



UpUp

Submission to ACCC Supermarket Inquiry 2024-25

2 April 2024

Thank you for the opportunity to submit a response to the Issues Paper informing the Supermarket Inquiry 2024-25.

UpUp is a tech startup based in Sydney. Our mission is to help Australians substantially reduce the cost of their weekly grocery bills.

We have developed proprietary technology and built a mobile app that tells users if their groceries will be cheaper at Coles or Woolworths for any given shopping list.

We also show users how they can save the most money by splitting their grocery list so they shop Coles on items where Coles is cheaper, and Woolworths on items where Woolworths is cheaper.

UpUp was most recently covered in [Yahoo Finance Australia](https://au.finance.yahoo.com/news/woolworths-coles-shoppers-can-now-see-who-has-the-best-deals-with-new-app-great-idea-010720858.html)¹.

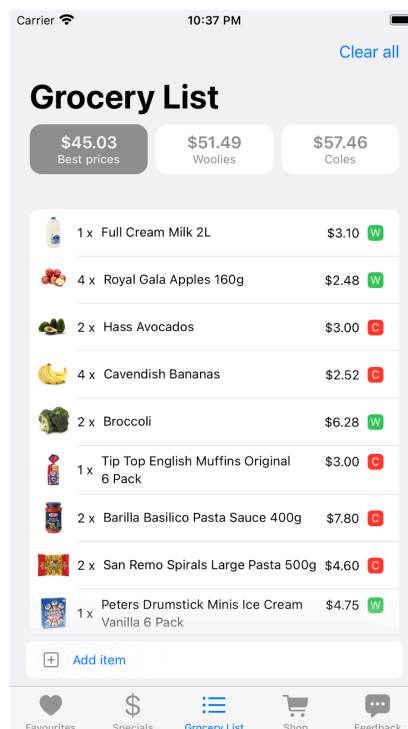


Figure 1. Grocery list in UpUp showing Best vs Woolworths vs Coles prices

¹ <https://au.finance.yahoo.com/news/woolworths-coles-shoppers-can-now-see-who-has-the-best-deals-with-new-app-great-idea-010720858.html>



The reasons for our interest in the inquiry include:

- Highlighting how technology can be used to level the playing field for consumers, by giving them access to tools powered by the same innovations that big supermarkets employ (such as AI and big data analytics) that helps them stay more informed and reduce friction in discovering the lowest prices
- Ensuring that technology companies like UpUp are able to continue having access to product pricing information, in order to deliver on our mission that increases the prosperity and welfare of Australians
- Ensuring that online prices are consistent with in-store prices, so that consumers can always rely on consistent pricing and make the most informed decisions
- Calling for assistance from the Government to support tech startups that aim to reduce the cost of groceries for Australians

The perspectives shared in this submission are informed through:

- Customer research we've conducted, where we've heard from hundreds of grocery shoppers in Australia,
- Feedback from users of UpUp,
- Analysis of data we've gathered from supermarkets, and
- Our own deep expertise in the tech sector (over 25 years spanning big tech and startups)

Price and non-price competition

Price competition

When it comes to price competition between Coles and Woolworths, weekly specials have become the main way that they compete on price. It allows for price competition without permanently dropping prices across the board in a way that erodes long term profits.



Research that we've conducted with shoppers has revealed that consumers have been trained to understand the promotion cycles of supermarkets and have adapted their shopping habits accordingly.

This is not to say there is zero competition on full price items – but we've seen in our data that when price discrepancies exist, they are quickly closed. For instance in 2023 we saw that Coles² and Woolworths³ were both selling a home brand 250g block of tasty cheese for \$6. By early January 2024, both supermarkets had dropped the price to \$5 within days of each other.

From our analysis of a sample of over 5000 products in Coles and Woolworths, the chart below shows that there is an extremely high degree of price matching that occurs between both supermarkets.

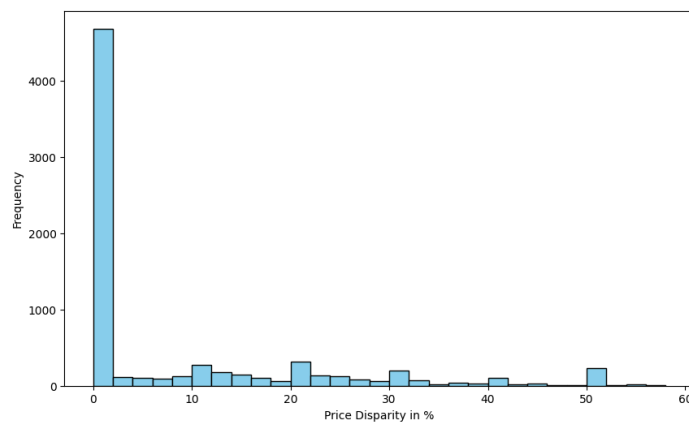


Figure 2. Histogram of price disparity % between Coles and Woolworths (2% bins)

Superficially, price matching between supermarkets is good for consumers, because prices are typically matched to the lower price. However in a duopoly, there is minimal incentive for a supermarket to price items more competitively when it is understood that the other player will quickly match prices. It becomes easier and more preferable to maintain a status quo where prices are matched at a higher level than to engage in a price war.

Non-price competition

Loyalty programs and subscription services are designed to create higher customer stickiness and reduce the incentive to shop around for better

² <https://www.coles.com.au/product/coles-dairy-tasty-cheese-block-250g-294003>

³ <https://www.woolworths.com.au/shop/productdetails/250729/woolworths-tasty-cheese-block>



prices. We don't believe there is anything wrong with such offerings, however our view is that they reduce the incentive for customers to utilise tools that encourage customers to shop based on price.

Customers need to earn 2000 points to obtain a \$10 shopping voucher^{4, 5}, which means spending \$2000 (when bonus point offers are excluded). Price transparency offered through tools like UpUp have the ability to save customers \$10 in a much shorter timeframe.

Industry trends

Data, analytics and loyalty programs

While analytics from user data and loyalty programs gives supermarkets an edge, we don't believe that there is anything immediately wrong with the use of user data and analytics⁶ as it is a practice used throughout the ecommerce and retail industry globally. When done well, it can also improve shopping experiences and create value for consumers too.

Rather, our view is that consumers should also have access to tools that take advantage of the same cutting edge technology that the supermarkets are able to employ. In the case of UpUp, we utilise AI and data analytics to analyse the prices of products in Coles and Woolworths in order to help users save money.

The ability for consumers to have powerful technology working for them to discover savings that they otherwise would never have found puts more power back into consumers' hands, levelling the technological playing field between big supermarkets and everyday Australian families.

Online retailing

Our view is that online retailing is a positive force for competition between supermarkets. As Australians are increasingly shopping online, supermarkets are needing to evolve their value propositions in order to gain competitive advantages and meet the needs of the Australian consumer.

⁴ <https://experience.flybuys.com.au/rewards/giftcards>

⁵ <https://www.woolworthsrewards.com.au/how-it-works/your-rewards-choices.html>

⁶ Assuming user data is used respectfully and not nefariously, and user privacy is protected

Online shopping is not yet the dominant form of grocery shopping in Australia, but it is growing quickly and we believe it will overtake in-store shopping in the long term. Coles, Woolworths and IGA have online offerings, and Aldi have stated their intentions to do the same⁷. Aside from the incumbents, online groceries may also attract more players to the market who would not otherwise play in the offline space, such as Amazon, Kogan or Catch.com.au.

Finally, online shopping means that supermarkets need to have all their products listed online where prices are accessible and visible for all to see, giving consumers a means to compare prices and find better deals. Of course, this also allows technology players like UpUp to reduce friction for consumers in doing so.

Barriers to entry and expansion

This question is answered from the perspective of companies similar to UpUp that are entering/expanding in the market, rather than in relation to direct supermarket competitors.

The ability for us (or any company similar to UpUp) to succeed and create value for consumers in Australia in the long term depends on our ongoing ability to access the pricing data of products that are available in supermarkets. This is currently obtained through information that the supermarkets have made available on the open web.

Our hope is that industry participants like ourselves will have the support of ACCC to continue accessing this information, in service of a well informed market that is better for the welfare and prosperity of Australians.

Consumer experiences

Our research has revealed that customers are jumping through all kinds of hoops in order to save money on their groceries. Aside from sacrifices that are being made to stay within budget, Australians are spending up to multiple hours each week reviewing and comparing catalogues of the

⁷ <https://www.news.com.au/finance/business/retail/aldi-to-offer-online-shopping-to-remain-competitive-with-coles-and-woolworths/news-story/4370f0eb12bbb1ec7e405a2368093ee4>



supermarkets, and then making multiple trips to different supermarkets during the week.

The tools that customers have at their disposal to save money are also limited. Unit pricing for instance, is helpful but it's not a panacea. In some cases it can create more confusion: for example, unit pricing for paper towels on a 'per sheet' basis is not necessarily helpful when sheets come in different very different sizes). Furthermore, while unit pricing may help customers find a more economical option within one store, it doesn't help consumers find better deals between competitors.

So after going to all this effort it's still not clear if consumers are saving money. There are many discounts they may miss out on simply because they are buried in catalogs or only discoverable on shelves. The majority of Australians feel the cost of living pressures but simply do not have time to work out the best way to save the most money.

Companies like UpUp will be critical in levelling the playing field for how cutting edge technology is used to put money back into the pockets of consumers, by utilising AI and data analytics to do all of the heavy lifting of grocery optimisation that would simply not be feasible for consumers to do, let alone on a weekly basis.

A great example where UpUp has identified savings for consumers is with Kent Pumpkins. In recent times in Sydney, we've seen the online price of whole Kent Pumpkins differ at Coles and Woolworths by over 500%. The chance of shoppers discovering this on their own is rather low, but with UpUp we've been able to help shoppers discover the opportunity to save over \$10 from just knowing where to purchase their pumpkins.

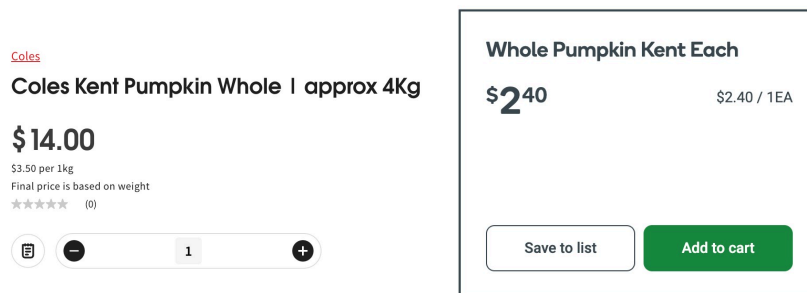


Figure 3: Whole Kent Pumpkin \$14 at Coles vs \$2.40 at Woolworths, online prices, screenshots taken 9/3/24

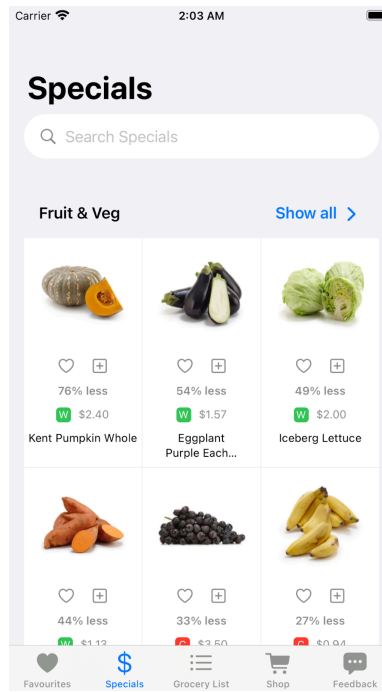


Figure 4: Price differences shown in UpUp for some fresh items, including Kent Pumpkins; screenshot taken 14/3/24

It should be noted that this significant price discrepancy was not found to exist in stores. While the discrepancy is great for online shoppers, in-store shoppers for some reason miss out. Differences between online and in-store pricing can cloud consumer understanding of prices, and increase information asymmetry between supermarkets and consumers.

To ensure consumers have access to reliable pricing information, we believe that it is necessary for prices of items advertised online to match the prices at which they are sold in stores.

Closing remarks

Regardless of whether the industry continues to be dominated by two major supermarkets or several less powerful ones, we believe that giving consumers access to empowering technology is the best way to help them save the most money on groceries.

In order for tech companies like UpUp to do this, it is necessary to ensure:

- continued access to product pricing information on the open web, and
- online prices match in-store prices



Ambitious tech ventures like UpUp are highly complicated, risky and expensive, and without an obvious or immediate path to profitability.

Despite this, we have chosen to make UpUp available to Australian shoppers for free, in-line with our mission to help substantially reduce the cost of their groceries.

We believe it is critical for developers of such technologies to be supported by ACCC through its policies and recommendations, and by Government, for instance, through grants that support development of such technologies while they are not yet profitable.

Thank you for reading our submission. We look forward to hearing the ACCC's findings from this Inquiry. As you prepare the interim and final reports to the Treasurer, please feel free to contact us at any time should you seek further comments or wish to discuss anything from this submission.