



Submission by the Master Grocers Australia

Inquiry into: The GROCERYchoice website

The Senate Economics Reference Committee

**The Secretary
Senate Standing Committee on Economics
PO Box 6100
Parliament House
Canberra ACT 2600**

September 2009

Dear Sir

Master Grocers Association Australia (MGA) refers to the forthcoming Senate Standing Committee on Economics inquiry into the GROCERYchoice website.

MGA is a National Employer Industry Association representing Independent Grocery and Liquor Supermarkets in Victoria, New South Wales, ACT, Western Australia, Tasmania, Queensland and the Northern Territory. Independent Supermarkets trade under brand names, such as IGA and FoodWorks, and they range in size from small, to medium and large businesses.

MGA is an active Board Member of the National Association of Retail Grocers Australia (NARGA).

Independent Supermarkets play a major role in the retail industry and make a substantial contribution to the communities in which they trade. In Australia there are 2,100 independently owned supermarkets employing over 70,000 full time, part time and casual staff, representing \$12 billion in retail sales.

MGA thanks the Economic Reference Committee for the opportunity to make a comment on the GROCERYchoice website.



Jos de Bruin
CEO
Master Grocers Australia
September 2009

Comments by MGA on the GROCERYchoice website.

The rationale and purpose for the website

As a result of a pre election promise, the Federal Government asked the Australian Competition and Consumer Commission (ACCC) to establish a website to assist the working families of Australia to obtain the best grocery prices. The objective was to enable shoppers to compare grocery prices between various retailers, with the objective of obtaining the best prices and encouraging competition between retailers. On the recommendation of ACCC a website, namely GROCERYchoice, was established that involved the collection of grocery prices from a set number of stores in a number of areas.

Plans for ACCC site operation.

There were flaws in the model that was used by ACCC for the establishment of GROCERYchoice. The information that was collected for the site did not reflect any correlation between the shopping habits of customers and the regions from where information was gathered, so that the comparisons that were being drawn were flawed. It was almost impossible for the Grocery Choice website to accumulate accurate data that would provide satisfactory and genuine comparisons based on the model that was being used. ACCC persisted with the model despite the concerns expressed by many organisations. The difficulties that were faced by ACCC in using the model were bound to have adverse results.

The model used for the actual collection of the data was also fundamentally flawed in that despite the restriction on the size of the store to be used in the comparisons, much smaller stores were also included which distorted the results. The prices in the smaller independent stores were compared with prices in larger independent stores and also Coles and Woolworths. The results therefore were therefore distorted.

Rationale for ACCC ceasing to manage the website.

As the number of customers using the GROCERYchoice website decreased dramatically it was learned that the Government was in discussions with Choice to take over the site. After Choice took over the operation of the site the number of customers seeking pricing information decreased further and it was then concluded that GROCERYchoice was not successful.

From the outset it was clear that Choice was not going to be able to deliver the required outcomes. Choice would, of necessity, be reliant on the input of reliable and up to date data, but this could only be provided at a cost to the industry.

Price changing is a major part of the independent grocery business and this occurs across thousands of items each week in hundreds of stores. It would be almost impossible to provide this information on a regular and accurate basis to a commercial enterprise without incurring a huge cost in time and money.

It has become increasingly apparent that any success for Choice in this commercial venture was dependent on Government funding. It was not the failure of the independent supermarket industry to supply the information that Choice required, that resulted in the demise of the venture. It was simply the case that the interest in the website had declined, this demonstrated that there was a lack of public support and the additionally greater time and financial support from all quarters was necessary if it was to succeed- otherwise it was simply not a viable commercial exercise.

We thank you for the opportunity to make this short comment on the Senate's enquiry into the GROCERYchoice website.

Jos de Bruin
CEO
Master Grocers Australia
September 2009