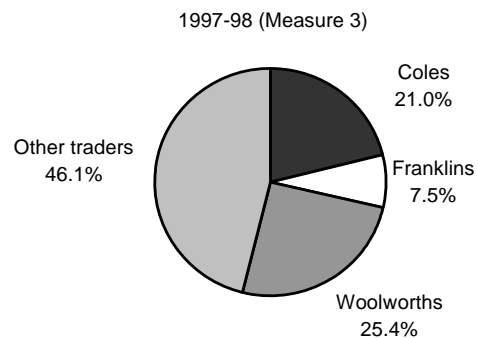


Figure 4.6



Source: ABS Retail trade special data service report (see Appendix 5).

4.17 Given that the volume of food sales in Australia remains reasonably static (subject to increases in population), the major chains have set in place a number of expansion strategies. For instance, they appear to be increasingly entering regional and rural markets, which have traditionally been uncontested by the major chains:

It is arguable that, due to a shortage of appropriate sites in urban areas, perhaps caused by maturity and/or saturation of the urban market, this is changing. It has been put to the Commission, however, that there is still ample scope for the chains to expand in major urban centres, particularly Melbourne and Sydney. While larger regional centres are likely to be attractive to the chains, smaller centres are unlikely to provide the volume to make it worthwhile, particularly in view of distribution costs.¹⁵

15 Australian Competition and Consumer Commission, Submission 191, p 21.

4.18 Another strategic initiative by the major chains is their development of smaller, more focused retail stores in urban areas. Coles has more than a dozen concept formats under trial, which is driving much of the group's current sales expansion.¹⁶

4.19 The ABS statistics conclusively reveal that the major chains have increased their market share at the expense of the independents. For example, Measure 2, which the ABS advises is the most realistic measure, shows that the major chains increased their market share in three years by 5.26 per cent or \$7.1 billion out of a total industry increase of \$8.1 billion.¹⁷

16 Australian Competition and Consumer Commission, Submission 191, p 21.

17 See Appendix 5, Table 4.