

From: [REDACTED]
Sent: Wednesday, 1 May 2024 11:28 am
To: Registrar
Subject: Foodstuffs NI & SI Merger

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Hi,

With the aim of best pricing and offering for NZ consumers and a fair trading environment for NZ suppliers I'd have once wholeheartedly supported a merger.

Especially a merger across an excellent NZ historic, grass roots, local community driven, true owner operator co-operative, as FS once was.

But with Foodstuffs NI particularly, this is no longer the case, and I strongly oppose the merger as follows.

The FSNI business already provides a working example of what's to come, and is also evident as they use their dominance in the Foodstuffs national business and their now characteristic ruthless aggressiveness driving this merger roughshod over their weaker and perhaps naïve in some cases, FSSI associates (stores and HO).

Background and context:

I have a [REDACTED] year history selling [REDACTED] in NZ.

I began as a [REDACTED]

I am hugely supportive of [REDACTED].

I am a pragmatist and realist.

I am a big advocate of [REDACTED], and strongly believe in a fair and equitable trading environment for NZ and NZ'ers.

It's one of the things I really love about our country, equal opportunity – and yes, we all know that doesn't always mean equitable opportunity.

For the last [REDACTED] years or so I have been [REDACTED].

I began selling when NZ had three supermarket businesses, Progressive, WW, FS.

*Actually five, when you consider Foodstuffs was split in to three regions all run individually.

This is when NZ had true FMCG competition in market and best pricing and fair trading relationships could be assured.

Then, all grocery business needed to maintain a respectful relationship with suppliers because suppliers could viably choose to forego a 20-30% share of grocery business in NZ if any one of the grocers became too overbearing – it was usually Woolworths then, sometimes Progressive, Foodstuffs was not a problem generally, until now, as explained below.

The Foodstuffs business was always fair to deal with because it was a true co-operative.

It worked great for everyone, suppliers, owner-operators and most importantly NZ consumers.

FS Head Office's were essentially just a support office to support their owner-operator stores in each region.

FS HO ability to dominate suppliers and hard-drive margin directly in to their greater business was limited because suppliers could deal directly with stores individually if they chose to.

And often suppliers would do just that if either of the grocery HO's over-reached, became too demanding or greedy.

Historically Foodstuffs ran their business as a true co-operative where suppliers could choose to deal with stores directly or with Foodstuffs Head Offices for improved national support.

ie. Foodstuffs H.O's were support offices for coordinating the greater group and banners nationally and regionally, the system support for individual owner operators stores.

Foodstuffs support offices valued and respected suppliers as a means to provide their owner operators stores best pricing and products for NZ consumers.

Hence the overdeveloped and dominant share FS now enjoys – historically supplier and store driven, HO supported.

But no longer.

Ironically, FSNI HO has taken their share dominance (generated by decades of supplier and individual store partnerships) and is now wielding that power over those same suppliers with nil regard or respect.

They have become an autocratic tyrant when it comes to dealing with suppliers.

Because they can be – NZ no longer has equitable enough, viable enough, grocery competition.

For instance, FSNI HO now manages all ranging, promotion, pricing for all stores.

FSNI supplier terms are negotiated under extreme duress – if suppliers don't agree their products can be delisted and cannot be purchased by any stores.

Even when terms are agreed, for small to medium suppliers especially there is no guarantee from FSNI that those products will be supported, or how they'll be supported at store level.

FSNI collates supplier terms, instead of using them to drive the related supplier product best price back to consumers, chooses where and how to use it to drive more consumers in to their business, take more market share.

New FSNI terms are calculated from supplier products consumer sell price which is determined by FSNI - this should not be allowed.

In FSNI suppliers can no longer sell to any stores directly without HO approval.

FSNI has become a huge regional gatekeeper, soon to be a national one if the merger does ahead.

They will have increasingly obscene power to do as they choose, work with what and who they choose, with nil regard for any collateral damage to the NZ supplier landscape, their only objective taking more share in market to secure their own business and margins, and continue to hold off / drive out any new competition.

It must be remembered that suppliers are not only NZ manufactures and producers but also NZ grocery consumers as well.

Retailer dominance in our small country is extremely far reaching, far more effecting than other comparative countries experiencing similar consolidation considerations.

FSNI will argue how are they any different to Woolworths?

Well, they're not much different that is true, although Woolworths terms are less onerous.

And WW must maintain fair relationships with suppliers because they do not have dominant share.

This is an example of fair share balancing supply/demand.

The big difference with this proposed merger is FS dominant share in NZ and FSNI aggressive supplier stance and strategies.

Suppliers have for decades faithfully trusted the Foodstuffs local store driven co-operative to allow them opportunity to access the NZ market.

Now, FSNI have taken that option away.

If the merger goes ahead suppliers could potentially and quite suddenly have no place to sell in +60% of the grocery market.

Then NZ will indeed have a true duopoly, and because of NZ's size and difficult trading environment and geography, a duopoly far less conducive to best product and pricing than any other similar market.

An increased duopoly will also continue to dangerously deplete small to medium suppliers in NZ - and some big ones too as they're eventually driven out of business forced to meet grocery kpi's, compete with more grocery own brands, which grocers can continue to force-feed the market with, at the expense of supplier brands.

Also to note, Woolworths already struggle to compete viably in our market, what happens if a FS national business drives them out eventually?

This could easily happen over time . . . there is a reason Aldi hasn't started here yet, and no other big brand grocer has been successful commercially here nationally, or come in to market.

What is the answer going forward?

1. Do not permit the FSNI & SI merger to go ahead
2. Order FS to maintain their business as separate entities
3. Order FS to divest PNS to operate as a stand-alone independent business
4. Essentially ensure NZ market share is reasonably equally shared across at least three independent NZ grocers

This is my own personal opinion and does not reflect the views of my business or colleagues.
I have a great respect for and friendship with most of my business associates in Woolworths and Foodstuffs who I have known for many years.
They are hard-working professionals in a demanding relentless business.
This is not intended to diminish them or their responsibilities and duty to their own businesses.

I am a great believer in a free market but also the greater good.
I believe FSNI intent is self-serving in the first instance, not customer-driven as claimed, and certainly not for the greater good of all NZ'ers.

I am happy to validate or elaborate on my views by providing more personal details but would first ask for respectful anonymity please as I am still currently supplying supermarkets in NZ.

Thanks, 