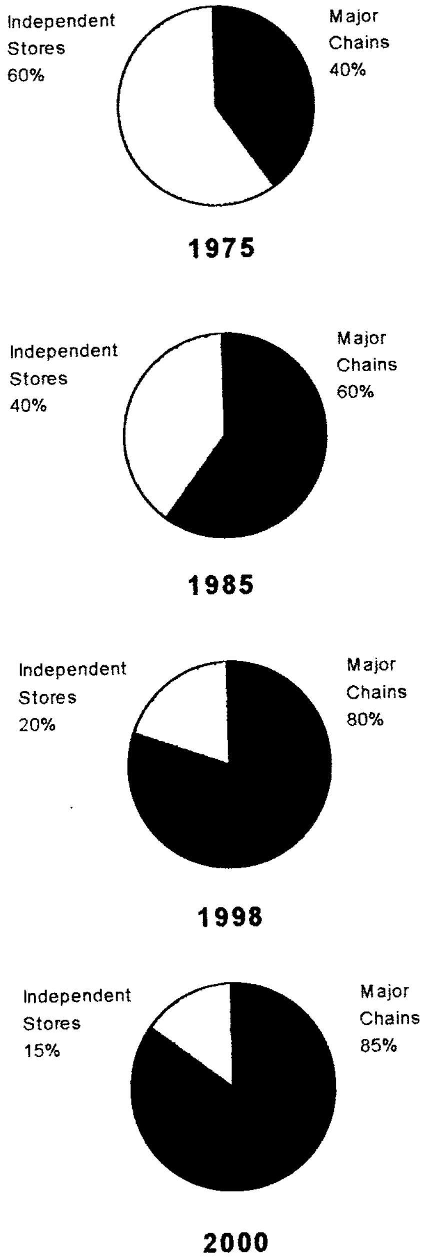
Australian Retail Grocery Sales



ENOUGH IS ENOUGH!

The major chains' stranglehold on the retail grocery market is anti-competitive, contrary to the public interest and, by total dominance . . . is leading to the destruction of jobs, families, small business and regional communities

Act NOW before it's Too Late

The *Enough is Enough* Market Share Campaign to Strike a Balance is sponsored by the National Association of Retail Grocers of Australia (NARGA) PO Box 6426 Blacktown NSW 2148 tel: (02) 9208 1560 fax: (02) 9621 7160 email: narga@tassie.net.au and supporting small businesses.

OVERVIEW

The three major supermarket chains control nearly 80% of the retail grocery market in Australia, with the independents just over 20%[1]. If nothing is done to stem the growing stranglehold of the major chains, by the year 2000 the chains will hold 85% and with the independents at 15% they will be facing the prospect of being little more than skeletons in the sand. **The market dominance of the major chains is almost unprecedented in the western world, is anti-competitive and against the public interest**. In the United Kingdom the three largest chains have less than 45% of the market, in the USA the big three chains have less than 21% and in Japan 17.5%.The big chains are assisted in their drive for total market control by weak and/or misinformed governments. We have laws combating the media barons and Government has a 'four pillars' banking policy to prevent further concentration, but the large supermarket chains are allowed open slather in our retail markets.

If the major chains get total dominance and control, it will lead to the destruction of small business. This stranglehold on the retail grocery market in Australia is:

Anti Jobs -

employment: according to recent COSBOA advice, every one new job in a major chain is 1.7 less jobs in a smaller retailer;

Anti Small Business -

small business: reducing market share of independent grocers means less jobs in small business, the silent engine of our economy. Don't forget the major chains' insatiable appetite for market share is now adversely affecting butchers, bakers, florists, pharmacists, petrol station operators, newsagents and also banking services, and liquor outlets.

Anti Rural and Regional Communities -

rural and regional communities: the dogged incursion of the big chains (in pursuit of increased market share) in these areas erodes their very infrastructure and foundation;

Anti Families -

families: most small business grocers are family owned and operated. Remember their profits are reinvested locally not redirected elsewhere or overseas. The vast majority are Australian owned and operated.

Anti Competitive -

prices: without a viable independent sector, to compete against the large supermarket chains, the chains will have much greater scope to raise prices to the benefit of their shareholders but to the detriment of the consumer.

The independent grocery sector has no option but to strike back

Enough is Enough! WE NEED TO ACT NOW BEFORE IT'S TOO LATE!

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[1] AC Neilsen.

OUR AIM

(1) to stem the growing stranglehold of the major chains on the retail grocery market in Australia, and

(2) to ensure a winding back of the chains' market dominance by the more rigorous enforcement of the *Trade Practices Act 1974* and if necessary forced divestiture by legislative means (as done in the USA[2]).

OUR RECOMMENDATIONS

1. To immediately place a cap of 80% of the retail grocery market on the three major chains - which is their current market share.

2. The 80% capping be reduced to 75% within five (5) years with each major chain being allowed to control no more than 25% of the total retail grocery market share.

3. That a comprehensive socio-economic impact study be undertaken immediatbely to consider the impact of the growth in dominance of the major chains on Australian small business, jobs, families, regional areas and the community in general (similar to the Shils Report USA, July 1997).

4. To request State, Territory and local governments to require an economic and social impact statement be prepared for all new shopping centres or significant retail developments proposed by the major retail chains[3].

5. To support a moratorium on the extension of shop trading hours in every State/Territory pending the outcome of the Study in Recommendation 3.

6. In implementing National Competition Policy and considering what is in the public interest, it is important a more balanced impact assessment is made before any further regulatory changes are made and a greater emphasis given to local, social and community impacts.

7. To immediately appoint at least two small/micro-business representatives to the National Competition Council with one acting as co-Chairperson.

8. Support for the appointment of a further small/micro-business representative to the Australian Competition and Consumer Commission and small/micro-business representatives be appointed to other government or semi-government agencies as appropriate as soon as possible.

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[2] Between 1890 and the end of 1974 U.S. Department of Justice has brought a total of 125 cases involving predatory practices of single firm monopolies with as high as a 57% success rate (Table 6) in regional and local areas and 40% (Table 5) at the National market level.

[3] Refer recommendation on page 56 entitled *'Under the Microscope, Micro-Business in Australia'* – Report by the Federal Government's Micro-Business Consultative Group, February 1998.

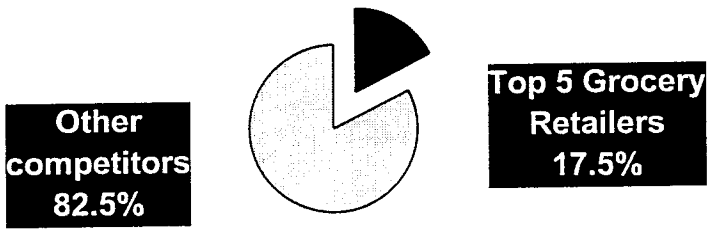
CHAIN GROCERY MARKET SHARES

DECEMBER 1997

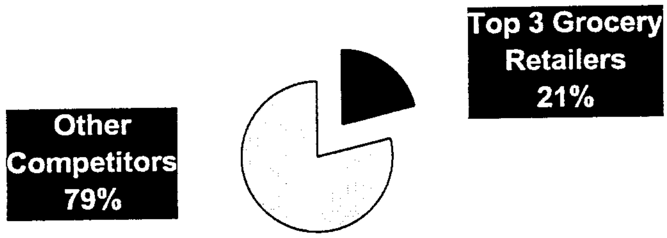
	WOOLWORTHS	COLES/BI LO	WOOLWORTHS /COLES TOTAL	FRANKLINS	TOTAL
NSW	35.4	21.9	57.3	25.2	82.5
VIC	35.6	31.8	67.4	9.0	76.4
QLD	38.3	31.4	69.7	16.8	86.5
SA	28.6	36.6	65.2	7.3	72.5
WA	26.7	31.9	58.6	N/A	58.6
TAS	48.5 (e)	26.5	75.0	N/A	75.0
NATIONAL	35.2	28.5	63.7	14.7	78.4

SOURCE: A.C. NEILSEN

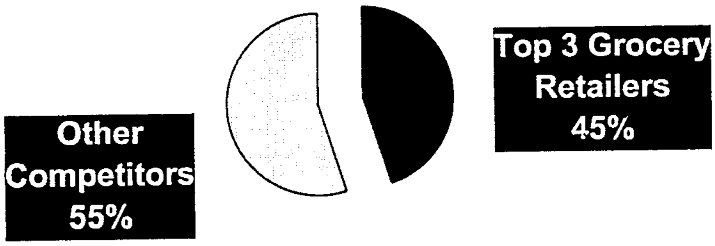
Japan 1998



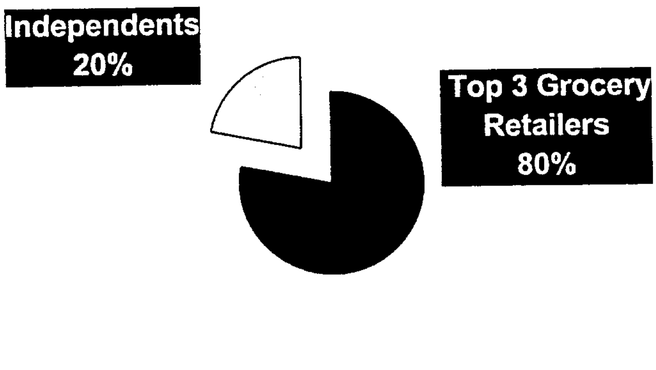
United States 1998



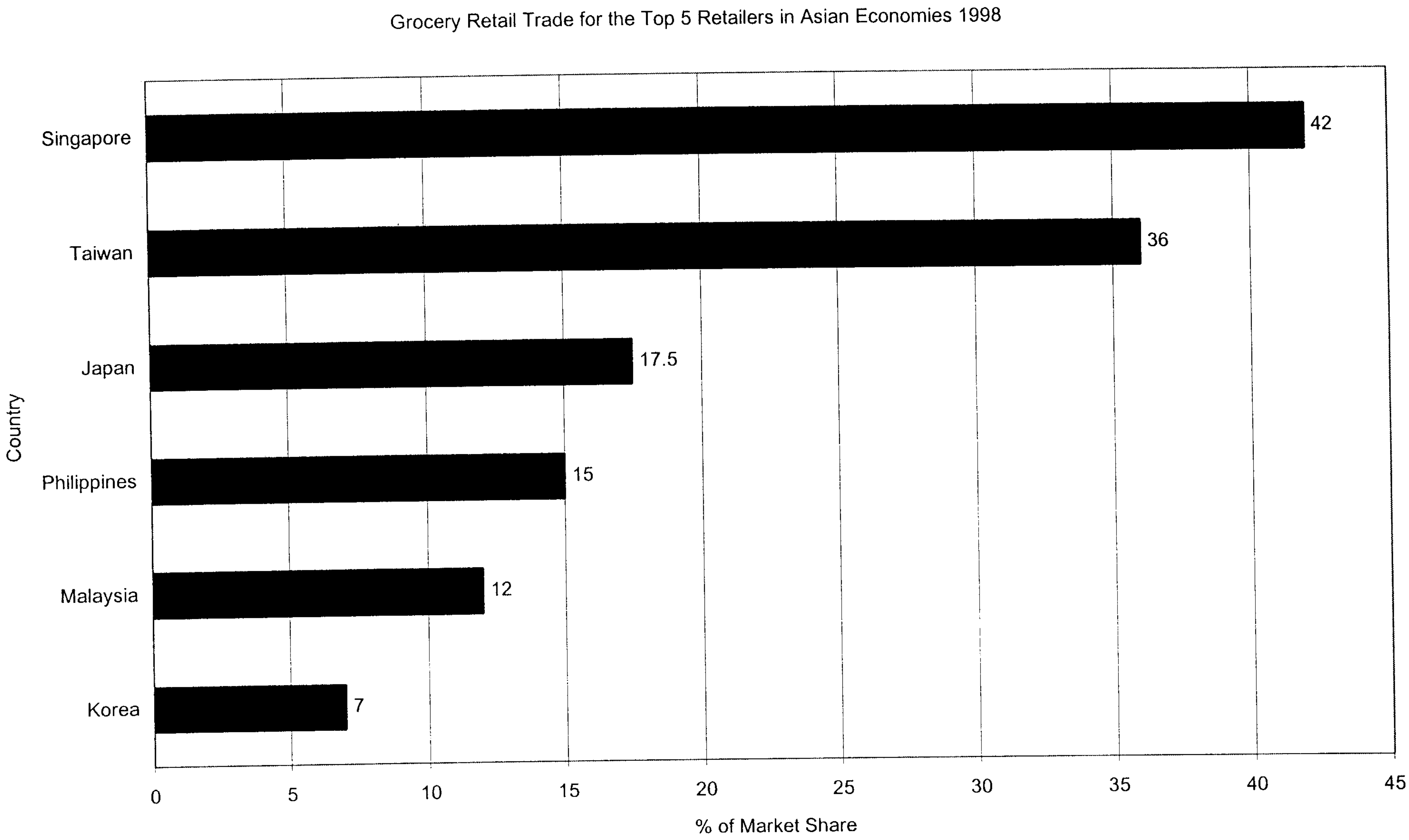
United Kingdom 1998



Australia 1998

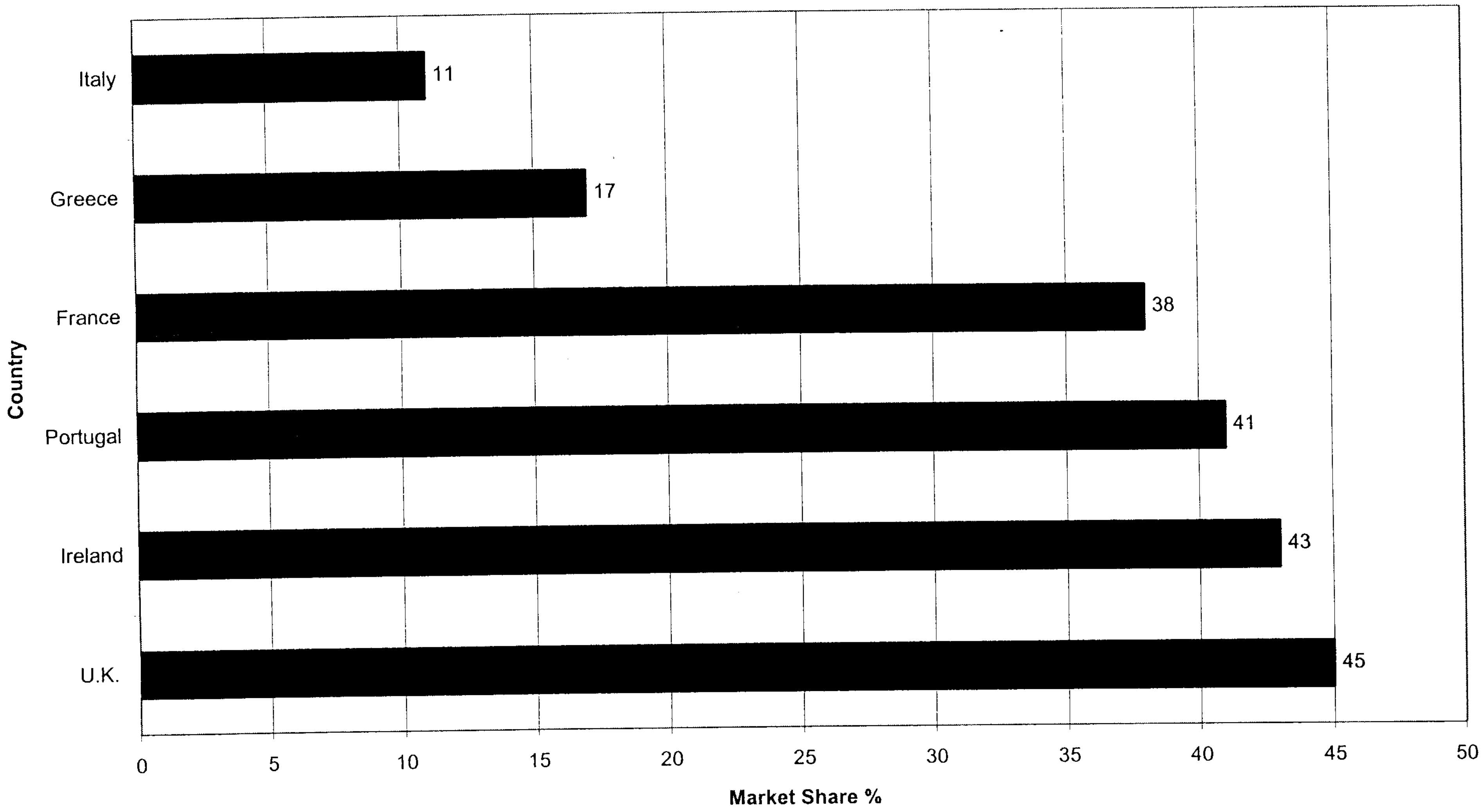


Source: AC Nielsen

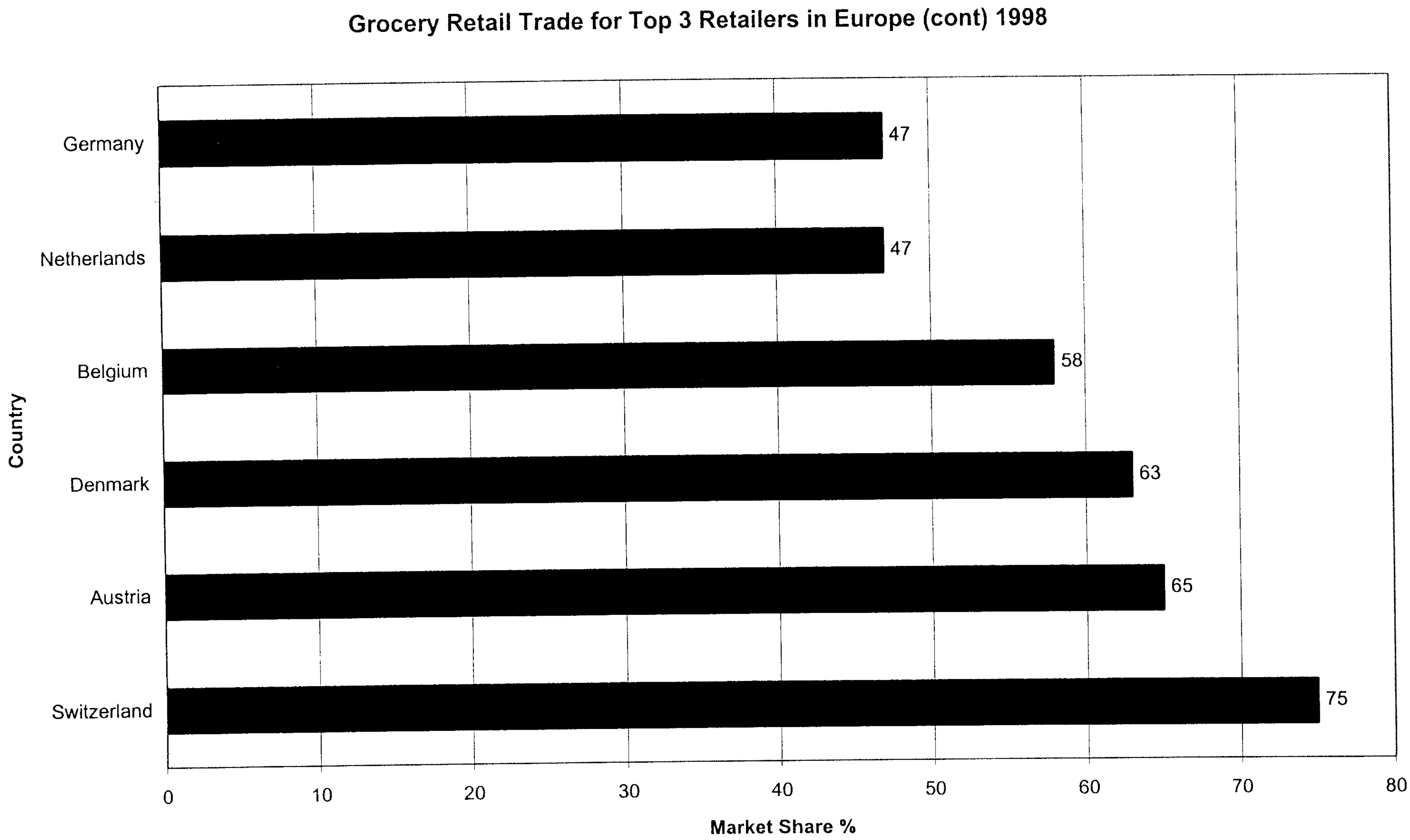


Source: AC Nielsen 1998

Grocery Retail Trade for Top 3 Retailers in Europe 1998



Source: AC Hielsen 1998



Source: AC Nielsen 1998

CHEQUE BOOK LOSSES* - NATIONAL REGISTER

(Since 1.1.95)

STATE/ MTH/YEAR	STORE LOCATION	ANNUAL WAREHOUSE PURCHASES $M	ANNUAL STORE SALES $M	RESULT
NSW/ACT				
2/95	Payless Bowral	3.00	6.00	Franklins
3/96	Cannons (13 stores)	65.00 (e)	150.00 (e)	Woolworths
5/96	Tuckerbag Belrose	4.80	9.00	Franklins
6/96	Foodtown Narromine	1.00	2.10	Bi-Lo
2/97	Supa Barn Kippax	2.35	4.55	Woolworths
11/97	Payless Illawong	4.40	8.30	Coles
VICTORIA				
2/96	Tuckerbag Ocean Grove	7.50	15.00	Coles
5/96	Festival IGA Lakes Entrance	6.80	13.60	Safeway
	Festival IGA South Yarra	3.20	6.40	Closed
6/96	Tuckerbag Bendigo	8.00	16.00	Bi-Lo
8/96	Festival IGA Swan Hill	5.20	10.40	Bi-Lo
3/97	Tuckerbag Yarra Junction	10.00	20.00	Safeway
2/98	Festival IGA Healesville	7.55	15.95	Coles
3/98	FoodWorks Yarrawonga	9.00	20.00	Franklins
3/98	FoodWorks Corowa	3.10	6.20	Franklins
7/98	FoodWorks Lara	4.10	8.20	Safeway
7/98	FoodWorks Drysdale	4.25	8.50	Safeway
7/98	FoodWorks Patterson Lakes	7.50	15.00	Safeway
7/98	Festival IGA Benalla	7.50(e)	13.00(e)	Bi-Lo
QUEENSLAND				
3/95	Cox Bros Coffs Harbour	15.00	30.00	Woolworths
9/95	Denhams Cannonvale)			
10/95	SPAR Yeppoon)	37.50	75.00	Bi-Lo
11/95	Q-Superstore)			
	- Woodridge)			
	- Mermaid Waters)		90.00 (e)	Coles
2/96	Pick n Pay Aspley	12.20		
1/98	Festival IGA Cloncurry	5.00	10.00	Woolworths
TBC	Festival IGA Proserpine	4.50(e)	9.00	Franklins
TBC	Progressive Victoria Point	6.00(e)	12.00	Franklins
7/98	Festival IGA Mossman	5.00(e)	10.00(e)	Woolworths
S.A./N.T.				
10/96	Rite Price Darwin	2.45	4.90	Woolworths
4/97	Foodland Stirling	8.05	16.10	Woolworths
W.A.				
1/96	Supa Valu Kalgoorlie	2.80	7.00	Coles
8/96	Supa Valu Mundaring	6.80	17.00	Coles
9/96	Newmart (6 stores)	29.90	93.55	Coles
2/97	Farmer Jacks - Beechboro	8.30	20.80	Coles
3/98	Charlie Carters (15 stores)	30.25	75.65	Coles
TAS	Nil since 1.1.95			
AUSTRALIA	67 Stores	338.0	819.70	

* Independent retail stores purchased by the major chains

N.B. - For 1997 total supermarket sales were $36,099 million (ABS) so the store losses above represent around 2.3% of the total market.

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