



26 August 2021

Submission to: Commerce Commission New Zealand

Submission From: Supie

Submission on the draft report into competition in the retail grocery sector

Introduction

1. Supie is an online-only, membership-based supermarket owned and operated in New Zealand, currently supplying into the Auckland market.
2. Supie falls within the definition of 'Other Grocery Retailers' for the purposes of the Commerce Commission Draft Report 'Market Study into the Retail Grocery Sector' published on 29 July 2021 (Draft Report).
3. Supie welcomes the opportunity to submit our comments on the preliminary findings set out in the Draft Report and keenly anticipate further engagement as the Commerce Commission progresses the study and finalises its report.
4. Further to our application, we renew our desire to participate in the consultation conference in September 2021.

Response to: Options to promote entry or expansion into the retail grocery sector (9.25-9.31)

1. We believe that the Draft Report has omitted the identification of a significant constraint for potential entrants (or existing players seeking to expand), that is, access to capital investment.
2. New Zealand-owned entrants face considerable difficulty accessing and raising seed and further capital and we believe that is likely an additional contributing factor to the lack of one or more other large-scale 'major grocery retailers entering the New Zealand market over the past decade (canvased in paragraphs 2.25-2.28 of the Draft Report) and underpinning the lack of true competition in the retail grocery market.
3. Presently food retailing-orientated businesses do not tend to fit into the prescribed categories for investment focus for government investment agencies, for example, Callaghan Innovation, NZ Trade and Enterprise, and the NZ Super Fund.
4. We propose that to meet the stated objectives of the market study, the Commission should include as an additional option to stimulate direct retail competition, measures to facilitate capital investment to promote entry to the retail grocery market or expansion by existing players. Such option could include funding through grants, loans or equity through the agencies mentioned above, or other agencies as appropriate.
5. For Supie to offer meaningful competition, it is largely dependent on capital investment:

- a. to scale (referenced in paragraph 5.56 of the Draft Report);
 - b. to reach consumers nationwide (paragraph 6.43.4); and
 - c. to compete for consumers engaged in a main shop mission (paragraph 5.51).
6. Such capital is essential and we believe at least as important as the other options suggested to stimulate retail competition.
7. With sponsorship, investment or a joint venture mooted with an international player to encourage its entry to the New Zealand market, equal consideration should be given to a New Zealand-owned and operated player and keep profits in New Zealand.
8. We urge some caution funding an international retailer into the New Zealand market. While they would introduce the supply chains and presumably price competition, consideration needs to be given to:
 - a. The health, safety and quality standards of internationally sourced products that are mass-produced, and in some cases with unethical supply chains and its impact on the health and wellbeing of New Zealand's population;
 - b. The comparative standard of New Zealand-produced food and grocery items with internationally-sourced products, including minimum wage, animal welfare, climate impact and integrity of food safety and quality assurances.
 - c. New Zealand producers typically produce on a comparatively smaller scale and generally incur higher costs of production than their overseas counterparts, due to New Zealand's regulatory environment with higher levels of compliance including a high minimum wage and labour standards and various environmental regulations. As a result, they are highly unlikely to compete on price and may be detrimentally impacted from the widespread introduction of cheap overseas products.
9. Protecting New Zealand's food security through the support of our local producers must be a priority, particularly in light of the Covid-19 pandemic that has contributed to significant international supply chain issues for food supply (including pet food).
10. We believe that New Zealand retailers are best placed to provide meaningful competition that the market desperately needs in order to provide fair pricing to New Zealand consumers, support our food producers, maintain a healthy supply chain and ensure food security for New Zealand.
11. On that basis, there is a strong case for introducing an additional option to open up opportunities to access vital capital by potential and incumbent retailers to the New Zealand retail grocery market.

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Supie is on a mission to create a better and fairer grocery alternative for New Zealand.