

77 11 2 2011

Grocery Price Inquiry
Submissions
ACCC
GPO Box 520
Melbourne 3001

Dear Sir or Madam,

The two major supermarket chains already have a strategic advantage. With the consent of local governments and planning legislation, there are now no other viable smaller alternatives to their position as the major traders of foodstuffs. With their advent, the era of the corner grocer has passed. This situation in local communities cannot easily be challenged by other competitors, land prices and land availability see to that. However, it is obvious that recent changes in the operations of the supermarkets themselves are at odds with the spirit of the mandate with which legislators have given consent for their operation.

The name 'supermarket' denotes the unhindered trade of a large variety of foodstuffs. Yet with the recent preponderance of generic lines, the market aspect of these retail giants is considerably compromised. The strategic and positional advantage of these chain stores is being used to increase the sales volume of certain generically branded goods, which are unfairly contrived to increase profit margins above and beyond the scope of the pure retail transaction. This is a serious reversal as far as the concept of an extensive and open market environment is concerned and is tantamount to a monopoly.

The increasing range of generic lines offered by the two major supermarkets are a retrograde step for the country in a number of ways. Previously, a small number of generic lines were offered at the lowest end of the market, where the price point is the major consideration. This was obviously appreciated by people with lower incomes and was therefore a situation that was of benefit to retailer and consumer alike. However, now multiple generic lines at various price points are now offered, which at a glance perhaps comprise a third of shelf stock. This represents a deliberate restriction and funnelling of the natural equilibrium between producer and consumer at the point of the supermarket.

This is bringing about a stifling of both entrepreneurs in the industry and free enterprise for the primary producer and the wholesaler/manufacturer alike. The monopoly that has been created is now the major factor in the supply of foodstuffs, rather than the natural demand by the consumer. New and innovative products will not see the light of day unless they are commensurate with the supermarket's new retail strategy. The supermarket now has the critical advantage in deeming what is produced and the price they will pay for the products they will accept to retail. The wholesaler/producer will always lose because of these artificial restrictions that are now functioning in the supermarkets.

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For the consumer, there are a number of serious reversals. The range of choice and availability of products is restricted. This can be seen in the reduction of shelf space for the most inexpensive generic lines as an effort is made to vertically market the new more expensive generic lines. The niche markets for those with exotic tastes or those with special dietary concerns are likely to be wiped out altogether as consumer choice is now circumvented as a regulating factor. There is also the potential for such a situation to bring severe and unwarranted leverage for the acceptance by the buying public of lines of a controversial origin. This could include lines sourced from locations with dubious quality and hygiene to the supply of irradiated and genetically modified foods.

All in all, the situation is in conflict with the well being of the nation as a whole. Anecdotally, there was much concern when one of the major chains' stores ended a delivery service. Seeing that our society has allowed these chains to operate within our communities, shouldn't they be required by Government to always offer such a vital service? Perhaps the coming of Aldi to the market will be used to justify such harsh measures by the two major supermarket chains. However, I feel the Aldi store is not a concept that will ever dominate the market.

I strongly believe that the two major supermarket chains be restricted to a limit of 5% generic lines. Also, that a more equitable situation be found for farmers to access these stores for trade and that country expansion of these chain stores be critically examined as to any negative and detrimental effects on small communities. I submit these thoughts for the consideration of your enquiry.