



Mr John Hawkins
The Secretary
Senate Economics Committee
C/- Ms Hanako Jones
By email: Hanako.Jones@aph.gov.au

22 October 2009

Dear Mr Hawkins

Response to Question on Notice - Inquiry into GroceryChoice

As you are aware while giving evidence to the Senate Economics References Committee Inquiry into the GROCERYChoice Website Choice undertook to provide further information about how CHOICE proposed to deal with the 'like for like' issue to allow consumers to make a fair comparison between different grocery products in the same category.

CHOICE approached this question as follows

1. Packaged goods

CHOICE staff have considerable expertise in comparing packaged goods, Our staff developed a proposal entitled 'Like for Like principles' a copy of which is attached.

2. Fresh Fruit and Vegetables

CHOICE considered that its then current staff did not have sufficient expertise to develop an approach. After discussions with the major supermarkets we determined to commission Fresh Logic to develop an appropriate methodology. On April 30 2009 representatives of ANRA, Coles, Woolies and Franklins indicated that Fresh Logic were an expert and impartial information provider suitable to the task.

The attached document 'Rationale for Fresh Food Products Comparison' gives a high level overview of the approach to comparison developed with Fresh Logic's assistance. It needs to be read in conjunction with the evidence provided to the committee by Fresh Logic. Fresh Logic have suggested that some details of their approach are commercially sensitive information and have not consented to Choice releasing those aspects.

3. NARGA's specific objections

NARGA claim that it is 'impossible' to make valid comparisons of fresh food and produce.



This is insulting to consumers who are required to make such comparisons everyday of the week. Consumers make comparisons between fresh food items all the time, taking into account whatever information may be available to them at the time which may - or may not (for example in the case of online shopping or standing orders) - include physical inspection of goods.

There is a big difference between observing that fresh food comparisons present some challenges and at the end of the day it is up to the consumer to place a value on particular qualities that suit him or her (size, variety, grade), and claiming that such comparisons are not 'valid'.

Further Fresh Logic, the independent experts, do not agree with the conclusion that comparisons are 'invalid'. Indeed the existence of their business depends on a market for making such comparisons.

On the second full (un-numbered) page of their submission under the heading *Fresh Produce* NARGA attempts to give reasons why the difficulties are insurmountable.

First I note that NARGA does not adequately distinguish the discussion with Choice and the model for Grocery CHOICE that CHOICE had implemented from their discussions with the ACCC and the very different model the ACCC implemented.

More fundamentally however NARGA's submission mis-understand CHOICE's approach to grocery comparison through the web site. Comparing retailers by assessing a fixed basket of goods was not the object of the CHOICE Grocery CHOICE. Rather the object was to empower the consumer in a number of different ways according to his or her needs. The consumer could look up individual prices eg nappies. They could create their own basket of groceries by adding items to a shopping list. They could save this list and come back to it before each shopping trip. Or they could choose a pre-defined basket of goods (eg dairy, meat and seafood, bakery) that they wished to purchase and then obtain a comparison for those goods. They would be able to drill down to the individual goods in the basket at particular stores to see what was included

In their argument NARGA refer to different varieties of produce (different types of apples, potatoes etc). This is an area covered by the Fresh Logic Proposal attached.

NARGA refer to price comparisons across locations. This is irrelevant. The consumer would not need to do this - they are interested in prices in the shops that they can go to - and this is what Choices version of Grocery Choice would have provided.

NARGA refers to prices across time periods - again this is not relevant to the consumer and such comparisons would not be the primary use of Grocery Choice for the consumer.

NARGA refers to prices varying by size of produce and quality and in the case of meat by cut and grade. This is within the scope of the model prepared for CHOICE by Fresh Logic.

NARGA refer to data collection by price checkers. This is irrelevant. The ideal CHOICE model did not include data collectors - rather our vision was that data was to be supplied by supermarkets who would be in the best position to give an accurate description of the variety, grade, size of their products.

The remark 'CHOICE could not have done any better' is simply wrong. Choice's model was completely different to that of the ACCC and gave the supermarkets every opportunity to ensure the accuracy of the information provided to consumers.



I note that Fresh Logic have given evidence to the committee about their expertise. Further attached is a document [name] that indicates the approach that Fresh Logic would have taken.

I hope this is of assistance. Please contact me if you require further information on 02 9577 3246.

Yours Faithfully

A handwritten signature in black ink, appearing to read 'G Renouf', is positioned above the typed name.

Gordon Renouf
Director
Policy and Campaigns