

# Market Study into the Grocery Sector

## Submission by Christians Against Poverty

From:  
Christians Against Poverty  
PO BOX 12041  
Penrose  
Auckland 1064

To:  
Commerce Commission  
PO BOX 2351  
Wellington 6140

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Prepared by:  
Matilda Gaby  
Social Policy Advisor  
Christians Against Poverty

[Matilda.Gaby@capnz.org](mailto:Matilda.Gaby@capnz.org)

## Executive Summary

Tēnā koe,

Christians Against Poverty (CAP) welcomes the opportunity to provide feedback on the Market Study into the Grocery Sector Draft Report. CAP applauds the efforts of the Commerce Commission in conducting a robust study of the grocery sector. We support the majority of the proposed recommendations the Commerce Commission has outlined. However, we believe that these changes need to prioritise consumers in hardship and poverty to a greater extent so that the purpose of the Fair Trading Act is fulfilled.

This submission provides a set of practical recommendations to strengthen the competition within the grocery sector and ensure all consumers, particularly those experiencing hardship, have access to fair and competitive pricing. These recommendations are put forward based on over twelve years of experience working with some of New Zealand's most vulnerable.

As stated in the Draft Report, we note a limitation of the study is that vulnerable clients are underrepresented in the survey responses. We sincerely hope that through this submission, CAP helps these voices be heard and listened to.

To illustrate:

- 67% of CAP clients skipped meals, and 62% said they could not buy healthy food.
- *“My kids missed out... could not afford snacks... Kids always ate spaghetti or sometimes a loaf of bread for the day.” – CAP Client*

CAP would ultimately like to see a grocery market with prices that reflect healthy competition so whānau across Aotearoa can have access to nutritious food, tamariki can grow up strong and healthy, and people in poverty and hardship move from surviving to thriving.

For these reasons, CAP recommends the following:

Recommendations in the retail market:

- Prioritise people in hardship.
- Prevent supermarkets from offering discounts only to loyalty cardholders.
- Introduce mandatory unit pricing.
- Introduce a consumer information standard (under the Fair Trading Act).
- Create space for a third major chain.

Recommendations in the wholesale market:

- Introduce a mandatory code of conduct and appoint a supermarket commissioner.
- Prevent supermarkets from placing restrictive covenants on land use.

We look forward to working with you to make constructive changes to the draft report. Today's decisions will have a tangible impact on whānau who experience hardship and poverty. Thank you for the opportunity to provide input and I welcome any questions.

Nāku noa, nā

Matilda Gaby

**Christians Against Poverty**

# Introduction to Christians Against Poverty

## *Free debt counselling – CAP Debt Help*

CAP's free nationwide Debt Help service has now helped thousands of New Zealanders over the last 12 years to live on a budget, pay off debts, and grow in financial capability.

CAP visits approximately 100 households each month. As a result, CAP constantly comes face-to-face with the crushing despair and misery created by debt. **Over half of CAP clients could not provide three meals a day for their children.** Anxiety and depression due to debt caused 3 out of 5 clients to isolate themselves. Before coming to CAP, 1 in 4 clients had contemplated or attempted taking their lives.<sup>1</sup>

***“I was very stressed, depressed - I was afraid of being judged, embarrassed, agitated. My children [were] feeling and suffering with me, which caused separation with my husband of twenty plus years of marriage.” - CAP Client***

CAP has helped thousands of clients pay off over 38 million dollars of debts and bills and enabled the write-off of over \$30 million of debt through negotiations with creditors and insolvency.

The fruits of this work mean that over 1,900 people have become debt-free. Moreover, these numbers have positively transformed the homes of over 2,000 children.

## *Money education – CAP Money*

In response to the vast need that we saw in families struggling in debt, Christians Against Poverty developed the CAP Money course in March 2009. Since its launch, the course has helped thousands of families avoid unmanageable debt by organising their finances. Nearly 15,000 people have completed a CAP Money course to learn how to take control of their finances. They have learnt how to build and live on a budget, keep track of finances, and rely more on cash as an effective method to manage spending.

## General Comments

It is encouraging to see a robust, analytical study conducted on the retail grocery market. CAP supports the overriding aim of the study to align with the Fair Trading Act's purpose: 'to promote competition in markets for the long-term benefit of consumers'.<sup>2</sup>

- Market characteristics and sector background: CAP agrees that food is the second-largest expenditure item for New Zealanders. The report states that households spend on average \$234 per week, which aligns with CAP clients budgets. CAP has also found that food can be the largest expenditure item in some circumstances. For example, when two whānau live together or when clients reside in a Kāinga Ora home. As food is an essential need and takes up a significant proportion of a client's budget, this often means clients sacrifice other crucial expenses like medical and school bills in order to put enough food on the table.

<sup>1</sup> Christians Against Poverty New Zealand. (2020). *Below Zero: Living in unmanageable debt in Aotearoa*.

<sup>2</sup> New Zealand Legislation. (2021). *Fair Trading Act 1986*.

<https://www.legislation.govt.nz/act/public/1986/0121/latest/DLM96439.html>

- Market outcomes in the retail grocery sector: The data showing just how high grocery prices and retail profits are in New Zealand, even when compared to similar countries internationally, is concerning to CAP - particularly when we think of clients in hardship and poverty who have little to make ends meet. The data shows clear inequities between retailers and consumers which needs to be addressed.
- Consumer-facing issues: Making informed purchasing choices is particularly important for those in hardship and poverty that need to stretch funds as far as they will go. The CAP Money course supports mandatory unit pricing and encourages participants to check unit pricing to ensure they get the best value for their money. Furthermore, CAP would like to see the inequities between more and less affluent spenders concerning loyalty schemes addressed. Loyalty schemes currently favour the loyalty of more affluent, higher spenders. On the other hand, those who are in hardship and spend less receive fewer rewards.
- Acquisition of groceries by retailers: The treatment of suppliers in the grocery sector has similarities to debtors in the credit industry. For example, both sectors have regulation systems that currently lead to an unfair playing field. CAP is encouraged that this issue is addressed in the draft report.

## Recommendations – Retail Market

### *Prioritise people in hardship*

CAP's most important recommendation is to prioritise people in hardship and poverty. Food is an essential need, and no one should be going without it. Research shows that when disposable income is limited, food is often the first expense that is sacrificed.<sup>3</sup>

CAP's hopeful outcome from the market study is that consumers in hardship and poverty benefit like the rest and are not further marginalised. The following recommendations provide specific ways the grocery sector can achieve this outcome.

### *Prevent supermarkets from offering discounts only to loyalty cardholders*

Whānau in hardship are less likely to be part of a loyalty scheme due to health and accessibility challenges, yet they are the customers who would benefit most from lower prices based on their low income. As the Commerce Commission study found, it is not only vulnerable customers who do not understand the loyalty schemes, but it seems there is widespread confusion and scepticism among many consumers.<sup>4</sup> CAP believes this unfairness is a human rights issue and advocates for discounts to be available to all shoppers. Ideally, there would only be everyday low prices and no need for promotions associated with loyalty schemes.

<sup>3</sup> Ministry of Health. (2019). *Household Food Insecurity Among Children in New Zealand*. Wellington. <https://www.health.govt.nz/system/files/documents/publications/household-food-insecurity-amongchildren-new-zealand-health-survey-jun19.pdf>

<sup>4</sup> Commerce Commission. (2021). *Market study into the grocery sector*. [https://comcom.govt.nz/\\_data/assets/pdf\\_file/0025/260377/Market-study-into-the-retail-grocery-sector-Draft-report-29-July-2021.pdf](https://comcom.govt.nz/_data/assets/pdf_file/0025/260377/Market-study-into-the-retail-grocery-sector-Draft-report-29-July-2021.pdf)

## ***Introduce mandatory unit pricing***

Mandatory unit pricing is essential so customers can make informed decisions when purchasing their groceries. Research has found that unit pricing promotes healthy competition between retailers and can save consumers money. For example, a Queensland University of Technology study found that consumers saved 11 percent on average of their grocery bill with unit pricing information.<sup>5</sup> CAP believes New Zealand should follow the examples of Australia, countries in the European Union and several states in the United States where unit pricing is mandatory to ensure consumers get the full benefits of unit prices.<sup>6</sup>

## ***Introduce consumer information standards (under FTA) on supermarket price displays and promotions***

CAP supports the recommendation for supermarket price displays and promotions to be simplified and reduced. We would like to see this regulated under the Fair Trading Act. We believe by controlling this, retailers will be held to a greater account for unfair and misleading practices. For example, the use of “specials” can be misleading because some items are on special for such a substantial amount of time that they should not be labelled “specials”. Labels such as “everyday saving” or “low price” also make it unclear what products are discounted. CAP would like to see simplified language, for example, only having one label called “special” and having the usual price displayed directly beside the promotional price. Implementing these standards would clarify terms like “everyday saving” and ensure customers know that products labelled with “everyday saving” are not on special.

## ***Create space for a third major chain***

CAP supports necessary changes to create space for a third major chain to improve inter-chain competitiveness and consumer choice.

# **Recommendations – Wholesale Market**

## ***Introduce a mandatory code of conduct and appoint a supermarket commissioner to oversee the code***

CAP is supportive of the draft recommendations that support fair competition if they ultimately benefit the consumer through greater options and better quality products.

## ***Prevent supermarkets from placing restrictive covenants on land use***

CAP supports recommendations that lower the barriers to entry that lead to more choices for consumers in the marketplace. CAP believes New Zealand can learn from the United Kingdom who have enforced the prevention of restrictive covenants on land use since 2010.<sup>7</sup> The Groceries Market Investigation (Controlled Land) Order 2010 results from the United Kingdom inquiry into the grocery sector led by the Competition Commission.

<sup>5</sup> Consumer New Zealand. (2013). *Unit Pricing*. <https://www.consumer.org.nz/articles/unit-pricing>

<sup>6</sup> Australian Competition and Consumer Commission. (2018). *Unit Pricing Code*. <https://www.accc.gov.au/business/industry-codes/unit-pricing-code>

<sup>7</sup> GOV.UK. (2020). *Groceries Market Investigation (Controlled Land) Order 2010*. <https://www.gov.uk/government/publications/groceries-market-investigation-controlled-land-order-2010>

## Conclusion

CAP envisions Aotearoa as a nation filled with healthy whānau who have hopes for the future and can live life to the fullest. CAP wants to see hardship and poverty in our country alleviated and everybody having access to basic needs.

CAP would like to thank you for the time you have taken to review our submission. The Market Study into the Grocery Sector Draft Report 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 concerning the proposed changes.