



The Warehouse Group Limited
26 The Warehouse Way
Northcote, Auckland 0627
PO Box 33470 Takapuna
Auckland, New Zealand 0740

phone +64 9 489 7000
fax +64 9 489 7444
web www.thewarehousegroup.co.nz

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Commerce Commission
44 The Terrace
WELLINGTON 6011

Marketstudies@comcom.govt.nz

Market Study into the Retail Grocery Sector – Comment on Submissions

The Warehouse Group (**TWG**) is grateful for the opportunity to comment on points raised in submissions provided in response to the Commission's Preliminary Issues Paper.

The principal matter on which TWG wishes to comment is the view advanced in the submissions of the two major grocery retailers (**Grocers**) that The Warehouse and its e-commerce platform provider TheMarket are effective competitors of the Grocers.

While The Warehouse offers customers a range of ambient grocery products, the scale of this is insignificant when compared to that of the Grocers, both in terms of range of products available and sales value. As a result, The Warehouse believes that the size of its grocery offering is insufficient to be a constraint on the Grocers, similarly to many of the other retail brands cited by the Grocers as "competitors". We would gladly share our category level sales data with the Commission on a confidential basis to objectively demonstrate this case.

Put simply, TWG does not currently possess the necessary scale and capability to be regarded as an effective constraint. And, as set out in our original submission, we believe that there are high barriers to entry and expansion, for both potential domestic and international operators.

TWG would also like to clarify statements made in the Grocers' submissions about TheMarket. TheMarket is an e-commerce platform provider that connects merchants with consumer purchasers. TheMarket is not itself a seller of goods, other than in respect of a very small range of products that does not include grocery items. The merchants decide which products they wish to list on TheMarket and set the prices for the product. On this basis, TWG does not consider that TheMarket is an effective constraint on the Grocers, with less than 0.6% of products offered on the platform being grocery related.

In addition, there is a statement in the submission of Woolworths New Zealand that TheMarket "has a range of grocery products available in wholesale quantities". However, TheMarket is not designed to service the wholesale market and, in fact, its 'fair use' policy allows it to cancel orders placed for commercial purposes.

We would be happy to discuss further any comments made in this letter and previous communications.

Yours faithfully
The Warehouse Group Limited

Nick Grayston
Chief Executive Officer