

Industry-led behavioural change is needed to address issues with wholesale supply.

Purpose

This factsheet explains our approach to Industry-led solutions which address the issues with wholesale supply in the grocery sector.

Overview

Successive governments and the Commission have found the New Zealand wholesale market for most grocery products is not working well. Fundamentally, other retailers and potential new entrants struggle to access groceries on terms and conditions that allow them to compete with the Regulated Grocery Retailers (RGRs). This leaves consumers worse off.

Our Wholesale Supply Inquiry **Preliminary Findings**

Paper gave suppliers and RGRs an opportunity to make change through industry-led behavioural changes. This currently appears the most efficient way to effect change. The extent to which industry take ownership and drive meaningful change will contribute to our assessment of whether further regulation is needed. This remains our position.

Following submissions on our Preliminary Findings Paper, we have clarified our position, summarised our expectations for change and stated our broad approach to wholesale supply.

Who needs to lead change

Regulated grocery retailers

Suppliers of groceries

If parties believe they have made change to address these issues we invite them to share this. It may also be possible for progress to be made without all our expectations being fully met.

Our broad expectations



Price

RGRs and supplier offer other retailers competitive prices for products which reflect efficient costs to serve and provide non-discriminatory access to rebates, discounts and payments or lower list prices. Non-discrimination means a wholesale customer should not be treated differently unless a difference is objectively justifiable, eg, the difference is based on a material and demonstrable difference in cost to serve.



Range

RGRs and suppliers ensure other retailers have reasonable access to the range of products they demand through their respective offers.



Access

RGRs and suppliers develop systems and processes for ensuring that their wholesale offers are not discriminatory and reflect efficient costs to serve.



Other

RGRs and suppliers behave in other ways that build a competitive wholesale market which supports a competitive and diverse retail market.

Each of our broad expectations is supported by details stated on page two of this factsheet.

What are the Commission's next steps?

The Commission welcomes views on our approach to this next phase in the Wholesale Supply Inquiry and your approach to meeting our expectations.

Our first step is to engage with industry to:

- discuss how industry will work to meet the expectations we have outlined;
- understand the challenges and successes the sector has encountered - or anticipate encountering - in meeting our expectations for wholesale supply;
- determine how we will measure progress towards a competitive wholesale market in the long-term.

We will continue to consider whether regulatory intervention in the wholesale market is necessary or desirable. The degree to which industry can make positive change will contribute to our assessment of whether further regulation is needed.

We plan to provide an update on this phase of our work in mid-2026.



Price

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We expect:

- RGRs to continuously seek sharper pricing of products in their wholesale offers including by negotiating (in good faith) the pass through of additional promotional funding to wholesale customers.
- RGRs to establish effective systems and processes to give suppliers assurance that wholesale customers are passing on promotional funding to consumers and are meeting other promotional conditions.
- Suppliers to develop ways to reduce price discrimination by methods such as:
 - enabling RGRs to make wholesale offers that include enhanced promotional funding;
 - offering lower net prices to other retailers in direct supply reflecting the provision of additional promotional funding; and
 - offering lower net prices to other retailers through lower list prices for customers who do not receive promotional funding.
- RGRs and suppliers to develop and maintain offers which integrate the efficient costs to serve different customers in terms delivery, logistics and composition (eg, pick and pack).



Range

RGRs and suppliers ensure other retailers have reasonable access to the range of products they demand through their respective offers.

We expect:

- A variety and a range of products with different price points within each category to be made available to other retailers by RGRs and suppliers (i.e. including both notable branded products and low-cost options, the latter of which may have private or generic brand labelling).
- RGRs and suppliers to innovate and develop systems and processes that make products delivered directly to RGR retail banners available through RGR wholesale offers in a way that reflects the real cost to serve different customers.
- RGRs to innovate to enable access for other retailers facing direct supply issues such as enabling crossdocking, charge through or orders through third-party logistics.
- RGRs and suppliers to limit the time and scope of exclusive supply and best price clauses to encourage new product development without restricting other retailers' access to staple, key and competitively priced branded or private label products.
- Suppliers who opt-out of RGR wholesale to offer their range through alternative channels on terms that meet our expectations of suppliers regarding price, range, access and other matters.



Access

RGRs and suppliers develop systems and processes for ensuring that their wholesale offers are not discriminatory and reflect efficient costs to serve.

We expect:

- RGRs and suppliers to develop and maintain delivery capabilities which meet current and future demand while reflecting the efficient cost to serve different customers.
- RGRs and suppliers to develop and maintain user-friendly and cost-effective ordering systems and processes for their wholesale customers.
- RGRs to ring fence the wholesale information of their customers and suppliers from their retail operations.
- RGRs to provide suppliers with basic information about the provision of their products to wholesale customers.



Other

RGRs and suppliers behave in other ways that build a competitive wholesale market which supports a competitive and diverse retail market.

We expect:

- RGRs to compete vigorously for new wholesale customers.
- Suppliers to diversify their existing customer base to include other retailers and accommodate varied business models.
- RGRs and suppliers not to prevent wholesale customers' from comparing offers between alternative channels to get the best deal.