

**Senate Standing Committee on Economics**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Supplementary Estimates 22-23 October 2008

**Question: sbt 24**

**Topic: GROCERYChoice**

**Hansard Page: Written**

**Senator Bushby asked:**

1. Mr Samuel is on the public record as saying that GROCERYchoice is a Rudd Government election commitment, as if to distance the ACCC from the negative public comments following from its introduction. If the ACCC is not satisfied with the site, why is it not willing to receive criticism of it given the site bears quite prominently the logo of the ACCC?
2. Can you confirm the number of hits the GROCERYchoice site has received for every month since it became operational?
3. Is GROCERYchoice designed with the intention to reduce grocery prices?
4. Would it be realistic to suggest that a shopper, by using the website, would be able to obtain cheaper prices?
5. The Assistant Treasurer has been quoted as saying, "We're not doing it for a price impact...any reduction would be a bonus". Would you agree with his assertion regarding GROCERYchoice?
6. In constructing such a site to meet the stated objectives, would you ideally, have included a greater number of supermarkets and more regions so the information on the site actually reflected more closely, what price the shopper might pay at his or her actual store.
7. If Coles were initially the cheapest, then Woolworths have become the cheapest for the last few samples, what aspect of the way the site is researched and presented ensures that this turn around could not have been achieved through a deliberate manipulation by Woolworths, of their prices to ensure their basket of goods presented best on the site?
8. The Assistant Treasurer responded to criticism about the site has repeatedly said that he wants to work with consumer groups and retailers to get much more information 'on the site as we go – and that is what we are doing'. Can you outline or the committee what steps the ACCC is currently taking to add more information to the site?
9. A caveat on the GROCERYchoice website says: *Note: The towns and suburbs included on the maps do not necessarily reflect where the GROCERYchoice survey is undertaken.* Mr Samuel, would you agree that different stores under the same supermarket chain can and do price differently in different suburbs?
10. Given the size of the regions – even the metropolitan regions that span a dozen or more major suburbs – how is a reasonable shopper meant to decipher the cheapest 'chain' in their area when the actual supermarket sampled may have been 10 stores away, or even hundreds of kilometres away?

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11. Does the ACCC intend to reduce the size of the regions by adding more supermarkets to the site?
12. Will adding more 'information' to the site cause the GROCERYchoice program to run over budget?
13. Do you consider that the budget allocation for the project provides adequate resources to ensure that appropriate levels of research and information presentation can be put in place to fully meet the goals of the website?
14. Mr Samuel has been quoted as saying that the "small operator offers a niche service, often in terms of service or in terms of the specialised nature of the goods being sold." How is this taken into account in the presentation of information to consumers on your GROCERYchoice website?
15. Would you say the prior to GROCERYchoice, consumers had adequate information regarding the cost of groceries?
16. Has the introduction of GROCERYchoice tipped the balance of large chains versus consumers in favour of the latter? If so, please explain in what sense and extent.
17. Is it intended that the average shopper is meant to know where the samples were taken in order to ensure they can actually shop in the cheapest supermarket?
18. If not, how do you reconcile that fact with the quoted statement by the Assistant Treasurer, "It's (GROCERYchoice) an indicator to say generally speaking, if you're interested in price, have a look at this '*supermarket*' because they can be cheaper"?
19. Are you aware that figures from the Australia Catalogue Association show that the catalogue industry was worth about \$1.7 billion dollars in 2003. About 7.5 billion catalogues were distributed in 2004. 78% of grocery buyers believe that catalogues are useful for comparing prices, and 67% of main grocery buyers said that catalogues help make decisions on what to buy. This doesn't even take into account the increased transparency of retailers posting their prices on their websites. Given that retailers already spend huge amounts of money to keep customers informed, is it still the ACCC's contention that before GROCERYchoice, shoppers didn't have any information about grocery prices?
20. If the prices on the website can be up to at least a month old by the time they are on the site, let alone up on the site for the following month, how can a shopper expect to use the site to ascertain cheapest current prices to help reduce their shopping bill?
21. The ACCC consumer survey indicated that particular elements are as or more important than price, such as food quality and store characteristics. How is this taken into account in the presentation of information to consumers on your GROCERYchoice website?

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#### Answer:

1. The Government announced on 13 May 2008 that it had instructed the ACCC to conduct a monthly survey of the prices for typical grocery baskets across Australia and to publish the results on a dedicated website. The monthly survey of grocery prices is designed to assist consumers locate the cheapest supermarket chain in their area. The website stated at launch that it was an Australian Government initiative.

The ACCC accepts feedback about the site via normal channels including an inquiry and feedback form as an important feature of the website. A number of meetings about the website have also been held with various supermarket groups and industry representation bodies.

Where feedback on possible changes and adjustments to the website have fallen within the existing government policy they have been made. Such adjustments include the separate listing of Supabarn in the ACT and Sydney.

2.

Month	Hits
August (launched 6 August 2008)	3301943
September	446091
October	104100

3. While supermarket chains regularly publish prices for individual 'specials', with the large number of grocery items available at each supermarket, it is difficult for consumers to determine which chain is cheapest across-the-board.

GROCERYchoice provides practical grocery price information to assist consumers in locating the cheapest supermarket chain in their area without having to compare hundreds of prices themselves.

In addition, GROCERYchoice is designed to provide price comparisons between supermarket chains within regions and across Australia. Over time it will provide a picture of which supermarket chain offers the cheapest prices in a particular region.

4. See response to question three.
5. GROCERYchoice is designed to provide price comparisons between supermarket chains within regions and across Australia. Over time it will

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provide a picture of which supermarket chain offers the cheapest prices in a particular region.

6. On 13 May 2008 the Government announced that it had instructed the ACCC to conduct a monthly survey of the prices for typical grocery baskets across Australia, and to publish the survey results on a dedicated consumer website. \$12.9 million was being provided to develop and maintain this service.

The GROCERYchoice website is produced in accordance with the stated objectives and the budget provided.

7. To prevent the manipulation of the price survey and the published results the list of specific products and supermarkets included in the survey remain confidential to the ACCC. The sample of products and supermarkets included within the survey are also changed on a regular basis.

In addition to this, while there are approximately 500 products included in the price survey each month, a smaller sample of these products are used to calculate the basket prices published on the website. Changes to this sample are made so that the products contributing to the basket prices are not the same each month.

8. Appropriate adjustments to the website that fall within existing government policy have been made based on the feedback received. To increase the amount of information available, the ACCC has recently separated listed basket prices for the Supabarn supermarket chain in the ACT and Inner Sydney West regions. The ACCC notes that some enhancements proposed may not be appropriate for a regulator to implement.

Whether there are further enhancements to the website is a policy matter for the Government.

The Minister has indicated the Government will be working with retailers and consumer organisations to further enhance the website with additional information and applications to help consumers make more informed purchasing decisions.

9. Prices can vary between stores within the same group or chain, reflecting in particular the proximity to other local competitors. For example, if a Coles store and a Woolworths store in the survey are in close proximity, the relative prices at both are likely to be affected. This is taken into consideration when selecting the supermarkets for the GROCERYchoice survey so that the average for the region is a representation of relative overall grocery price levels for each supermarket chain in that region.

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10. As per question 9, the average price levels for each supermarket chain in the region is a representation of relative overall grocery price levels for each supermarket chain in that region.

11. Further enhancements to the website, including an expansion of the survey to include additional supermarkets, is a policy matter for the Government.

The ACCC notes that some enhancements proposed may not be appropriate for a regulator to implement.

12. This would depend on the enhancement proposed. Any enhancements to the website would be a policy matter for the Government.

13. The GROCERYchoice website is produced in accordance with the stated objectives and the budget provided. Whether additional enhancements should be provided and budgeted for is a policy question and a matter for the Government.

The ACCC notes that some enhancements proposed may not be appropriate for a regulator to implement.

14. The website is designed to help consumers locate the cheapest supermarket chain in their area. To this end it provides information about grocery prices alone.

This is highlighted on the website and has also been included in media releases by the Minister and the ACCC. The website specifically mentions that price is only one of the factors considered by consumers when deciding on where to shop. Consumers can take price information on the website into account with a range of other factors important to them when determining where to shop, including the location and accessibility of supermarkets to them, the quality of fresh produce, the product and produce range, and their assessment of the quality of service.

15. See response to question three.

16. Consumers now have an indication of which supermarket chain offers the cheapest prices across-the-board and not simply the lowest prices of 'specials'. This information was not previously provided by supermarket chains.

17. It is important that the specific products and supermarkets included in the monthly survey remain confidential to the ACCC. This ensures the integrity of the survey and prevents manipulation of the results by the supermarkets.

The survey is designed so that consumers do not necessarily need to know the individual supermarkets included in the survey in order to make use of the information provided. The basket prices presented on the website reflect the average price for a retailer within a specified region and not the price for an

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individual supermarket outlet. Over time the website provides a picture of which supermarket chain offers the cheapest prices in a particular region.

18. The ACCC is not familiar with this quote or the context in which it was made and therefore is unable to comment.
19. GROCERYchoice is designed to provide price comparisons between supermarket chains within regions and across Australia. Over time it will provide a picture of which supermarket chain offers the cheapest prices in a particular region.

While supermarket chains regularly publish prices for individual 'specials', with the large number of grocery items available at each supermarket, it is difficult for consumers to determine which chain is cheapest across-the-board.

GROCERYchoice provides practical grocery price information to assist consumers in locating the cheapest and supermarket chain in their area without having to compare hundreds of prices themselves.

20. The GROCERYchoice website provides a monthly snapshot comparison of 500 products for supermarket chains across Australia.

GROCERYchoice is designed to provide price comparisons between supermarket chains within regions and across Australia. Over time it will provide a picture of which supermarket chain offers the cheapest prices in a particular region.

21. See response to question 14.