

Retail Grocery Market Study – Draft Findings

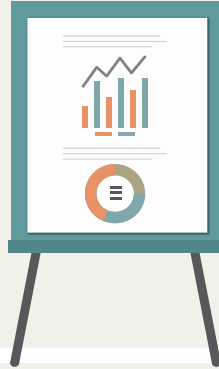
Competition in the retail grocery sector is not working well for consumers. If competition was more effective, retailers would face stronger pressure to deliver the right prices, quality and range to satisfy a diverse range of consumer preferences.

Market observations

NZ grocery prices appear **high** by **international** standards.

The two major grocery retailers have **persistently high profits**.

The **level of innovation** in the sector is **modest** by international standards.



Issues facing consumers

The complexity of the major grocery retailers' pricing strategies, promotions and loyalty programmes can **confuse consumers** and make it **difficult** for consumers to make informed purchasing **decisions**.

Consumers are generally not aware of how much **personal data** they are **giving away** and **how it is used** when signing up to loyalty programmes.



Competition issues

Competition for a consumer's main shop is dominated by **two major retailers**:

FOODSTUFFS



WOOLWORTHS NZ



While there is an increasingly diverse **fringe** of **other retailers**, they have a **limited** impact on **competition** as they are **unable to compete** with the major grocery retailers on price and product range in order to satisfy the consumer demand for a **main shop** at a **single store**.

Competitors wanting to **enter or expand** face **significant challenges** including:

- A **lack of competitively priced** wholesale supply.
- A **lack of suitable sites** for store development.

The major grocery retailers **avoid strongly competing** with each other on **price** and generally do **not** have **lower prices** even when there are **other** supermarkets nearby.

Issues facing suppliers

Competition in the wholesale purchasing of groceries is **not working well** for many suppliers.

Many suppliers are **reliant** on the two major grocery retailers.

This allows the major grocery retailers to **push excess costs, risks and uncertainty** onto suppliers, with **fears of delisting** if they do not agree to their terms.

This can reduce the ability and incentive for suppliers to **invest and innovate**, reducing choice for consumers.

