

From: ernie@ernienewman.com <ernie@ernienewman.com>

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To: marketstudies <marketstudies@comcom.govt.nz>

Subject: Grocery Market Study - Feedback from Session 5

Dear Commissioners

The following confirms two key observations I was wanting to make yesterday based on my experience in the industry in the 1980-84 period:

Wholesale Capability

Woolworths and Foodstuffs both protested yesterday that they are not wholesalers. That was very surprising. In the 1980s, wholesale was clearly core business of both. That's evidenced by the existence of 2 distinct trade associations at that time; the [NZ Wholesale Grocery Distributors Federation](#) of which the four Foodstuffs companies and Woolworths were very active members, and [NARGON, the National Association of Retail Grocers and Supermarkets](#), whose membership comprised individual stores of all banners. The wholesalers were "open access" - selling to all comers whether part of their tied banner groups or independent.

Subsequently somehow, both have assumed control of the retail sector and now seem to consider themselves as primarily retail operations with a wholesale operation embedded.

Given that history, and despite their protestations, it follows that Foodstuffs and/or Woolworths should be capable of being unwound to resume open access wholesaling to emerging retail competitors.

Vertical and Horizontal Expansion – the End Point

In those earlier times supermarkets faced numerous fringe competitors who subsequently they have squeezed out or pushed aside. Examples include retail services (such as butchers, greengrocers, liquor stores, and pharmacies); services (such as transport, marketing and promotions); and supply such as fisheries. This has been a massive "land grab," using their dominance in supermarketing as leverage over adjacent markets.

Left unconstrained, that presents a very real risk that from here they will move increasingly into areas where their suppliers currently operate – horticulture, agriculture, and food and grocery manufacture. By using private labels to gain a toehold they will sideline independent brands into little more than expensive alternatives whose main purpose on the shelves is to make the prices of the private labels look attractive.

That way, it is plausible that over another decade or two they could control practically the country's entire food chain from pasture to plate.

That is a massive risk. Not only in economic and competition terms, but a strategic risk to New Zealand's entire food chain. It needs to be dealt with now, otherwise the Commerce Commission of 2031 will have an unenviable legacy issue to resolve.

Ernie Newman

Ernie Newman Consulting Ltd