

# Retail Grocery Market Study

## Summary of findings

Competition in the retail grocery sector is not working well for consumers. If competition was more effective, retailers would face stronger pressure to deliver the right prices, quality and range to satisfy a diverse range of consumer preferences.

### Competition issues

Competition is **dominated by two major retailers**:

#### FOODSTUFFS



#### WOOLWORTHS NZ



While there is an increasingly **diverse fringe of other retailers**, they have a limited impact on competition as they are **unable to compete effectively** with the major grocery retailers **on price, product range, and store locations** to offer consumers the convenience of one-stop shopping.

The intensity of competition between the major grocery retailers is muted. Competitors wanting to enter or expand face **significant challenges** including:

- A lack of suitable sites for store development
- Difficulties in obtaining competitively priced wholesale supply of a wide range of groceries.

### Market observations

NZ grocery prices appear **high** by international standards.

Profitability of the major grocery retailers appears **high**.

The scale and pace of **innovation** in the sector appears **lower than expected**.



### Issues facing suppliers

Competition in the wholesale purchasing of groceries is **not working well** for many suppliers.

Many suppliers are reliant on the two major grocery retailers.

This allows the major grocery retailers to transfer **costs, risks and uncertainty** onto suppliers, with fears of having their products removed from store shelves if they do not agree to the terms.

This can reduce the ability and incentive for suppliers to invest and innovate, reducing choice for consumers.



### Issues facing consumers

The complexity of the major grocery retailers' **pricing strategies, promotions and loyalty programmes** can **confuse consumers** and make it difficult for consumers to make informed purchasing decisions and shop around.

Consumers are generally not aware of how much personal data they are giving away and how it is used when signing up to loyalty programmes.

