

Market Study into the Retail Grocery Sector

Cross Submission by Christians Against Poverty

From:
Christians Against Poverty
PO BOX 12041
Penrose
Auckland 1064

To:
Commerce Commission
PO BOX 2351
Wellington 6140

23 November 2021

Submitted via email: marketstudies@comcom.govt.nz

Prepared by:
Matilda Gaby
Social Policy Advisor
Christians Against Poverty

Matilda.Gaby@capnz.org

Introduction

Tēnā koe,

Thank you for the opportunity to attend the recent virtual conference on the Market Study into the Retail Grocery sector. Christians Against Poverty (CAP) welcomes the opportunity to provide a cross submission post conference. As mentioned in the conference, CAP provides a valuable voice for consumers who are experiencing debt and poverty, having worked on the front lines for over ten years. The outcome of this study will have a tangible impact on our client's wellbeing and other New Zealanders who are facing debt and poverty.

Nāku noa, nā



Matilda Gaby

General Comments

Additional comments on the market study into the retail grocery sector following the Commerce Commission conference are noted below.

- **Lack of competition:** CAP is still concerned about a lack of real competition in the sector. Foodstuffs and Countdown are currently the largest grocery companies in Aotearoa and this effectively means they set the price for many products. Compared to the United Kingdom where there are many competing retailers, New Zealand consumer's options are limited as a result of unhealthy competition. Anecdotally, CAP clients tend to go to Pak'nsave or Countdown for their main shop. CAP has never heard of clients going to retailers such as Farro Fresh or Supie. This is because these stores cater towards more affluent consumers or those who are confident with online shopping. Therefore, CAP would see these retailers as being fringe competitors currently.

This lack of competition, due to a duopoly structure between Foodstuffs and Woolworths, results in consumers paying higher prices for their groceries. For low-income households, high grocery prices pile on pressure. This pressure causes whānau to buy cheaper brands, opt for less nutritious meals, and ration food. For example, CAP has seen first-hand accounts of clients surviving on instant noodles or a \$1 loaf of bread each day due to their tight financial situation and high cost of living. CAP would also like to recommend The Salvation Army's report on food insecurity and its recommendations of social supermarkets, and the role iwi can play.¹

¹ Tanielu, R. (2021). Food For Thought: Disrupting food insecurity in Aotearoa. <https://www.salvationarmy.org.nz/news/time-disrupt-food-insecurity-aotearoa>

- **Pricing and promotional practices:** CAP would like to see retailers offering low prices consistently. Consumers, particularly those in hardship, rely on consistently low prices to feed their whānau within a tight budget. Furthermore, in order to budget better and not depend on special prices to buy certain products, it would be beneficial to gain clarity and transparency on the marketing strategies grocery retailers use. As discussed during the conference, pricing programmes can be misleading for customers, and it is difficult to know how genuine specials are or how long they will last for.

CAP is also pleased to see an agreement during the Commerce Commission conference that retailers will introduce unit pricing, including print promotions, to enable clients to make informed and financially wise decisions.

Overall, it is encouraging to hear that Foodstuffs and Woolworths are willing to clarify their pricing and promotional practices. However, this process needs to be done according to a consumer information standard that is enforced rather than voluntary. By mandating standards for pricing and promotional practices, supermarkets are clear on the expectations and are held accountable.

- **Loyalty programmes:** CAP is concerned that loyalty programmes are a form of price discrimination. To benefit from some price discounts, a consumer must be part of the loyalty programme. Whānau in hardship are less likely to be part of a loyalty scheme due to literacy and accessibility challenges, yet they are the customers who would benefit most from lower prices based on their low income. Those aware of loyalty schemes may feel signing up for the scheme is necessary to receive discounts without fully understanding the terms and conditions or how their data is used. Overall, for those in hardship, a model like Pak'nsave (with consistently low prices and no loyalty membership needed to receive discounts) may work better. This model helps clients to plan according to their budget, without having to sign up for a loyalty programme that they do not understand or fully agree too.

In addition, CAP contends that loyalty programmes offer little, if any, value to consumers. For example, Countdown's Onecard requires a consumer to spend \$2000 to earn a \$15 voucher. A CAP client budgets on average \$100 per week for groceries, meaning it would take around 20 weeks to receive \$15.

- **Intervention justified:** CAP would like to encourage the Commerce Commission to be bold in its recommendations to address the underlying lack of competition in the sector. For example, while grocery retailers have offered to introduce positive changes to their promotions and loyalty programmes as a result of this study, CAP believes that introducing a mandatory consumer information standard backed by effective enforcement is needed. CAP notes that a careful balance between strict regulation versus imposing mandates that incur high costs on smaller retailers is required when introducing the consumer information standard. The legislation would also need to be Aotearoa specific and not simply copied and pasted from Australia, for example.

Conclusion

CAP envisions Aotearoa as a nation where every whānau has enough food on the table. CAP believes that grocery retailers should be driven to improve competition and outcomes for consumers, particularly prioritising those in hardship. It is important for pricing and promotions to be clear, and for loyalty programmes to not be a form of price discrimination. Bold intervention that acts in the consumers best interest is required.

CAP would like to thank the Commerce Commission for the time you have taken to review our cross submission. The Market Study into the Grocery Sector is an excellent opportunity to promote competition in the grocery market for the long-term benefit of consumers and empower whānau to live healthy and sustainable lives. We welcome any further discussion you may wish to have.