COMMERCE COMMISSION NEW ZEALAND
Te Komihana Tauhokohoko

ISSN NUMBER 3021-3037

2024 Pūrongo ā-Tau mō te Kai

2024 Annual Grocery Report

6 August 2025

Rārangi Kupu List of defined terms

ACCC	Australian Competition and Consumer Commission
Act	Grocery Industry Competition Act 2023
AGR1	First Annual Grocery Report 2024
Amendment Act	Commerce (Grocery Sector Covenants) Amendment Act 2022
Banner	Grocery store brands/names RGRs sell under (eg, New World, Pak'nSave, Woolworths, FreshChoice)
BIT report	Research as part of the ACCC inquiry into the Australian supermarket sector into behavioural science principles that might be operating in pricing and promotional practices and the anticipated impact of those principles on consumer decision-making and behaviour
Code	Grocery Supply Code
Commerce Act	Commerce Act 1986
Commission	Commerce Commission
CPI	Consumer Price Index
Cross-shopping	When consumers purchase groceries from multiple retailers in a given time period
EBIT	Earnings before interest and tax
EDLP	Everyday Low Pricing
Fair Trading Act	Fair Trading Act 1986
FPI	Food Price Index
Fresh categories	Refers to products in bakery, butchery, produce, seafood and service deli categories
Groceries	Defined in the Act as goods in any of the following categories: fresh produce; meat, seafood, or meat substitutes; dairy products; bakery products; chilled or frozen food; pantry goods or dry goods; manufacturer-packaged food; non-alcoholic drinks; personal care products; household consumables; and pet care products.
Grocery FPI	A bespoke version of the Food Price Index obtained from Statistics NZ that excludes the 'restaurant meals and ready to eat food' sub-group
FSNI	Foodstuffs North Island Limited
FSSI	Foodstuffs South Island Limited
HHI	Herfindahl-Hirschman Index
Inquiry	Wholesale Supply Inquiry
Main shop	A shop typically happening weekly or at another regular interval based on the convenience of using one grocery store to get all necessities in one place
Market Study	Market study into the retail grocery sector conducted by the Commerce Commission under the Commerce Act 1986. The final report of the Market Study was published 8 March 2022.
MBIE	Ministry of Business, Innovation and Employment
Minister	Minister of Commerce and Consumer Affairs

NPAT	Net profit after tax
OECD	Organisation for Economic Co-operation and Development
Overseas Investment Act	Overseas Investment Act 2005
OIO	Overseas Investment Office
PPI	Producer Price Index
Private Label	Also known as home brands, own brands, store brands or generic products. These are products that are manufactured for sale under a retailer's brand.
Product categories	Groups of products sold by grocery retailers that are of a similar type
RDP	Supplier rebates, discounts or payments
RFI	Government- released Request For Information to hear from groups that may have the capability to invest or compete in the New Zealand grocery sector
RGR	Regulated Grocery Retailer. Currently defined in the Act as Foodstuffs North Island Limited; Foodstuffs South Island Limited; and Woolworths New Zealand.[1] These retailers are also often referred to as 'major supermarket chains' or 'major grocery retailers'.
RMA	Resource Management Act 1991
Sale and Supply of Alcohol Act	Sale and Supply of Alcohol Act 2012
Secondary shop	A visit to one or more store(s), other than the store the main shop is carried out at, to shop for specific products
SKU	Stock-keeping unit. A distinct item for sale, which may be distinguished by a scannable bar code
Supermarkets	Large grocery retailers selling a wide variety of foods (such as dry groceries, fresh produce), household goods, non-alcoholic beverages, and usually some alcoholic beverages
Top-up shop	A quick shop for a small number of items that can be conducted for a range of reasons at one of a range of retailers
Wholesale customer	Any person that received the wholesale supply, or wants to obtain the wholesale supply, of groceries from a regulated grocery retailer for the purpose of supplying groceries, directly or indirectly, at retail to consumers
WWNZ	Woolworths New Zealand Limited

1 This definition includes all franchises and interconnected bodies corporate of the listed companies.

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Kupu takamua Foreword

As we release our second Annual Grocery Report the industry continues to be a critical element of our economy and a serious concern for Kiwi consumers. The grocery industry has grown to be worth $27 billion while consumers continue to put grocery prices high on their list of concerns.

I know there is appetite for change, and it can't come quick enough for Kiwis who are feeling the pinch at the checkout. We're promoting long-term sustainable changes by using all the tools available to us across the Commission. These annual reports will give us, and others, the information and transparency of the industry to make the decisions and changes that are within our powers.

Change in an industry this large and entrenched will take time. There is no single solution that will unlock more competition overnight, but this Report reaffirms that we're heading in the right direction.

This Report is the first time we've been able to track year on year changes in the grocery industry. Our first Report set a benchmark which we can now measure progress against and direct our resources to where we can have the biggest impact in promoting competition. More competition will drive greater innovation, value and choice for Kiwi consumers.

What we can see in this Report is that there is some progress, but many of the issues already identified continue to stifle significant improvement in competition.

In 2024, average gross retail margins slowed after four years of material increases. Margins for non-fresh products declined slightly while average gross retail margins for fresh products slightly increased in 2024. However, the collective market share of the major supermarkets is steady at 82%, barriers to entry for new competitors remain high and the major supermarkets continue to wield their power over smaller suppliers.

When we dig deeper, we can see geographical differences in the ability consumers have to shop around. While consumers in Auckland and other main cities have a range of options, consumers in smaller towns and rural areas have minimal to no choice within their locality, with some stores in small towns functioning as a localised monopoly. In Auckland the major supermarkets hold 71% of the market compared to 88% in the rest of New Zealand. The top of the South Island, West Coast, Otago, Waikato and Taranaki are regions where the major grocery retailers continued to have the most dominance.

This Report shows the state of competition in the industry continues to impact consumers as New Zealand grocery prices remain higher than the OECD average.[2]

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2 For more detail on how we undertake our comparison to the OECD please see chapter 5 of this report.

Although the Report shows progress is slow it shows that we're targeting the right issues. We will continue our work to address the supplier and retailer imbalance, support a more effective wholesale market, enforce compliance with consumer and competition law and shine a light on the industry.

Our Report presents a macro-level view of grocery competition, informed by our engagement with many different players in the industry. If anyone has specific concerns about conduct or particular stores within the industry, we ask that you please let us know through our 'Report a Concern' section on our website or our Anonymous Reporting Tool.

Whakarāpopotonga matua Executive summary

The Commerce Commission (the **Commission**) has a critical role under the Grocery Industry Competition Act 2023 (the **Act**) to promote competition and efficiency in the industry for the long-term benefit of consumers in New Zealand. The Act is not focused on short-term gains, but on long-term, sustainable change to competition in the industry.

The Act requires us to publish annual reports on the state of competition in the industry. This is the second Annual Grocery Report.

Key measures indicate no major changes to overall competition

Our annual reports track a range of key measures of competition and how they change over time which enable us to identify sustained changes in retail competition over the long term. On the whole regulated grocery retailers (**RGRs**) have maintained their market position in the past year and here has been no change to national retail market concentration. We have seen some changes in market share between RGRs, but together they continue to hold an overwhelming proportion of the grocery market share, collectively accounting for 82% of the total grocery market revenue in 2024.[3] This is unchanged from 2023 and has declined only modestly in the past 5 years.

In 2024, we saw continued growth among other retailers, such as specialist and independent supermarkets, convenience chains, clearance stores, and online platforms—especially in Auckland. While this growth is promising, it has not yet reached a scale that significantly affects the overall market position of RGRs.

Access to supermarkets varies across the country, with about 10% of Kiwis not having a major supermarket within an estimated 10 minute drive. Only about 80% of the population have the choice between RGRs with an estimated 10 minute drive time.[4] In some parts of New Zealand choice is particularly low. Examples include, Ōtorohanga District in the Waikato and Waimate District in Canterbury.

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3 Commission analysis of sales revenue provided by industry participants and Statistics New Zealand data; Statistics New Zealand "Retail trade survey: June 2024 quarter" at table 1, https://www.stats.govt.nz/information-releases/retail-trade-survey-june-2024-quarter/.

4 Bidwill Analytics for Commerce Commission.

Nationally the retail market remains highly concentrated, but competition is strongest in Auckland

While nationally the industry remains concentrated, there is more competition in Auckland where approximately one-third of the population live. RGRs' combined share is 71% in Auckland, but 88% in the rest of New Zealand.[5] Although a 71% market share is still high when compared internationally, given that the Auckland region covers a third of the overall population, it's not insignificant that 29% of this market is held by competitors to the two RGRs. Although other retailers—especially in Auckland—have continued to grow and increase revenue (including Costco), RGRs' combined market share in Auckland and nationally has remained largely unchanged from the previous year.

Retail prices and margins contracted slightly after years of growth

Higher prices for many grocery goods over the past few years may be explained by rising input costs, which also squeezed average gross margins for major banners in 2024.

For non-fresh products, average gross retail margins declined slightly in 2024 across New World and Pak'nSave in the North Island, and Woolworths/Countdown stores nationwide. But, when it comes to fresh products, there was a slight increase in gross retail margins overall. Some banners (eg, New World and Pak'nSave in the North Island) experienced a decrease in margins on fresh products, and others an increase (eg, New World and Pak'nSave in the South Island, and Woolworths/Countdown stores nationwide).[6] For Foodstuffs South Island margins across both fresh and non-fresh increased.[7]

Moderation in retail prices and margins in 2024, comes after a period from 2019 to 2023 when both had increased materially. However, early indications are that retail prices are rising again in 2025 with the latest data showing retail food prices ticking up again 4.6% annually in the year to May 2025, due to higher prices for milk, cheese, butter and beef. The price of a 500 gram block of butter was nearly twice as expensive as in early 2024.[8]

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5 Commission analysis of sales revenue provided by industry participants and Statistics New Zealand data; Statistics New Zealand "Retail trade survey: June 2024 quarter" at table 1, https://www.stats.govt.nz/information-releases/retail-trade-survey-june-2024-quarter/.

6 Fresh products categories include bakery, fresh meat, and poultry, produce, seafood and service deli.

7 Commerce Commission analysis of industry information.

8 Stats NZ "Food prices increase 4.6 percentage annually" (17 July 2025), https://www.stats.govt.nz/news/food-prices-increase-4-6-percent-annually/.

Barriers remain for entry and expansion

Significant barriers to entry and expansion in the retail grocery market exist, and we have deepened our understanding of RGRs property holdings.

No immediate concerns with RGRs land holdings

Last year we highlighted the amount of property held by RGRs that was not used for retail stores, noting 'land banking' could be a strategy for frustrating competition. After detailed analysis, we are now satisfied there is no evidence of land banking at scale. We are cautiously optimistic that RGRs are taking genuine steps to ensure they do not hold on to sites suitable for supermarket developments that they do not need or acquire sites earlier than is necessary. However, we welcome any information about specific instances of concern. RGRs have also continued to remove historic and unenforceable land and lease covenants. Upcoming changes to the Resource Management Act and Overseas Investment Act may further improve conditions of entry and expansion.

RGRs and suppliers need to change their conduct to enable wholesale to work effectively

Behavioural change from RGRs and suppliers is needed so that other retailers can gain access to cost effective groceries. We have explained this in detail in our recently published Preliminary Findings Paper for the Wholesale Supply Inquiry.

Retailers need access to a diverse range of products at cost effective prices to compete. However, access to an adequate range of groceries at competitive wholesale prices remains a key barrier to entry and expansion in the grocery industry.

The prices RGRs pay suppliers are subsidised by around $5 billion in rebates, discounts and promotional payments paid by suppliers.[9] Within this, a high level of promotional funding underpins the prevalence of high-low pricing in the NZ retail grocery market. It also disadvantages competing retailers who cannot negotiate similar levels of support due to their weaker buying power. We have set clear expectations on what specific behaviours need to change to achieve a more competitive and effective wholesale grocery market. We have extended the timeframes for the Inquiry to give RGRs and suppliers an opportunity to address those expectations. We will take action if our expectations are not met, as our current view is the test for additional regulation has already been met.

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9 TRA x Commerce Commission Grocery Supplier Survey (January 2025) p. 31, https://comcom.govt.nz/__data/assets/pdf_file/0031/366646/Commerce-Commission-x-TRA-Grocery-Supplier-Survey-Report-5-June-2025.pdf.

Grocery prices remain a top concern for consumers, driving behaviours

Consumer survey results from 2024 show that grocery prices remain a top concern for New Zealand consumers. Cost of living pressures on households and general economic uncertainty is heightening consumers focus on price when purchasing groceries. This has resulted in Pak'nSave, which positions itself as a low-priced retailer, growing its share of sales in recent years and an increase in the number of clearance stores.

Shopping habits are changing, and price is a critical factor in consumers' purchasing decisions. Consumers report responding to budgetary pressure by frequently buying items on special, limiting discretionary purchases and shopping more at discount supermarkets.[10] Shoppers are increasingly shopping smarter and trying to make informed decisions. Consumers are now comparing grocery prices more than ever, with 2024 research finding that 69% of shoppers are comparing prices between supermarkets.[11] We recognise this can be a challenging process and encourage consumers to make use of tools available to shop around, including price comparison apps and unit pricing.[12]

Promotions and price fluctuations make comparisons difficult

Grocery retailing in New Zealand is characterised by the extensive use of price-based promotions to drive sales, giving a general impression of cost savings regardless of the underlying monetary benefits. RGRs constantly use high-low pricing which makes it hard for consumers to accurately assess the value of competing offers or judge the claims RGRs make that their pricing is low, special, or extra low. These marketing practices by RGRs make it confusing for consumers and difficult for them to work out how to make significant savings over a basket of goods.

Consumers would be better off if large suppliers and RGRs reduce their reliance on promotions and specials so that prices of more products can be consistently lower and more stable. This would make it easier for consumers to compare prices and judge where a "special" price is in fact a good bargain. More stable but lower wholesale prices will also assist new entrants to get a competitive price through the wholesale market.

10 Focus Insights "2024 NZ Grocery Shopper Report" (accessed 5 April 2025) at p. 25, https://focusinsights.com.au/report-library/.

11 JCDecaux "FMCG Shopping Research 2024" (accessed 15 April 2025), https://www.jcdecaux.co.nz/jcdecaux-research/jcdecaux-fmgc-shopping-research-2024.

12 Examples include Grocer or Grosave. Note we do not endorse any comparison apps.

Major retailer relationships with suppliers differ by size

Suppliers are a vital part of the grocery industry. RGRs together purchase from approximately 3100 suppliers. For many suppliers RGRs are the largest customers (collectively spending $18.3 billion in 2024) and the key route to market.[13] Suppliers can be materially affected by decisions made by RGRs which can create imbalances in bargaining power, particularly small suppliers who may be reluctant to push back on RGRs' demands or behaviour for fear of damaging relationships or losing access to supermarket shelves.

Large suppliers have bargaining power

Approximately 10% of grocery suppliers accounted for 90% of wholesale grocery purchases of RGRs in 2024.[14] RGRs and large national/multinational suppliers effectively set the rules for the rest of the industry. Large suppliers' influence allows them to shape the settings of the market, for example through the use of rebates, discounts and payments or negotiating price or exclusivity clauses in supply agreements, limiting opportunities for market entry or growth for retailers.

Supplier perspectives and insights

In 2024, we surveyed suppliers to learn more about their experiences dealing with RGRs. There was a wide range of feedback from suppliers and some positive trends emerging (particularly among large suppliers). Common themes indicated responsive, collaborative relationships as well as clear communication and transparency. However, the issues identified still paint a troubling picture about the persistence of the perceived power imbalance with RGRs despite the implementation of the Grocery Supply Code (the Code) in September 2023. Key negative themes reflected unfair negotiations; feeling pressured into unfavourable terms; and inconsistent or unclear communication around pricing, terms, or decision-making processes with smaller suppliers feeling less confident.

Responses to the supplier survey also reflected differences in supplier experiences between RGRs. Suppliers, of all sizes, were less likely to be confident when dealing with FSNI than WWNZ or FSSI.

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13 Commerce Commission analysis of industry information.

14 Commerce Commission analysis of industry information.

Ongoing focus on enforcement

In addition to our focus on monitoring and regulating the grocery industry, we are continuing to ensure robust enforcement using all the legislative powers available across the Commission under the Act (including the requirements specific to the wholesale regime and the Grocery Supply Code), the Commerce Act and the Fair Trading Act.

In March 2025, we announced that two Pak'nSave stores (Silverdale and Mill Street) were now facing criminal charges laid under the Fair Trading Act for alleged pricing inaccuracies and misleading specials.[15] The Pak'nSave stores have already pleaded guilty to some of the charges.[16] In May 2025, similar charges were also laid under the Fair Trading Act against Woolworths NZ.[17] Those litigation matters are ongoing. Other investigations concerning supermarket operators under the Fair Trading Act, the Commerce Act and the Grocery Industry Competition Act are also in train.

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15 Radio New Zealand "Charges filed against two Pak'nSaves for 'misleading specials'" (4 March 2025), https://www.1news.co.nz/2025/03/04/charges-filed-against-two-paknsaves-for-misleading-specials/.

16 Radio New Zealand "Two Pak'nSave supermarkets have pleaded guilty to breaching the Fair Trading Act" (25 June 2025). https://www.rnz.co.nz/news/business/565121/two-auckland-pak-nsave-supermarkets-plead-guilty-to-breaching-fair-trading-act.

17 Stuff NZ "Criminal charges against Woolworths NZ filed by Commerce Commission" (6 May 2025), https://www.stuff.co.nz/business/360679585/criminal-charges-against-woolworths-nz-filed-commerce-commission.

WĀHANGA 1 CHAPTER 1

Kupu whakataki me te koronga
Introduction and purpose

Chapter 1 provides an overview of this report and the Commission's role in, and approach to, monitoring competition and efficiency in the New Zealand grocery industry.

Purpose

The Commerce Commission (the **Commission**) is an independent Crown entity that administers and enforces laws relating to competition, fair trading, consumer credit and economic regulation.

We have responsibilities for regulating the grocery industry under the Grocery Industry Competition Act 2023 (the **Act**). The Act's purpose is to promote competition and efficiency in the grocery industry for the long-term benefit of consumers in New Zealand.[18] The Act is complemented by the Commerce Act 1986 (**Commerce Act**) and the Fair Trading Act 1986 (**Fair Trading Act**).

One of our key responsibilities under the Act is to publish a report annually on the state of competition in the grocery industry. This is the second of our annual grocery reports released under s175 of the Act.

Background and regulatory context

We undertook a market study into the retail grocery industry (Market Study) from late 2020 until March 2022.

The Market Study's final report found that competition in the retail grocery industry is not working well for consumers.[19] It noted that if competition were more effective, retailers would face stronger pressures to improve what they are offering on prices, quality and range to satisfy different consumer preferences.

The Market Study made a range of recommendations to enhance competition in the grocery industry.[20] In response, the Act was developed and came into force in July 2023.

Worldwide, other competition agencies have undertaken their own studies into grocery market competition, and some are contemplating further actions to improve competition. The most recent example is an inquiry into the supermarket sector by the Australian Competition & Consumer Commission (**ACCC**).[21] However, the wholesale access regime provided for under the Act in New Zealand is unique internationally.

18 Section 3 of the Act.

19 Commerce Commission "Market study into the retail grocery sector – final report" (8 March 2022) at chapter 3, https://comcom.govt.nz/__data/assets/pdf_file/0024/278403/Market-Study-into-the-retail-grocery-sector-Final-report-8-March-2022.pdf.

20 Commerce Commission "Market study into the retail grocery sector – final report" (8 March 2022) at chapter 9, https://comcom.govt.nz/__data/assets/pdf_file/0024/278403/Market-Study-into-the-retail-grocery-sector-Final-report-8-March-2022.pdf.

21 ACCC "Supermarkets inquiry – final report" (February 2025), https://www.accc.gov.au/system/files/supermarkets-inquiry_1.pdf.

We published the first annual grocery report on 4 September 2024.[22] That report was based on data from the period from 2019 to 2023 and it found there had been no material improvement in competition since the Market Study. It set a new post-pandemic baseline for the state of competition in the grocery industry. We monitor the impact of the measures under the Act against that baseline.

This is our second annual grocery report. It builds on the baseline established in our first report with updated key measures, along with new analysis, based on data spanning 2023 (which includes OECD data) through 2024, as well as contemporary data from 2025 (such as from Statistics NZ).

Our framework for monitoring the grocery industry

The Commission's monitoring function under the Act includes:[23]

- **monitoring competition and efficiency** in the grocery industry;
- **carrying out inquiries, reviews, and studies** (including international benchmarking) in connection with the grocery industry;
- **making available information** in connection with the grocery industry, for example, through reports or summaries; and
- **keeping under review** the law and practices that are relevant to our functions under the Act (including overseas law and practices).

The objective of our monitoring and reporting functions under the Act is to promote competition and efficiency in the grocery industry for the long-term benefit of consumers, including by:[24]

- understanding the current and emerging trends or issues in relation to the grocery industry;
- promoting transparency about the way the grocery industry is being regulated; and
- contributing to a trading environment in which businesses compete effectively, and consumers and businesses participate confidently.

Our monitoring role is not limited to the definition of groceries contained in s5 of the Act and may apply to any goods and services supplied by any grocery retailer.[25]

22 Commerce Commission "First Annual Grocery Report" (4 September 2024), https://comcom.govt.nz/__data/assets/pdf_file/0019/362305/Annual-Grocery-Report-2024.pdf.
23 Section 4(1) of the Act.
24 Section 4(2) of the Act.
25 Section 4(3) of the Act.

Annual grocery reports

A key output of our monitoring function is publication of our annual grocery reports. The Act requires the Commission to publish a report on the state of competition in the grocery industry every year.[26]

Under the Act, the purpose of annual grocery reports is to:[27]

- report on the state of competition in the grocery industry, including any changes to the level of competition and outcomes for consumers;
- raise awareness of emerging (or likely) trends or issues;
- inform the public and Government about the performance or exercise of the Commission's functions, duties and powers under this Act; and
- demonstrate how any Government direction or statement of economic policy of the Government given to the Commission has been considered.

A requirement of the first annual grocery report was that it contain our assessment of whether there had been a material improvement in the state of competition that existed in the grocery industry after 8 March 2022 (the publication date of the Market Study final report).[28]

Beyond this, the Act does not specify the topics that must be covered in the annual grocery reports, nor is it prescriptive on the specific metrics that must be included.

We also note that it was intended by Government that our annual grocery reports would:

> *Enable the Government and public to identify if there are any serious unintended consequences arising from the regulatory regime, or if the benefits of competition are not emerging in reasonable time.*

In addition, our annual grocery reports are a regulatory tool to improve transparency, influence the behaviour of market participants and promote better outcomes in the grocery industry over time.[29]

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26 Sections 175(1) and 176 of the Act.

27 Section 175(2) of the Act.

28 Section 178(2) of the Act.

29 Ministry of Business, Innovation and Employment "Regulatory Impact Statement: Government response to the Commerce Commission Grocery Sector Market Study – Policy decisions" (6 May 2022) at p. 4, https://www.mbie.govt.nz/dmsdocument/22638-regulatory-impact-statement-government-responseto-the-commerce-commission-grocery-sector-market-study-policy-decisions-proactiverelease-pdf.

Our annual grocery reports provide observations and commentary on the state of competition, but unlike the Market Study, no direct policy recommendations are made.[30]

Structure of report

This report largely follows the structure of the first annual grocery report and is split into the following chapters:

- **Development of competition,** which sets out grocery consumers' shopping preferences and explores what effective competition looks like.
- **Industry characteristics and developments,** which provides an overview of participants in the grocery industry, recent developments that have affected the grocery industry and retailer changes since the first annual grocery report.
- **Competition at the retail level,** where we report long-run measures of competition, including market shares and margins.
- **Outcomes for consumers,** which explores retail consumers' experience of the grocery industry, including prices and consumers' ability to understand retailers' pricing and promotional practices.
- **Conditions of entry and expansion,** where we assess the ability of retailers to enter the grocery industry and expand their operations, including access to appropriate sites and grocery supplies.
- **Acquisition of groceries,** where the relationship between major grocery retailers and suppliers is explored, including the retailer/supplier dynamic, the impact of large suppliers, and supplier protections.
- **Upcoming work programme,** which outlines our grocery-related projects for the upcoming year.

Approach to monitoring and reporting

This second annual grocery report analyses the metrics that we monitor on an ongoing basis to track whether competitive conditions are improving. In other words, this report compares progress over time against the baseline in testing whether the regulatory regime is achieving its objectives.

These key metrics will be reported on an ongoing basis in our annual grocery reports. Where possible and appropriate, as our monitoring regime matures, we will look to add further detail.

30 The Commission can make recommendations to improve the regime using other powers under the Act, including following an inquiry under s55 of the Act.

Each annual grocery report will also contain a deeper dive into selected focus areas. The selected focus areas will reflect current and emerging trends or issues in the grocery industry. This year we have included new measures and analyses to add to our assessment of competition in the grocery industry. This includes:

- **Supermarket access and choice –** looks into what major supermarket options consumers have within a 10-minute drive (see Chapter 3).
- **Net profit after tax (NPAT) and earnings before interest and taxes (EBIT) margins –** tracking major grocery retailers' NPAT and EBIT margins from FY20 to FY24 and comparing them against grocery retailers overseas (see Chapter 4).
- **High-Low pricing –** the prevalence and frequency of high-low pricing (see Chapter 5).
- **Resource Consenting –** the time and cost of obtaining resource consent (see Chapter 6).
- **Private label prevalence –** the percentage of retailer revenue and units sold derived from private label products (see Chapter 7).

We have broad information gathering powers

The Act provides the Commission with investigation and information gathering powers for the purpose of performing our functions, duties and powers under the Act.[31] This includes the ability to issue statutory notices to any relevant person in the grocery industry, requiring them to supply information to the Commission.[32]

We gathered data from a range of sources

This report draws on data from a range of sources. The relevant sources for each figure and statistics are noted in the footnotes throughout the report.

Much of the information used to compile this report was gathered via information requests to Foodstuffs North Island (**FSNI**), Foodstuffs South Island (**FSSI**), Woolworths New Zealand (**WWNZ**), and The Warehouse. We also received over 500 responses to our supplier survey. The survey was conducted by The Research Agency and covered a range of themes to gain insight to the retailer/supplier relationship across small, medium and large suppliers. We thank all those who have provided information underlying this report for their assistance.

We have used the most up-to-date information reasonably available to us at the time of drafting this report, noting that the relevant time periods for analysis differ between metrics. As such, in combination with the first annual grocery report, this report provides an ongoing picture of the grocery industry from the initial Market Study and during full implementation of the Act.

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31 Section 182 of the Act.

32 Failure to comply with a statutory notice without reasonable excuse or providing knowingly false or misleading information is an offence and can lead to fines of up to $300,000, per section 183 of the Act.

We have considered Government direction

One of the purposes of our annual grocery reports is to demonstrate how any Government direction given to the Commission has been considered.[33] We believe that this report aligns with the expectations of the Minister, including to support greater transparency in the grocery industry.[34]

WE WELCOME FEEDBACK | NAU MAI HE KŌRERO

We welcome feedback on the format and content of this report, including on what might be missing and where improvements could be made for future reports.

Your feedback will help ensure that we maximise the relevance and usefulness of the report for all stakeholders going forward. Feedback can be provided to Grocery.Regulation@comcom.govt.nz with the subject line "Annual grocery report feedback".

33 Section 175(2)(d) of the Act.

34 Letter from the Minister of Commerce and Consumer Affairs to Commerce Commission Chair "Annual letter of expectations 2024/25" (11 April 2024), https://comcom.govt.nz/__data/assets/pdf_file/0026/317906/Ministers-Letter-of-Expectations-2024-25-11-April-2024.pdf.

Whanaketanga o te whakataetaetanga Development of competition

Chapter 2 sets out the grocery shopping preferences of New Zealand consumers and what effective competition would need to look like to meet them.

NGĀ TAIPITOPITO KEY POINTS

- Consumer research continues to show that the top two drivers of grocery store choice are price and convenience. However, with cost-of-living pressures some consumers may be willing to sacrifice more convenient options in search of lower prices.

- The weekly 'big shop' for food is still the most common way New Zealanders shop for groceries, though many consumers also do 'top-up' shops in between. Survey data in 2024 suggests that over two thirds of New Zealanders do a 'big shop' and then add to it as required. Survey data also suggests 47% of New Zealanders shop weekly for food.

- There is evidence that consumers 'cross-shop' (purchase groceries from multiple retailers in a given time period). In the current economic environment consumers may be more willing to cross-shop. However, the existence of cross-shopping alone is not evidence of effective competition for consumers' grocery spend as their preference for convenience in the form of one-stop shopping limits the competitiveness of non-supermarket retailers.

- While online shopping for groceries is growing in popularity, consumer research in 2024 shows that the vast majority of New Zealand consumers still prefer to shop in-store for groceries. Over 80% of consumers prefer to shop in-store for their primary shop and around 90% of consumers prefer to shop in-store for their top-up shops. There is also a sizeable proportion of New Zealand consumers who do not engage in online grocery shopping at all, with survey data in 2024 indicating that over half of New Zealanders had not shopped for groceries online in the preceding six months.

- Given New Zealand consumers' preferences, a new entrant or expanding retailer needs to offer a diverse range of goods at competitive prices and maintain a network of stores in convenient locations to compete with RGRs.

- Outside of the Commission's work the Government has been seeking information to get a better understanding of what regulatory changes could be made or what other support could be provided to help a challenger get established in the grocery industry.

Consumers' shopping preferences

How consumers choose a grocery store

New Zealand consumers are diverse with different wants and needs but many of them share common preferences when choosing where to shop for groceries.

The Market Study found that consumers' grocery shopping choices were driven by price and convenience.[35] Consumer research in 2024 found that across the Pak'nSave, Woolworths, New World and Costco brands, the top priority drivers for consumers shopping choices were either low prices or a convenient location relative to their home or place of work.[36]

Consumers' view on convenience can vary depending on their type of shopping trip. Besides location, grocery stores that offer the convenience of a one-stop shop, a comprehensive range of products and accessibility options, such as easy parking, are generally preferred by consumers.[37]

In the current economic environment of cost of living pressures, consumers' focus on low prices is heightened. Some may be willing to sacrifice more convenient options in search of lower prices. Indicative of this trend is Pak'nSave, which positions itself as a low-priced retailer, growing its share of sales in recent years.[38]

Other factors influencing store choice include specials and promotions, loyalty programmes/rewards, quality products and overall shopping environment.[39]

In some localities, consumers may have few grocery store choices, with alternatives being further away.[40] In these situations it is likely that the benefit of potentially cheaper groceries at alternative grocery stores is outweighed by considerations such as time to travel and cost of transport. See Chapter 3 for analysis on consumers access to and choice of supermarkets.

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35 Commerce Commission "Market Study into the retail grocery sector – final report" (8 March 2022) at figure 4.3, https://comcom.govt.nz/__data/assets/pdf_file/0024/278403/Market-Study-into-the-retail-grocery-sector-Final-report-8-March-2022.pdf.

36 Focus Insights "2024 NZ Grocery Shopper Report" (accessed 5 April 2025) at p. 12, https://focusinsights.com.au/report-library/.

37 Commerce Commission "Market Study into the retail grocery sector – final report" (8 March 2022) at p. 124, https://comcom.govt.nz/__data/assets/pdf_file/0024/278403/Market-Study-into-the-retail-grocery-sector-Final-report-8-March-2022.pdf.

38 Commerce Commission analysis of industry information; JCDecaux "FMCG Shopping Research 2024" (accessed 5 April 2025) at p. 25, https://www.jcdecaux.co.nz/jcdecaux-research/jcdecaux-fmgc-shopping-research-2024.

39 Focus Insights "2024 NZ Grocery Shopper Report" (accessed 5 April 2025) at p. 12, https://focusinsights.com.au/report-library/.

40 Radio New Zealand "How far do you have to travel to a supermarket?' (21 March 2025), https://www.rnz.co.nz/news/business/545509/how-far-do-you-have-to-travel-to-a-supermarket.

How consumers shop

Consumers can undertake different types of shopping trips to purchase groceries, including:

- **main shop** – a shop typically happening weekly, or at another regular interval based on the convenience of using one grocery store to get all necessities in one place.
- **secondary shop** – a visit to one or more store(s) other than the store used for the main shop, to shop for specific products.
- **top-up shop** – a quick shop for a small number of items that can be conducted for a range reasons at one of a range of retailers.

Survey data suggests that in 2024, over two-thirds of New Zealanders do a main shop plus smaller secondary shops or top-ups as required.[41] Additionally, 47% of New Zealanders shop weekly for food, 37% shop a couple of times each week and the remainder (16%) shop at different frequencies.[42]

Consumers cross-shop to some extent

Cross-shopping describes when consumers purchase groceries from multiple retailers in a given time period – eg, visiting more than one store to complete their weekly shop.

There is evidence that New Zealand consumers engage in cross-shopping, which we considered during the Market Study.[43] This is a feature of the grocery industry internationally, for example, recent consumer research from Australia indicates that approximately 70% of Australian consumers shop at more than one store in a typical week.[44,45]

In the current economic environment consumers may be more willing to cross-shop. For instance, the recent Australian inquiry into supermarkets commented that due to consumers being more sensitive to prices, they are spending more time shopping around different stores to compare the best deals.[46]

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41 JCDecaux "FMCG Shopping Research 2024" (accessed 5 April 2025) at p. 15, https://www.jcdecaux.co.nz/jcdecaux- research/jcdecaux-fmgc-shopping-research-2024.

42 JCDecaux "FMCG Shopping Research 2024" (accessed 5 April 2025) at p. 14, https://www.jcdecaux.co.nz/jcdecaux- research/jcdecaux-fmgc-shopping-research-2024.

43 Commerce Commission "Market Study into the retail grocery sector – final report" (8 March 2022) at p. 149, https://comcom.govt.nz/__data/assets/pdf_file/0024/278403/Market-Study-into-the-retail-grocery-sector-Final-report-8-March-2022.pdf.

44 ACCC "Supermarkets inquiry – Final report" (February 2025) at p. 80, https://www.accc.gov.au/system/files/supermarkets-inquiry_1.pdf.

45 Woolworths Group "Woolworths Group Half-Year results 2025" (26 February 2025) at p. 5, https://www.woolworthsgroup.com.au/content/dam/wwg/investors/reports/f25/h1/2855272.pdf.

46 ACCC "Supermarkets inquiry – Final report" (February 2025) at p. 80, https://www.accc.gov.au/system/files/supermarkets-inquiry_1.pdf.

More cross-shopping by consumers increases the potential for greater competitive rivalry between the major supermarkets and other retailers. However, we concluded in the Market Study that cross-shopping across different types of grocery retailers does not imply that there is effective competition for consumers' grocery spend, due to:

- consumer preference for a main shop meaning that full-service supermarkets maintain the majority of New Zealand consumer grocery spend;
- consumer preference for convenience (ie, a one-stop shop) limits cross-shopping and therefore the competitiveness of non-supermarket retailers that do not offer a full range.[47]

Consumers ability to effectively cross-shop is impacted by their ability to compare available offers in the market. (See Chapter 5 for details on consumer's ability to understand retailers pricing and promotional practices).

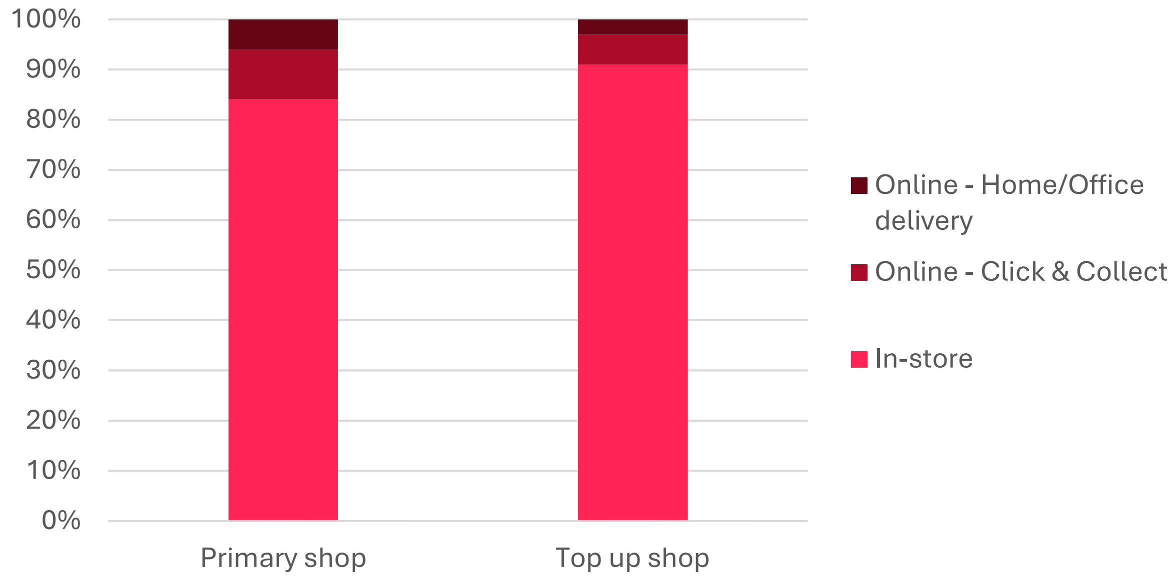
Consumers prefer shopping in-store, with online growing in in popularity

While grocery shopping online has been increasing in popularity with New Zealand consumers, a strong preference for shopping in-store remains and a large proportion of New Zealanders do not shop for groceries online at all.

Consumer research found that in 2024 the vast majority of respondents preferred to shop at a physical store for both their main and top-up shop, with Figure 1 below showing a significant preference for in-store over online click and collect or online delivery.

[47] Commerce Commission "Market study into the retail grocery sector – final report" (8 March 2022) at p. 149, https://comcom.govt.nz/__data/assets/pdf_file/0024/278403/Market-Study-into-the-retail-grocery-sector-Final-report-8-March-2022.pdf

Figure 1: Kiwi consumers' preferred way to shop for groceries



Source: Focus Insights[48]

While online grocery sales as a percentage of total sales have grown in the past five years, they still make up a very small part of RGRs' sales. With only 7% of total sales coming from either online delivery or click & collect services.[49]

In addition, a survey of New Zealand consumers in 2024 found that 53% of respondents had not shopped for groceries online in the six months prior to the survey.[50] This indicates that online grocery shopping is unlikely to overtake in-store grocery shopping in the near future. Online shopping is explored further in Chapter 4.

We plan to explore the changes in consumer shopping habits and preferences further in future reports.

Retailers' ability to meet consumers' shopping preferences

The current grocery industry in New Zealand is highly concentrated with significant market share held by RGRs.

48 Focus Insights "2024 NZ Grocery Shopper Report" (accessed 5 April 2025) at p. 17, https://focusinsights.com.au/report-library/.

49 Commerce Commission analysis of industry information.

50 Focus Insights "2024 NZ Grocery Shopper Report" (accessed 5 April 2025) at p. 18, https://focusinsights.com.au/report-library/.

While a range of retailers offer groceries, many only meet niche consumer needs and are often utilised by consumers cross-shopping for secondary or top-up shops. These retailers (**other retailers**) are not generally in direct competition with RGRs since most lack the necessary product range to compete for consumers' main shops. Apart from a limited number of exceptions, they do not compete with RGRs on price as they lack scale and favourable buying terms (eg, promotional funding) to offer competitive pricing across a full range of groceries.

Instead, other retailers appear to compete for top-up shops through offering convenience or for secondary shops by offering goods and deals not readily available at RGRs' retail stores.

In Chapter 3, we document our observations on entry and expansion in the grocery industry. While there are some positive signs, this entry and expansion:

- is geographically constrained – with many other retailers limited to Auckland or other main centres; and
- is usually range constrained – does not meet consumers' preference for a one-stop shop.

How effective competition might emerge over time

Who can provide competitive restraint on the RGRs

To compete with the RGRs on pricing, quality and range, a new entrant or expanding retailer needs to be able to meet current and future consumer preferences, including by:

- offering a diverse range of goods at competitive prices; and
- maintaining a nationwide network of stores in convenient locations.

With price as a key consideration, and increasingly so in response to rising costs of living, some consumers may be willing to compromise on range and convenience in order to save money. This would enable price competition from hard discounters (such as an ALDI-like business model) with a narrow product range, or wholesale clubs (like Costco) which are destination shops with a wider geographic catchment.

As consumer preferences evolve over time, there are opportunities for new business models and offerings to capitalise on those changes, for example the emerging trend towards increased online shopping.

Risk of geographic disparity

For competition to benefit all New Zealanders, new or expanding retailers need presence nationwide - not just in Auckland or the main cities.

While it would be preferable for a new entrant or existing retailer's expansion to reach regional locations, it is the main centres where a third major retailer would likely look to establish and grow their business, benefitting from the lower distribution costs and higher population density.

Customers in smaller towns and cities may be able to benefit from the entry and expansion of new retailers in the main centres, if RGRs offer national (or island based) pricing.

Scenarios for entry and expansion

The entry and expansion of competing grocery retailers could take a number of different forms – as set out below.

The common factor in all these scenarios is that their impact on competition would take time to eventuate. As highlighted in the first annual grocery report, new entrants (ALDI and Lidl respectively) have made an impact on competition in overseas markets such as Australia and Finland; however, their market share grew slowly over 10 years.[51]

New entry in the form of a third major player

Entry of a third major player with a national network of stores who can compete for consumers' one-stop shops would exert serious competitive pressure on the RGRs.

A third player with bricks and mortar stores would take time to set up. Establishing a network of suitable sites and distribution links is a time intensive and expensive process, and there may be further delays if Overseas Investment Office approval is required.

The most likely scenario is that a third entrant would start operations in a major centre or geographic area before exploring further expansion.

Growth in existing competitors

Another potential scenario is that existing smaller retailers utilise their stores, distribution networks and relationships with suppliers to expand their range of grocery goods and/or open new stores.

These other retailers currently compete for consumers' secondary shops and would need to expand their range if they were to compete for the main shop. A recent example of this is The Warehouse leveraging its nationwide store network to expand its grocery range.[52]

New business models and offerings

A third scenario is that new types of retailers emerge to respond to changing consumer demands and preferences. This could take the form of offerings such as online-only, convenience-focused, or catering to other niche missions.

For alternative business models to work, there needs to be enough consumers with preferences that can be met outside the traditional one-stop shop at a bricks and mortar store.

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51 Commerce Commission "First Annual Grocery Report" (4 September 2024) at p. 117, https://comcom.govt.nz/__data/assets/pdf_file/0019/362305/Annual-Grocery-Report-2024.pdf.

52 Information received from The Warehouse.

An online-only operation is unlikely to face the same difficulties in accessing land as a physical store as it only requires warehousing capacity. However, online grocery operations are not without risk. As noted in the first annual grocery report, several online grocery businesses have closed in recent years.[53]

Chapter 6 of this report explores the ability of retailers to enter and expand operations in the New Zealand market.

Submissions called for by the Government

On 31 March 2025, the Government released a Request For Information (**RFI**) to hear from groups that may have the capability to invest or compete in the New Zealand grocery sector.[54]

The Government sought information to get a better understanding of what regulatory changes could be made or what other support could be provided that would help a challenger get established. The RFI sought information on three specific aspects of new retailer entry:

- identification of parties who have an interest in (as well as the capacity and capability to) providing a full range of retail grocery offerings at scale across New Zealand; and
- why these parties have not been able to enter or grow in the New Zealand retail grocery market; and
- regulatory changes or other support required to enable these parties to grow or enter the New Zealand market.[55]

Responses will inform the Government's consideration of next steps for improving competition in the sector.

Submissions closed on 12 May 2025. More information about this process can be found on the Ministry of Business Innovation and Employment (**MBIE**)'s website here https://www.mbie.govt.nz/about/news/request-for-information-opened-for-grocery-sector-competitors-and-investors.

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53 Commerce Commission "First Annual Grocery Report" (4 September 2024) at p. 39, https://comcom.govt.nz/__data/assets/pdf_file/0019/362305/Annual-Grocery-Report-2024.pdf.

54 Ministry of Business, Innovation & Employment "Request For Information opened for grocery sector competitors and investors" (31 March 2025) https://www.mbie.govt.nz/about/news/request-for-information-opened-for-grocery-sector-competitors-and-investors.

55 Ministry of Business, Investment & Employment "Supporting a supermarket competitor Request For Information" (31 March 2025) at p. 2, https://www.mbie.govt.nz/dmsdocument/30559-supporting-a-supermarket-competitor-request-for-information.

Ā te ahumahi āhuatanga, whanaketanga hoki
Industry characteristics and developments

Chapter 3 provides an overview of the participants in the grocery industry, notes recent key developments that have impacted the industry and outlines observed changes in grocery retailers.

NGĀ TAIPITOPITO KEY POINTS

- In 2024 we observed two major trends in the grocery industry:
  - Firstly, cost of living pressures on households and general economic uncertainty has heightened consumers focus on price when purchasing groceries. This has resulted in Pak'nSave, which positions itself as a low-priced retailer, growing its share of sales in recent years.
  - Secondly, grocery retailers have launched or expanded their partnerships with food delivery apps (Uber Eats, DoorDash) to enable rapid home delivery of groceries. Retailers likely join these partnerships to help meet consumer demand whilst avoiding the costs involved with fully running the service themselves.

- As of November 2024, the three RGRs combined had 761 retail grocery stores. This is seven stores less than July 2023. The drop in stores primarily relates to FSSI's progressive closure of their Raeward Fresh brand stores, as well as shops under their On the Spot convenience store banner leaving the co-operative to trade independently.

- Over the past year we have seen independent retailers moving into sites that have been closed and vacated by the RGRs. For example, the former Countdown Nawton store in Hamilton and the former New World Flaxmere in Hastings are now both home to independent supermarkets. This is encouraging as it suggests that full size independent supermarkets can open, particularly where there is access to suitable sites.

- When assessing how well the RGRs' store networks serve New Zealanders, we note that by international standards grocery store saturation is low. In 2023 New Zealand ranked 23rd in the OECD with 12.8 supermarkets per 100,000 people compared to the OECD average of 16.6. This is influenced by our geography, population density and the size and format of supermarket stores in New Zealand relative to other countries.

- In terms of access and choice, 90% of the population are within 10 minutes' drive to a RGR store but only 79% of the population have the choice between a WWNZ and a Foodstuffs (FSNI or FSSI) store. In some parts of New Zealand access is particularly low, for example, Ōtorohanga District in the Waikato or Wairoa District in the Hawke's Bay.

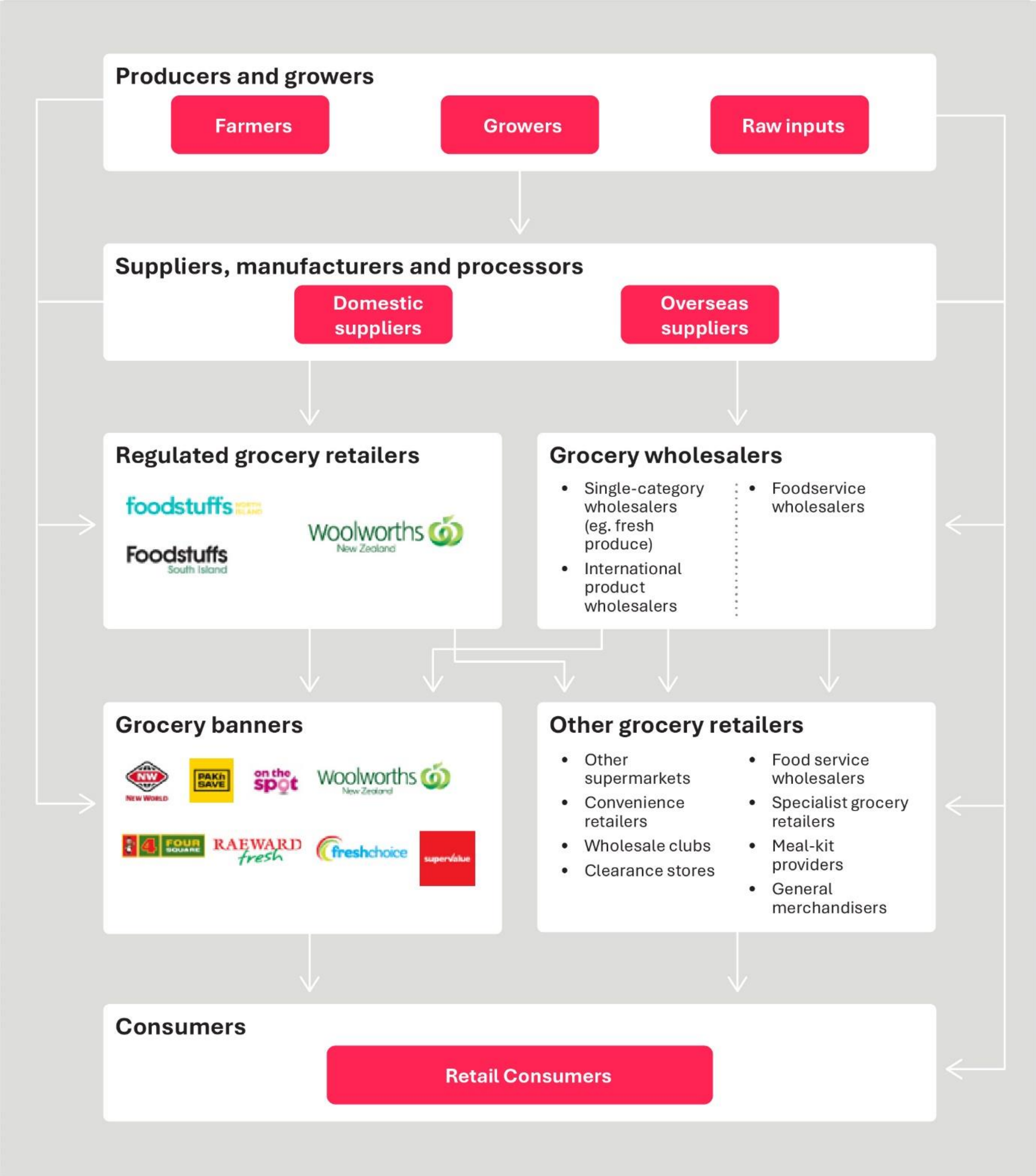
- Despite speculation about multiple potential new Costco locations around the country, Costco has not publicly committed to a second store. Revenue for its west Auckland store was up in 2024, and it has started offering online delivery to parts of Auckland via DoorDash. Costco is often regarded as a destination shop that consumers are willing to drive to. 21% of the population can access Costco's west Auckland store within a 30min drive and this increases to 33% of the population within a one-hour drive (one-way).

NGĀ TAIPITOPITO KEY POINTS

- Among other retailers we have observed a continuation of trends over the past year. Namely, specialist supermarkets opening in Auckland and the following types of retailers expanding their store networks - chain convenience retailers, clearance grocery stores, and pharmacies.
- Between 2022 and 2023 online-only grocery retailers faced difficulties and several of them closed. In 2024, online-focused retailers have had mixed results - some retailers have expanded their operations and delivery areas while others have faced reduced delivery volumes and profit.

GROCERY INDUSTRY OVERVIEW

Figure 2: High-level summary of the New Zealand retail grocery industry



New Zealand consumers

Groceries are an essential purchase and a major expense for most households. In the year to 30 June 2024, more than $27 billion was spent at supermarkets and grocery stores in total - an increase of 5.3% over the previous 12 months.[56]

Regulated grocery retailers

There are three major grocery retailers operating in New Zealand: WWNZ and two Foodstuffs cooperative entities, FSNI and FSSI. Recent changes to the RGRs' store networks are discussed later in this chapter.

Wholesalers

Grocery or producer wholesalers are intermediaries who acquire products from suppliers and on-sell to grocery retailers, including RGRs and other retailers.

All the RGRs provide wholesale service to their own retail businesses and their franchises. Other retailers can purchase groceries on a wholesale basis from the RGRs through the wholesale access regime.

There are also wholesale options for single product categories, international products and restaurant and foodservice businesses. Some large suppliers also function as wholesalers for example by providing other retailers with direct supply.

Further information on the wholesale access regime is provided in Chapter 6.

Suppliers

Suppliers may be growers of fresh produce, farmers, manufacturers, importers or processors.

Suppliers range in size from small local growers and craft food producers, iwi-owned businesses, through to large multinationals.[57]

Some suppliers are more reliant on the RGRs (and hence their bargaining power) than others.

Discussion of suppliers is provided in Chapter 7.

Other retailers offering groceries

Other retailers offer groceries using different business models from the RGRs, including specialist supermarkets, convenience retailers, clearance stores, wholesale clubs, food service wholesalers, single category retailers, meal kit providers, general merchandisers and

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[56] Statistics New Zealand 'Retail trade survey: June 2024 quarter' at table 1, https://www.stats.govt.nz/information-releases/retail-trade-survey-june-2024-quarter/.

[57] Commerce Commission analysis of industry information.

hardware stores.[58] These retailers make up a small part of New Zealand's grocery market and are not generally in competition with the RGRs for consumers' one-stop shop. Instead, other retailers compete for top-up shops through offering convenience or for secondary shops by offering goods not available at the RGRs' retail stores. Many of these retailers are limited to Auckland or the main cities. Recently, however, a few independent supermarkets have opened in the rest of the country. These are discussed later in this chapter.

[58] Further detail on these business models and retailers can be found at Commerce Commission "First Annual Grocery Report" (4 September 2025), at pp. 19-21, https://comcom.govt.nz/__data/assets/pdf_file/0019/362305/Annual-Grocery-Report-2024.pdf.

NGĀ IA ME NGĀ WHANAKETANGA I TE AHUMAHI HOKO KAI

TRENDS AND DEVELOPMENTS IN THE GROCERY INDUSTRY

Cost of living pressures remain

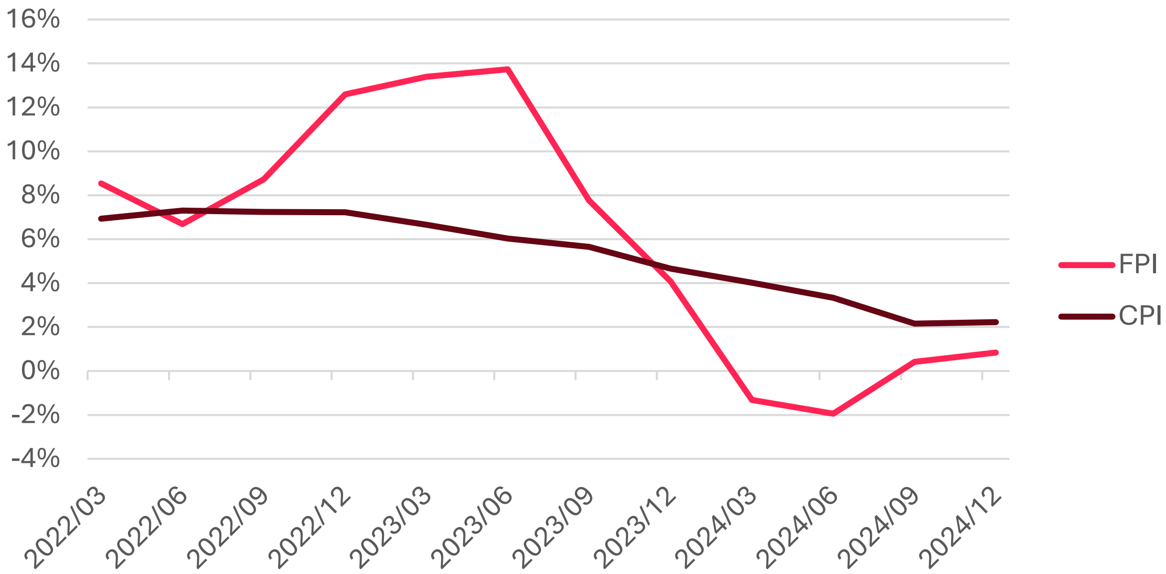
Inflationary pressures eased from late 2023, following a period of high inflation in 2022. While food price inflation moderated in 2024, this does not mean a return to pre-inflation prices. This new level of prices is not unexpected, but it does cause cost of living pressures for households whose income has not kept pace with these price rises.

The most common measure of retail price inflation is the Consumers Price Index (**CPI**) produced by Statistics New Zealand. The CPI measures price changes over time for the goods and services that New Zealanders most commonly purchase.

Similarly, the Food Price Index (**FPI**) measures the changes in prices that households pay for food. Within the FPI 'food' group there are five sub-groups of expenditure – fruit and vegetables; grocery food; meat, fish and poultry; non-alcoholic beverages; and restaurant meals and ready to eat food. Four of these sub-groups are commonly sold in grocery stores. Restaurant meals and ready to eat food is the only sub-group that is not. This year, we obtained a bespoke version of the FPI (**grocery FPI**) from Statistics NZ that excludes the 'restaurant meals and ready to eat food' sub-group, thereby aligning the data more closely with the definition of 'groceries' in the Act.

As shown in Figure 3, from early 2022 New Zealand experienced a period of high inflation. The CPI and grocery FPI both had high annual percentage increases from early 2022, with annual CPI peaking at just over 7% during the second half of 2022 and annual grocery FPI peaking at 14% in June 2023. This resulted in higher costs for consumers across a range of expenses.

Figure 3: Consumers Price Index and Grocery Food Price Index annual percentage change – March 2022 – December 2024



Source: Commission analysis of Statistics New Zealand Consumers Price Index and Food Price Index

While the rate of inflation eased into 2024, higher prices remain, maintaining cost of living pressures on New Zealand households. As shown in Figure 3 above, food prices dropped briefly in March and June 2024 but have since increased. This decrease is likely attributable to the destruction of fruit and vegetable crops during Cyclone Gabrielle in 2023 generating short-term higher prices for these goods. Stabilised prices in 2024 resulted in a dramatic annual decrease in the price for fruit and vegetables. More recently, the FPI reports that food prices increased 4.6% in the 12 months to June 2025, following a 4.4 percent increase in the 12 months to May 2025.[59]

Value remains front of mind for consumers

The new level of prices following recent periods of high inflation has led to cost of living pressures on many New Zealand households. The cost of groceries continues to be an area of concern for households, with consumers seeking greater value from supermarkets.[60]

59 Based on the full FPI not the bespoke grocery FPI. Statistics New Zealand "Food prices increase 4.6 percent annually" (17 July 2025), https://www.stats.govt.nz/news/food-prices-increase-4-6-percent-annually/.

60 Focus Insights "2024 NZ Grocery Shopper Report" (accessed 5 April 2025) at p. 25-28, https://focusinsights.com.au/report-library/.

Shopping habits are changing due to price increases and general economic uncertainty. Price is a critical factor in consumers' purchasing decisions and consumers report responding to budgetary pressure by frequently buying items on special, limiting discretionary purchases and shopping more at discount supermarkets.[61] Pak'nSave, which positions itself as a low-priced retailer, has grown its share of sales in recent years.[62]

Shoppers are increasingly shopping smarter and trying to make informed decisions. Dunhumby reports that more than half of New Zealand shoppers are researching prices online, although only 1 in 5 shoppers surveyed by JCDecaux are using dedicated price comparison apps.[63, 64]

With 2024 having the lowest spending growth since the Covid pandemic, the search for value and stretching the dollar will remain as consumers continue to adjust to inflation and external environmental factors.[65]

Increasing partnerships with delivery providers

FSNI, WWNZ, and Costco have all begun or expanded their involvement in rapid home delivery services. FSNI has expanded the number of stores through which rapid delivery via Uber Eats is available, MILKRUN now delivers from more WWNZ stores and Costco recently partnered with DoorDash to provide delivery to locations in Auckland.[66,67] In May 2025 WWNZ stated that fast-paced grocery delivery was the fastest-growing part of the business, with 24% growth in the third quarter of the year.[68] Online shopping trends are discussed further in Chapter 4.

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61 Focus Insights "2024 NZ Grocery Shopper Report" (accessed 5 April 2025) p. 25, https://focusinsights.com.au/report-library/.

62 Commerce Commission analysis of industry information; JCDecaux "FMCG Shopping Research 2024" (accessed 5 April 2025) at p. 25, https://www.jcdecaux.co.nz/jcdecaux-research/jcdecaux-fmgc-shopping-research-2024.

63 Dunhumby "Bargain-hunting behaviours: how New Zealand's shopping habits continue to Change" (14 October 2024) https://www.dunnhumby.com/resources/blog/price-value/en/bargain-hunting-behaviours-how-new-zealands-shopping-habits-continue-to-change/.

64 JCDecaux FMCG Shopping Research 2024 (accessed 5 April 2025) at slide 29, https://www.jcdecaux.co.nz/jcdecaux-research/jcdecaux-fmgc-shopping-research-2024.

65 Worldline "Low spending growth in 2024 shows consumers still adjusting to inflation and post-Covid economy" (13 January 2025), https://worldline.com/en-nz/home/top-navigation/media-relations/press-releases/pr-2025_01_13.

66 Commerce Commission analysis of information provided by RGRs; Door Dash "Costco now available on DoorDash in Auckland (16 April 2025), https://about.doordash.com/en-nz/news/costco-now-available-on-doordash-auckland.

67 MILKRUN is a delivery service owned by WWNZ available in the main centres offering delivery of groceries in approximately 33 minutes. More information can be found at https://nz.milkrun.com/discover/faqs.

68 Business Desk "Grocery delivery is booming, Woolworths NZ boss says" (6 May 2025), https://businessdesk.co.nz/article/retail/grocery-delivery-is-booming-woolworths-nz-boss-says.

Changes to RGR store networks

RGR store networks continue to evolve

The RGRs have continued to evolve their store networks since our first annual grocery report in 2024 (**AGR1**). Table 1 below shows that as of November 2024, there were 761 retail stores across New Zealand belonging to the RGRs. Additionally, FSNI operates seven Gilmours wholesale cash and carry stores, while FSSI operates four of these under the Trents brand.

Table 1: RGRs' retail store networks by banner as at 1 November 2024

RGR	Banner	Number of retail stores
FSNI	Four Square	164
	New World	104
	Pak'nSave	46
FSSI	Four Square	59
	New World	43
	On The Spot	70
	Pak'nSave	12
	Raeward Fresh	2
WWNZ	Countdown/Woolworths	187
	SuperValue/FreshChoice	74

Source: Commission analysis of information provided by RGRs

Between 1 July 2023 and 1 November 2024, there was a net decrease of eight RGR stores overall. All of the RGRs reduced their total store count.

Table 2: Net change in-store count between 1 July 2023 and 1 November 2024

RGR	Net change	Total store count
FSNI	-1	314
FSSI	-6	186
WWNZ	-1	261

Source: Commission analysis of information provided by RGRs

Table 3 provides a detailed breakdown of the number of stores opened and closed, and the resulting net change by banner for the three RGRs.

FSSI has continued to reduce its store count, decreasing by six stores in this period, after reducing by 13 stores in the period covered by the AGR1 analysis. Changes to FSSI's store count predominantly impacted their On the Spot and Raeward Fresh banners.

Raeward Fresh now has no retail stores operating in New Zealand and the banner has been discontinued.[69] It downsized from four stores to two within the data range of our store network analysis to 1 November 2024. Since then, it continued to reduce its store footprint with Raeward Fresh Queenstown de-bannering to McKibbon's of Royalburn, an independent gourmet grocery store in November 2024.[70] In May 2025, Raeward Fresh's Tower Junction store in Christchurch closed due to challenging economic conditions.[71]

WWNZ started a significant rebranding effort in 2023.[72] By June 2024, 70 stores had rebranded from Countdown to Woolworths.[73] A further 16 stores had rebranded by November 2024.[74] WWNZ is also in the process of rebranding SuperValue stores to the FreshChoice banner. From February 2021 to December 2023, 11 stores rebranded.[75] An additional 48 stores had rebranded by November 2024.[76] All remaining SuperValue stores are expected to be converted to FreshChoice in the future.[77]

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69 Information provided to the Commission by FSSI.

70 The Press "Queenstown grocer rebrands in deal with TV farming duo" (5 November 2024), https://www.thepress.co.nz/nz-news/360472565/queenstown-grocer-rebrands-deal-tv-farming-duo.

71 Star News "Christchurch supermarket set to close" (13 May 2025), http://odt.co.nz/star-news/star-christchurch/christchurch-supermarket-set-close.

72 Woolworths Group "Countdown to Woolworths" (18 July 2023), https://www.woolworthsgroup.com.au/au/en/our-newsroom/latest-news/2023/countdown-to-woolworths.html.

73 NZ Herald "Countdown: 70 of 185 supermarkets rebranded Woolworths, where new outlets are planned" (20 June 2024), https://www.nzherald.co.nz/business/companies/construction/countdown-70-of-185-supermarkets-rebranded-woolworths-where-new-outlets-are-planned/AFENKFG5HNE4PAXEX7TQYJQR2Y/.

74 Commerce Commission analysis of information supplied by WWNZ.

75 Commerce Commission "First Annual Grocery Report" (4 September 2024) at p. 33, https://comcom.govt.nz/__data/assets/pdf_file/0019/362305/Annual-Grocery-Report-2024.pdf.

76 Commerce Commission analysis of information supplied by WWNZ.

77 FMCG Business "New FreshChoice store for Papakura" (15 November 2023), https://www.fmcgbusiness.co.nz/new-freshchoice-store-for-papakura/.

Table 3: Store changes by banner between 1 July 2023 and 1 November 2024

RGR	Banner	Closed stores	Opened stores	Net change
FSNI	Four Square	-6	6	0
	New World	-3	2	-1
	Pak'nSave	-	-	-
FSSI	Four Square	-1	-	-1
	New World	-	-	-
	On The Spot	-3	-	-3
	Pak'nSave[78]	-1	1	0
	Raeward Fresh	-2	-	-2
WWNZ	Countdown/Woolworths	-5	2	-3
	SuperValue/FreshChoice	-1	3	2

Source: Commission analysis of information provided by RGRs

Majority of new RGR stores are in the North Island

There was a greater volume of store openings in the North Island compared to the South Island between July 2023 and November 2024: 11 new North Island stores, compared to three in the South Island.[79] This continues a trend from the AGR1 of RGR supermarkets mainly opening in the North Island, particularly in Auckland. The Auckland region had the biggest net gain of RGR stores, with an overall increase of five stores between 1 July 2023 and 1 November 2024.[80]

RGR store closures can create opportunities for other retailers

The closure of an RGR store does not always mean the closure of a grocery retailer at that location: sometimes closures can reflect a store de-bannering. De-bannering refers to situations where a retail store leaves an RGR's store network altogether. For example, by becoming an independent store or joining the store network of a non-RGR company, the store can continue to serve the community.

From 1 July 2023 to 1 November 2024, nine stores de-bannered from FSNI and FSSI, all from the Four Square and On the Spot banners.[81] Of these de-bannered stores, at least four went independent and two opened as other bannered retailers (MetroMart and Night 'n Day).[82]

We have also seen newly de-bannered stores engaging with the wholesale supply regime. Two of the four newly independent stores signed up for RGR wholesale agreements after de-bannering although these were with the same RGR they were previously part of.[83]

78 Pak'nSave Northlands closed and was replaced by the nearby opening of Pak'nSave Papanui
79 Commerce Commission analysis of information supplied by RGRs
80 Commerce Commission analysis of information supplied by RGRs
81 Commerce Commission analysis of information supplied by RGRs
82 Commerce Commission analysis of information supplied by RGRs
83 Commerce Commission analysis of information supplied by RGRs

We have also seen independent retailers moving into sites that have been closed and vacated by RGRs. FIFO (Fresh In Fresh Out) Supermarket in Hamilton is a notable example of an independent retailer moving into one of these vacated sites. Countdown Nawton closed in August 2023, leaving its residents without a nearby supermarket.[84] FIFO filled this gap for the residents of Nawton, opening in May 2024 at the vacated location.[85] A similar circumstance occurred in Flaxmere following the closure of its only supermarket (New World Flaxmere) in February 2024.[86] The independently owned Flaxmere Supermarket opened in April 2025 to strong community support.[87]

This trend of independent retailers occupying RGR-vacated sites is encouraging, as it suggests that full size independent supermarkets can open, particularly where there is access to suitable sites.

Metro Stores mainly service North Island cities

Some RGRs also maintain "Metro Stores" as part of their overall store network.[88] Metro Stores are smaller sized supermarkets typically located at sites of high foot traffic. These stores offer a convenient grocery option for people living or working in, or visiting, town or city centre locations.

Currently FSNI and WWNZ are the only RGRs to offer Metro Stores.[89] Of these, WWNZ has the largest Metro Store network, with four stores in Auckland and one in Wānaka. FSNI have three Metro Stores across Auckland and Wellington. These stores are generally located in the city's Central Business District, such as Willis Street in Wellington (New World Metro Willis) and Albert Street in Auckland (Woolworths Metro Albert Street). Metro Stores are predominantly based in the North Island, with Woolworths Metro Wānaka being the only one in the South Island.

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84 Stuff NZ "Save our supermarket - locals want to know why Countdown Nawton is closing down" (10 April 2023), https://www.stuff.co.nz/national/300850298/save-our-supermarket--locals-want-to-know-why-countdown-nawton-is-closing-down.

85 Waikato Times "NZ's biggest independent supermarket opens in Hamilton" (26 April 2024), https://www.waikatotimes.co.nz/nz-news/350255821/nzs-biggest-independent-supermarket-opens-hamilton.

86 Stuff NZ "Flaxmere to lose its only supermarket" (19 January 2024), https://www.stuff.co.nz/business/350151614/flaxmere-lose-its-only-supermarket.

87 NZ Herald "'Lowest price possible': Flaxmere supermarket set to open on Saturday" (11 April 2025), https://www.nzherald.co.nz/hawkes-bay-today/news/lowest-price-possible-flaxmere-supermarket-set-to-open-on-saturday/BHRBZSSIWFGJXNZ7GLGKXHNBWM/.

88 These metro stores are included in the overall RGR store network numbers.

89 Commerce Commission analysis of information supplied by RGRs.

The pricing and range in Metro stores can differ from those found in larger traditional supermarkets. WWNZ notes that its Metro stores are different from its Woolworths stores; with prices differing and range in Metro stores being tailored to their location.[90] We also understand that products in New World Metro stores are also priced differently to regular New World stores.[91] Differentiated pricing for Metro stores occurs to some extent overseas, with the ACCC noting Woolworths Australia Metro stores have higher prices, while the comparable store formats for ALDI and Coles have almost identical prices to the standard format stores.[92]

How well do the RGRs' store networks serve New Zealanders?

The Market Study concluded that New Zealand could sustainably accommodate another large-scale rival, particularly in areas with expected population growth.[93] However, despite RGRs' overall agreement that this could be viable, there were divergent views regarding New Zealand's supermarket saturation and ability to support a third entrant of scale.[94]

Some submitters to the Market Study commented that due to the size of New Zealand's population and geographic location, investing in stores would be less viable in producing a good return on investment.[95] Other submissions contrasted this with examples of new and competing businesses that entered the market, such as online-only supermarkets, highlighting that various business models may be affected differently.[96] As these retailers generally differentiate their offers, market density may not impact the success of entry or expansion.[97]

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90 Woolworths NZ "Metro" (accessed 8 April 2025), https://www.woolworths.co.nz/info/services/metro.

91 Information provided to the Commission by FSNI.

92 Australian Competition and Consumer Commission "Supermarkets Inquiry: final report" (February 2025), p. 95, https://www.accc.gov.au/system/files/supermarkets-inquiry_1.pdf.

94 Commerce Commission "Market study into the retail grocery sector – final report" (8 March 2022), para 6.40, https://comcom.govt.nz/__data/assets/pdf_file/0024/278403/Market-Study-into-the-retail-grocery-sector-Final-report-8-March-2022.pdf

94 Commerce Commission "Market study into the retail grocery sector – final report" (8 March 2022), para 6.47, https://comcom.govt.nz/__data/assets/pdf_file/0024/278403/Market-Study-into-the-retail-grocery-sector-Final-report-8-March-2022.pdf.

95 Commerce Commission "Market study into the retail grocery sector – final report" (8 March 2022), para 6.27 and 6.25, https://comcom.govt.nz/__data/assets/pdf_file/0024/278403/Market-Study-into-the-retail-grocery-sector-Final-report-8-March-2022.pdf.

96 Commerce Commission "Market study into the retail grocery sector – final report" (8 March 2022), para 6.28.1 https://comcom.govt.nz/__data/assets/pdf_file/0024/278403/Market-Study-into-the-retail-grocery-sector-Final-report-8-March-2022.pdf.

97 Commerce Commission "Market study into the retail grocery sector – final report" (8 March 2022), para 6.41, https://comcom.govt.nz/__data/assets/pdf_file/0024/278403/Market-Study-into-the-retail-grocery-sector-Final-report-8-March-2022.pdf.

While store density may influence entry or expansion, a saturated market with a competitive process can still see the entry of successful retailers to replace existing retailers.[98]

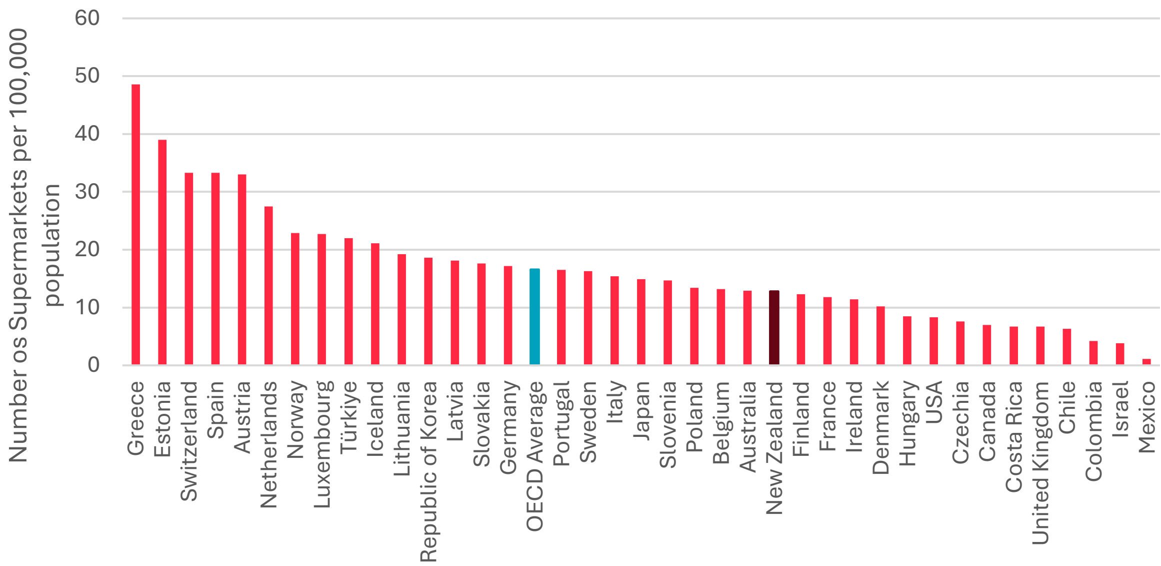
There are contrasting views by external commentators as to how well New Zealand is served by its current store network. One view regards the sector as highly concentrated but under-served, another suggests it is oversupplied with no justification for expanding stores.[99, 100]

Supermarket store saturation is below OECD average

Competition in the grocery industry typically occurs at a local level: consumers prefer a one-stop shopping experience rather than travelling for long distances.[101]

Figure 4 below shows that New Zealand ranks in the lower half of the OECD, 24th from 38 OECD countries and below the OECD average of 16.6 stores per 100,000 people. Norway, with similar population to New Zealand, ranks 7th with almost double the number of supermarkets per capita.

Figure 4: Number of supermarkets per 100,000 population in OECD countries - 2023



Source: Commission analysis of Food Systems Dashboard[102]

98 Commerce Commission "Market study into the retail grocery sector – final report" (8 March 2022), para 6.36 https://comcom.govt.nz/__data/assets/pdf_file/0024/278403/Market-Study-into-the-retail-grocery-sector-Final-report-8-March-2022.pdf.

99 Newsroom "NZ supermarkets rake in far more than US counterparts" (20 August 2024) https://newsroom.co.nz/2024/08/20/nz-supermarkets-rake-in-far-more-than-us-equivalents/.

100 The Spinoff "Supermarkets back on notice – but has anything changed?" (14 February 2025), https://thespinoff.co.nz/the-bulletin/14-02-2025/supermarkets-back-on-notice-but-has-anything-changed.

101 Commerce Commission "Market study into the retail grocery sector – final report" (8 March 2022) at p. 139, https://comcom.govt.nz/__data/assets/pdf_file/0024/278403/Market-Study-into-the-retail-grocery-sector-Final-report-8-March-2022.pdf.

102 Food Systems Dashboard "Number of supermarkets per 100,000 population" (accessed 06 April 2025) https://www.foodsystemsdashboard.org/indicators/food-environments/vendor-properties/supermarkets-per-100000-population/table.

We acknowledge that this international comparison is relatively simplistic, as it does not account for important factors such as population density and the size and format of supermarket stores. These variables are also relevant when assessing how well New Zealanders are served by supermarkets compared to other countries. The Market Study noted that, relative to European countries, New Zealand has a relatively high proportion of large-format stores for its population size.[103]

Access to and choice of RGR stores

Aside from store saturation we can also look at consumers' access to and choice of RGR stores.

10% of the population do not have a RGR store within a 10min drive

Analysis of drive times under low traffic conditions finds that 10% of New Zealand's population cannot access an RGR store within 10mins drive time.[104]

As shown in Table 4 below, access to the Woolworths banner is greatest followed by New World.

Table 4: Banner population coverage – 10 min drive[105]

Banner	% of population
Woolworths	78%
New World	74%
Pak'nSave	61%
Four Square	57%
FreshChoice/SuperValue	47%
On The Spot	17%
Raeward Fresh	3%
Any banner	**90%**

Source: Bidwill Analytics

103 Commerce Commission "Market study into the retail grocery sector – final report" (8 March 2022) at p. 198, https://comcom.govt.nz/__data/assets/pdf_file/0024/278403/Market-Study-into-the-retail-grocery-sector-Final-report-8-March-2022.pdf.

104 Bidwill Analytics for Commerce Commission.

105 Based on the RGRs' store networks as at November 2024. Drive times calculated based on low traffic conditions.

Of particular interest is access to Pak'nSave stores given their position as a low-priced retailer. When increasing the drive time catchment, the population coverage for Pak'nSave increases to 86% with a 30 minute catchment and 94% with a one-hour drive catchment (one-way).[106]

Some areas of the country lack choice

New Zealand has large rural areas with low population and limited options in comparison with the urbanisation in major centres.

An investigation by Radio New Zealand in March 2025 showed that in more than half the 3,000 towns/suburbs examined across the country, consumers had to travel more than 10km to reach either a Woolworths, New World or Pak'nSave.[107]

Further analysis of drive times finds that only 79% of the population have the choice between a WWNZ and a Foodstuffs (FSNI or FSSI) retail grocery store within a 10min drive. Districts with the lowest average number of choices on this metric are Ōtorohanga District (Waikato), Waimate District (Canterbury) and Wairoa District (Hawke's Bay).

As shown in Table 5 below, if we broaden the analysis to look at the various banners within each RGR, the proportion of the population with choice rises to 82%.[108]

Table 5: RGR banner choices (plus Costco) within 10min drive[109]

Number of banners	% of population
0	10%
1	8%
2	9%
3	16%
4	30%
5	27%
6	0.5%

Source: Bidwill Analytics

106 Bidwill Analytics for Commerce Commission.
107 Radio New Zealand "How far do you have to travel to a supermarket?" (21 March 2025), https://www.rnz.co.nz/news/business/545509/how-far-do-you-have-to-travel-to-a-supermarket.
108 Bidwill Analytics for Commerce Commission.
109 Raeward Fresh excluded as all retail locations are now closed, On the Spot and Four Square counted as a single choice.

TE ĀHUA O TE WHAKAURUNGA ME TE WHAKAWHĀNUITANGA I TIROHIA

OBSERVED ENTRY AND EXPANSION

Changes in notable competitors

Costco

Costco launched its first store in New Zealand in West Auckland in 2022. Despite speculation around multiple potential new locations across the country, it has not publicly committed to a second store.

Costco increases revenue in second year

Costco increased its revenue in its second year of trading, reporting $361.5 million in revenue for 2024 compared to $341 million in 2023.[110] It also reduced its net loss in 2024 to less than $1 million compared to $20.5 million in 2023.[111] Despite the growth in revenue, there was no decrease in the RGRs' Auckland market share in 2024, following the four percentage point decrease observed in 2023 after Costco's opening year. See Chapter 4 for further discussion on market shares.

Costco now offers online delivery

As previously mentioned, in April 2025 Costco launched a collaboration with delivery partner DoorDash, thereby entering the Auckland grocery home delivery market. Consumers can now receive Costco goods to locations in Auckland without paying for a Costco membership or visiting the store.[112] A Costco member is eligible to receive access to member only prices once they have followed the prompts and input their Costco membership details into DoorDash.[113] However, prices may be higher than in-store and in-store promotions may not apply.[114]

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110 Costco Wholesale New Zealand "Annual financial report for the 52 weeks ended 01 September 2024" (31 January 2025), https://app.companiesoffice.govt.nz/companies/app/service/services/documents/0165403D5FADF2A3A85EE40B1806F3BF.

111 Costco Wholesale New Zealand "Annual financial report for the 52 weeks ended 01 September 2024" (31 January 2025), https://app.companiesoffice.govt.nz/companies/app/service/services/documents/0165403D5FADF2A3A85EE40B1806F3BF.

112 NZ Herald "Costco partners with DoorDash for home delivery in Auckland" (14 April 2025), https://www.nzherald.co.nz/business/companies/retail/costco-partners-with-doordash-for-home-delivery-in-auckland/SMUXOBNV6ZEPPIR5IB34ZXNZKQ/.

113 NZ Herald "Costco partners with DoorDash for home delivery in Auckland" (14 April 2025), https://www.nzherald.co.nz/business/companies/retail/costco-partners-with-doordash-for-home-delivery-in-auckland/SMUXOBNV6ZEPPIR5IB34ZXNZKQ/.

114 Costco Wholesale "Frequently Asked Questions" (25 June 2025), https://www.costco.com.au/sameday#:~:text=You%20do%20not%20need%20a,account%20by%20following%20the%20prompts.

Costco as a destination shop

Costco is often regarded as a destination shop that consumers are willing to drive to. 21% of New Zealanders can access Costco's west Auckland store within a 30min drive. This increases to 33% if they are willing to drive one-hour (one-way).[115]

The Warehouse

Grocery range still growing but remains comparatively small

Since mid-2024, The Warehouse has continued to increase its grocery range, albeit with a different focus from the previous several years. The number of stores that sell fresh fruit and vegetables has not increased since mid-2024, remaining at 43. There are regional differences in how prevalent this offer is, especially compared to the number of RGR stores with comparable fresh produce offerings.[116] For example, Northland and Canterbury have more stores offering fresh produce as a proportion of total Warehouse stores, whereas Taranaki and Manawatū have less.

The Warehouse has expanded its private label brand 'Market Kitchen', introducing 51 new SKUs for various products like milk, bacon and dry goods.[117] Still, the scale of The Warehouse's grocery offering is small compared to that of the RGRs, with an extra-large Warehouse store stocking less than half the number of grocery products than that of the average RGR supermarket.[118]

Grocery sales still growing at The Warehouse

The Warehouse's grocery range expansion is reflected in the ongoing growth of its grocery sales, which increased by 12.5% in FY24.[119] Grocery accounted for 25% of the company's sales revenue in FY24 (which was maintained in the interim FY25 results), an increase from 18.7% in FY23.[120]

115 Bidwill Analytics for Commerce Commission.
116 Commerce Commission analysis of industry information
117 The Warehouse Group "2024 Integrated Annual Report" (26 September 2024), https://www.thewarehousegroup.co.nz/investor-centre/company-reports?date=2024.
118 Commerce Commission analysis of information provided by RGRs and The Warehouse
119 The Warehouse Group "2024 Integrated Annual Report" (26 September 2024), https://www.thewarehousegroup.co.nz/investor-centre/company-reports?date=2024
120 NZ Herald "Grocery expansion contentious for Warehouse Group shareholders" (22 November 2024), https://www.nzherald.co.nz/business/grocery-expansion-contentious-for-warehouse-group-shareholders/4HSPMWGJBZDU7C3V35GQSQFQNI/ ; The Warehouse Group "The Warehouse Group announces interim results as turnaround starts to gain momentum" (21 March 2025), https://www.thewarehousegroup.co.nz/application/files/3217/4250/2700/The_Warehouse_Group_FY25_interim_results_media_release_FINAL.pdf;The Warehouse Group "2023 Integrated Annual Report" (27 October 2023) at p. 16, https://www.thewarehousegroup.co.nz/investor-centre/company-reports?date=2023.

The Warehouse's store network has shrunk

In AGR1, we noted that The Warehouse's large footprint of well established, conveniently located stores gave it significant potential to rival the RGRs with its grocery range. While that is broadly still the case, The Warehouse's store footprint has four fewer stores compared to mid-2024.[121]

No plans for significant grocery expansion

Despite the growth in both product offerings and sales revenue for its grocery offering, there are no indications that The Warehouse sees its future as a competitor of scale to the RGRs. In announcing its FY24 results, The Warehouse acknowledged that while grocery sales were growing, it was only one of several key categories and that it needed to strengthen its other offerings to improve overall performance.[122] So while grocery is a key driver of in-store foot traffic and a segment that they will continue to invest in, the board and leadership of The Warehouse have not indicated plans for a significant shift towards grocery retailing.[123]

Changes in other core competitors

This section outlines other core competitors to the RGRs aside from Costco and The Warehouse. These core competitors are captured in the 'other retailer' portion of the market share analysis that appears in Chapter 4.

Specialist supermarkets continue to open in Auckland

As noted in the AGR1, Auckland continues to be a hub for entry and expansion of specialist grocery retailers.

Farro Fresh opened its eighth Auckland-based store in Commercial Bay in November 2024. The company is trialling a smaller-format, convenience-focused offering for CBD-based consumers.[124]

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121 Commerce Commission analysis of industry information.

122 The Warehouse Group "The Warehouse Group announces FY24 results with a focus on fixing performance" (26 September 2024), https://www.thewarehousegroup.co.nz/news-updates/warehouse-group/the-warehouse-group-announces-fy24-results-with-a-focus-on-fixing-performance.

123 NZ Herald "Grocery expansion contentious for Warehouse Group shareholders" (22 November 2024), https://www.nzherald.co.nz/business/grocery-expansion-contentious-for-warehouse-group-shareholders/4HSPMWGJBZDU7C3V35GQSQFQNI/.

124 FMCG Business "New Farro store for Commercial Bay" (30 September 2024), https://www.fmcgbusiness.co.nz/new-farro-store-for-commercial-bay/.

New Zealand's largest one-stop Asian supermarket, Foodie, also opened in Auckland in August 2024. Based across the road from Costco in the suburb of Westgate, the store matches many of those owned by the RGRs in size and aims to provide a one-stop shop for consumers - especially those of Auckland's ethnically diverse population.[125]

This is in line with the trend of overall grocery expansion in Auckland, as the region also had the biggest net growth of RGR stores in New Zealand.[126]

Independent supermarkets opening in RGR-vacated sites

Changes for independent grocery retailers have been enabled by the availability of sites that were vacated by the RGRs. Independent grocery retailers have moved into such sites, providing grocery options to communities who would have to travel much further for groceries without the independent supermarket's presence. The two most notable examples are FIFO Supermarket in Hamilton and Flaxmere Supermarket in Flaxmere. This is encouraging, as it suggests that independent operators will open/expand when there is access to suitable sites for supermarkets.

Chain convenience retailers continue to expand

Chain convenience retailers have continued to expand. This included RGR de-bannered stores re-bannering as part of these convenience chains. Since the AGR1:

- MetroMart has grown its overall network by three stores, bringing its store count to 26.[127] Part of its growth has come from a de-bannered RGR store re-bannering into the MetroMart network.[128]
- Night 'n Day has grown its overall network by one store, bringing its store count to 54.[129] Part of its growth has come from a de-bannered RGR store re-bannering into the Night 'n Day network.[130]

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125 Radio New Zealand"Foodie: First peek inside Auckland's colossal Asian supermarket" (29 August 2024), https://www.rnz.co.nz/news/chinese/526538/foodie-first-peek-inside-auckland-s-colossal-asian-supermarket.

126 Commerce Commission analysis of information supplied by RGRs

127 MetroMart "Stores" (accessed 8 April 2025), https://www.metromart.nz/grocery-store-christchurch.

128 Commerce Commission analysis of information supplied by RGRs

129 Night 'n Day "Stores" (accessed 8 April 2025), https://www.nightnday.co.nz/stores?search=.

130 Commerce Commission analysis of information supplied by RGRs

However, it is unclear if there was a net increase in overall convenience retail store numbers or if the increase in chain retailers reflected a shift from independent dairies to chain retailers. Retail NZ believes there are fewer dairies now than in the past. Dairy owners have highlighted the difficulty of the current trading environment, citing increased theft, cost of business and competition from supermarkets as barriers to their viability.[131]

Clearance grocery stores continue to expand

As mentioned earlier, the current cost of living crisis is driving a consumer preference for value. This has resulted in the continuing growth of clearance grocery stores. For example:

- Reduced to Clear has expanded its operations in the North Island, opening a new store in Glen Innes, Auckland in October 2024.[132] This came shortly after its expansion into the South Island, opening a Christchurch store in May 2024.[133] This brings Reduced to Clear's overall store count to 15.[134]
- Save More opened its fourth South Island store in 2024, with a new location in Nelson.[135]
- Cracker Jack has also expanded its network to 16 stores nationwide, after opening a new store in Warkworth in late 2024.[136]

Competitive fringe

The competitive fringe reflects specialist retailers who are not captured by the market share analysis in Chapter 4. These retailers may provide competitive pressure to the RGRs if consumers are willing to conduct multiple shopping missions.

131 Stuff NZ "'Risky business': Are Aotearoa's dairy days coming to an end?" (28 October 2024), https://www.stuff.co.nz/nz-news/360461191/risky-business-are-aotearoas-dairy-days-coming-end.

132 Reduced to Clear (accessed 8 April 2025), https://www.reducedtoclear.co.nz/?dir=asc&order=name.

133 The Press "Customers queue into car park for discount grocery deals" (6 May 2024), https://www.thepress.co.nz/nz-news/350267772/customers-queue-car-park-discount-grocery-deals.

134 Reduced to Clear "Store Finder" (accessed 8 April 2025), https://www.reducedtoclear.co.nz/our-locations/.

135 Stuff NZ "Clearance grocery store coming to Nelson" (21 May 2024), https://www.stuff.co.nz/nz-news/350285389/clearance-grocery-store-coming-nelson.

136 Local Matters "Pre-Christmas opening for Crackerjack bargain store" (19 November 2024), https://www.localmatters.co.nz/business/pre-christmas-opening-for-crackerjack-bargain-store/ and Crackerjack "Our Stores" (accessed 27 June 2025), https://www.crackerjack.co.nz/stores.

Online supermarkets expand

Online supermarket Paddock to Pantry has continued to expand its operations both online and in-store, with a second physical store due to open in Glenbrook Beach by Christmas 2025, and the acquisition of a new warehouse which will allow them to triple their range.[137] Alongside its existing store in nearby Karaka, this will increase the supermarket options for the rural south-west Auckland/north-west Waikato community.[138] It also offers an urgent delivery service to parts of Auckland, Hamilton, Rotorua, Tauranga, and the greater Waikato alongside its standard nationwide delivery service.[139]

Paddock to Pantry credits its expansion to the wholesale access regime, which improved its access to groceries at a good price.[140]

Mixed results for online convenience retailers

Online convenience retailers have had mixed results since AGR1. My Food Bag had both a 1.5% decrease in deliveries over the first half of FY25, as well as a 1.9% decrease in revenue when compared to the same period last year. However, net profit after tax has increased from $2.5 million to $3.0 million. My Food Bag also notes that Bargain Box, its value-focused offer, is experiencing the highest growth in their portfolio of brands.[141]

Furthermore, My Food Bag expanded its range to include gift boxes, care packages and ready-made meals, enhancing its food and grocery options. My Food Bag states that it is exploring new opportunities in the online delivery space in order to capture a larger share of New Zealand's online food market.[142]

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137 Paddock to Pantry "Paddock to Pantry expands with new warehouse and second store" (2 May 2025), https://paddocktopantry.co.nz/blogs/recipes/expansion_herald?srsltid=AfmBOorDUSNnZhUe2Qr2mR20hL3UpbUA_w83QRtstd0aycEpCRwpJBtz

138 New Zealand Herald "Online supermarket Paddock to Pantry to triple range with new warehouse, opening second store" (1 May 2025), https://www.nzherald.co.nz/business/companies/retail/online-supermarket-paddock-to-pantry-to-triple-range-with-new-warehouse-opening-second-store/GAAOZZHEIZBXVF6TEPAYJA53CA/.

139 Paddock to Pantry "Frequently Asked Questions" (accessed 30 June 2025), https://paddocktopantry.co.nz/pages/faq.

140 New Zealand Herald "Online supermarket Paddock to Pantry expands amid grocery duopoly" (28 February 2025), https://www.nzherald.co.nz/business/companies/retail/online-supermarket-paddock-to-pantry-expands-amid-grocery-duopoly/UZSXQNN72RG3JAH6VZQC6LXG7E/.

141 My Food Bag "Interim Report FY2525" (1 April 2025), https://investors.myfoodbag.co.nz/FormBuilder/_Resource/_module/yjlwqod6gUO7ZC-T4Wdz6Q/file/MFB_Interim_Report_FY25.pdf.

142 New Zealand Herald "My Food Bag enters gifting and care package market" (15 November 2024), https://www.nzherald.co.nz/business/companies/retail/my-food-bag-enters-online-food-market-with-bundle-options/F4DSN6HNUFGCLF6ZQNSQL6MYV4/.

HelloFresh recorded a sharp drop in profit in New Zealand in FY24 in comparison to the previous year, with $2.4million compared to $11.1 million.[143]

Uber Eats who deliver both prepared food and grocery items expanded its delivery range in late 2024, adding 12 new locations and bringing the total to 29 towns/cities across the country.[144]

Online fresh produce operator Wonky Box continues to expand with the launch of its nationwide rural delivery service in April 2025, to meet an increase in demand from regional consumers.[145] This follows its launch of Wonky Pantry in late 2024, through which the company provides suppliers' surplus, short-dated or minimally damaged pantry goods on subscription.[146]

Petrol Stations compete for 'top-up' shops

Z Energy has continued its expansion into the grocery 'top-up' market. 80 of Z's retail sites already offer a top-up grocery range, with plans to expand this to more sites over the course of 2025.[147] This range is unlikely to challenge the RGRs' main shop offerings; rather, Z's offering is designed to compete with dairies and convenience stores.[148]

Continued expansion of pharmacy chains

Pharmacies and supermarkets have some product overlap, mainly in the health, beauty, personal hygiene and pharmaceutical categories.

AGR1 reported that The Chemist Warehouse had gone through a period of rapid expansion, growing from 12 stores in February 2020 to 50 stores in May 2024.[149] This expansion has continued, with its store network now comprising 61 stores across New Zealand.[150]

Bargain Chemist has also continued to expand, growing to a network of 26 stores.[151]

143 HelloFresh "HelloFresh New Zealand Limited Financial statements for the year ended 31 December 2023" (31 May 2024), https://app.companiesoffice.govt.nz/companies/app/service/services/documents/8148177D222AC9EA98E2B5C525EBA2BA.

144 Uber Newsroom "Uber Eats adds 12 new locations in Aotearoa, right in time for the holidays" (22 October 2024), https://www.uber.com/en-NZ/newsroom/nz12cities/.

145 Scoop 'Wonky Box launch rural delivery to meet growing appetite for imperfect produce" (4 April 2025), https://www.scoop.co.nz/stories/BU2504/S00090/wonky-box-launch-rural-delivery-to-meet-growing-appetite-for-imperfect-produce.htm.

146 Supermarket News "Wonky Box announces new venture" (4 November 2024), https://supermarketnews.co.nz/news/wonky-box-announces-new-venture/.

147 Newsroom "Z Energy looks to 'top up' the supermarket conversation" (20 May 2025), https://newsroom.co.nz/2025/05/20/z-energy-looks-to-top-up-the-supermarket-conversation/

148 Newsroom "Z Energy looks to 'top up' the supermarket conversation" (20 May 2025), https://newsroom.co.nz/2025/05/20/z-energy-looks-to-top-up-the-supermarket-conversation/

149 Commerce Commission "First Annual Grocery Report" at p. 40,(4 September 2024), https://comcom.govt.nz/__data/assets/pdf_file/0019/362305/Annual-Grocery-Report-2024.pdf

150 Chemist Warehouse "Store Locator" (accessed 8 April 2025), https://www.chemistwarehouse.co.nz/aboutus/store-locator

151 Bargain Chemist "Find your local Bargain Chemist Pharmacy" (accessed 8 April 2025), https://www.bargainchemist.co.nz/pages/find-a-store?srsltid=AfmBOorPXz4BHpjGoyGV-xbHP4Ujdm9C_f65FfYqboYMM9ArhLEuXCTz

We will continue monitoring trends and developments

While these developments are positive and the growth of other retailers is encouraging, as discussed in Chapter 4, there is no change in the high-level state of competition. As we noted in the AGR1, significant change will take time, even with a third entrant at scale. We will continue to monitor developments, emerging trends and potential issues in the New Zealand grocery industry over time and comment on these in our annual reports. Chapter 4 presents competition metrics that we are monitoring to quantify the impact of changes in the industry.

WĀHANGA 4 CHAPTER 4

Whakataetaetanga ā-kaihoko
Competition at the retail level

In Chapter 4 we report on measures or indicators that reflect competition in retail grocery markets in New Zealand, including market shares, margins, investment and innovation.

NGĀ TAIPITOPITO KEY POINTS

- We undertake ongoing monitoring of the retail grocery market through a number of measures or indicators and report how they change over time. Our assessment of the state of competition in the grocery industry is based on a range of information and metrics, as there is no singular measure that does this job. Analysis of these indicators over time will enable us to identify sustained changes in retail competition over the long term.

- The RGRs' combined national market share of the grocery industry has remained high and stable at 82% between 2023 and 2024. An alternative measure of market concentration, the Herfindahl-Hirschman Index (**HHI**) also indicates that at a national level New Zealand's grocery industry continues to be highly concentrated in 2024 with a score of 3,601. Market shares in Australia, Great Britain and Ireland are more evenly distributed, and this is reflected in lower HHI scores in those countries compared to New Zealand.

- The RGRs' continue to have lower market shares in Auckland compared to other regions of New Zealand. In Auckland, the RGRs' combined market share sits at 71% (compared to 88% outside of Auckland). This lower value reflects the presence of greater consumer options for Aucklanders. Although 71% is still high when compared with market shares internationally, it is not insignificant in the New Zealand context when approximately one third of New Zealanders live in the region.

- Market share trends by banner continued in 2024 with Woolworths losing market share while Pak'nSave gained share. Between 2019 and 2024, Woolworths' national market share has dropped from 30% to 27% whilst Pak'nSave's share has increased from 23% to 25%. As noted in Chapter 2, this reflects a heightened consumers focus on price and seeking value.

- Between 2019 and 2023 the RGRs' gross margins for both fresh (bakery, fresh meat and poultry, seafood and service deli) and non-fresh increased by an average of 0.4 and 3.1 percentage points respectively. In 2024 fresh margins have increased by an average of 0.12 while non-fresh margins have decreased by an average of 0.17 percentage points.

- We have also observed banner level differences in fresh and non-fresh margins in 2024. FSNI's banners have seen falling gross margins across fresh and non-fresh. Woolworth's non-fresh margins fell while fresh margins rose. FSSI gross margins meanwhile have continued to increase at both their New World and Pak'nSave banners across both fresh and non-fresh departments.

NGĀ TAIPITOPITO KEY POINTS

- In 2024 FSNI and FSSI continued to earn relatively high profit margins when compared to the same international peers used by the ACCC in their supermarket inquiry, while WWNZ's profit margins have declined significantly in the last couple of years.

- In 2024 the RGRs have made investments to expand and upgrade their online ordering services. Online sales as a percentage of total RGR sales increased in 2024 after dipping in 2023 and now make up 7% of total RGR sales. In 2024, the RGR's revenue from click & collect services exceeded delivery revenue for the first time.

- Outside of online services, RGRs continued investing in new and refurbished bricks and mortar stores, as well as technology and supply chain upgrades focused on improving quality and efficiency. Each RGR has adopted environmental and social initiatives, such as food rescue programmes and social supermarkets.

The grocery industry remains highly concentrated

Measures of market shares and market concentration, and in particular changes in these measures over time, can indicate the extent to which firms in a market are subject to competitive constraints.

This analysis calculates market shares based on retailers' sales revenue using Statistics New Zealand's definition of the supermarket and grocery industry and its reported retail sales for the industry combined with information gathered from the RGRs and The Warehouse. This definition includes traditional supermarkets and grocery stores as well as specialist supermarkets. It does not include specialised retailers like bakeries, butchers and produce stores.[152]

Acknowledging The Warehouse's grocery offering, we have included its grocery sales revenue within the 'other retailer' category in this analysis. Single category retailers (eg, Chemist Warehouse, Mad Butcher), or fringe competitors like meal kit providers (eg, HelloFresh, My Food Bag) or food box operators (eg, Wonky Box, Ooooby) are not captured in the 'other retailer' category

For the year to June 2024, retail sales in the grocery industry were $26.80 billion, up from $25.45 billion in the year to June 2023.[153]

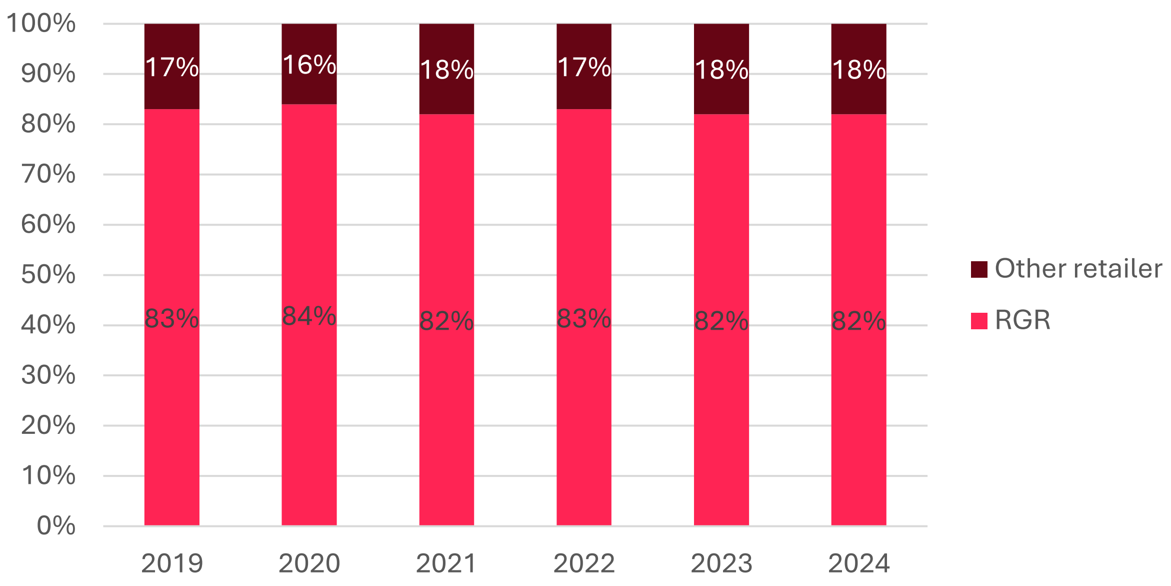
National market shares stable

As shown in Figure 5 below, RGRs' national market share remained high and stable at 82% between 2023 and 2024. The growth experienced by competitors like Costco and The Warehouse did not translate into a discernible change in national market share of the RGRs, although there are regional differences.

[152] Statistics New Zealand (accessed 15 April 2025), https://datainfoplus.stats.govt.nz/item/nz.govt.stats/6dc5bb0b-5069-49ca-a40e-3761f4bbcefe.

[153] Statistics New Zealand "Retail trade survey: June 2024 quarter" at table 1, https://www.stats.govt.nz/information-releases/retail-trade-survey-june-2024-quarter/.

Figure 5: National market shares 2019–2024



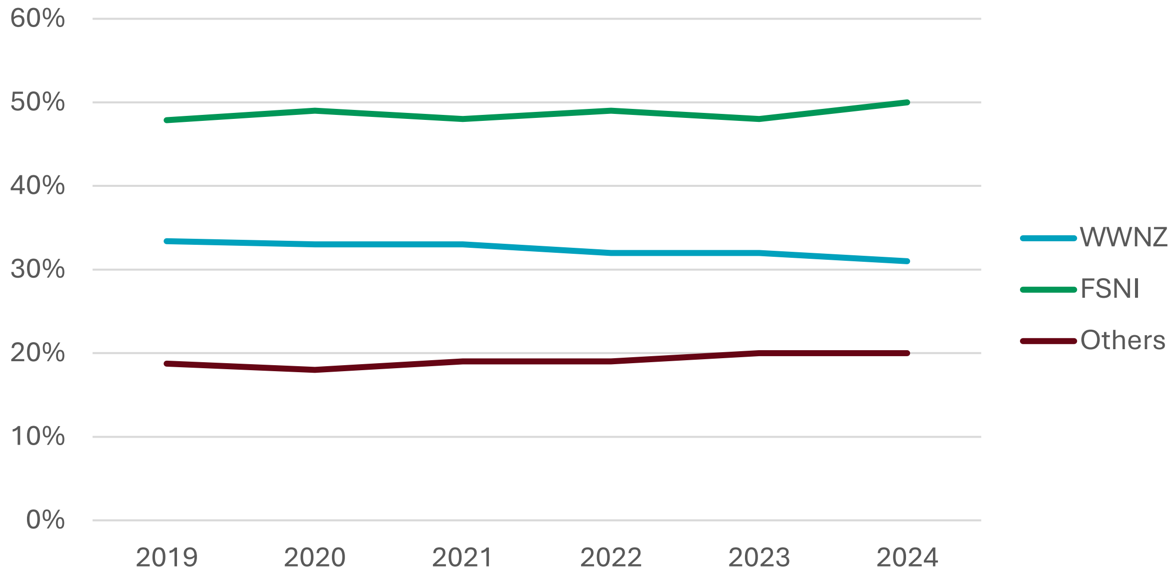
Source: Commission analysis of sales revenue provided by industry participants and Statistics New Zealand data.[154]

High market shares maintained over a long period can indicate weak competition. However, a two-percentage point drop in national RGR market share from 2020 to 2024 is an encouraging, if small, improvement, especially given the lack of a sizeable third competitor.

Figures 6 and 7 below illustrate market shares by RGR by island in recent years.

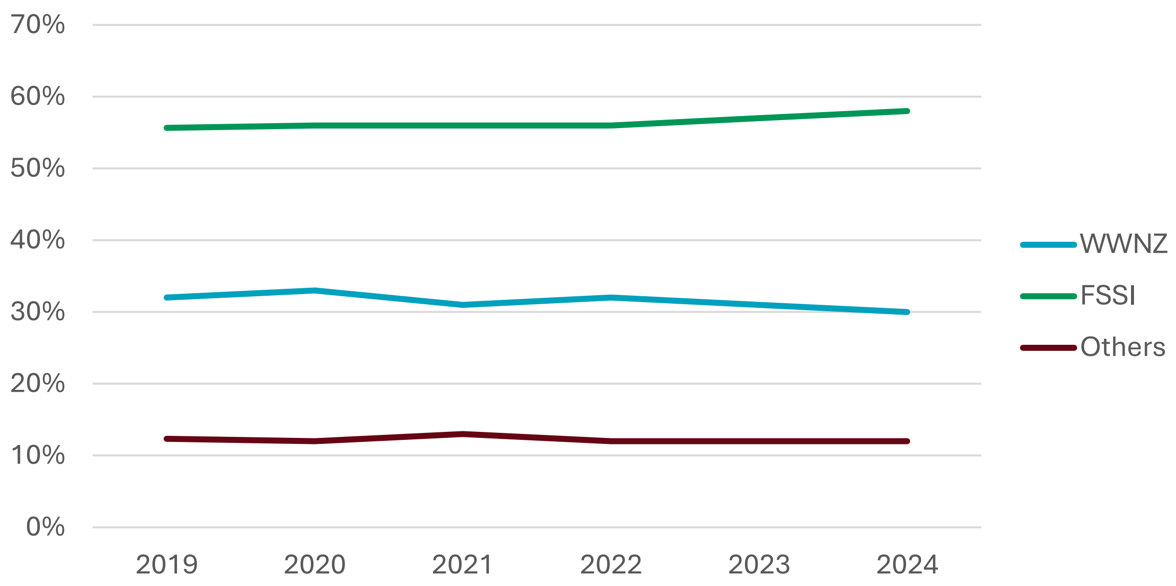
154 Statistics New Zealand "Retail trade survey: June 2024 quarter" at table 1, https://www.stats.govt.nz/information-releases/retail-trade-survey-june-2024-quarter/.

Figure 6: North Island market shares 2019–2024



Source: Commission analysis of sales revenue provided by industry participants and Statistics New Zealand data.[155]

Figure 7: South Island market shares 2019–2024

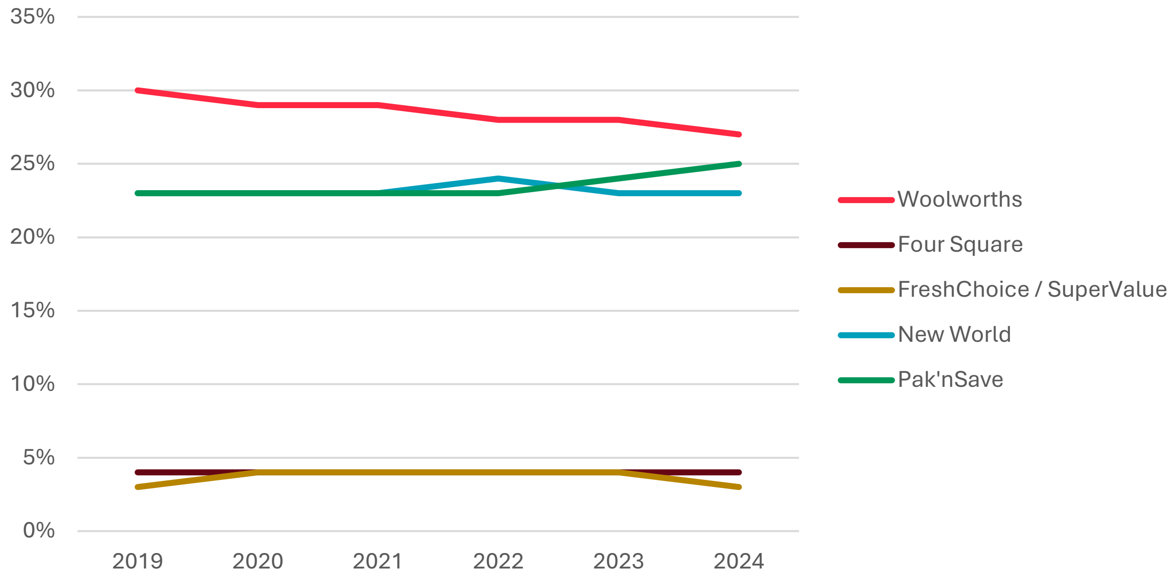


Source: Commission analysis of sales revenue provided by industry participants and Statistics New Zealand data.[156]

155 Statistics New Zealand "Retail trade survey: June 2024 quarter" at table 1, https://www.stats.govt.nz/information-releases/retail-trade-survey-june-2024-quarter/.

156 Statistics New Zealand "Retail trade survey: June 2024 quarter" at table 1, https://www.stats.govt.nz/information-releases/retail-trade-survey-june-2024-quarter/.

Figure 8: National market share by banner 2019-2024



Source: Commission analysis of sales revenue provided by industry participants and Statistics New Zealand data.[157]

As Figure 8 shows, the biggest banner level change between 2019 and 2024 was a three-percentage point drop in market share for Countdown/Woolworths, which can largely be attributed to a two-percentage point increase in market share for Pak'nSave. In 2019 they respectively held 30% and 23% of the national market share; in 2024 that split is much closer at 27% for Countdown/Woolworths and 25% for Pak'nSave.[158] As noted in Chapter 2, this reflects consumers heightened focus on price and seeking value.

There was no market share change for The Warehouse in 2024, which achieved 1.7% national market share (the same as 2023). To date, The Warehouse has not had a material impact on the RGRs' market shares at the national level.[159]

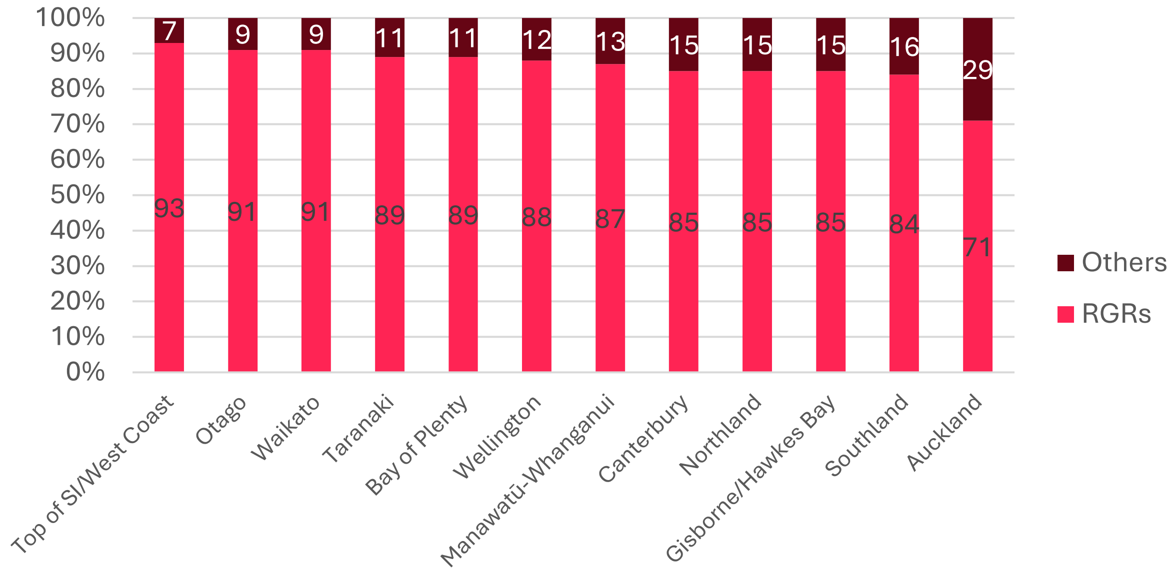
Market share varies by region

The RGRs' market share in Auckland is much lower than in the other regions, at 71% (down slightly from 74% in 2020) compared to 88% outside of Auckland.[160] This reflects more consumer options of grocery retailers in Auckland, including Auckland-based retailers Costco, Farro Fresh and Tai Ping. Although a 71% market share is still high when compared internationally, given that the Auckland region covers a third of the overall population, it's not insignificant that 29% of this market is held by competitors to the two RGRs.

157 Statistics New Zealand "Retail trade survey: June 2024 quarter" at table 1, https://www.stats.govt.nz/information-releases/retail-trade-survey-june-2024-quarter/.
158 Commerce Commission analysis of industry information.
159 Commerce Commission analysis of industry information.
160 Commerce Commission analysis of sales revenue provided by industry participants and Statistics New Zealand data.

In 2024, Marlborough, Nelson, Tasman and West Coast combined had the highest RGR market share (93%) out of all regions in New Zealand (92% in 2020).[161] Outside of the main centres, New Zealanders have fewer options for their main shop besides RGRs.

Figure 9: Market share by region in 2024



Source: Commission analysis of sales revenue provided by industry participants and Statistics New Zealand data.[162]

Auckland's market share has remained stable

The RGRs' combined market share in Auckland remained similar between 2023 and 2024, after decreasing four percentage points between 2022 and 2023 as reported last year – almost certainly due to the opening of Costco in September 2022.[163] While Costco's entry demonstrated the potential impact of a sizeable new competitor at the local or regional level, there remains no notable change at the national level. The lack of further erosion of RGR market share in Auckland in 2024 suggests the influence of Costco's one store on the region's market share may have peaked.

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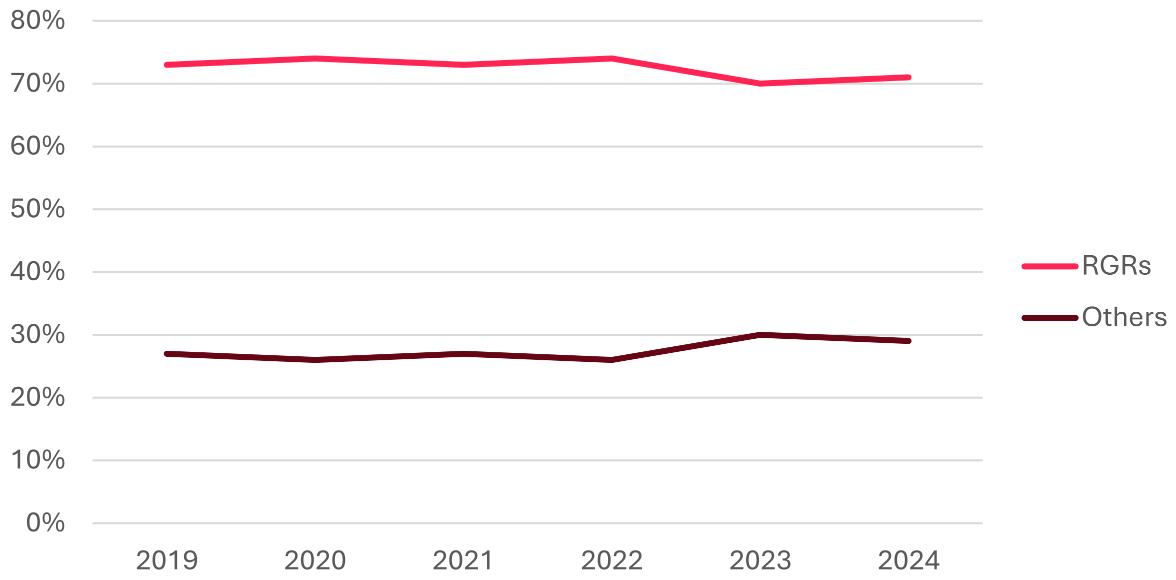
161 These regions are combined in the Statistics New Zealand Retail Trade Survey regional splits; our analysis has used this convention also for comparison.

162 Statistics New Zealand "Retail trade survey: June 2024 quarter" at table 1, https://www.stats.govt.nz/information-releases/retail-trade-survey-june-2024-quarter/.

163 Commerce Commission analysis of sales revenue provided by industry participants and Statistics New Zealand data.

Figure 10: Auckland regional market share 2019- 2024



Source: Commission analysis of sales revenue provided by industry participants and Statistics New Zealand data.[164]

However, these do not include or assess the impact on Auckland's regional market share of the recent opening of specialist supermarket Foodie, or the opening of Farro Fresh Commercial Bay. These market changes are covered in more detail in Chapter 3 and will be included in the market share analysis for next year's report.

It is likely regional differences will become more pronounced where sizeable participants like Costco enter in specific locations. Over time, through the introduction of more competitors on a meaningful scale, the national market share should be more evenly distributed.

International market shares are more evenly distributed

Comparatively, the grocery industries in Great Britain, Ireland and Australia all have a less concentrated market structure compared to New Zealand, despite each country having a different number of significant retailers.

164 Statistics New Zealand "Retail trade survey: June 2024 quarter" at table 1, https://www.stats.govt.nz/information-releases/retail-trade-survey-june-2024-quarter/.

In their Supermarkets Inquiry final report, the ACCC described the Australian grocery industry as 'oligopolistic'.[165] Despite this, Australia still has a less concentrated market share distribution than New Zealand. The two biggest retailers - Coles and Woolworths Australia - have a lower combined market share than the RGRs in New Zealand, with 67% compared to 82%.[166] The 'other retailer' market share is similar to New Zealand's at 17%.[167] This demonstrates the influence Australia's smaller competitors such as ALDI and Metcash have on the market shares, with 9% and 7% market share respectively.[168]

In Great Britain and Ireland, market share is spread over a greater number of competitors and no retailer has more than 30% market share.[169]

Across all three international markets, hard discounters like ALDI and Lidl struggle to gain more than 15% market share but provide important, if limited, competitive constraints on the larger retailers. Although the ACCC notes that it took ALDI 20 years to become a genuine rival to Coles and Woolworths, the lack of an independent hard discounter competitor in New Zealand is conspicuous and is likely to contribute to greater market concentration and higher market share for the RGRs.[170] Even at the regional level, the lack of smaller independent full range grocery stores is likely to maintain the RGRs market dominance.

Herfindahl-Hirschman Index

An alternative measure of market concentration is the Herfindahl-Hirschman Index (**HHI**).[171] HHI takes the market shares of each firm in a market to produce a measure of market concentration.[172]

165 Australian Competition and Consumer Commission "Supermarkets inquiry: Final report" (February 2025), at p. 1, https://www.accc.gov.au/system/files/supermarkets-inquiry_1.pdf.

166 Australian Competition and Consumer Commission "Supermarkets inquiry: Final report" (February 2025), at p. 52, https://www.accc.gov.au/system/files/supermarkets-inquiry_1.pdf. This is despite the ACCC using a narrower market definition than we have by excluding convenience stores.

167 In Australia this is other than Coles, Woolworths, ALDI and Metcash stores; in New Zealand this is other than Woolworths and Foodstuffs.

168 Australian Competition and Consumer Commission "Supermarkets inquiry: Final report" (February 2025), at p. 52, https://www.accc.gov.au/system/files/supermarkets-inquiry_1.pdf

169 Kantar World Panel "Grocery Market Share Great Britain" (12 weeks ending 29 December 2024), https://www.kantarworldpanel.com/grocery-market-share/great-britain/snapshot/29.12.24/ and Kantar World Panel "Grocery Market Share Ireland" (12 weeks ending 29 December 2024), https://www.kantarworldpanel.com/grocery-market-share/ireland/snapshot/29.12.24/ Australian Competition and Consumer Commission "Supermarkets inquiry: Final report" (February 2025), at p. 10, https://www.accc.gov.au/system/files/supermarkets-inquiry_1.pdf

171 HHI takes better account of the impact of size differences between firms on competition than analysing market shares alone. It is the sum of the square of the market shares.

172 A market with an HHI of less than 1,500 is considered competitive, an HHI of 1,500 to 2,500 is moderately concentrated, and an HHI of 2,500 or greater is highly concentrated.

We estimate that HHI for the New Zealand grocery industry in 2024 is 3,601, similar to 2023 when it was 3,559.[173] This indicates that grocery market concentration has remained roughly the same and is still highly concentrated. The estimated HHI for the grocery industry in Auckland in 2024 is 2,561. This number also indicates high market concentration, but to a lesser degree than nationally. For comparison, the New Zealand fixed broadband market in 2023 was moderately concentrated with an HHI of approximately 2,101.[174]

As with market shares, international grocery industries have lower HHI values. Great Britain and Ireland's HHI numbers in 2024 were 1,514 and 1,942 respectively, both indicating moderate concentration.[175] In FY23, Australia's HHI number was 2,704 indicating high concentration, albeit still less concentrated than New Zealand.[176]

In the long term, with improved competition in the grocery industry we expect that the HHI should fall.

We have committed to measuring HHI over time as part of our Statement of Performance Expectations.[177]

173 This analysis combines FSNI and FSSI.

174 Commerce Commission '2023 Telecommunications monitoring report" (15 August 2024), at p. 104, https://comcom.govt.nz/__data/assets/pdf_file/0033/361959/2023-Telecommunications-Monitoring-Report-15-August-2024.pdf.

175 Kantar World Panel "Grocery Market Share Great Britain" (12 weeks ending 29 December 2024), https://www.kantarworldpanel.com/grocery-market-share/great-britain/snapshot/29.12.24/. and Kantar World Panel "Grocery Market Share Ireland" (12 weeks ending 29 December 2024), https://www.kantarworldpanel.com/grocery-market-share/ireland/snapshot/29.12.24/.

176 Commission analysis of Australian market share data as detailed in Australian Competition and Consumer Commission "Supermarkets inquiry: Final report" (February 2025), at p. 52, https://www.accc.gov.au/system/files/supermarkets-inquiry_1.pdf.

177 Commerce Commission "Statement of Performance Expectations 2024/25" at p. 30, https://comcom.govt.nz/__data/assets/pdf_file/0021/357213/Statement-of-Performance-Expectations-202425.pdf.

Gross product margins contracted slightly over 2024

New Zealand consumers have experienced rising prices for many grocery goods over the past few years which may in part be explained by rising input costs. In 2024, gross margins contracted, indicating that the RGRs' input costs increased by more than their retail prices.[178]

At the banner level, there were some differences. For example, for non-fresh categories FSSI New World and Pak'nSave experienced an increase in gross margins of about one percentage point. For fresh categories, these two banners together with Woolworths each saw an increase of less than half a percentage point. We have looked at a range of metrics including Statistics New Zealand's Producer Price Index (**PPI**) and our own price-cost margin analysis to indicate how RGRs' margins are changing at a high level.

In this report we have also included other measures of profitability. They reflect different aspects of business performance, each of which has its own limitations. We have taken all these profitability measures into account in our assessment of the state of competition in the grocery industry.

Retail prices decreased over 2024, while costs continued to increase

Statistics New Zealand's PPI has two main series:

- the Outputs series, which measures changes in the prices received by businesses for the goods and services they produce; and
- the Inputs series, which measures changes in costs paid by businesses. The types of costs that are measured by the PPI Input series include the purchase of materials, fuel, electricity, transport and rent/lease costs (but excludes other costs such as wages, salaries and capital expenditure).[179]

Differences between the rate of change in the PPI Outputs and PPI Inputs series can be used to estimate whether overall margins in an industry are increasing or decreasing.

Statistics New Zealand's PPI series are reported on an industry level, including the 'Supermarket, grocery and specialised food retailing' sub-group.[180]

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178 Commerce Commission analysis of industry information.

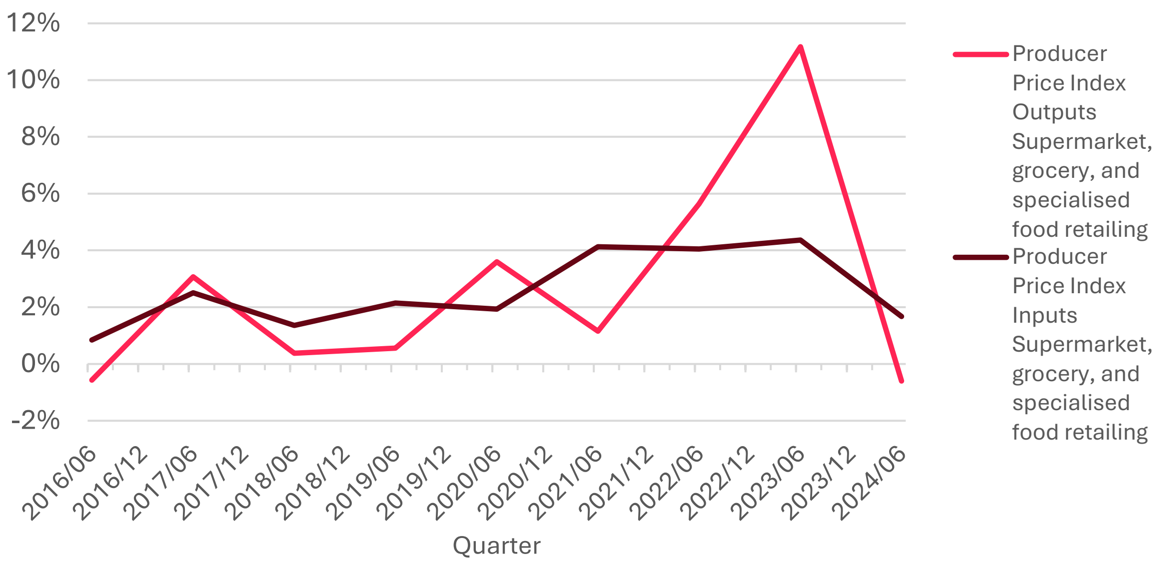
179 Although a number of costs are not included in the PPI Inputs series, the costs that the RGRs pay to suppliers ('the purchase of materials') are included and represent a significant proportion of retail prices.

180 This is a wider definition than the one in the Retail Trade Survey used to calculate supermarket/grocery market share; PPI includes single-category retailers.

As shown in Figure 11 below, the prices received by businesses in the 'supermarket, grocery and specialised food retailing' industry sub-group decreased in the year to June 2024 (by -0.6%). The costs incurred by such businesses, including for the purchase of grocery products from suppliers, increased during the year (by 1.7%) although at a slower rate than previous years. This indicates that gross margins in the industry contracted during 2024.

This is consistent with our analysis of gross product margins below, in which we find a small decrease in non-fresh margins for FSNI and WWNZ (the two larger RGRs) and a mix for fresh margins.

Figure 11: PPI outputs vs PPI inputs – annual percentage change – 2016–2024



Source: Commission analysis of Statistics New Zealand's Producer Price Index.[181]

Average gross margins for major banners have decreased

About gross margin analysis

Gross margins are a measure of the difference between the price a firm receives for the sale of an item and the direct supply costs incurred. For grocery retailers, it measures the difference between the total revenue a retailer receives from consumers and the total cost of goods sold that the retailer pays its suppliers, as a percentage of the total revenue.

The gross margin (and how it changes over time) is one of the many indicators of how competition in a market is evolving. It excludes all operating expenses, overheads and other costs, so only gives a partial view of business performance.

181 Statistics NZ "Business Price Indexes", https://www.stats.govt.nz/insights/?filters=Business+price+indexes%2CInformation+releases.

The gross margin is a better measure of competition than the average retail price or average cost of goods sold alone. This is because retail prices depend partially on costs and other factors unrelated to competition in the grocery industry (such as international demand) and the cost of goods sold covers much of the suppliers' costs, which may also be driven by external factors such as weather conditions and fuel costs.

We are particularly interested in the change in the gross margins over time. A decrease in gross margins over time could indicate that price competition has intensified. Alternatively, margins could be increased by retailers who saw an opportunity to exercise the market power they already possessed.

Methodology

We analysed fresh product categories (bakery, fresh meat and poultry, produce, seafood and service deli) separately from non-fresh product categories due to differences in how costs are accounted for. We obtained disaggregated SKU-level data for non-fresh product categories and aggregated department-level data (because disaggregated SKU-level data is not available) for fresh product categories on revenues and costs of goods sold, for the calculation of gross margins.

In this second annual report, we are tracking the changes in gross margins over the previous year, between FY23 and FY24. This is a different comparison from our first annual report when we tracked the changes in margins over the past five years, from FY19 to FY23, to capture industry dynamics since the Market Study.

We refrain from comparing the magnitudes of the gross margins across RGRs because they have different definitions on the cost of goods sold. However, we believe that the comparison of margins over time within each RGR is legitimate because each of their definitions on the cost of goods sold is unchanged during the period of our analysis. In future reports we will look to provide more detailed margin analysis, potentially including margins up and down the supply chain.

Findings

From FY23 to FY24, gross margins for non-fresh categories decreased by 0.17 percentage point on average among the New World, Pak'nSave and Countdown/Woolworths banners. The FSNI and WWNZ banners all experienced a decrease in margin. In particular, the two biggest banners, FSNI Pak'nSave and Countdown/Woolworths, experienced the largest decreases in gross margins at more than one percentage point. In contrast, the FSSI banners all experienced an increase, at just under one percentage point. Across all banners, a simple average results in a slight decrease. This is the first time we observe a decrease in the average margin since the Market Study. We will continue to monitor gross margins in future years to track if this is the beginning of a new trend or an outlier in an increasing trend.

Table 6: Changes in gross margins for non-fresh product categories by RGR and banner

RGR	Banner	Change in gross margins from FY23 to FY24 (percentage points, increase as ↑, decrease as ↓)
FSNI	New World	0.05 ↓
FSNI	Pak'nSave	1.26 ↓
FSSI	New World	0.99 ↑
FSSI	Pak'nSave	0.91 ↑
WWNZ	Countdown/Woolworths	1.46 ↓
Average		0.17 ↓

Source: Commerce Commission analysis of industry information

Over the same period, we observe that gross margins for fresh product categories have increased by 0.12 percentage point on average, across the same banners. The FSNI banners experienced a decrease in margin; the FSSI banners experienced an increase. These are the same directions as we observe in the non-fresh categories above.

Countdown/Woolworths experienced a small increase in margin; this is in the opposite direction as the decrease we observe in its non-fresh margins above. The magnitudes of these changes are small: all under 0.5 percentage point.

Table 7: Changes in gross margins for fresh product categories by RGR and banner

RGR	Banner	Change in gross margins from FY23 to FY24 (percentage points, increase as ↑, decrease as ↓)
FSNI	New World	0.20 ↓
FSNI	Pak'nSave	0.10 ↓
FSSI	New World	0.45 ↑
FSSI	Pak'nSave	0.23 ↑
WWNZ	Countdown/Woolworths	0.22 ↑
Average		0.12 ↑

Source: Commerce Commission analysis of industry information

A decrease in gross margins happens when retail revenues increase at a slower rate than the cost of goods sold. This is consistent with the relative changes in the PPI series discussed above and is an indication that price competition between the major banners has intensified slightly over the past year.

RGRs use different pricing strategies

RGRs employ different pricing strategies across banners and locations.

For example, in mid-2024 WWNZ switched to localised pricing in Woolworths stores nationwide, resulting in price differences between the North and South Islands.[182] Prior to this, only prices for seasonal produce and meat varied. Consumers in cities with Woolworths and Foodstuffs-owned supermarkets near each other will likely see more competitive prices. Consumers in areas with fewer local stores in direct competition, like smaller towns and much of the South Island, are unlikely to benefit from this change and may even see higher prices as a result of this greater pricing autonomy at the store level.[183]

182 Newsroom "Big supermarket revamp lays groundwork for postcode price wars" (7 August 2024), https://newsroom.co.nz/2024/08/07/big-supermarket-revamp-lays-groundwork-for-postcode-price-wars/.

183 Newsroom "Big supermarket revamp lays groundwork for postcode price wars" (7 August 2024), https://newsroom.co.nz/2024/08/07/big-supermarket-revamp-lays-groundwork-for-postcode-price-wars/.

As mentioned in Chapter 3, Woolworths Metro stores use different pricing strategies from standard Woolworths stores.[184]

Foodstuffs North and South Islands' stores have greater ability to set prices at the store level, meaning more variation between stores.[185] FSNI also employs a different pricing strategy to its New World Metro stores as outlined in Chapter 3.[186] Geographic differences in pricing strategies will be explored in-depth in future reports.

Profitability

Analysis of gross margins earlier in the chapter focuses on the differences between the revenues earned from products and the cost to the RGR of acquiring those products from suppliers. It does not take into account the operational and overhead costs of operating their businesses. Earnings before interest and taxes (**EBIT**) and net profit after tax (**NPAT**) both provide a more holistic view of the overall profitability of a supermarket business as they reflect more of the costs of operating that business.

Earnings before interest and taxes

EBIT measures a company's revenues less its operating costs which, in the case of supermarkets, includes the payments made to suppliers (cost of goods sold) as well as retail store operating costs, distribution centre operating costs, depreciation and overhead costs.[187]

Figure 12 below compares the EBIT margins over 2020-2024 of the New Zealand RGRs with the group of international comparators that was included in the ACCC's final report.[188]

Figure 13 compares the EBIT margins for 2024 alone.

184 Woolworths NZ "Metro frequently asked questions" (accessed 16 April 2025), https://www.woolworths.co.nz/info/services/metro.

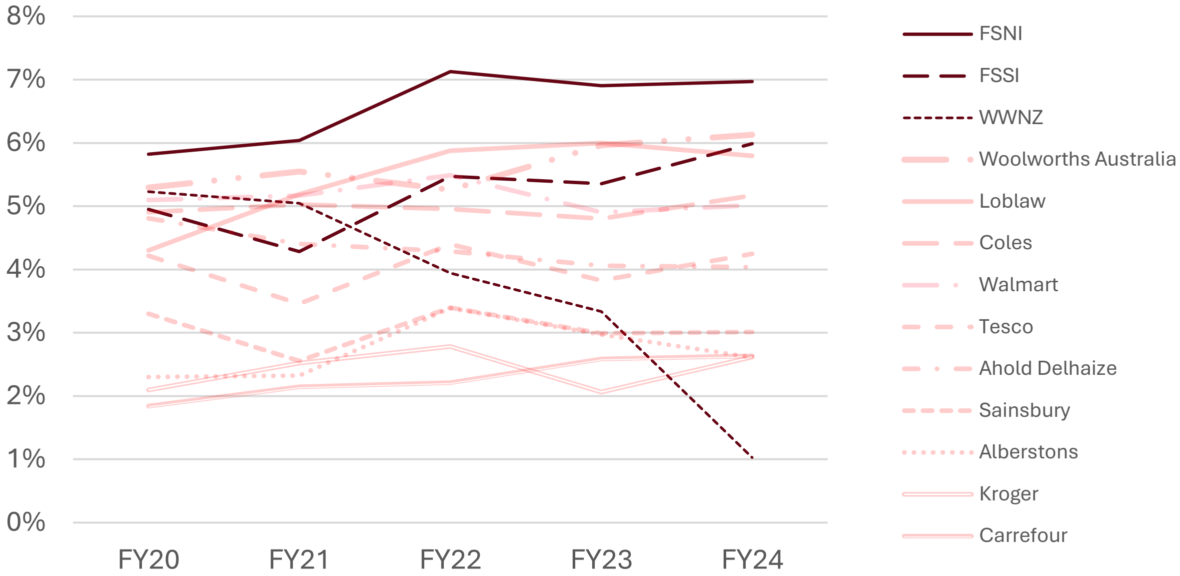
185 Newsroom "Supermarket postcode pivot upped risk of tacit price collusion – regulator" (24 October 2024), https://newsroom.co.nz/2024/10/24/woolworths-pricing-pivot-upped-risk-in-failed-foodstuffs-merger/.

186 Information provided to the Commission.

187 The Market Study used EBITDAR rather than EBIT as EBIT was materially impacted by whether a company owns or leases assets, however, due the accounting standard IFRIS 16 which came into effect from FY20, this issue may no longer be relevant.

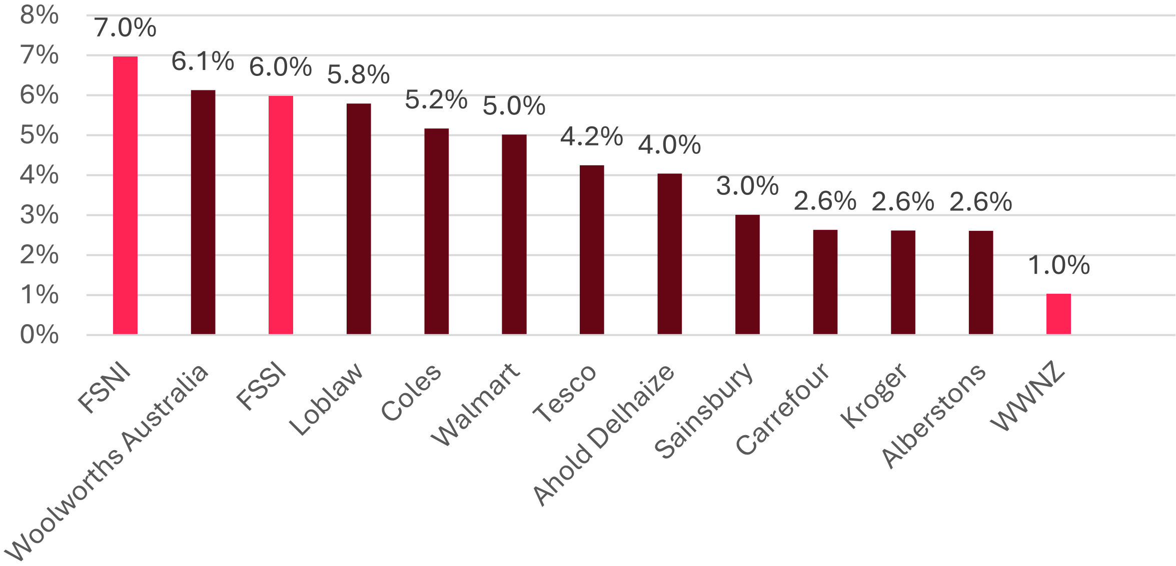
188 Australian Competition and Consumer Commission "Supermarkets inquiry: Final report" February 2025, at p. 368, https://www.accc.gov.au/system/files/supermarkets-inquiry_1.pdf.

Figure 12: EBIT margins for New Zealand and overseas grocery retailers – 2020-2024



Source: Commerce Commission analysis of company annual reports

Figure 13: EBIT margins for New Zealand and overseas grocery retailers – 2024



Source: Commerce Commission analysis of company annual reports

At the start of the five-year period, the EBIT margins of the three New Zealand RGRs were all at the top end of the international grocery retailers. Since then, the EBIT margins of FSNI, and to a lesser extent FSSI, have remained relatively high while the EBIT margin of WWNZ has declined significantly. By 2024, FSNI remained the most profitable grocery retailer in terms of EBIT margin, while WWNZ had the lowest EBIT margin of the group of comparator grocery retailers.

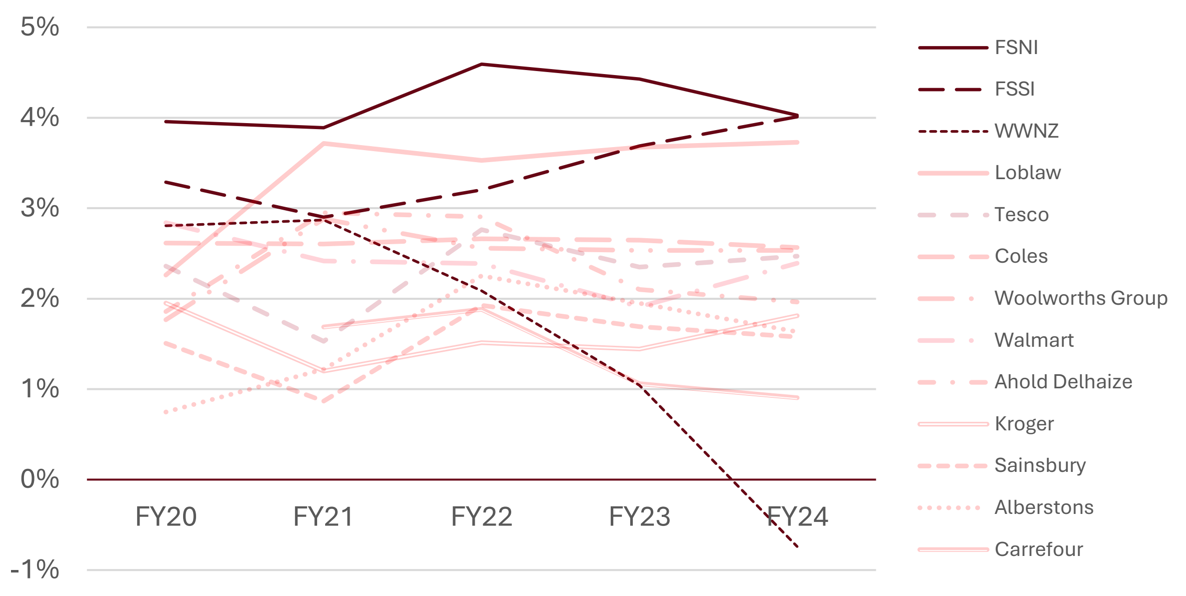
In announcing its 2024 results, Woolworths Group said that its New Zealand operation had faced a challenging year with wage cost growth exceeding sales growth over the previous two years, resulting in a decline in EBIT.[189] Woolworths Group noted that the New Zealand operation had made good progress on its transformation plans and that: "For F25, we expect EBIT to be above F24 with stronger growth in H2, but it will take time for the business to return to its full earnings potential."[190]

As we noted in the AGR1, our analysis of profitability focuses on ongoing trends rather than a firm's performance in any given year.[191] We will continue to monitor the EBIT margins of the New Zealand RGRs over time.

Net profit after tax

NPAT further takes into account interest and tax expenses. Figure 14 below compares the NPAT margins over 2020-2024 of the New Zealand RGRs with the international comparators in the ACCC's final report.[192] Figure 15 compares the NPAT margins for 2024 alone.

Figure 14: NPAT margins for New Zealand and overseas grocery retailers – 2020-2024



189 Woolworths Group "Full Year Results Announcement" (28 August 2024), at p. 1-2, https://www.woolworthsgroup.com.au/content/dam/wwg/investors/asx-announcements/2024/Woolworths%20Group%20F24%20Profit%20Announcement.pdf.

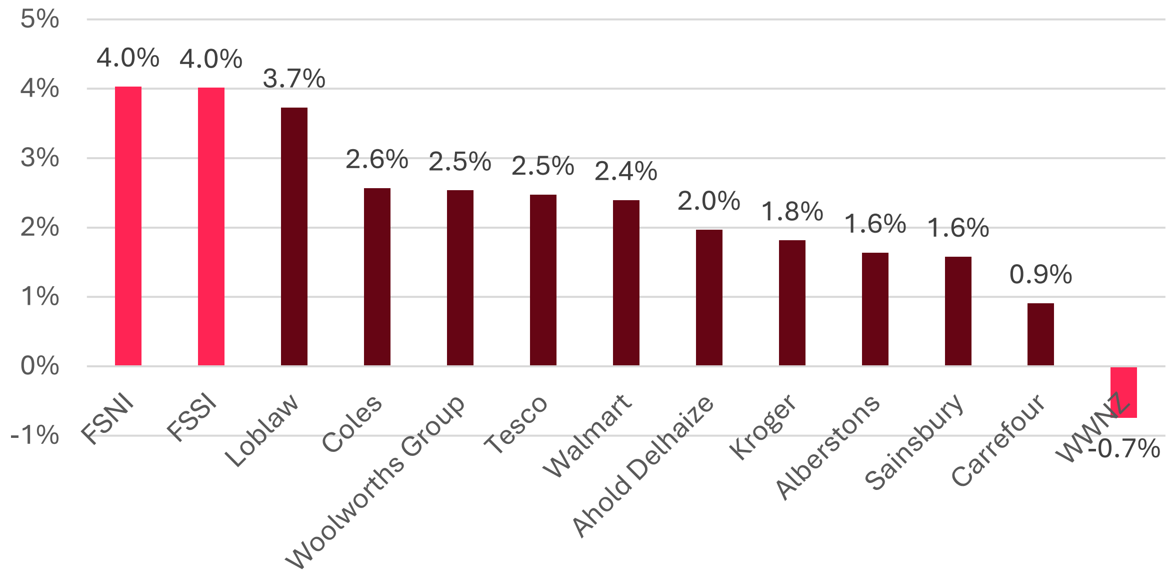
190 Woolworths Group "Full Year Results Announcement" (28 August 2024), at p. 4, https://www.woolworthsgroup.com.au/content/dam/wwg/investors/asx-announcements/2024/Woolworths%20Group%20F24%20Profit%20Announcement.pdf.

191 Commerce Commission "First Annual Grocery Report" (4 September 2024), at p. 50, https://comcom.govt.nz/__data/assets/pdf_file/0019/362305/Annual-Grocery-Report-2024.pdf.

192 Australian Competition and Consumer Commission "Supermarkets inquiry: Final report" February 2025, at p. 368, https://www.accc.gov.au/system/files/supermarkets-inquiry_1.pdf.

Source: Commerce Commission analysis of company annual reports

Figure 15: NPAT margins for New Zealand and overseas grocery retailers – 2024



Source: Commerce Commission analysis of company annual reports

The Market Study noted that over the period from 2015-2019, the three RGRs in New Zealand earned relatively high NPAT margins compared to the international sample used in the Market Study, although lying within the interquartile range. [193] **Figure 14** Figure 14 indicates that in 2020 and 2021 the three New Zealand RGRs earned relatively high NPAT margins. While FSNI and FSSI margins have remained high since, by 2024 WWNZ's NPAT margin has declined to be the lowest in the sample.

As noted above in respect of EBIT margins, we intend to continue to monitor NPAT margins of the New Zealand RGRs over time.

193 Commerce Commission "Market study into the retail grocery sector- final report" (8 March 2022), at p. 62-63, https://comcom.govt.nz/__data/assets/pdf_file/0024/278403/Market-Study-into-the-retail-grocery-sector-Final-report-8-March-2022.pdf.

HAUMITANGA ME TE AUAHATANGA

INVESTMENT AND INNOVATION

Measuring investment and the pace of innovation gives insights into whether competition is working well. When companies have weak incentives to innovate and invest, it affects their range, quality and pricing in the long term. In general, strong competition incentivises investments and improvements in technologies, processes and methods, which benefit consumers.

There are no conclusive benchmarks that can be used to monitor the scale and pace of innovation. Instead, we can observe investment trends and innovations in the context of New Zealand consumers' preferences. For instance, retailers can make investments solely to fulfil legal obligations rather than by investing and innovating in a way that benefits consumers.

Additionally, the extent to which the RGRs adopt international trends can be seen as a measure of their response to future and/or anticipated competitive pressure.

Existing online shopping options made more accessible

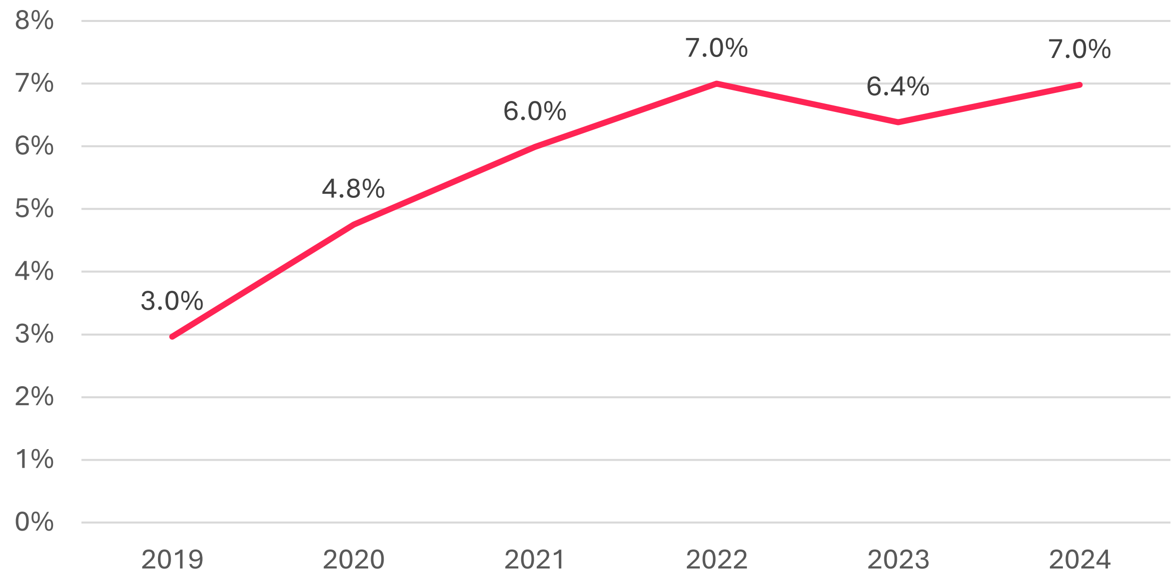
Online shopping encompasses both home delivery and click and collect from the RGRs, as well as on-demand grocery delivery from other parties.

RGRs have continued to invest in their provision of online services, at the logistical, technological and delivery levels. In 2024, most of the investment into online ordering involved expanding and upgrading existing services.[194]

RGRs are investing in similar things: for example, expanding their rapid delivery reach (as Costco also has). FSNI expanded both its partnership with Uber Eats and its drive-thru click and collect service to a greater number of stores.[195] Similarly, FSSI now has same day click and collect from some of its New World stores and has expanded rural delivery areas and the number of order pickup times available from some stores.[196] WWNZ has expanded the number of stores offering express delivery, MILKRUN (its separate grocery delivery app) and direct to boot. It also now uses rideshare partners to meet overflow demand for online delivery and offers online delivery on public holidays, a service that was cancelled post-COVID but has now been reinstated due to demand. Additionally, MILKRUN now offers a range of non-prescription pharmacy items at 31 stores.[197]

194 Information received from RGRs.
195 Information received from FSNI.
196 Information received from FSSI.
197 Information received from WWNZ.

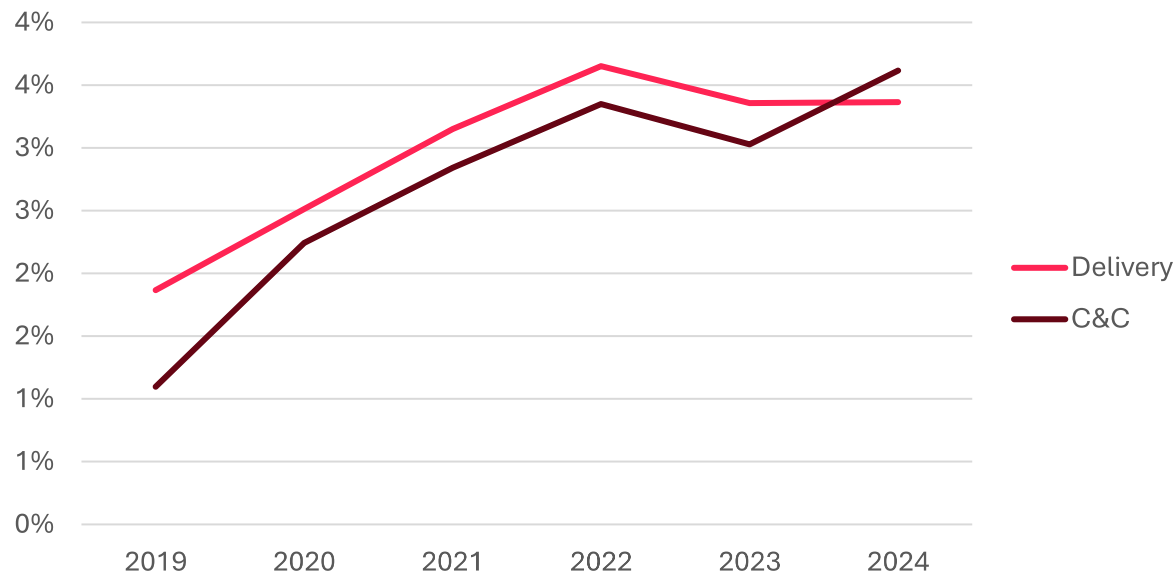
Figure 16: Online sales as a percentage of total RGR sales – year ended 30 June – 2019-2024[198]



Source: Commission analysis of industry data

While Figure 16 shows that online sales have grown as a percentage of all sales for all RGRs since 2019, Figure 17 demonstrates that within online sales, click & collect surpassed delivery for the first time in 2024. However, as a percentage of sales, in-store shopping continues to far outweigh the convenience of online.

Figure 17: Combined RGR online spend by method – 2019-2024



Source: Commerce Commission analysis of industry information

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198 Based on click & collect and online delivery revenue.

WWNZ and FSNI's online sales percentage peaked in 2022, likely to due to COVID-19, then decreased in 2023. However, both saw an increase between 2023 and 2024.[199] We note that WWNZ has recently reported continued online sales growth, with online sales increasing 24% in Q3 FY25.[200] FSSI introduced online ordering in 2022 and has since increased investment in online sales channels. For FSSI, online sales have increased in the last three years.[201]

Table 8: RGRs' current online grocery offerings by banner

RGR	Banner	Delivery	Click and collect
WWNZ	Woolworths	✓	✓
	FreshChoice/SuperValue	✓	✓
FSNI	New World	✓	✓
	Pak'nSave	X	✓
	Four Square[202]	✓	X
FSSI	New World	✓	✓
	Pak'nSave	X	✓
	Four Square	X	X

Emphasis on convenience is also a priority in overseas grocery markets, where online/hybrid shopping has become more prevalent and normalised post-pandemic.[203]

The upgrading of online services temporarily resulted in less transparency and choice for consumers in October 2024, when the ability to sort items by price was removed from the nationwide New World and Pak'nSave websites. While this feature was reinstated shortly after it received negative feedback from consumers, it raised questions about Foodstuffs' commitment to enabling informed consumer choice.[204]

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199 Commission analysis of industry information.

200 Woolworths Group "Third Quarter Sales Results" (1 May 2025), https://www.woolworthsgroup.com.au/content/dam/wwg/investors/reports/f25/q3/2884770.pdf.

201 Commission analysis of industry information.

202 No central delivery service is offered; delivery occurs in partnership with Uber Eats

203 Forbes "Future-proofing grocery retail: Preparing for unexpected global events and ever-changing customer preferences" (14 February 2024), https://www.forbes.com/councils/forbestechcouncil/2024/02/14/future-proofing-grocery-retail-preparing-for-unexpected-global-events-and-ever-changing-customer-preferences/.

204 Radio New Zealand"'Disappointing': New World, Pak'nSave remove ability for shoppers to sort items by price" (27 October 2024), https://www.rnz.co.nz/news/business/532029/disappointing-new-world-pak-nsave-remove-ability-for-shoppers-to-sort-items-by-price.

Bricks and mortar stores receive ongoing investment

Bricks and mortar stores have retained their importance to the shopping experience post-pandemic. In-store shopping is still the main way of purchasing groceries, with consumer research indicating that 84% of consumers complete their main shop in-store. [205] RGRs continue to spend on store upgrades and renovations. FSNI states that it spends around $100 million each year opening new stores and renovating existing ones.[206] Since May 2024 it has refurbished or opened eight stores, with a further three openings planned in 2025/2026.[207] In February 2025, FSNI opened its largest store, Pak'nSave Highland Park, in Auckland.[208] FSSI also has renovations and store openings planned for the coming year, including the opening of the South Island's largest Pak'nSave store in Rolleston.[209]

WWNZ's $400 million rebrand programme from Countdown to Woolworths will be continuing over the next year, along with store renewals and updates as part of that investment.[210] Between May 2024 and February 2025, the FreshChoice banner had notable investment, with one new store opening, as well as two Countdown stores and five SuperValue stores converted to the FreshChoice banner.[211] RGR store network changes are explained further in Chapter 3.

Store renovations can improve shoppers' experience, which is one of the factors that consumers consider when they decide where to shop.

RGRs embrace environmental and social initiatives

Environmental efforts and sustainability are key growing trends internationally for retailers and suppliers.[212] WWNZ has eight electric vehicles in its delivery fleet and plans to transition its delivery fleet to all electric vehicles by 2030.[213]

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205 Focus Insights "2024 NZ Grocery Shopper Report", https://focusinsights.com.au/report-library/.

206 Foodstuffs North Island annual report FY24, https://annualreports.foodstuffs.co.nz/Our-Customer-Focus.

207 Information received from FSNI.

208 New Zealand Herald "Auckland's newest $100 million Pak'nSave- next door to a Woolworths" (20 February 2025), https://www.stuff.co.nz/nz-news/360588140/aucklands-newest-100-million-paknsave-next-door-woolworths.

209 Foodstuffs South Island "Construction under way on the South Island's largest Pak'nSave store" (18 September 2024), https://www.foodstuffs-si.co.nz/news-room/2024/PnS_Rolleston.

210 Information received from WWNZ and Radio New Zealand "Survey shoes Countdown shoppers sore about spendy store switch to Woolworths (28 September 2023), https://www.rnz.co.nz/news/business/498946/survey-shows-countdown-shoppers-sore-about-spendy-store-switch-to-woolworths.

211 Information received from WWNZ.

212 The Retail Bulletin "Sustainability in grocery retail: Challenges and opportunities" (21 June 2024), https://www.theretailbulletin.com/grocery/sustainability-in-grocery-retail-challenges-and-opportunities-21-06-2024/.

213 Information received from WWNZ.

FSSI is focused on reduction of energy use, the use of lower-impact plastic wrap, the introduction of cap and lid recycling collection points in-store, partnering with food rescue organisations and reducing overall food waste.[214]

FSNI has partnered with community groups across the North Island to open social supermarkets to address food insecurity, most recently in April 2025 in Hastings and Kaikohe, bringing the total number to seven.[215, 216, 217]

Digital solutions aim to improve accuracy and efficiency

Foodstuffs North and South Island partnered with Tesco's e-commerce consultancy business, Transcend Retail Solutions, in 2024 to improve the efficiency and accuracy of in-store fulfilment of online orders.[218] WWNZ invested in internal digital tools and training to improve in-store processes relating to availability, quality and accuracy of product inventory in-store and for online orders.[219]

Each of the RGRs have commenced rollout of electronic shelf labels, which show price, unit price and specials more clearly. The rollout of electronic shelf labels is ongoing at WWNZ.[220] Technology like electronic shelf labels has the potential to make the shopping experience clearer for consumers.

FSNI's facial recognition trial which began using the technology to identify past offenders in stores in 2024 was recently evaluated as compliant with the Privacy Act by the Office of the Privacy Commissioner.[221] FSNI has not decided on the technology's future permanent use.[222]

Supply chain upgrades

Supply chain upgrades have been ongoing, with similar goals and benefits to other investments - upskilling staff and improving efficiency and quality.

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214 Information received from FSSI.

215 Inside Retail "Foodstuffs and Nourished for Nil to open second Hawke's Bay Social Supermarket" (7 April 2025), http://insideretail.co.nz/2025/04/07/foodstuffs-and-nourished-for-nil-to-open-second-hawkes-bay-social-supermarket/.

216 New Zealand Herald "New iwi-run social supermarket in Kaikohe opens to support the community" (2 May 2025), https://www.nzherald.co.nz/northern-advocate/news/new-iwi-run-social-supermarket-in-kaikohe-opens-to-support-the-community/KVRXKFI4SJFZDLQ4Q3ZOVKZG4E.

217 Foodstuffs North Island "Social Supermarkets" (accessed 3 July 2025), https://www.foodstuffs.co.nz/our-brands/social-supermarkets/.

218 Information received from FSNI and FSSI.

219 Information received from WWNZ.

220 Information received from RGRs.

221 Radio New Zealand "Privacy commissioner inquiry finds supermarket facial recognition tech's use is justified" (4 June 2025), https://www.rnz.co.nz/news/business/563010/privacy-commissioner-inquiry-finds-supermarket-facial-recognition-tech-s-use-is-justified.

222 Radio New Zealand "Privacy commissioner inquiry finds supermarket facial recognition tech's use is justified" (4 June 2025), https://www.rnz.co.nz/news/business/563010/privacy-commissioner-inquiry-finds-supermarket-facial-recognition-tech-s-use-is-justified.

FSSI has plans to expand its chilled and frozen goods distribution centre in Christchurch. The expanded distribution centre will operate on a fully automated basis to improve efficiency of storage and distribution of chilled and frozen goods.[223] WWNZ is trialling temperature monitoring equipment in cold chain transit.[224] FSNI has also upgraded its distribution centres with benefits for staff and supply chain logistics.[225]

Suppliers and private label areas of growth

FSNI's Emerging Supplier Competition provides a route to market for aspiring suppliers with innovative products, supporting ideas that improve convenience, sustainability and affordability for consumers.[226]

WWNZ continued to expand its private label Woolworths Own brand offering new product lines and increasing the range available to consumers.[227] Increased uptake of private label products by consumers is a growing trend internationally, likely driven by value substitution choices by consumers in a tough economic environment.[228]

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223 Information received from FSSI.
224 Information received from WWNZ.
225 Information received from FSNI.
226 Foodstuffs Emerge 2025 (accessed 28 May 2025), https://www.newworld.co.nz/who-we-are/foodstuffs-emerge.
227 Information received from WWNZ.
228 Innova Market Insights "Private label trends: Global market overview" (18 March 2025), https://www.innovamarketinsights.com/trends/global-private-label-trends/#:~:text=Private%20Label%20Category%20Driver,these%20products%20has%20notably%20increased.

Ngā hua mō ngā kiritaki
Outcomes for consumers

Chapter 5 summarises consumers' experiences of grocery shopping, including pricing, overall household expenditure and their understanding of grocery offers.

NGĀ TAIPITOPITO KEY POINTS

- Looking at consumers' experiences shines a light on how competition in the industry may be impacting New Zealanders in their daily lives. Grocery prices are often front of mind for New Zealanders, and this is particularly so amid the current cost of living pressures.

- Food price inflation in New Zealand eased relative to other common household bills. This was driven primarily by decreases in the price of fruit and vegetables. The decrease is likely attributable to supply stabilising following the extreme weather events that impacted New Zealand in early 2023. However, in early 2025 the rate of food price inflation increased again in part due to rising prices for dairy products (milk, butter and cheese).

- New Zealand grocery prices remain higher than the OECD average, although 2023 prices are closer to the OECD average than prior years. New Zealand had the fifth highest grocery expenditure per capita in the OECD in 2023, down slightly from fourth in 2022. New Zealand consumers continue to spend more on groceries than their Australian and UK counterparts.

- Consumers can help drive competition when they can make confident and informed choices between competing offerings – research shows about 80% of consumers are comparing prices between stores. However, promotions and pricing practices can reduce consumer's ability to effectively compare competing offers.

- Promotions continue to be a prominent feature of RGRs' pricing strategies, and we note that WWNZ and FSNI have added new pricing promotions in the last year.

- Analysing week to week price changes in New World, Pak'nSave and Woolworths stores we find that prices change frequently for some products in a high-low pattern. This is particularly noticeable at FSNI New World stores where approximately 33% of products changed price 26 weeks or more within a year. The pattern was less prominent in FSSI Pak'nSave stores where only 12% of products changed price 26 weeks or more within a year. The products observed to have the greatest number of price changes were often branded snacks, soft drinks, juice, alcohol, ice cream and yogurt products.

- High-low pricing makes it hard for consumers to accurately judge the claims RGRs make that their pricing is low, special, or extra low and accurately assess the value of competing offers. Suppliers play a role in this high-low pattern as they pay a significant amount of promotional funding to RGRs to enable these discount price promotions to take place.

NGĀ TAIPITOPITO KEY POINTS

- Consumers in New Zealand frequently use loyalty schemes with a loyalty card used in over half of all transactions in Woolworths and New World stores. Usage is even higher for online purchases with roughly 90% of all online purchases at Woolworths and New World using a loyalty card.

- Price comparison tools and unit pricing regulations can assist consumers in their decision making between competing offers.

- Unit pricing is now mandatory in RGR and other large format grocery stores, compliance for online supermarket is due August 2025.

MĀHARAHARA ANA NGĀ KIRITAKI KI NGĀ UTU HOKOHOKO

CONSUMERS ARE CONCERNED ABOUT GROCERY PRICES

Survey results show that New Zealand consumers are still concerned about grocery prices amid ongoing cost of living pressures. The latest Consumer NZ sentiment tracker showed the cost of living remains the highest concern for New Zealanders and that 30% of survey respondents needed help to obtain food over the past year.[229] Additionally, Consumer NZ's Grocery Survey from April 2025 showed respondents believed the cost of food is too high.[230] More consumers are adapting their shopping behaviour to this environment compared to 2022.[231]

This chapter focuses on the cost of, and consumer expenditure on, food, which covers some of the product categories included in the definition of 'groceries' in the Act.

Food price inflation eases in 2024

The most common measure of retail price inflation is the Consumers Price Index (**CPI**) produced by Statistics New Zealand. The CPI measures price changes over time for the goods and services that New Zealanders most commonly purchase.

Similarly, the Food Price Index (**FPI**) measures the changes in prices that households pay for food. Within the FPI 'food' group there are five sub-groups of expenditure – fruit and vegetables; grocery food; meat, fish and poultry; non-alcoholic beverages; and restaurant meals and ready to eat food.[232] Four of these sub-groups are commonly sold in grocery stores. Restaurant meals and ready to eat food is the only sub-group that is not. This year, we obtained a bespoke version of the FPI from Statistics NZ that excludes the 'restaurant meals and ready to eat food' sub-group, thereby aligning the data more closely with the definition of 'groceries' in the Act.

From that we see that some of the food price inflation in recent years is attributable to the restaurant meals and ready to eat food sub-category; this bespoke FPI enables more accurate analysis of grocery price inflation relevant to our work.

229 Consumer NZ "Despite low confidence in government efforts, people want urgent action to lower grocery bills" (23 April 2025), https://www.consumer.org.nz/articles/despite-low-confidence-in-government-efforts-people-want-urgent-action-to-lower-grocery-bills.

230 Consumer NZ "Despite low confidence in government efforts, people want urgent action to lower grocery bills" (23 April 2025), https://www.consumer.org.nz/articles/despite-low-confidence-in-government-efforts-people-want-urgent-action-to-lower-grocery-bills.

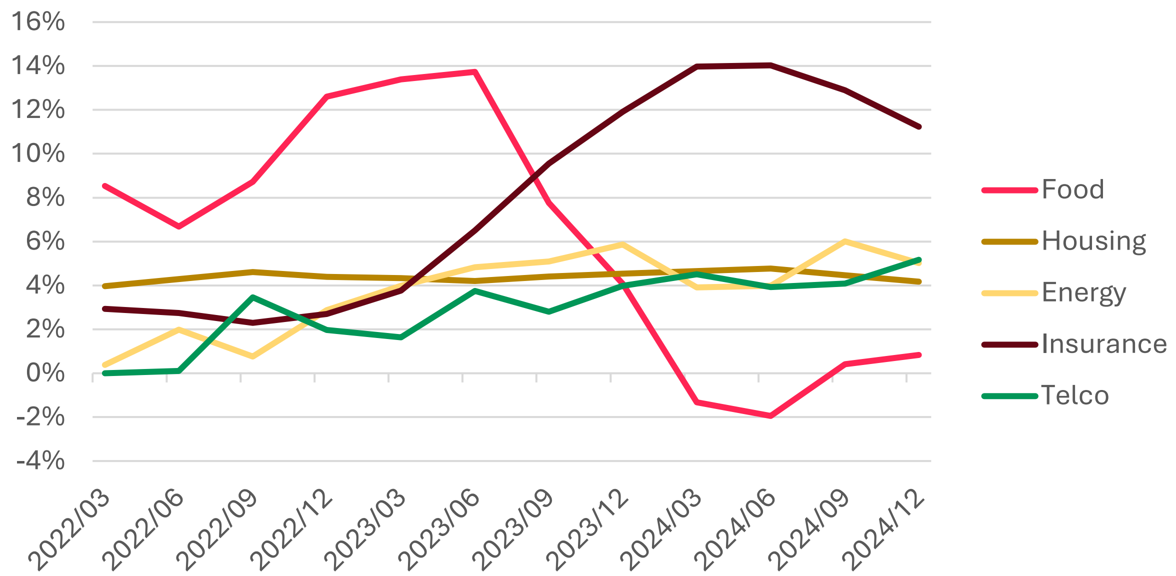
231 JCDecaux FMCG Shopping Research 2024 (December 2024), https://www.jcdecaux.co.nz/jcdecaux- research/jcdecaux-fmgc-shopping-research-2024.

232 The 'grocery food' subcategory includes but is not limited to bread, cereal, dairy products, eggs, oil, and confectionery.

Figure 18 shows that in 2024, food price inflation was significantly less than other groups representing important common household bills.

Annual food inflation peaked at 14% in mid-2023, while food prices then fell in the first half of 2024. Throughout 2024, housing, energy and telecommunications prices increased by between 4% and 6%, while insurance inflation was considerably higher.[233]

Figure 18: Select Consumer Price Index groups and Grocery Food Price Index – annual percentage change – March 2022-December 2024



Source: Commission analysis of Statistics New Zealand Consumers Price Index and bespoke Food Price Index[234]

However, early indications are that retail prices are rising again. In 2025 the FPI reports that food prices increased 4.6% in the 12 months to June 2025, following a 4.4% increase in the 12 months to May 2025.[235] The rise can likely be attributed in part to rising prices for dairy products (milk, butter and cheese).[236]

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233 Insurance inflation is linked to the increase in extreme weather events, particularly the Auckland Anniversary floods and Cyclone Gabrielle in 2023, as well as increases in building costs. Insurance Business Mag "Premium surge in 2023 had good reasons behind it, ICNZ chief says" (26 January 2024), https://www.insurancebusinessmag.com/nz/news/catastrophe/premium-surge-in-2023-had-good-reasons-behind-it-icnz-chief-says-474499.aspx.

234 The bespoke FPI was generated by Statistics NZ. It is the calculated as the FPI excluding the 'restaurant meals and ready to eat food' sub-group,

235 Based on the full FPI not the bespoke grocery FPI. Statistics New Zealand "Food prices increase 4.6 percent annually" (17 July 2025), https://www.stats.govt.nz/news/food-prices-increase-4-6-percent-annually.

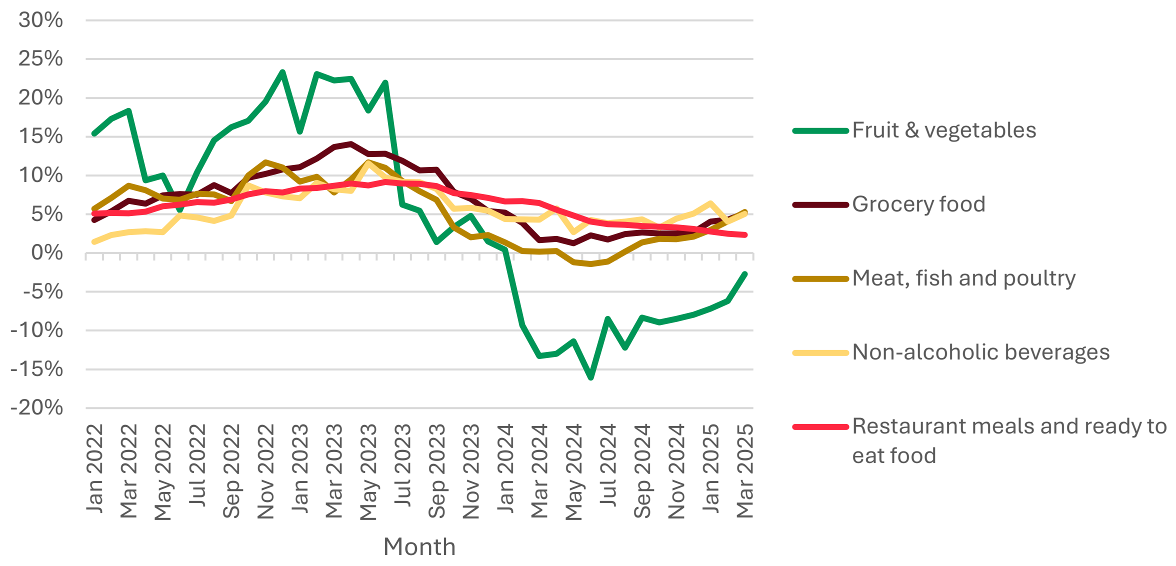
236 Statistics New Zealand "Food prices increase 4.6 percent annually" (17 July 2025), https://www.stats.govt.nz/news/food-prices-increase-4-6-percent-annually/.

Fruit and vegetable prices decrease after sharp rise

As shown in Figure 19 below, the deflation of food prices in mid-2024 was primarily driven by the fruit and vegetable sub-group, in which prices dropped significantly in the first two-quarters of 2024 and have continued to fall throughout the remainder of 2024 and into 2025. This is in contrast to the period from 2022 to 2023, when fruit and vegetable price inflation exceeded the other food sub-groups, peaking at 23% in February 2023.

The price volatility in the fruit and vegetable group can at least be partially attributed to the extreme weather events impacting New Zealand in early 2023. The rapid deceleration of price growth in this category is likely attributable to supply stabilising after the extreme weather damage. While competition does play a factor in grocery prices, domestic events are often a main influencing factor on the price paid at checkout.

Figure 19: Food Price Index sub-groups – annual percentage change – January 2022-March 2025



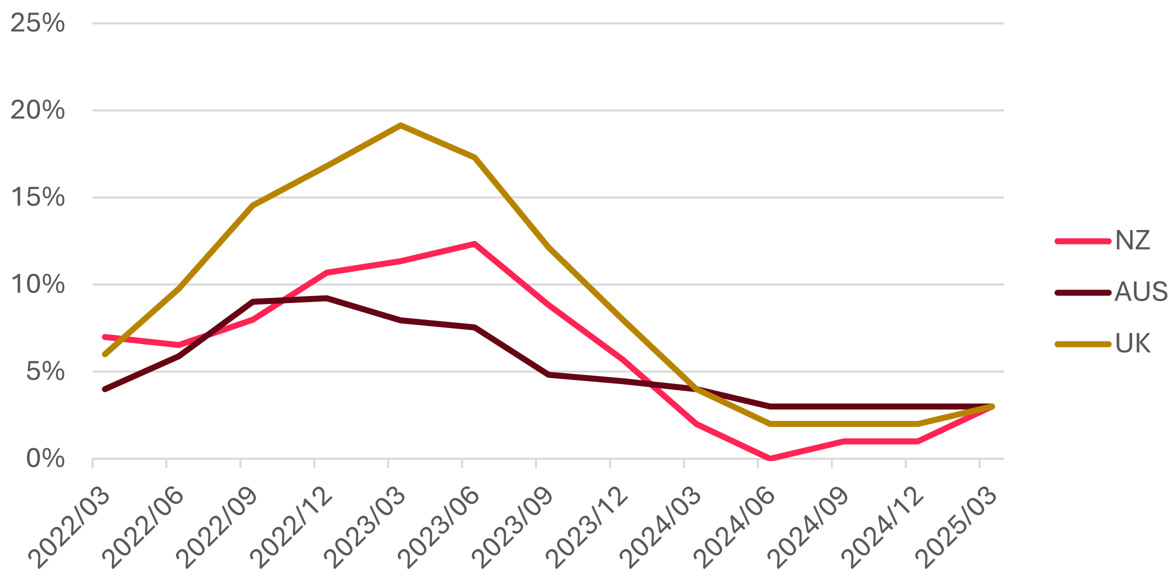
Source: Commission analysis of Statistics New Zealand Food Price Index

Food price inflation has eased around the world

High food price inflation occurred worldwide in the years following the COVID-19 pandemic, but this has since eased. The Organisation for Economic Co-operation and Development (**OECD**) measure of annual average food price inflation rose from 3.35% in 2021 to 13.12% in 2022.[237] Since then, the OECD has reported a steady decline in annual average food price inflation, declining to 10.44% in 2023 and 4.61% in 2024.

Figure 20 below shows that relative to international CPI data, New Zealand experienced lower food price inflation than both Australia and the UK in 2024. All three countries had food price inflation at or below three percent since mid-2024 to Q1 2025.

Figure 20: New Zealand food inflation compared to Australia and United Kingdom – annual percentage change – March 2022-March 2025



Source: Commission analysis of Australian Bureau of Statistics, Office for National Statistics and Statistics New Zealand data[238]

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237 OECD "Data Explorer - National CPI, Growth rate over one year" (accessed 10 April 2025), https://data-explorer.oecd.org/vis?tm=national%20CPI%2C%20growth%20rate%20over%20one%20year&pg=0&snb=15&si=2&vw=tb&df[ds]=dsDisseminateFinalDMZ&df[id]=DSD_PRICES%40DF_PRICES_N_CP01&df[ag]=OECD.SDD.TPS&df[vs]=1.0&dq=.A....CP01..&lom=LASTNPERIODS&lo=12&to[TIME_PERIOD]=false.

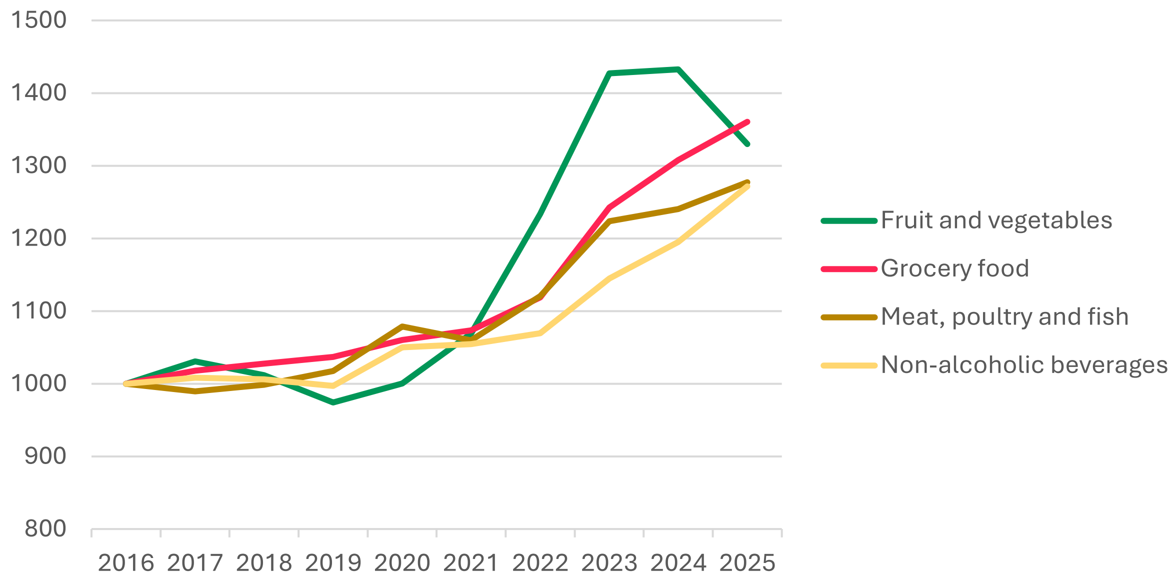
238 Australian Bureau of Statistics "Consumer Price Index, Australia" (30 April 2025), https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/latest-release; Office for National Statistics "Consumer Price Inflation, March 2025" (16 April 2025), https://www.ons.gov.uk/economy/inflationandpriceindices/datasets/consumerpriceinflation; Statistics New Zealand "Consumers Price Index" (17 April 2025), https://www.stats.govt.nz/information-releases/consumers-price-index-march-2025-quarter/.

Events in 2022 such as the invasion of Ukraine and effects of the COVID-19 pandemic caused disruption to international supply chains. The worldwide trend of food price increases showed that external international factors have the potential to have a much more significant impact on food pricing than the level of competition in the New Zealand grocery industry.

But New Zealand food prices remain high

Despite the easing of food price inflation, prices have remained high compared to before the recent inflationary period. Figure 21 below shows consumers are paying between 27% and 36% more for grocery products in 2025 compared to 2016, and between 21% and 27% more than 2021. A reduction in inflation means the rate at which prices are increasing is slowing down but does not mean a reduction in retail prices.

Figure 21: Select Food Price Index sub-groups - Index numbers rebased to 2016 – 2016-2025



Source: Commission analysis of Statistics New Zealand Food Price Index

New Zealand food prices remain above the OECD average

The most recent data available shows that food prices also remain high compared to other OECD countries, although the gap has reduced relative to previous years. Table 9 shows that the price of 'food and non-alcoholic beverages' in New Zealand has been high relative to the OECD average since 2020, most notably in 2021 and 2022. New Zealand food prices were much closer to the OECD average in 2023, while still being slightly above.

Table 9: Price of 'food and non-alcoholic beverages' in NZ vs OECD average – 2020-2023

Year	2020	2021	2022	2023
NZ prices vs OECD	+7%	+14%	+9%	+3%

Source: Commission analysis of OECD data[239]

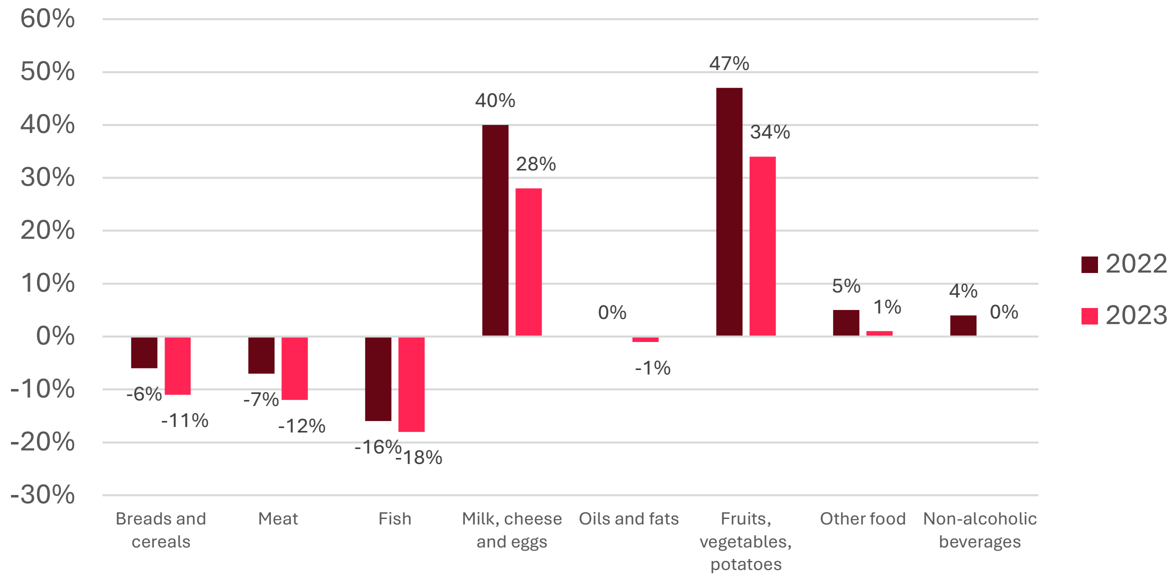
To some extent this may be attributable to differences in the taxation rate applied to food in different countries. Goods and services tax (GST) of 15% is applied uniformly in New Zealand, while basic food items in Australia, the UK and Ireland are mostly exempt from taxation, reducing retail prices paid by consumers.[240]

Based on the most recent OECD data, Figure 22 shows that prices for goods in the 'milk, cheese, eggs' and 'fruits, vegetables, potatoes' categories continue to be significantly higher in New Zealand than the OECD average in 2023. Of concern is that many of the goods in these two categories are produced and sold domestically.

239 OECD "Data Explorer – PPP detailed results, 2020 onwards" (accessed 10 April 2025), https://data-explorer.oecd.org/vis?tm=PPP%20detailed%20results%20&pg=0&snb=11&df[ds]=dsDisseminateFinalDMZ&df[id]=DSD_PPP%40DF_PPP&df[ag]=OECD.SDD.TPS&df[vs]=1.0&dq=OECD%2BNZL.A.PL%2BPPP..IX.OECD&pd=2020%2C2024&to[TIME_PERIOD]=false&vw=tb.

240 Australian Taxation Office "GST-free food" (accessed 8 May 2025), https://www.ato.gov.au/businesses-and-organisations/gst-excise-and-indirect-taxes/gst/in-detail/your-industry/gst-and-food/gst-free-food; UK Government "Food products (VAT notice 701/14)" (accessed 8 May 2025), https://www.gov.uk/guidance/food-products-and-vat-notice-70114; Revenue Ireland "VAT treatment of food and drink supplied by wholesalers and retailers" (accessed 7 July 2025), https://www.revenue.ie/en/tax-professionals/tdm/value-added-tax/part03-taxable-transactions-goods-ica-services/Goods/vat-on-food-and-drink-supplied-by-wholesalers-and-retailers.pdf.

Figure 22: Food price categories in NZ vs OECD average –2022 and 2023



Source: Commission analysis of OECD data

New Zealand grocery expenditure remains high relative to OECD countries

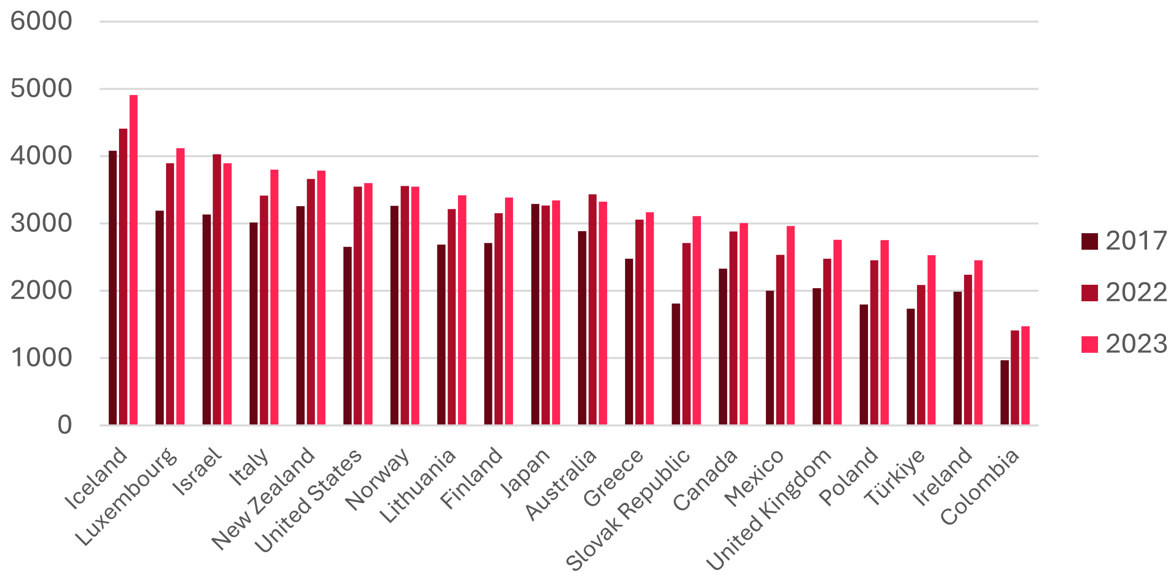
Expenditure on groceries is a function of both the price and quantity of groceries purchased by households. Expenditure metrics can provide a more comprehensive understanding of the grocery industry than retail pricing alone as it can put prices into context.

New Zealand's per capita expenditure on food and non-alcoholic beverages was high relative to other OECD countries in both 2022 and 2023. The most recent OECD data shows that New Zealand expenditure has remains relatively high, as New Zealand has the fifth highest in the OECD in 2023.[241, 242]

241 OECD "Data Explorer – PPP detailed results, 2020 onwards" (accessed 19 March 2025), https://data-explorer.oecd.org/.

242 Due to data gaps, this analysis has 12 fewer countries than the same analysis in AGR1

Figure 23: Per capita expenditure on food and non-alcoholic beverages – blended conversion – 2017, 2022 & 2023[243]



Source: Commission analysis of OECD data

International comparisons can be influenced by a range of factors, including differences in food taxation. In the year ahead, we will seek to develop a robust, timely, and consistent method for comparing the cost of a standard basket of grocery items across countries.

243 Results converted from national currencies using the same blended conversion methodology used in AGR1 and the Market Study. The blended methodology uses a currency conversion based on market exchange rates and purchasing power parity (PPP) rates. As explained in the Market Study final report (paragraphs 3.100-3.101), this approach reflects that some inputs used in grocery retailing are non-tradeable (such as labour), while other inputs are tradeable (many grocery products).

KA WHAKAAWEAWE NGĀ KIRITAKI MATATAU I TE WHAKATAETAETANGA

INFORMED CONSUMERS HELP INFLUENCE COMPETITION

When consumers can easily make meaningful comparisons between competing offers, they can make informed choices, develop accurate perceptions of value over time and help choose the best place to shop for their needs. This incentivises retailers to improve their offerings to attract consumers from competitors. Conversely, if it is difficult for consumers to compare offers, they may make less-informed purchasing decisions and be less likely to shop around, which can reduce price competition.

This section explores how RGRs' promotional and pricing practices can hinder a consumer's ability to effectively compare and act on competing offers. It then introduces comparison tools and unit pricing regulations that can assist consumers in their decision-making. Lastly, this section looks at the integrity of pricing and promotional material presented to consumers by RGRs.

Consumers use mental shortcuts to navigate the complex supermarket environment

As part of the ACCC inquiry into the Australian supermarket sector, research was commissioned into behavioural science principles that might be operating in pricing and promotional practices and the anticipated impact of those principles on consumer decision-making and behaviour.

Given that the research drew on a range of international evidence and literature, we consider that the findings are likely relevant to New Zealand pricing practices and consumers. As such, we have had regard to the findings (**BIT report**) in this report.[244]

The BIT report suggests that consumers may use mental shortcuts to navigate stores and search for the best deals because:

- the supermarket retail environment can be complex and confusing for consumers; and
- consumers are often time-poor and must make a multitude of choices when shopping.[245]

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[244] The Behavioural Insights Team "Applying Behavioural Insights to the ACCC Supermarkets Inquiry" (December 2024), https://www.accc.gov.au/system/files/sib-expert-report-behavioural-insights-report.pdf.

[245] The Behavioural Insights Team "Applying Behavioural Insights to the ACCC Supermarkets Inquiry" (December 2024), at p. 8, https://www.accc.gov.au/system/files/sib-expert-report-behavioural-insights-report.pdf.

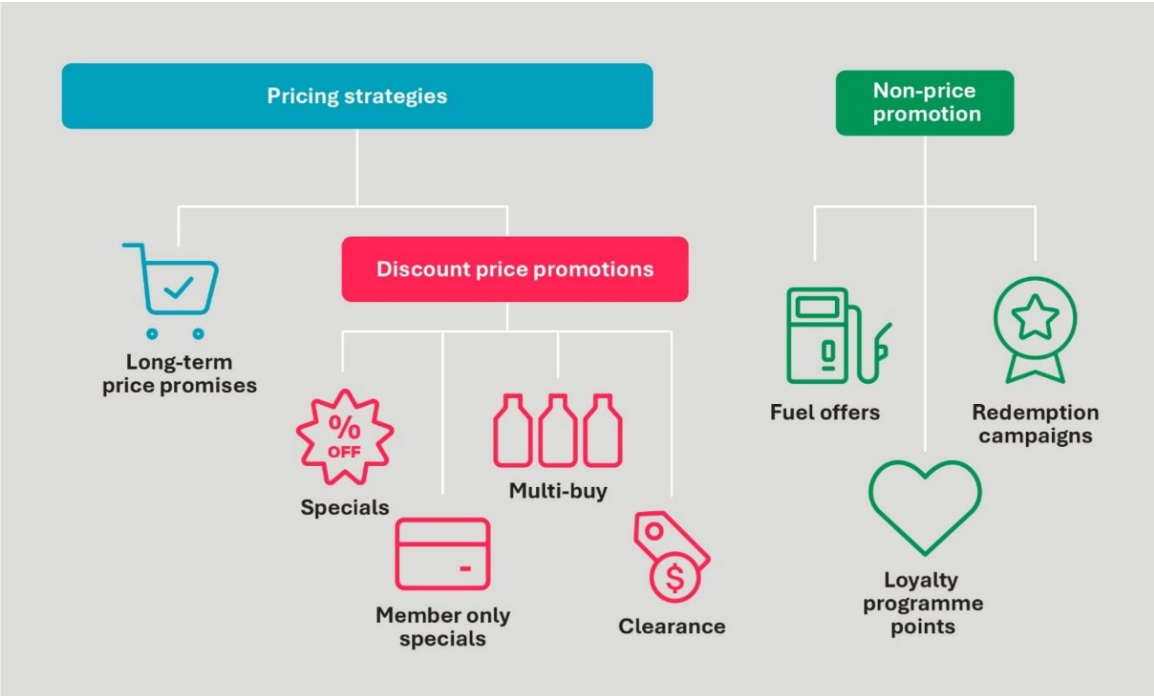
Pricing and promotional practices

Promotions are a prominent feature of the RGRs' pricing strategy

A wide array of pricing and promotional practices (including loyalty programmes) are often utilised by RGRs and this shapes the choices people make when shopping for groceries. Consumers are exposed to pricing and promotional representations both prior to selecting a store or an online website to visit and when they are at a store or in an online grocery order form considering which products to purchase.

The Market Study highlighted that there are large numbers and types of promotions in supermarkets. This could be confusing for consumers and may heighten information overload when making purchasing decisions.[246] It was recommended in the Market Study that RGRs ensure that their pricing, promotional practices and materials are simple and easily understood by consumers.[247]

Figure 24: Overview of RGRs' main pricing and promotional strategies



Each of the pricing strategies shown above in Figure 24 represents a pricing ticket that RGRs use. On top of these pricing tickets, RGRs also run themed and date/event specific promotions.

246 Commerce Commission "Market study into the retail grocery sector – final report" (8 March 2022) at p. 428, https://comcom.govt.nz/__data/assets/pdf_file/0024/278403/Market-Study-into-the-retail-grocery-sector-Final-report-8-March-2022.pdf.

247 Commerce Commission "Market study into the retail grocery sector – final report" (8 March 2022) at p. 428, https://comcom.govt.nz/__data/assets/pdf_file/0024/278403/Market-Study-into-the-retail-grocery-sector-Final-report-8-March-2022.pdf.

We note that New World and Woolworths are the only banners to offer their loyalty scheme members exclusive pricing specials (see later in this chapter for discussion on these programmes).

The Pak'nSave and New World banners take a slightly different approach to promotions than Woolworths. Pak'nSave and New World have a relatively narrow range of pricing tickets, and they frequently run both themed weekly and date/event promotions. Woolworths has a wider range of pricing tickets used alongside themed promotions and a more limited number of date/event promotions.[248]

WWNZ adds new pricing promotions

Since the AGR1, WWNZ has added new promotions to their roster, introducing a new 'Daily Deals' promotion which ran nineteen times in the year to 30 June 2024 and an 'Everyday Rewards 4 Day Sale' which ran once.[249]

Prices change frequently for some products in a high-low pattern

Discount price promotions are often used by RGRs on the same set of branded products. This leads to a high-low pattern in the prices of those products. This pattern is a feature of grocery pricing internationally but as noted in the Market Study the percentage of grocery products sold on promotion in New Zealand is well ahead of other developed markets around the world.[250]

When we analysed product prices at New World, Pak'nSave and Woolworths stores from July 2023 to June 2024, we found that some products changed prices very frequently. As shown in Table 10 below, this is particularly noticeable at FSNI New World stores, where an average of 33% of products changed price 26 weeks or more within the year. In other words, more often than not, the price of these products differed from the previous week.

248 Commerce Commission analysis of industry information.

249 Commerce Commission analysis of industry information.

250 Commerce Commission "Market study into the retail grocery sector – preliminary issues paper" (10 December 2020) at Figure 4, https://comcom.govt.nz/__data/assets/pdf_file/0033/229857/Market-study-into-the-retail-grocery-sector-Preliminary-issues-paper-10-December-2020.pdf

Table 10: Average distribution of product price changes – July 2023 to June 2024[251]

Week-to-week price changes	FSNI[252]		FSSI		Woolworths
	New World	Pak'nSave	New World	Pak'nSave	
Zero	16%	5%	4%	6%	26%
1 to 25	52%	75%	75%	82%	47%
26 or more	33%	20%	21%	12%	27%

Source: Commerce Commission analysis of industry information

We also found that some products changed price in 41 weeks or more within a year. This subset of super frequent price change products is largest at FSNI New World and Woolworths: 11% of their respective products are in this category.[253]

The products with the greatest number of price changes in the year to June 2024 are often branded snacks, soft drinks, juice, alcohol, ice cream, and yogurt products.[254]

We found an almost identical number of price increases compared to price decreases. This shows that the frequent price changes are not caused by product prices incrementally rising. Rather, as the examples in Figure 25 show, product prices experience equal numbers of increases and falls as part of discount price promotion cycles.

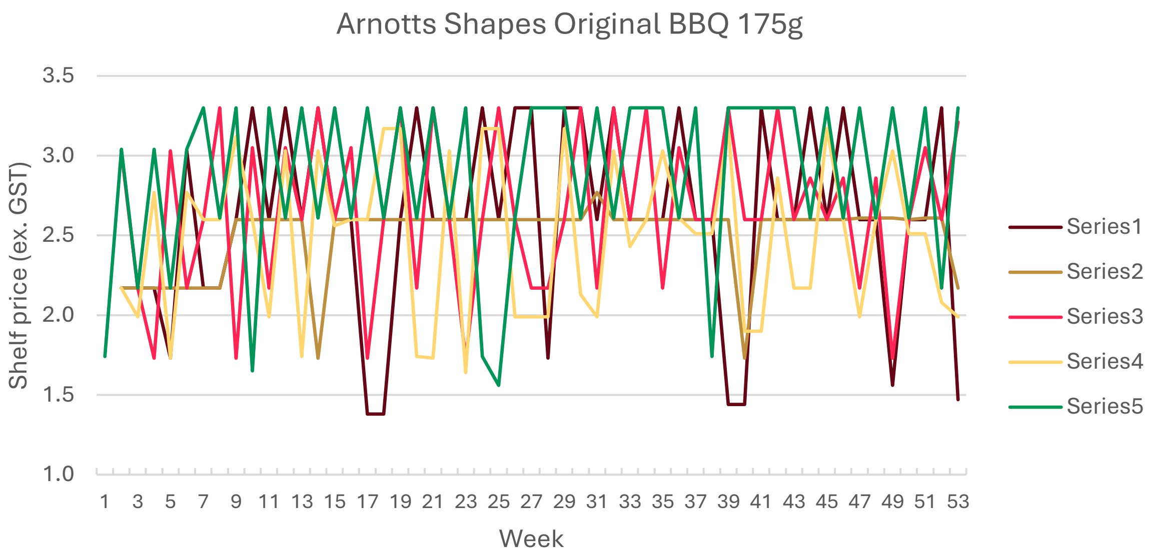
251 Only products that have a full consecutive time series of weekly prices over a year are used in this analysis. As such the following types of products are excluded: seasonal products, products that were introduced or removed from range in the middle of the year, products that were temporarily unavailable for retail due to stock shortage, and other reasons. Similarly, only stores which were trading for the full year are included this has resulted in eight stores which closed or opened part way through the year being excluded.

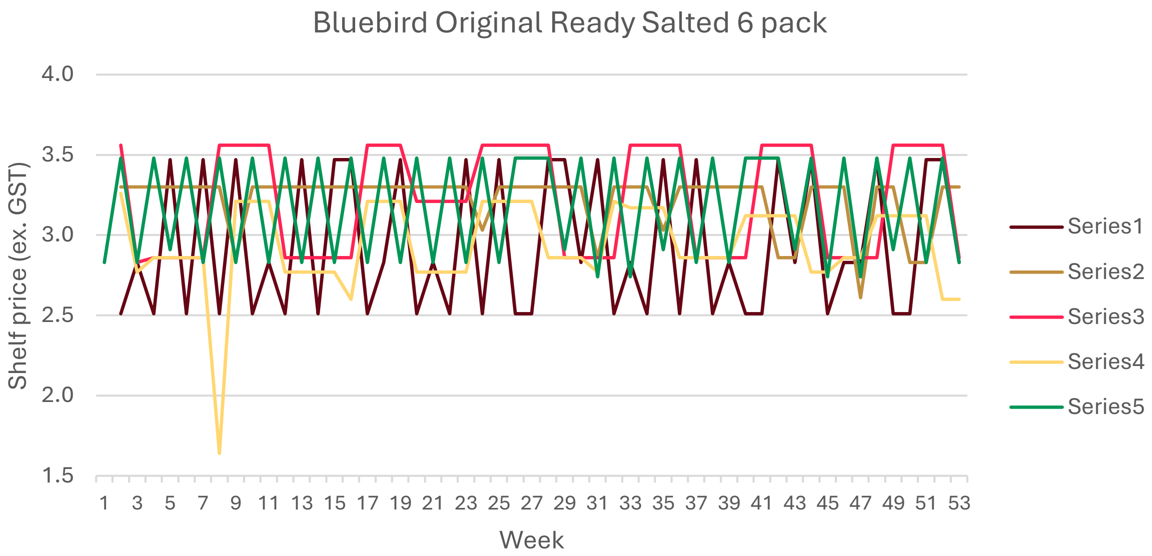
252 FSNI was only able to provide us the shelf price of products that were transacted in a particular store and week. As such niche products that were not purchased in every store and week are not included in analysis for FSNI. This means that FSNI results are based on a smaller number of products than FSSI and WWNZ whose analysis is based on all available products.

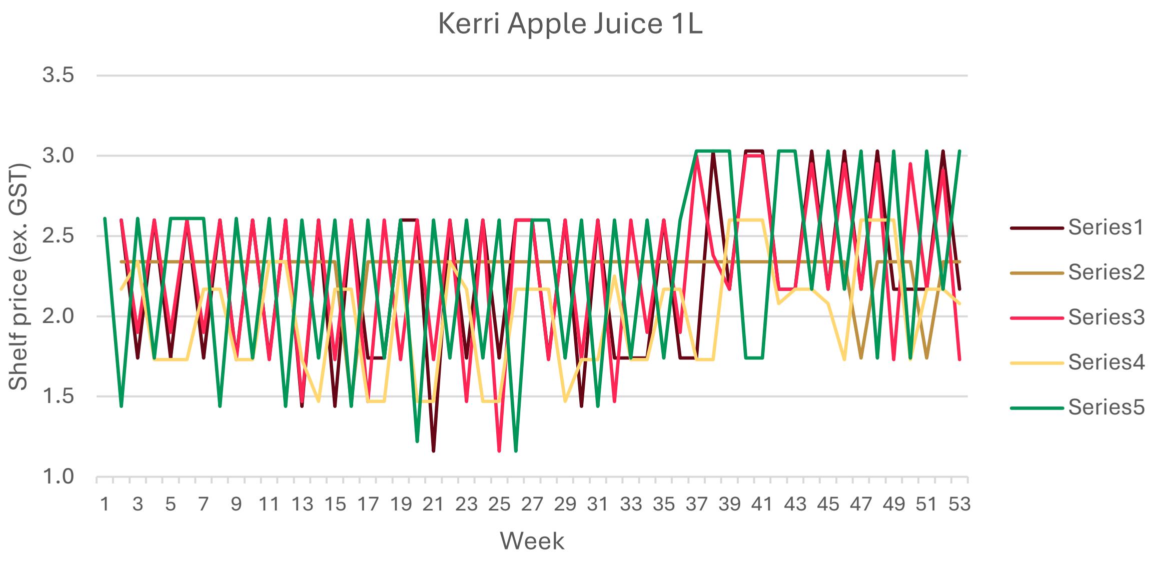
253 Commerce Commission analysis of industry information.

254 Commerce Commission analysis of industry information.

Figure 25: Examples of products exhibiting a high-low pricing pattern in FY24







Source: Commerce Commission analysis of industry information

Our analysis indicates that for a number of products available in-store, even if an item is not currently on special, it is likely to be discounted within the next fortnight.

Decision-making may be affected by promotional frequency

High-low pricing can work in a way to attract bargain-seeking consumers. However, this may also make it harder for consumers to assess the value of an offer or develop accurate perceptions over time. The ACCC inquiry noted that high-low pricing can make it difficult to compare prices across supermarkets.[255] The price comparison tools discussed later in this chapter may help to address this, at least partially.

Promotions are a driver of purchasing decisions, which can lead to consumers spending more despite their concerns with the cost of living. Shoppers may increase their rate of unplanned purchases when confronted with a perceived value of promotions. They may also be more susceptible to spending on discretionary items that are often placed in big, bold displays on aisle fronts.[256]

These promotional practices add complexity to consumers' purchasing decisions and may disadvantage some groups of consumers (such as the time poor, those with limited access to supermarkets, or those who cannot afford to stock up at discounted promotional prices).

[255] ACCC Supermarket Inquiry (February 2025) at p. 189, https://www.accc.gov.au/system/files/supermarkets-inquiry_1.pdf.

[256] The Behavioural Insights Team "Applying Behavioural Insights to the ACCC Supermarkets Inquiry" (Accessed 5 April 2025) at p. 25, https://www.accc.gov.au/system/files/sib-expert-report-behavioural-insights-report.pdf.

The role of suppliers in discount price promotions

As outlined in our recently published Wholesale Supply Inquiry Preliminary Findings Paper, suppliers pay a significant amount of promotional funding to RGRs.[257] In the year to October 2024 we estimate that the level of promotional funding ranged between 10% to 20% of revenue across RGRs.[258] In return for this promotional funding RGRs promote suppliers' products often through discount price promotions. This can result in the high-low price pattern demonstrated earlier.

RGRs draw consumers' attention to their long-term price promises

Aside from discount price promotions, each of the main RGR banners has long-term price promises that are highlighted to consumers through the use of differentiated ticketing. For instance, Pak'nSave's 'Everyday low' tickets or Woolworths 'Low price' tickets.[259]

RGRs describe these tickets as being for products with a 'low' price that is maintained for an extended period of time.[260] To be able to make these claims, RGRs need to ensure that the price of product ticketed in these ways is genuinely low and they can demonstrate reasonable grounds for the claim.[261]

Promotions may not be the best offer available

A range of promotional practices may give a general impression of cost savings, regardless of the underlying monetary benefits.

Consumers caught in an overwhelming environment of pricing strategies and promotions may find it increasingly difficult to identify products that deliver better value.[262] Consumers relying on a promotional label as a proxy for value may end up buying an item that is less overall value for money than a non-promoted alternative.

An eight-week investigation run by Consumer NZ in 2024 into supermarket pricing found that Pak'nSave was cheaper than the average basket of same items, which included product deals exclusive to loyalty members, for both New World Clubcard holders and Woolworths Everyday Reward members.[263]

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257 Commerce Commission "Wholesale Supply Inquiry – Preliminary findings report" (6 June 2025) at p. 2, https://comcom.govt.nz/__data/assets/pdf_file/0026/366650/Wholesale-Supply-Inquiry-Preliminary-Findings-Paper-5-June-2025.pdf.

258 Commerce Commission "Wholesale Supply Inquiry – Preliminary findings report" (6 June 2025) at p.2, https://comcom.govt.nz/__data/assets/pdf_file/0026/366650/Wholesale-Supply-Inquiry-Preliminary-Findings-Paper-5-June-2025.pdf.

259 Information provided to the Commission by RGRs.

260 Information provided to the Commission by RGRs.

261 Sections 10 and 12A of the Fair Trading Act 1986

262 The Behavioural Insights Team "Applying Behavioural Insights to the ACCC Supermarkets Inquiry" (Accessed 5 April 2025) at p. 13, https://www.accc.gov.au/system/files/sib-expert-report-behavioural-insights-report.pdf.

263 Consumer NZ "What's the cheapest supermarket?" (10 October 2024), https://www.consumer.org.nz/articles/what-s-the-cheapest-supermarket.

Non-price promotions

Loyalty programmes

The New World and Woolworths banners both have loyalty card schemes. New World has a ‘Clubcard’ while Woolworths has an ‘Everyday Rewards’ card.

Loyalty programmes can offer benefits to members in the form of access to member only pricing and the ability to accumulate points convertible into monetary or other rewards.

Member pricing is not unique to New Zealand consumers. In Australia it has been launched in the last two years with Coles trialling and Woolworths Australia launching such initiatives in 2023.[264] As this practice was in its infancy for Australian shoppers, the ACCC had no current concern on its impact for shopper decision-making. However, the ACCC noted it would find cause for concern if loyalty schemes expanded at the expense of the specials available to all shoppers.[265]

Additionally, Coles and Woolworths both have premium loyalty membership programmes (where consumers pay a monthly fee in exchange for additional discounts and reward points) that have not been used by RGRs in New Zealand.[266] This practice is of potential concern as consumers may feel compelled to continue shopping at the same retailer to ‘get their money’s worth’.[267]

Consumers frequently use loyalty schemes

A 2024 Consumer NZ poll of 1,650 supporters found that 84% had a loyalty card.[268]

As shown in Figure 26 below, loyalty cards are used in over half of all transactions and usage during online transactions is particularly high.

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264 ACCC Supermarket Inquiry (February 2025) at p. 229, https://www.accc.gov.au/system/files/supermarkets-inquiry_1.pdf.

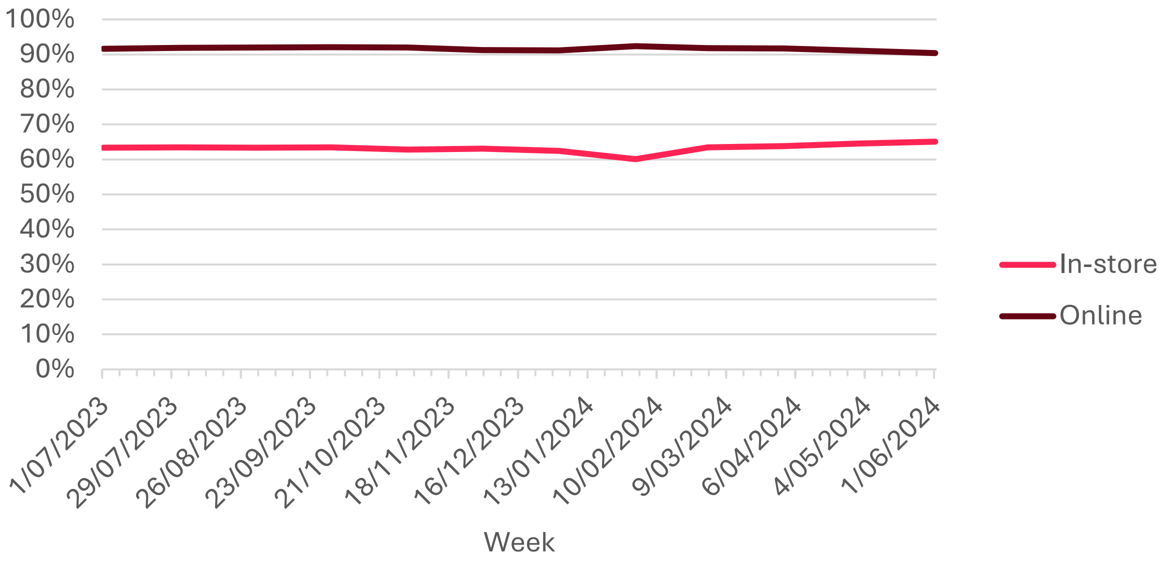
265 ACCC Supermarket Inquiry (February 2025) at p. 229, https://www.accc.gov.au/system/files/supermarkets-inquiry_1.pdf.

266 ACCC Supermarket Inquiry (February 2025) at p. 72, https://www.accc.gov.au/system/files/supermarkets-inquiry_1.pdf.

267 The Behavioural Insights Team “Applying Behavioural Insights to the ACCC Supermarkets Inquiry” (Accessed 5 April 2025) at p. 34, https://www.accc.gov.au/system/files/sib-expert-report-behavioural-insights-report.pdf.

268 Consumer NZ “Loyalty cards: great value for the supermarket, not the customer” (18 January 2024), https://www.consumer.org.nz/articles/loyalty-cards-great-value-for-the-supermarket-not-the-customer.

Figure 26: Average use of RGR loyalty cards in FY24



Source: Commission analysis of industry data

The small dip in in-store usage of loyalty cards in early 2024 can be attributed to Woolworth's switch from its 'Onecard' to 'Everyday Rewards' loyalty scheme.[269]

Among RGRs, loyalty card usage is highest among FSSI customers.[270]

Clubcard rate of reward increases

Since the AGR1 there has been no change to the standard rate of reward that Woolworths' Everyday Rewards provides. However, there have been some changes to how New World's Clubcard operates since the closure of Flybuys on 31 October 2024.

Firstly, members can no longer earn Flybuys points and in its place, Foodstuffs has simplified the process for earning and redeeming New World Dollars.[271] Under Flybuys the effective base rate of reward was 0.71%, which has now increased to 0.75% with New World Dollars.[272] This brings the base rate of reward for New World's Clubcard in line with Woolworths' Everyday Rewards at 0.75%.[273] On 31 March 2025 the conversion process from Clubcard to Airpoints resulted in a slight increase in the rate of reward from 0.74% to 0.75% for Airpoints.[274]

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269 Commerce Commission analysis of industry information.

270 Commerce Commission analysis of industry information.

271 Foodstuffs North Island "New World Clubcard just got more rewarding" (4 November 2024). https://www.foodstuffs.co.nz/en/news-room/2024/NewWorldClubcard.

272 Commerce Commission analysis of public information.

273 Everyday Rewards "Terms and conditions" (accessed 3 June 2025) https://www.everydayrewards.co.nz/terms-and-conditions.

274 Air New Zealand "Airpoints partners – New World" (accessed 3 June 2025) https://www.airnewzealand.co.nz/airpoints-new-world.

Secondly, Foodstuffs states that consumers will have additional opportunities to earn New World Dollars with the introduction of special offers through New World's mobile app and via email.[275]

Foodstuffs has reported that the closure of the Flybuys programme has not affected the types of customer data which it receives via Clubcard.[276]

Loyalty schemes add complexity

Despite potential benefits, loyalty programmes can reduce price transparency and make it more difficult for consumers to make informed purchasing decisions. Loyalty tickets incentivise repeat transactions by offering participating shoppers (members) points, discounts and other incentives that are not readily available to non-members.[277]

Loyalty programmes have considerable value to RGRs and as noted in the ACCC inquiry, they equip supermarkets with a wealth of information about individual consumer preferences. This drives sales and profitability through targeted influencing of shopper behaviour and long-term loyalty.[278]

In contrast to the clear value these schemes provide to RGRs, the 2022 Market Study found that consumer understanding of supermarket loyalty schemes was low, particularly in relation to how rewards are earned and redeemed.[279]

As well as the base rate of 'points' that can be earned per shopping transaction, RGRs offer promotions where consumers can earn additional points for purchasing specific products. Online exclusive point promotions like Woolworths' Boost are not all automatically provided to members; rather, consumers need to engage with the retailers' mobile app or website prior to shopping and in some cases must check what offerings are boosted and then manually activate them.[280] The recent report from the ACCC using industry data shows that members who are highly engaged with these offers are spending, on average, at least 2.5 times more than active members in general.[281] Needing to manually press the 'boost' activation prior to shopping can focus consumers on reward points which may not present the best value for them.[282]

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275 Foodstuffs North Island "New World Clubcard just got more rewarding" (4 November 2024). https://www.foodstuffs.co.nz/en/news-room/2024/NewWorldClubcard.

276 Information provided by FSNI & FSSI to the Commission.

277 ACCC Supermarket Inquiry (February 2025) at p. 69, https://www.accc.gov.au/system/files/supermarkets-inquiry_1.pdf.

278 ACCC Supermarket Inquiry (February 2025), at p. 237-240, https://www.accc.gov.au/system/files/supermarkets-inquiry_1.pdf.

279 Commerce Commission "Market study into the retail grocery sector – final report" (8 March 2022) at p. 304, https://comcom.govt.nz/__data/assets/pdf_file/0024/278403/Market-Study-into-the-retail-grocery-sector-Final-report-8-March-2022.pdf.

280 Woolworths "Woolworths Product Boost terms and conditions" (10 April 2025), https://www.everydayrewards.co.nz/terms-and-conditions/product-boost.

281 ACCC Supermarket Inquiry (February 2025) at p. 221, https://www.accc.gov.au/system/files/supermarkets-inquiry_1.pdf.

282 Consumer NZ "Is it worth 'boosting' products at Woolworths?" (28 March 2024), https://www.consumer.org.nz/articles/is-it-worth-boosting-products-at-woolworths.

Other non-price promotions add complexity

RGRs may also run non-price promotions in which consumers can earn some form of reward for purchasing certain items or meeting spend amounts. One such example of this is a continuity programme that enables consumers to collect items of high value (eg, cookware, knives, glassware) or other collectibles (eg, garden seeds, toys, replica products) once they pass a threshold of qualifying transactions. These programmes can add further complexity to the shopping experience as they may draw consumers' attention towards the reward rather the pricing. They are often run for several months alongside other promotions, which increases the volume of information consumers experience during their visits. We often receive complaints from consumers who, after qualifying for the rewards, discover the items they want are no longer in stock even before the advertised end of the promotion.

There are alternatives to extensive use of promotions

As an alternative to promotions, retailers can employ a stable pricing strategy such as an everyday low price promise. This approach offers a constant price on products for an extended period, as opposed to frequent cycling between discounted and non-discounted prices. It can benefit consumers and aid their purchasing decisions, reducing the complexity and stress of processing information from multiple promotional offerings. More stable pricing may also lead to efficiencies throughout the supply chain. We note that during the Market Study, RGRs said they intend to reduce the prevalence of short-term promotional pricing and increase their use of everyday low price pricing strategies.[283]

However, we note that New Zealand shoppers are driven by price discounts, with over 80% of surveyed shoppers indicating they are drawn to special labels in the supermarket.[284] High-low pricing is more likely to be attractive to consumers who enjoy actively shopping around and who have the ability to delay their purchases to take advantage of promotions.[285]

Almost 70% of consumers surveyed in July 2024 indicated that the cost of groceries is their biggest financial concern for the next 12 months.[286] Where consumers have a heightened concern about the cost of living, knowing that the price of a product is set can reduce stress and buyer remorse for an item that may move to a special price at a later date.

283 Commerce Commission "Market study into the retail grocery sector – final report" (8 March 2022) at para 7.191, https://comcom.govt.nz/__data/assets/pdf_file/0024/278403/Market-Study-into-the-retail-grocery-sector-Final-report-8-March-2022.pdf.

284 JCDecaux "FMCG Shopping Research 2024" (accessed 15 April 2025), available at https://www.jcdecaux.co.nz/jcdecaux-research/jcdecaux-fmgc-shopping-research-2024.

285 A Shah, High-Low Pricing (HL) vs. Every Day Low Pricing (EDLP) Strategy: The Consequence of JC Penney's Move from HL to EDLP, Journal of Applied Marketing Theory, Vol 7:1 (2017) at p. 26.

286 Consumer NZ "Why has trust in supermarkets fallen" (8 August 2024), https://www.consumer.org.nz/articles/why-has-trust-in-supermarkets-fallen.

Over time those who regularly purchase goods at their 'low' price may benefit from a high-low pricing strategy. As a long-term pricing strategy is typically associated with a lower margin by retailers, it relies on higher turnover of stock at a consistent price. This price may be set slightly higher to account for that lack of margin made outside of those high-low promotional cycles.[287] However, this could also lead to consumers being better able to compare prices without the high-low fluctuations.

Our Wholesale Supply Inquiry Preliminary Findings Paper recommended that suppliers need to reduce their use of promotional funding in favour of average pricing that is stable over time. This should encourage more everyday low pricing of products for retail customers.[288]

As was evident during the Covid-19 pandemic, consumers who are sensitive to pricing submitted many complaints regarding price increases during the lockdown.[289] RGRs made a decision to suspend promotional sales during this time (largely due to supply constraints), which led to the perception of increased average pricing.[290]

Tools that can help decision-making

The rise in the cost of living means that consumers are now comparing grocery prices more than ever, with some research noting that 69% of shoppers are comparing prices between supermarkets.[291] However, technology that facilitates price comparison by consumers is not yet being fully embraced, with only 20% of consumers using independent price comparison sites or apps.[292] As highlighted in Figure 27, almost 90% of shoppers are relying on supermarket supplied information to search for deals before visiting a store.

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287 A Shah, High-Low Pricing (HL) vs. Every Day Low Pricing (EDLP) Strategy: The Consequence of JC Penney's Move from HL to EDLP, Journal of Applied Marketing Theory, Vol 7:1 (2017), p 26.

288 Commerce Commission "Wholesale Supply Inquiry – Preliminary findings report" (6 June 2025) atp.5, https://comcom.govt.nz/__data/assets/pdf_file/0026/366650/Wholesale-Supply-Inquiry-Preliminary-Findings-Paper-5-June-2025.pdf.

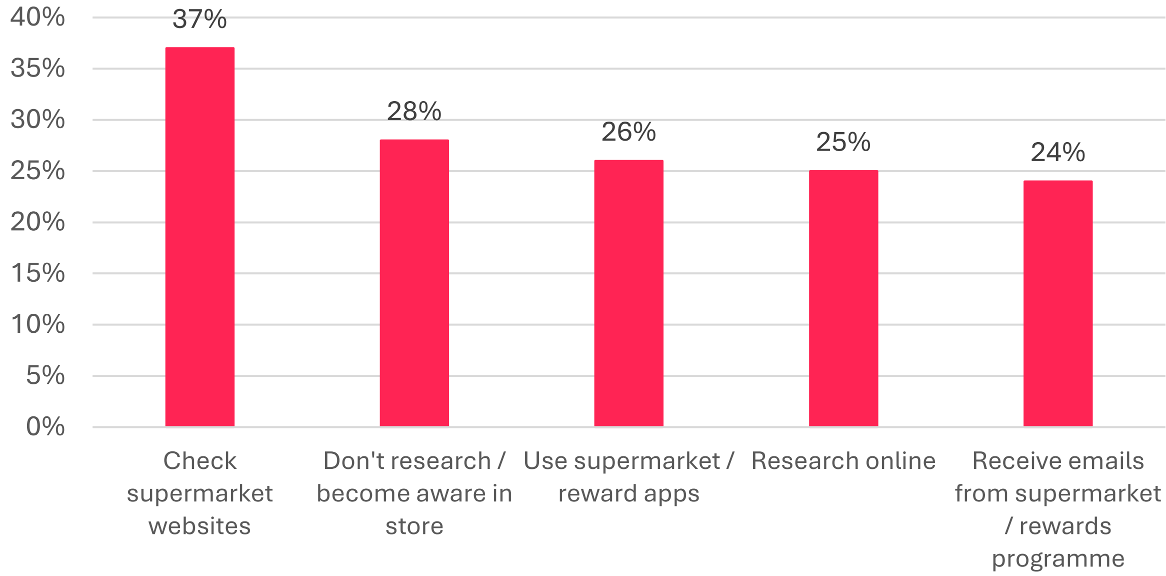
289 NZ Herald "Covid 19 coronavirus: Price-gouging complaints pour in to Government's 'Price Watch' inbox" (30 March 2020), https://www.nzherald.co.nz/nz/covid-19-coronavirus-price-gouging-complaints-pour-in-to-governments-quotprice-watchquot-inbox/6OUNVGL3IFBOTX3XNVS2OWGZDM/.

290 Stuff "Coronavirus: Countdown says it would be unfair to offer discounts" (25 March 2020), https://www.stuff.co.nz/business/120557091/coronavirus-supermarkets-say-it-would-be-unfair-to-offer-discounts.

291 JCDecaux "FMCG Shopping Research 2024" (accessed 15 April 2025), available at https://www.jcdecaux.co.nz/jcdecaux-research/jcdecaux-fmgc-shopping-research-2024.

292 JCDecaux "FMCG Shopping Research 2024" (accessed 15 April 2025), available at https://www.jcdecaux.co.nz/jcdecaux-research/jcdecaux-fmgc-shopping-research-2024.

Figure 27: Pre-store research for promotions



Source: Focus Insights[293]

Grocery price comparison apps are improving

As shown in Table 11, there are a few price comparison options available to consumers which cover all RGR banners and The Warehouse. The two most notable are the independent Grocer app (released in 2023) and the Grosave app (released in April 2025). These apps are regularly updated and work by comparing selected items across user selected stores, offering greater transparency of supermarket pricing to maximise value spend through better-informed decisions by consumers.[294]

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293 Focus Insights "2024 NZ Grocery Shopper Report" (accessed 5 April 2025), available at https://focusinsights.com.au/report-library/.

294 Radio New Zealand "Supermarkets support grocery price comparison app – developer" (18 December 2023), https://www.rnz.co.nz/news/national/505015/supermarkets-support-grocery-price-comparison-app-developer; Stuff "The new grocery price comparison app that aims to save consumers money" (20 April 2025), https://www.stuff.co.nz/business/360657360/new-grocery-price-comparison-app-aims-save-consumers-money#:~:text=A%20new%20app%20called%20Grosave,best%20deals%20in%20their%20city.

Table 11: Summary of grocery price comparison tools

Comparison Tool[295]	Key Features	Status
Grocer	Compare prices across 6 stores Three month price history Create one shopping list Price history granularity by brand Scan barcodes	Active with free account
Grocer Pro	Compare prices across 30 stores All time price history Unlimited shopping lists Price history granularity by store Scan barcodes	Active with $AU5 monthly subscription
Grosave	Find best deals by region Receive price notifications Price history Create new or use template shopping lists – can be sorted and set to best price across selected stores	Active with free account
PricePulse	Daily price updates and alerts Traffic light deal indicator Basket summary (best cost across selected stores) Historical price trends Create shopping lists	Appears inactive

The Grocer app has recently received updated features to now offer visibility of price history for selected products, user sign-in features and the ability to manage a shopping list.[296]

The new Grosave app was developed after the founder discovered significant price discrepancies across different supermarkets. Grosave includes different features such as notifying users when a product drops in price for their preferred locations set in the app.[297]

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295 More information on these comparison tools can be found at Grocer https://grocer.nz and https://grocer.nz/pro; Grosave https://grosave.co.nz/ ; PricePulse https://www.pricepulse.co.nz/.

296 Grocer (accessed 4 July 2025), https://grocer.nz/.

297 Stuff "The new grocery price comparison app that aims to save consumers money" (20 April 2025), https://www.stuff.co.nz/business/360657360/new-grocery-price-comparison-app-aims-save-consumers-money#:~:text=A%20new%20app%20called%20Grosave,best%20deals%20in%20their%20city.

Many price comparison apps are used in overseas markets such as the USA, UK, and Australia. They can play an important part of a shopping experience with cheaper prices being the main driver for consumers, many of whom buy more items on sale or special promotion.[298] Independent price comparison apps can lead not only to significant savings for consumers, through identifying better options, but they also promote the adoption of transparent pricing by supermarkets.

It is important to note that comparison apps may not include all retailers with the same offerings. Therefore, there is a risk that they direct shoppers to the main banners and thereby limit competition from smaller retailers. Consumers should be aware that app providers may have financial incentives that could influence outcomes.[299]

Unit pricing is helping consumers make better purchasing decisions

Unit pricing helps consumers compare the cost of similar grocery items through visibility of the price per standard unit of measurement, such as per gram or litre. It divides the price for total product amount, net of packaging, by the standard unit of measurement for that product type, giving consumers the ability to accurately compare pricing, eg, 1kg block of cheese at $15.00 (unit price $15/kg) compared to a 750g block of cheese at $12 (unit price $16/kg).

Consistent unit pricing can help consumers compare the price of goods within and between retailers. It also helps consumers to identify if buying a larger package is actually better value than multiple smaller sizes of the same product. Even when not directly comparing products and retailers, clear and accurate unit pricing information can help consumers to develop perceptions of value over time, which in turn helps them decide where to shop to best meet their needs.

Unit pricing is displayed in stores and due soon for online sales

As part of the 2023 grocery industry regulatory changes, the Government responded to one of the recommendations in our Market Study by making unit pricing mandatory for grocery products by way of a specific type of regulation, referred to as a Consumer Information Standard, under the Fair Trading Act.[300]

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298 Focus Insights "2024 Grocery Shopper Report" (Accessed 5 April 2025), https://focusinsights.com.au/report-library/.

299 The Commission does not check the integrity or accuracy of, nor does it endorse any particular shopping comparison apps.

300 Cabinet minute "Mandatory unit pricing for grocery products" (23 November 2022), https://www.mbie.govt.nz/dmsdocument/25857-mandatory-unitpricing-for-grocery-products-minute-of-decision-proactiverelease-pdf.

These regulations, entitled the Consumer Information Standards (Unit Pricing for Grocery Products) Regulations 2023 were made on 31 July 2023.[301] Retailers captured by the regulations were afforded a transition period of one year for in-store sales and RGRs all reported compliance with that 31 August 2024 deadline.[302] Online sales have a two year transition period, in which compliance with unit pricing is due by 31 August 2025. It is encouraging that RGRs appear to be ahead of schedule in implementing unit pricing for their online offerings.

Unit pricing regulations apply to a broad range of retailers

Unit pricing regulation requires grocery retailers to display the unit price for goods clearly and legibly, at no less than 25 percent the size of the marked price. The regulations apply to in-store grocery retailers who meet the qualifying criteria of having an internal floor space of at least 1,000sqm and selling all of the following ten product categories: bread, dairy products, eggs or egg products, fruit, vegetables, meat, fish, rice, sugar and manufacturer-packaged foods. Online stores with all ten of these categories must also comply with the regulations.

INFORMATION FOR RETAILERS

The Commission has published guidance on unit pricing regulations at https://comcom.govt.nz/regulated-industries/grocery/information-for-retailers-unit-pricing

RGRs need to ensure the integrity of pricing and promotional material

Under the Fair Trading Act, it is unlawful for businesses to make misleading representations about goods and services, which includes representations about price. Businesses must also have a reasonable basis to make a promotional claim.[303] As such, RGRs must ensure that the representations they make about their prices are clear, accurate and unambiguous.

Consumers have a right to accurate pricing under the law, and we expect that supermarkets invest the time and effort to get pricing and promotions right.

301 New Zealand Legislation "Consumer Information Standards (Unit Pricing for Grocery Products) Regulations 2023" (31 July 2023), https://www.legislation.govt.nz/regulation/public/2023/0185/latest/LMS824115.html.

302 Consumer NZ "Supermarkets must now show unit prices in-store" (31 August 2024), https://www.consumer.org.nz/articles/supermarkets-must-now-show-unit-prices-in-store.

303 See the Commission's Fair Trading Act Pricing Fact Sheet for further information, https://comcom.govt.nz/__data/assets/pdf_file/0026/90746/Pricing-Fact-sheet-June-2017.pdf.

We filed charges following investigations

It was noted in the AGR1 that we were investigating a number of complaints regarding alleged price integrity issues.[304] It also indicated that we were continuing to receive complaints about price integrity in supermarkets.[305]

Following the publication of the AGR1, we announced that we intended to file charges against WWNZ and two Pak'nSave supermarkets for alleged pricing inaccuracies and misleading specials.[306] In March 2025, we announced that the two Pak'nSave stores in question (Silverdale and Mill Street) were now facing criminal charges laid under the Fair Trading Act and in May 2025, charges were also laid under the Fair Trading Act against WWNZ .[307] Those litigation matters are ongoing. Other investigations concerning supermarket operators under the Fair Trading Act are in train.

Consumers encounter and report pricing inaccuracies

The 5th New Zealand Consumer Survey was undertaken in 2024 as a collaboration between MBIE and the Commerce Commission.[308] This study indicates that while over two-thirds (68%) of consumers believe their local grocery retailer displays clear and easy-to-read unit prices, a significant proportion (14%) disagree and most (65%) question retailers' sales pricing.[309]

We have continued to receive complaints from consumers regarding price differences between the shelf and the checkout. For the period May 2024 to January 2025 inclusive, the primary issue raised in 56% of all grocery-related consumer complaints we received is the alleged price difference between the advertised or shelf label price and what is charged at the point of sale.[310]

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304 Pricing integrity issues mean circumstances where the displayed or otherwise advertised price of a product does not match the price at the point of sale.

305 Commerce Commission "First annual grocery report" (4 September 2024), at p. 74, https://comcom.govt.nz/__data/assets/pdf_file/0019/362305/Annual-Grocery-Report-2024.pdf.

306 Commerce Commission "Criminal charges on the way for major supermarkets" (10 December 2025), https://comcom.govt.nz/news-and-media/media-releases/2024/criminal-charges-on-the-way-for-major-supermarkets.

307 Radio New Zealand "Charges filed against two Pak'nSaves for 'misleading specials'" (4 March 2025), https://www.1news.co.nz/2025/03/04/charges-filed-against-two-paknsaves-for-misleading-specials/ ; Stuff NZ "Criminal charges against Woolworths NZ filed by Commerce Commission" (6 May 2025), https://www.stuff.co.nz/business/360679585/criminal-charges-against-woolworths-nz-filed-commerce-commission.

308 Commerce Commission and MBIE "New Zealand Consumer Survey 2024" https://www.mbie.govt.nz/dmsdocument/28961-new-zealand-consumer-survey-2024-survey-findings-pdf.

309 MBIE "New Zealand Consumer Survey 2024" Figure 31 at p. 50, https://www.mbie.govt.nz/dmsdocument/28961-new-zealand-consumer-survey-2024-survey-findings-pdf.

310 Of a total 913 complaints received by the Commission from 1 May 2024 to 31 January 2025, 511 were inaccurate pricing.

The New Zealand Consumer Survey also reported that the grocery industry had the highest incidence of inaccurate pricing among industries covered by the survey. 39% of respondents who had purchased products at a grocery retailer between 2022 and 2024 reported a problem with inaccurate prices.[311]

Ultimately it is the RGRs' responsibility to ensure accuracy and integrity of pricing and promotional activities. However, in a competitive grocery industry, we would expect retailers to offer refund policies to generate goodwill from their customers and to help bring issues to their attention.

We consider that RGRs should fully refund consumers for items in situations where the price at the checkout is higher than what was displayed on the shelf or as advertised. Australia has a voluntary code for dealing with inaccurate pricing, but New Zealand does not, meaning that the resolution process and remedies are matters for individual RGRs.[312]

If customers are aware of their entitlement to a refund when charged a higher price at the checkout than the advertised or shelf price, they may be more incentivised to look for pricing errors and bring them to the attention of the RGR.

Currently Woolworths stores have a refund policy where they will refund the price paid and the customer can keep the product free of charge for the first product.[313] Foodstuffs policy until recently has been is to refund the difference between the shelf label and the purchase price.[314] However, FSNI and FSSI have told us that new refund policies will be introduced on 30 June and 1 July 2025 respectively.[315]

While all RGRs do have a refund policy, these are not always prominently advertised for customers. For example, there is no specific refund policy for FSSI to be found online. This can act as a barrier for consumers to report an issue which may result in a store not addressing any underlying causes.[316] Though, we understand from FSSI that the refund policy to be introduced on 1 July 2025 will be displayed online.[317]

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311 MBIE "NZ Consumer Survey 2024" Figure 65 at p. 91, https://www.mbie.govt.nz/dmsdocument/28961-new-zealand-consumer-survey-2024-survey-findings-pdf.

312 Australian Supermarket Institute Code of Practice for Computerised Checkout Systems in Supermarkets (Australian Supermarket Institute, Sydney, 1995).

313 Woolworths NZ "Making it right" (accessed 23 April 2025), https://www.woolworths.co.nz/info/policies/refund-policy.

314 NewstalkZB with Kerre Woodham "Chris Quinn: Foodstuffs North Island CEO on the latest supermarket announcement, competition, prices" (9 April 2025) at 24 minutes, https://www.newstalkzb.co.nz/on-air/kerre-woodham-mornings/audio/chris-quin-foodstuffs-north-island-ceo-on-the-latest-supermarket-announcement-competition-prices/.

315 Information received from FSNI and FSSI.

316 Commerce Commission "Consumer complaints disclosure standard - Draft reasons paper" (23 December 2024) at p. 16, https://comcom.govt.nz/__data/assets/pdf_file/0029/363971/Consumer-complaints-disclosure-standard-draft-reasons-paper-23-December-2024.pdf.

317 Information received from FSSI.

A well-promoted, easy to access and generous refund policy is not a replacement for sound processes to ensure customers are charged correctly but can be an incentive to promote correct charging.

Tikanga whakauru, whakawhānui hoki Conditions of entry and expansion

Chapter 6 explores the ability of retailers to enter the grocery industry in New Zealand and expand their operations.

NGĀ TAIPITOPITO KEY POINTS

- Significant barriers to entry and expansion in the retail grocery market exist. These barriers limit both the number of competitors in the industry and the development of further competition. Difficult entry and expansion makes it more likely that sub-optimal offerings will persist long term, to the detriment of consumers.

- Last year we identified land banking as an area of potential concern. After detailed analysis, our view is that there are no immediate issues of concern. We are cautiously optimistic that the RGRs are not holding on to sites suitable for supermarket developments that they do not need – or acquiring sites earlier than is necessary. We will collect information annually from the RGRs on their land holdings to test whether areas of concern arise. We encourage anyone who has concerns about sites and anti-competitive behaviour in relation to the RGR's land holdings to contact the Commission.

- Following legislative changes in 2023, land and lease covenants which inhibit retail store development are prohibited and any existing covenants are unenforceable. While these covenants are unenforceable their removal is preferrable as it reduces the risk of inadvertent attempts at enforcement in the future. Since August 2023 a further 25% of remaining covenants have been removed.

- Planning law restricts and complicates retail development. For example, between 2021 and 2024 the process of obtaining resource consent for a supermarket took the RGRs approximately 18 months and cost $1 million on average. Proposed changes to the Resource Management Act (**RMA**) may reduce complexities and costs in the process. The Commission continues to advocate for competition impacts to be considered during legislative reform to all Acts, including the RMA.

- Best price clauses and exclusive supply agreements have the potential to affect the ability of suppliers to supply other parties. As at November 2024, the three RGRs had over 150 of these agreements spanning roughly 80 different suppliers. These agreements are more prevalent in private label products than branded ones. The impact of RGRs' use of best price clauses or exclusive supply agreements with suppliers on competition is likely limited, however best price and exclusivity arrangements do not appear to benefit competition and ultimately consumers in the long term. The Commission will continue to monitor these and their effect on other retailers.

- As identified in the recently published Preliminary Findings Paper for the Wholesale Supply Inquiry, behavioural change from RGRs and suppliers is needed so that other retailers can gain access to cost effective groceries.

Barriers to entry and expansion

Barriers to entry and expansion include the following types:

- **Structural conditions** – inherent industry characteristics, such as the technologies and resources needed to enter, plus characteristics of the market such as its geographic location and population size.

- **Regulatory barriers** – the extent to which laws, consenting and licensing processes, and regulatory requirements create roadblocks, add complexity, uncertainty and cost.

- **Entry deterrence** – actions taken by incumbent firms to discourage expansion from other incumbents or entry by prospective operators.

Structural conditions make profitable entry difficult

New Zealand's small market size and geographic population spread makes large-scale retail entry challenging, as there are limited locations and concentrations of demand where a store can profitably operate. In addition, strong brand recognition is another part of the existing structure that poses challenges for some entrants.

There are significant economies of scale throughout the grocery industry (eg, in the acquisition and distribution of groceries, and in retail), which means that small-scale retailers face cost disadvantages compared to larger retailers, including the RGRs.

Proposed changes may make central and local government regulation more competition friendly

There are both central and local government regulations (eg, planning law and overseas investment approval processes) that can impact competition in the grocery industry, as well as more grocery specific licensing requirements (eg, alcohol licensing). The Government has proposed changes to both the Resource Management Act (**RMA**) and the Overseas Investment Act that may improve conditions of entry and expansion by making it easier to obtain resource consents and overseas investment approvals. These regulations are outside our remit, although we do explore these topics and their implications for competition in this chapter.

We consider that competition impacts should be taken into account during the creation and review of relevant central and local government regulations.[318]

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318 Commerce Commission "Market study into the retail grocery sector – final report" (8 March 2022) at p. 380, https://comcom.govt.nz/__data/assets/pdf_file/0024/278403/Market-Study-into-the-retail-grocery-sector-Final-report-8-March-2022.pdf.

We are monitoring entry deterrence by incumbents

Aside from raising the necessary capital, the two key inputs to grocery retailing are access to land and access to groceries – both of which can be affected by strategic behaviour by incumbents.

Strategic behaviour (otherwise referred to as "strategic conditions") is the only conduct that we have the jurisdiction to directly enforce via the Grocery Industry Competition Act and the Commerce Act where we assess that the conduct contravenes these statutes.

The strategic conditions of concern to us include prohibited and unenforceable grocery-related covenants, dealings in land holdings, and the market for the acquisition of groceries.

Since the AGR1, RGRs have continued to remove prohibited and unenforceable grocery-related covenants.

We have assessed the RGRs' dealings in their land holdings. We have also launched the Wholesale Supply Inquiry, a review of the Code, and are monitoring RGR compliance with the Code and their wholesale supply obligations. These measures seek to support the conditions that are required to establish a grocery retail business.

This chapter explores issues of access to land (covenants, strategic land holdings, planning law, and overseas investment) before looking at access to groceries (wholesale access, restrictive supply agreements and access to alcohol).

ME MĀTUA WHAI WĀHI PAI HEI TŪNGA KIA PAI AKE TE WHAKATAETAETANGA

ACCESS TO APPROPRIATE SITES IS NECESSARY TO IMPROVE COMPETITION

Access to land is one of the key barriers to entry and expansion in the grocery industry. Acquiring suitable sites is a requirement for successful entry and expansion of new or existing grocery retailers. A retailer wishing to enter or expand on a regional or national basis would require access to multiple sites that meet requirements for retail stores (including size, access, exposure to consumers, and carparking). Access to land is also a requirement for online businesses (eg, online grocery retailers, meal kit providers) since they require space to hold and process goods; however, their needs differ from a bricks and mortar retailer. While the discussion of land as a critical input for entry and expansion in this chapter implies a greenfields entry model, it may prove easier for an entrant to convert an existing building - including a smaller infill site - than construct a new one; the recently established independent supermarkets taking over former RGR sites in Hamilton and Flaxmere are examples of this.

Investing in a suitable site for grocery retailing is a significant undertaking and can take time to implement.

In AGR1, we explored several reasons for the lack of availability of land for the development of retail grocery sites, including:

- RGRs' historic use of restrictive covenants on land and exclusivity covenants in leases that prevented other retailers from developing stores;
- potential for land banking by RGRs; and
- planning laws and their practical implementation by local authorities.

Separately, foreign firms' access to sites can be delayed or declined through restrictions under the Overseas Investment Act.

RGRs continue to remove covenants

Following the Market Study's recommendations to prohibit restrictive and exclusive covenants that inhibit retail grocery store development, the use of restrictive and exclusivity covenants that inhibit retail grocery store development is now prohibited, and existing covenants are unenforceable.[319]

[319] See s28A of the Commerce Act 1986. Limited to covenants in which a designated grocery retailer has an interest. Designated grocery retailer is currently defined in s28A of the Commerce Act as FSNI, FSSI, and WWNZ including all franchises and interconnected bodies corporate.

While these covenants are no longer enforceable, removing covenants is still a priority as it reduces the risk of inadvertent attempts at enforcement in the future. We monitor the number of covenants in place and the work being undertaken by the RGRs to reduce these.

In AGR1 we reported the reduction in active covenants between June 2022 and August 2023. Since August 2023, RGRs have continued to reduce the number of these active land and lease covenants.[320] The number of active RGR land covenants decreased by a further 24% (five covenants). These five land covenants were held by WWNZ, which no longer has any active land covenants. The number of active lease covenants decreased by 18% (41 covenants).

Most of the remaining active covenants are either awaiting third party action or are intended to be amended. All 16 of the remaining land covenants as of February 2025 are currently awaiting action from third parties.[321] Awaiting third party action refers to active covenants where the RGR has taken steps to remove the covenant but is waiting on a response/action from a third party. A common example would be the RGR writing to a third party or lodging an e-dealing in the LINZ database. RGRs have taken at least *some* action to remove 95% of the remaining active land and lease covenants.[322]

Table 12: Reduction in land covenants - August 2023 to February 2025

RGR	August 2023	February 2025	Number change	% change
FSNI	15	15	0	0%
FSSI	1	1	0	0%
WWNZ	5	0	-5	-100%
Total	**21**	**16**	**-5**	**-24%**

Source: Commission analysis of industry information.

320 In this section we are referring to land and lease covenants which fall within the scope of the Amendment Act (covenants which inhibit retail grocery store development). We are not referring to RGR covenants which fall outside of this scope.

321 Commerce Commission Analysis of information provided by RGRs.

322 Commerce Commission Analysis of information provided by RGRs.

Table 13: Reduction in lease covenants - August 2023 to February 2025

RGR	August 2023[323]	February 2025	Number change	% change
FSNI	15	6	-9	-60%
FSSI	8	7	-1	-13%
WWNZ	199	168	-31	-16%
Total	**222**	**181**	**-41**	**-18%**

Source: Commission analysis of industry information.

Since legislative changes were made in mid-2022 WWNZ has been in the process of reviewing its leased sites to assess if there were covenants potentially captured by the new prohibitions. WWNZ operates predominantly from leased sites, which means it has had a high volume of lease documents to review for this purpose.

WWNZ told us it had made progress in reviewing its supermarket leases for prohibited covenant issues and, accordingly, by the end of 2024 had sent draft deeds of lease variation to affected landlords identified by that time. Furthermore, WWNZ told us it is completing its review of the remainder of its lease portfolio for prohibited covenant issues and has a work programme in place under which deeds of lease variation will continue to be prepared and provided to the relevant landlords.[324] We will continue to seek updates from WWNZ as it completes this work.

Overall, we are encouraged by the efforts of RGRs to remove restrictive grocery covenants. We will continue to collect information periodically and publish it in future monitoring reports. We encourage stakeholders to contact us if there is concern that any party is trying to enforce a prohibited land or lease covenant.

Strategic property holdings not a current cause for concern

Supermarket developments can take many years to work through restrictive zoning, consent and Overseas Investment Act processes, and RGRs acquire land rights many years in advance of site commissioning to navigate these requirements and if suitable sites are identified in areas where suitable sites are scarce. However, this creates a risk that RGRs may hold onto land they no longer need or buy or lease properties earlier than is necessary to prevent new entrants or expansion by competitors. This could include holding on to larger sites suitable for greenfield supermarket developments, as well as holding smaller sites in inner city areas that potentially block infill developments by competitors.

323 Numbers for August 2023 are not directly comparable with those reported in AGR 1. Previously reported numbers included grocery covenants which are out of scope of s 28A of the Commerce Act and excluded WWNZ lease covenants which were under review to establish if they fell within scope of s 28A.

324 Information provided by WWNZ.

In AGR1 we highlighted the RGRs' extensive retail and non-retail property portfolios and stated that land banking was an area of concern that we would investigate in more detail.

We have assessed updated information about RGRs' property holdings

In recent months we have requested much more granular information from the RGRs on their property holdings. Our new analysis has identified a combined 218 property holdings across the RGRs (owned or leased) that are not retail supermarkets. 47 of these sites are used for wider operations (eg. distribution centres and offices) or are being used for future supermarkets that are currently under construction.[325] The remaining 171 sites could potentially be used strategically by RGRs to obtain a competitive advantage, for example, land banking or refusing to sell, lease or sub-let to close competitors.

For each of these sites, the RGRs have reported current (Table 14) and future use (Table 15). About a third of the sites held are currently undeveloped or vacant land, or sites where supermarket site preparations are underway, but construction is yet to begin. The remaining two-thirds of sites are retail, other business, or residential tenancies. This includes some stand-alone stores, but also multi-tenant properties at the same address (including shopping centres) adjacent to RGR supermarkets.[326] The RGRs expect that for most of these tenancies, either the current use will continue, or the site will eventually be used to support future expansion at an existing adjacent supermarket.

Table 14: Current use of RGRs' property holdings - February 2025

RGR	Undeveloped sites/vacant land/site preparations[327]	Retail, other business, or residential tenancies[328]	Total
FSNI	17	56	73
FSSI	12	36	48
WWNZ	21	29	50
Total	**50**	**121**	**171**

Source: Commission analysis of industry information

In total these 51 sites relate to only 38 separate developments including 33 supermarkets and five other RGR developments. We are also aware of a relatively small number of additional agreements to lease sites not included in the property holdings (as not currently owned or leased).

325 These figures exclude Gilmours (FSNI) and Trents (FSSI) Cash 'n Carry stores themselves, but include additional land holdings or tenancies adjacent to or at these sites.

326 The tenancies within these sites are typically much smaller in floor area than the adjacent supermarkets.

327 This includes sites that are held for future supermarket developments where site preparations are underway, but construction has not yet started.

328 This includes tenancies adjacent to existing supermarkets (a small proportion are currently vacant).

Notably, each of the RGRs also reported a significant number of sites for divestment. The RGRs have stated that they intend to divest a combined 35 properties that they are not currently using for their wider operations. This includes some larger properties that may be suitable for supermarket developments. The RGRs expect most of these divestments to occur within the next two years.

Table 15: Future stated use by RGRs for property holdings - February 2025

RGR	Future new store or wider network developments	Held for store expansion, continue current tenancies, or planned divestment[329]	Total
FSNI	16	57	73
FSSI	12	36	48
WWNZ	23	27	50
Total	**51**	**120**	**171**

Source: Commission analysis of industry information

We have not identified any immediate issues of concern

After detailed analysis, our current view is we don't have immediate issues of concern with land banking. The extent of the RGRs' land holdings for future developments, as well as their plans to divest property holdings of land which is no longer required (which we discuss further below), give us reason to be cautiously optimistic.

We expect the RGRs will continue to regularly review their property holdings and promptly follow through with divesting the excess.

We will continue to develop our understanding of RGR property strategies, intentions and the impact this has on potential new entrants or expansion and new information could lead us to reconsider our position.

We will also continue to collect granular information from the RGRs on their property holdings and provide transparency through our monitoring reports and intend to closely examine all new land acquisitions by RGRs going forward.

We encourage industry participants to raise specific concerns with us

We are mindful that stakeholders may have specific concerns that are not apparent in assessing property holdings at an aggregate level. We invite stakeholders to contact us with concerns about sites and anti-competitive behaviour in relation to the RGRs' land holdings and can investigate further if appropriate. We can also expand our monitoring to other areas or sector participants.

329 This includes sites held for future store expansions, sites where RGRs expect to continue retail, other business, or residential tenancies and also includes sites listed for divestment.

Stakeholders can contact us to raise concerns through the following channels:

- You can make an enquiry or complaint on our website or contact us directly at contact@comcom.govt.nz.

- If you are at all concerned about revealing your identity, our Anonymous Reporting Tool provides a secure channel for people to remain anonymous when coming forward to the Commission. Find out more about our Anonymous Reporting Tool on our website https://comcom.govt.nz/make-a-complaint

Planning law restricts and complicates retail development

To develop a bricks and mortar retail grocery store, a retailer must comply with planning regulations, such as zoning requirements within the local council's District Plan, and in some cases the resource consent process. Planning regulations can slow the development of new stores if there are significant costs or delays in the consenting process. Compliance with planning law is a necessary pre-requisite to any entry or expansion in retail grocery. This is particularly, but not exclusively, the case for bricks and mortar retailers.

Planning law can have a significant impact on competition. This can occur through zoning rules that impact the number of suitable sites available, consenting and notification processes that can cause delays and uncertainty, and business attempts to use planning law to hinder their competitors' access to or ability to develop suitable sites.

We would expect planning law to have the most significant impact on competition in markets like the retail grocery market where the quantity of floorspace required is high and where the needs of businesses in terms of site location are relatively specific.

We have analysed information provided by the RGRs which shows that between 2021 and 2024:

- The process of obtaining resource consent for a supermarket took approximately 18 months and cost $1 million on average;

- Time and cost varied greatly depending on the size and complexity of the application:

  - some consents were issued within several months, others took multiple years; and

  - some consents were achieved with costs in the tens of thousands of dollars, while others cost several million dollars.[330]

This demonstrates that the resource consenting process for supermarket development can be a significant barrier to the cost and timeframes for entry. Additionally, we have heard that requirements and processes between councils vary, this can add further complexity and cost to the process particularly for parties lacking existing knowledge and experience.

330 Commission analysis of industry information.

The Government plans to replace the current RMA with new resource management legislation.[331] The proposed legislation would introduce nationally standardised land-use zones and one combined resource management plan per region. The intention for this change is to reduce the number of plans overall and have plans that are simpler and are consistent across the country. In addition, the intention is that fewer resource consents would be required and that the number of consent categories be reduced for greater simplicity and certainty.[332]

Under this proposed legislation greater access to land for grocery retail developments, as well as for other retail sectors, may be enabled. The proposed reforms may also remove councils' ability to consider an adverse competition impact on an incumbent when deciding on the use of land.[333]

How planning laws can better facilitate competition

We have previously submitted on proposed changes to the RMA, suggesting amendments that could better facilitate retail competition.[334] These recommended amendments align with recommendations that were made as part of the Market Study. The key recommendations are:

- making it explicit that the positive outcomes associated with trade competition (and negative outcomes associated with reduced competition) may (and should) be considered in planning instruments and consenting decisions; and
- considering prohibiting decision-makers from declining retail and commercial developments on the basis of adverse retail distribution effects on existing commercial centres.[335]

We maintain our view that these changes should be considered in amendments to planning laws currently under development, and we will engage with central Government on them.

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331 Beehive "New planning laws to end the culture of 'no'" (24 March 2025), https://www.beehive.govt.nz/release/new-planning-laws-end-culture-%E2%80%98no%E2%80%99.

332 Ministry for the Environment "Reforming the resource management system – replacing the RMA" (Accessed 24 June 2024). https://environment.govt.nz/news/reforming-the-resource-management-system-replacing-the-rma/.

333 Beehive "New planning laws to end the culture of 'no'" (24 March 2025), https://www.beehive.govt.nz/release/new-planning-laws-end-culture-%E2%80%98no%E2%80%99.

334 Commerce Commission "Submission on the Natural and Built Environment Bill and Spatial Planning Bill" (2 February 2022), https://comcom.govt.nz/__data/assets/pdf_file/0024/343185/Submission-to-Environment-Committee-on-the-Natural-and-Built-Environment-Bill-and-Spatial-Planning-Bill-2-February-2022.pdf.

335 'Commercial centres' refer to retail and business 'hubs' such as a central business district or suburban equivalent.

Overseas Investment Act creates barriers for investment

The Overseas Investment Act requires a transaction to be consented if it will result in overseas investment in sensitive land or significant business assets.[336] This requirement is therefore a regulatory barrier that can make it difficult for overseas retailers to enter the grocery industry using overseas capital.[337]

The Overseas Investment Office (**OIO**) is the agency responsible for assessing notifications and applications for consent under the Overseas Investment Act. It also monitors and enforces compliance relating to overseas investment. The OIO sits under its parent agency Toitū Te Whenua Land Information New Zealand.

The notification and application process may create costs, delays and/or uncertainty in site acquisition for overseas entities looking to enter the New Zealand retail grocery industry.[338]

Where consent is required, there is a potential for incumbents to oppose applications of their future competitors, or to judicially review consents granted by the OIO. Foodstuffs have engaged in such action in the past.[339]

As an Australian-owned business, WWNZ requires OIO approval to purchase or lease sensitive land. The OIO recently approved WWNZ's request for a standing consent to acquire residential land, but for a shorter time period and with a lower limit on the number of transactions than its previous standing consent. This was due to uncertainty about the future of residential land screening under the Overseas Investment Act.[340]

In early 2025, the Government announced plans to reform the Overseas Investment Act. The reforms will focus on enabling New Zealand businesses to access overseas investment more easily, as well as streamlining the consent process for faster decision-making.[341] This has the potential to make it more attractive for an established overseas retailer to enter the New Zealand grocery market.

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336 Overseas Investment Act 2005.

337 Commerce Commission "Market study into the retail grocery sector – final report" (8 March 2022) at p. 258, https://comcom.govt.nz/__data/assets/pdf_file/0024/278403/Market-Study-into-the-retail-grocery-sector-Final-report-8-March-2022.pdf.

338 Commerce Commission "Market study into the retail grocery sector – final report" (8 March 2022) at p. 259, https://comcom.govt.nz/__data/assets/pdf_file/0024/278403/Market-Study-into-the-retail-grocery-sector-Final-report-8-March-2022.pdf.

339 Commerce Commission "Market study into the retail grocery sector – final report" (8 March 2022) at p. 259, https://comcom.govt.nz/__data/assets/pdf_file/0024/278403/Market-Study-into-the-retail-grocery-sector-Final-report-8-March-2022.pdf.

340 Information received from WWNZ.

341 Beehive "Going for Growth: Overseas investment changes to drive higher wages" (23 February 2025), https://www.beehive.govt.nz/release/going-growth-overseas-investment-changes-drive-higher-wages.

While the Overseas Investment Act process may impact on entry and expansion in the grocery industry, we note that there are a range of policy considerations underpinning the Overseas Investment Act; it is for Government to determine the weight to be placed on improving competition relative to other factors when reviewing overseas investment policy.

TE WHAI WĀHI KI NGĀ KAI

ACCESS TO GROCERIES

Access to groceries is a further key barrier to entry and expansion in the grocery industry. Other retailers need to be able to access a diverse range of grocery products at cost effective prices to compete with the RGRs. This section covers two access routes to obtain groceries: direct supply and the wholesale access regime enabled through Part 3 of the Act. These are being looked at within the current Wholesale Supply Inquiry.[342]

We also discuss best price and exclusive supply agreements, which are strategic practices by the RGRs that can restrict suppliers' ability to supply to a wide range of retailers, and regulatory barriers to entry like the Sale and Supply of Alcohol Act.

Direct supply

One avenue for retailers to access groceries for resale is through direct supply. Direct supply (sometimes known as a direct supply chain) involves sourcing goods directly from a supplier, rather than from a third party such as a wholesaler. In terms of delivery, this generally involves a retailer taking deliveries from a supplier direct to their store or direct to their distribution centre.

Direct supply is generally the most desirable way for retailers to obtain products for resale because suppliers and retailers can negotiate directly and there is reduced handling of products by intermediaries such as wholesalers which can add costs. Suppliers may agree minimum order requirements for direct supply to ensure cost effectiveness for them. However, these minimum order requirements, can be too high for smaller retailers to gain direct supply. This often directs such retailers towards wholesaler or distributor services.

As part of our Wholesale Supply Inquiry, we undertook engagement with other retailers. Our engagement with other retailers consistently found that they prefer direct supply but have struggled to obtain it due to minimum order requirements or at a competitive price relative to the RGRs.[343]

342 Commerce Commission "Wholesale Supply Inquiry Preliminary Findings Paper" (5 June 2025), https://comcom.govt.nz/__data/assets/pdf_file/0024/278403/Market-Study-into-the-retail-grocery-sector-Final-report-8-March-2022.pdf.

343 Commerce Commission engagement with other retailers.

Engagement undertaken as part of the Wholesale Supply Inquiry has found that the ability of other retailers to secure competitive direct supply varies across different categories. For example, we understand that other retailers have reasonable access to fresh produce at competitive prices from primary wholesalers (eg, T&G Fresh, MG Marketing, Fresh Direct), secondary wholesalers (eg, Bidfood, Service Foods) and directly from growers.[344] However, other retailers told us the prices offered for other categories through direct channels, including substantial supplier distribution networks, are not always cost effective, rendering their retail offerings uncompetitive with RGR stores.[345]

Many suppliers currently supply other retailers directly or indicated they would be willing to.[346] However, our survey found that more than 81% of suppliers offer terms (including on price, payment terms, delivery requirements, merchandising and product range) to other retailers that differ either a little or a lot compared to each RGR.[347] Regarding price, data obtained on select top-selling SKUs from a sample of suppliers showed that for approximately 70% of top-selling SKUs, RGRs received the lowest net price, while other customers seldom obtained the lowest net price.[348] This reinforces our engagement that other retailers that direct supply generally does not allow them to compete with RGRs on price.

Wholesale access regime

Another avenue to access groceries for resale is through the wholesale offers of the RGRs. The Market Study found that without wholesale supply, smaller independent stores and smaller new entrants were unlikely to be able to access a range of groceries cheaply enough to compete with the RGRs.[349] Following this, the wholesale access regime was introduced under Part 3 of the Act. The regime intends to enable other retailers to take advantage of the RGRs' scale and efficiency in purchasing and distributing groceries for retail sale.

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344 Commerce Commission "Wholesale Supply Inquiry Preliminary Findings Paper" (5 June 2025) at p. 99, https://comcom.govt.nz/__data/assets/pdf_file/0026/366650/Wholesale-Supply-Inquiry-Preliminary-Findings-Paper-5-June-2025.pdf.

345 Commerce Commission "Wholesale Supply Inquiry Preliminary Findings Paper" (5 June 2025) at p. 89, https://comcom.govt.nz/__data/assets/pdf_file/0026/366650/Wholesale-Supply-Inquiry-Preliminary-Findings-Paper-5-June-2025.pdf.

346 Commerce Commission "Wholesale Supply Inquiry Preliminary Findings Paper" (5 June 2025) at p. 102, https://comcom.govt.nz/__data/assets/pdf_file/0026/366650/Wholesale-Supply-Inquiry-Preliminary-Findings-Paper-5-June-2025.pdf.

347 Commerce Commission "TRA x Commerce Commission Grocery Supplier Survey" (January 2025) at p. 48, https://comcom.govt.nz/__data/assets/pdf_file/0031/366646/Commerce-Commission-x-TRA-Grocery-Supplier-Survey-Report-5-June-2025.pdf.

348 Commerce Commission "Wholesale Supply Inquiry Preliminary Findings Paper" (5 June 2025) at p. 80, https://comcom.govt.nz/__data/assets/pdf_file/0026/366650/Wholesale-Supply-Inquiry-Preliminary-Findings-Paper-5-June-2025.pdf.

349 Commerce Commission "Market Study into the retail grocery sector – final report" (8 March 2022) at p. 189, https://comcom.govt.nz/__data/assets/pdf_file/0024/278403/Market-Study-into-the-retail-grocery-sector-Final-report-8-March-2022.pdf.

Total sales reported under the wholesale access regime from July 2023 to February 2025 were $15.3 million, while reported sales in the year to February 2025 were $11.5 million.[350] As of 30 April 2025 there were 161 signed wholesale agreements. Of these, 75 were FSNI customers, 67 were WWNZ customers and 19 were FSSI customers.[351] WWNZ, through its new grocery wholesale business NZ Grocery Wholesalers accounts for approximately 80% of sales reported under the Act.[352]

Wholesale supply inquiry at a glance

Following a progress assessment of the RGRs' wholesale offers, which was published in AGR1 we commenced a Wholesale Supply Inquiry under section 55 of the Act, to consider whether additional regulation should apply to the wholesale regime.[353]

On 24 September 2024, the Wholesale Supply Inquiry Preliminary Issues Paper was published.[354] This document received 19 submissions and four cross-submissions from a variety of interested parties (including the RGRs, suppliers, independent retailers, wholesale customers and industry bodies).[355]

As of the publishing of our Preliminary Findings Paper, more than 60 targeted engagements had been undertaken as part of the Inquiry. This included approximately 40 supplier meetings, approximately 20 meetings and written responses from other retailers and/or wholesale customers, and meetings with other industry participants (eg, industry bodies).

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350 Commerce Commission "Wholesale Supply Inquiry Preliminary Findings Paper" (5 June 2025) at p. 4, https://comcom.govt.nz/__data/assets/pdf_file/0026/366650/Wholesale-Supply-Inquiry-Preliminary-Findings-Paper-5-June-2025.pdf.

351 Commerce Commission "Wholesale Supply Inquiry Preliminary Findings Paper" (5 June 2025) at p. 117, https://comcom.govt.nz/__data/assets/pdf_file/0026/366650/Wholesale-Supply-Inquiry-Preliminary-Findings-Paper-5-June-2025.pdf.

352 Commerce Commission "Wholesale Supply Inquiry Preliminary Findings Paper" (5 June 2025) at p. 4, https://comcom.govt.nz/__data/assets/pdf_file/0026/366650/Wholesale-Supply-Inquiry-Preliminary-Findings-Paper-5-June-2025.pdf.

353 Commerce Commission "Wholesale Supply Inquiry" (accessed 15 April 2025), https://comcom.govt.nz/regulated-industries/grocery/wholesale-supply-inquiry2.

354 Commerce Commission "Wholesale Supply Inquiry Preliminary Issues Paper" (24 September 2024), https://comcom.govt.nz/__data/assets/pdf_file/0026/362519/Wholesale-Supply-Inquiry-Preliminary-Issues-Paper-24-September-2024.pdf.

355 Submissions on the Preliminary Issues paper can be found here: https://comcom.govt.nz/regulated-industries/grocery/wholesale-supply-inquiry2?target=documents&root=362301; cross-submissions can be found here: https://comcom.govt.nz/regulated-industries/grocery/wholesale-supply-inquiry2?target=documents&root=363313.

On 5 June 2025, we published a Preliminary Findings Paper for consultation.[356] Key findings within this paper are:

- The wholesale access regime is not having any material impact at present. Total reported sales from the wholesale access regime represent less than 0.03% of retail grocery sales.[357] Substantial change and acceleration of progress will be required if the wholesale regime is to deliver benefits to consumers.

- Behaviour change is required from RGRs and suppliers to enable an effective wholesale access regime. For example, RGRs need to make wholesale offers that pass on promotional funding and expand the product ranges of their wholesale offers.[358] Suppliers need to allocate more of their rebate, discount and promotion (**RDP**) funding to smaller retailers but preferably reduce their use of promotional funding in favour of average pricing accessible to all retailers that is stable over time.[359]

- Our preliminary view is we have sufficient evidence to impose or recommend additional regulation. This is because current wholesale offers are not materially contributing to achieving the purpose of the wholesale regime under the Act. There are shortcomings in the RGRs' wholesale offers, most significantly in terms of pricing and range, and they are not consistent with wholesale offerings provided in a competitive wholesale market.[360]

- There is a window for suppliers and RGRs to effect necessary changes, we will then reassess whether further regulation needs to be imposed or recommended.

At this stage we consider that the least costly alternative to imposing or recommending additional regulation is for the parties to change their wholesale.

We have proposed to extend the Inquiry timeframes by a year to give participants more time to address these recommendations. However, we may bring the timing for concluding the Inquiry forward if it becomes clear that sufficient progress is not being made by industry.[361]

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356 Commerce Commission "Wholesale Supply Inquiry Preliminary Findings Paper" (5 June 2025), https://comcom.govt.nz/__data/assets/pdf_file/0026/366650/Wholesale-Supply-Inquiry-Preliminary-Findings-Paper-5-June-2025.pdf.

357 Commerce Commission "Wholesale Supply Inquiry Preliminary Findings Paper" (5 June 2025) at p. 4, https://comcom.govt.nz/__data/assets/pdf_file/0026/366650/Wholesale-Supply-Inquiry-Preliminary-Findings-Paper-5-June-2025.pdf.

358 Commerce Commission "Wholesale Supply Inquiry Preliminary Findings Paper" (5 June 2025) at p. 4, https://comcom.govt.nz/__data/assets/pdf_file/0026/366650/Wholesale-Supply-Inquiry-Preliminary-Findings-Paper-5-June-2025.pdf.

359 Commerce Commission "Wholesale Supply Inquiry Preliminary Findings Paper" (5 June 2025) at p. 5, https://comcom.govt.nz/__data/assets/pdf_file/0026/366650/Wholesale-Supply-Inquiry-Preliminary-Findings-Paper-5-June-2025.pdf.

360 Commerce Commission "Wholesale Supply Inquiry Preliminary Findings Paper" (5 June 2025) at p. 5, https://comcom.govt.nz/__data/assets/pdf_file/0026/366650/Wholesale-Supply-Inquiry-Preliminary-Findings-Paper-5-June-2025.pdf.

361 Commerce Commission "Wholesale Supply Inquiry Preliminary Findings Paper" (5 June 2025) at para 12, https://comcom.govt.nz/__data/assets/pdf_file/0026/366650/Wholesale-Supply-Inquiry-Preliminary-Findings-Paper-5-June-2025.pdf.

More information about the Wholesale Supply Inquiry, including how to provide a submission, can be found on our website here: https://comcom.govt.nz/regulated-industries/grocery/wholesale-supply-inquiry2

Best price and exclusive supply clauses

In concentrated markets, such as the grocery industry, there is a risk that best price and exclusive supply clauses can be used strategically by RGRs impacting suppliers' ability to supply other retailers.

Exclusive supply clauses typically operate two ways: a retailer is prohibited (or heavily disincentivised) by a supplier from buying a similar product from other suppliers, or a retailer requires that a supplier's product is provided exclusively to that retailer. Exclusive supply agreements can be for the benefit of either the supplier and/or retailer, depending on the clause and its wording. For example, when an RGR is prohibited from buying a type of product from other suppliers, this deal is beneficial to the supplier. Generally, we only see these types of deals with very large suppliers.[362]

When a supplier's product is exclusive to one RGR, this can be seen as either mutually beneficial between retailers and suppliers, or more beneficial for the retailer. It can be mutually beneficial as the supplier gains a degree of certainty from a retailer who will stock their product. It can also be more beneficial for the retailer, as the supplier can no longer shop around for better terms, due to being locked in with one retailer.

Best price clauses ensure a particular buyer obtains products from a supplier on terms that are at least as good as (or, in some cases, better than) those provided to other buyers.[363] Best price clauses are mainly for the benefit of the retailer.[364] They can entrench a buying price advantage over other retailers which could restrict other retailers' ability to compete on price.

362 Commerce Commission "Wholesale Supply Inquiry Preliminary Findings Paper" (5 June 2025) at p. 106, https://comcom.govt.nz/__data/assets/pdf_file/0026/366650/Wholesale-Supply-Inquiry-Preliminary-Findings-Paper-5-June-2025.pdf.

363 Commerce Commission analysis of information provided by RGRs.

364 Commerce Commission analysis of information provided by RGRs.

Concerns previously raised with these clauses

One retailer's submission to the Market Study conference stated exclusive supply clauses had a significant impact on its ability to stock a full range of products, but RGRs stated neither exclusive supply nor best price clauses were common.[365] The Market Study recommended monitoring the major grocery retailers' use of best price clauses and exclusive supply clauses, given their potential impact on the conditions of entry and expansion.[366]

Clause 22 of the Code provides that, "the retailer must not engage in any conduct that has the purpose, effect, or likely effect of unduly hindering or obstructing a supplier from supplying groceries to any other party."[367] Inclusion in the Code of this clause reflects suppliers' concerns that RGRs could use their market power to prevent them from supplying other customers, which could include pressuring them to enter into exclusive supply agreements.

Exclusive supply agreements most prevalent in private label products

In our analysis of RGR data, we have found that exclusive supply agreements are almost twice as common as best price agreements.[368] The three RGRs combined had over 150 of these agreements as of November 2024, spanning roughly 80 different suppliers.[369] Additionally, these agreements are less prevalent for branded products, and more common in private label. The three RGRs combined have fewer than 20 exclusive supply/best price agreements for branded products; for private label, there are over 100 of these agreements.[370]

While the number of agreements in relation to the total number of suppliers is low the impact on competition depends on the term durations of the agreements and the specifics of the products captured.[371]

Despite the low prevalence of formal best price/exclusive supply clauses, we found through engagement with suppliers that there are behaviours that mimic the effect of a best price or exclusive supply agreement. For example, suppliers have told us that volume is the key driver of the price they offer to retailers.[372] This means suppliers' largest customers often get the best price, effectively resulting in a best price deal for that customer, despite having no formal best price agreement in place.

365 Commerce Commission "Market study into the retail grocery sector – final report" (8 March 2022) at p. 253, https://comcom.govt.nz/__data/assets/pdf_file/0024/278403/Market-Study-into-the-retail-grocery-sector-Final-report-8-March-2022.pdf.

366 Commerce Commission "Market study into the retail grocery sector – final report" (8 March 2022) at p. 380, https://comcom.govt.nz/__data/assets/pdf_file/0024/278403/Market-Study-into-the-retail-grocery-sector-Final-report-8-March-2022.pdf.

367 Grocery Industry Competition (Grocery Supply Code) Amendment Regulations 2023, Clause 22

368 Commerce Commission analysis of information provided by RGRs

369 Commerce Commission analysis of information provided by RGRs

370 Commerce Commission analysis of information provided by RGRs.

371 Commerce Commission analysis of information provided by RGRs.

372 Commerce Commission "Wholesale Supply Inquiry Preliminary Findings Paper" (5 June 2025) at p. 106, https://comcom.govt.nz/__data/assets/pdf_file/0026/366650/Wholesale-Supply-Inquiry-Preliminary-Findings-Paper-5-June-2025.pdf

Furthermore, we understand that some suppliers mitigate like-for-like price comparisons between their retail customers by offering different variations of similar SKUs. This can take place in the form of different pack sizes or branding.[373] This essentially acts as an exclusive supply agreement for that variation of that product, despite no formal agreement.

We will continue to monitor these clauses

We have not seen widespread competition impacts from these formal clauses. Moreover, best price clauses appear to align with customers (in this case the RGRs) purchasing the largest volumes and therefore securing the best price. However, we can envisage a number of scenarios where we would be concerned about these arrangements:

- if these best price agreements prevented a retailer from being able to find suppliers to create a private label line, or to secure a private label contract at a competitive price, this would be concerning;
- if such agreements were adopted in key categories or for staple products with only a small number of suppliers, this may further limit a retailer's ability to source private label products competitively;
- if staple branded products were exclusive to one retailer, or substantially cheaper at one store because of differences in suppliers' prices, this would be problematic as it restricts consumers from getting a similar range of goods across all RGRs.

We intend to continue monitoring the prevalence of best price and exclusive supply clauses. In addition, over the coming year we intend to look into the potential impacts of these clauses in more detail. We encourage industry stakeholders to contact us if they encounter issues relating to these arrangements between suppliers and RGRs.

Sale and supply of alcohol

There are documented public policy reasons for restricting the types of business that can sell alcohol, including to help reduce alcohol-related harm.

However, restrictions or barriers to the sale of alcohol may discourage retailers from entering or expanding in the retail grocery market. Alcohol licensing laws prevent existing or prospective retailers from offering a full range of alcoholic products consumers wish to buy. This includes dairies and convenience stores, as well as other existing retailers seeking to expand into grocery products. It is worth noting RGR supermarkets are also restricted from offering the full range of alcoholic products.

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373 Commerce Commission "Wholesale Supply Inquiry Preliminary Findings Paper" (5 June 2025) at p. 106, https://comcom.govt.nz/__data/assets/pdf_file/0026/366650/Wholesale-Supply-Inquiry-Preliminary-Findings-Paper-5-June-2025.pdf

Alcohol licensing and selling is governed by the Sale and Supply of Alcohol Act 2012 (**Sale and Supply of Alcohol Act**). Its purpose is that the sale, supply, and consumption of alcohol should be undertaken safely and responsibly, and the harm caused by the excessive or inappropriate consumption of alcohol should be minimised.[374]

The Sale and Supply of Alcohol Act has a number of provisions that reduce the availability of alcohol, including an effective restriction on alcohol sale by small retailers such as dairies or convenience stores.[375] It achieves this by limiting the availability of licences to sell alcohol in a retail context ('off-licences') to specialised liquor stores, supermarkets with a floor area of at least 1,000 square metres, and grocery stores.[376]

As noted in Chapter 2, consumers prefer one-stop shopping. As a result, some consumers seeking to purchase alcohol as part of their shopping basket might avoid shopping at grocery retailers that do not sell alcohol.[377]

Night 'n Day Foodstores highlighted this concern in their submission to Select Committee during the development of the Sale and Supply of Alcohol Act, noting that outside of Foodstuffs cooperatives and Woolworths, there is no other nationwide chain that can supply consumers with grocery products and alcohol.[378]

Independent Hamilton supermarket FIFO had its application for a liquor licence declined by the Hamilton City Council's district licensing committee in January 2025, despite operating on the site of a former Countdown that held a liquor licence. FIFO noted that the ability to sell alcohol would allow them to offer a one-stop shop. In its decision, the committee noted that economic considerations could not override the need to minimise alcohol harm.[379]

The Market Study recommended looking at the Sale and Supply of Alcohol Act to consider if it unduly impacts entry and expansion conditions in the retail grocery market.[380] This could be revisited when this Act is next reviewed.

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374 Sale and Supply of Alcohol Act 2012, s 4.

375 Ministry of Justice "Alcohol Reform 2010: Regulatory Impact Statement" (14 May 2010), p. 10, https://www.justice.govt.nz/assets/Regulatory-Impact-Statement-2010-Alcohol-Reform.pdf; Ministry of Justice "Regulatory Impact Statement: Regulatory Regime for the new Alcohol Law" (November 2013), https://www.justice.govt.nz/assets/Regulatory-Impact-Statement-Regulatory-Regime-for-the-new-Alcohol-Laws.pdf.

376 Sale and Supply of Alcohol Act 2012, s 32.

377 Commerce Commission "Market study into the retail grocery sector – final report" (8 March 2022) at p. 260, https://comcom.govt.nz/__data/assets/pdf_file/0024/278403/Market-Study-into-the-retail-grocery-sector-Final-report-8-March-2022.pdf.

378 Night 'n Day Foodstores "Grocery Market Review submission" (17 January 2023) p. 5, https://www.parliament.nz/resource/en-NZ/53SCED_EVI_129934_ED11544/3a1b392b25e6aefab72ccbea6bb0b34adc7b3e4b.

379 Waikato Times "Nawton's FIFO supermarket fails in bid for key alcohol sales licence" (8 January 2025), https://www.waikatotimes.co.nz/nz-news/360541374/nawtons-fifo-supermarket-fails-bid-key-alcohol-sales-licence.

380 Commerce Commission "Market study into the retail grocery sector – final report" (8 March 2022) at p. 380, https://comcom.govt.nz/__data/assets/pdf_file/0024/278403/Market-Study-into-the-retail-grocery-sector-Final-report-8-March-2022.pdf.

While the Sale and Supply of Alcohol Act may impact on entry and expansion in the grocery industry, we note that there are a range of policy considerations underpinning the Act; it is for Government to determine the weight to be placed on improving competition relative to other factors when reviewing alcohol policy.

WĀHANGA 7 CHAPTER 7

Ā ngā kaihoko whiwhinga ki te kai

Acquisition of groceries by retailers

In Chapter 7 we summarise the characteristics of grocery suppliers. We also discuss the dynamic between RGRs and suppliers, as well as the protections in place for suppliers.

NGĀ TAIPITOPITO KEY POINTS

- Retailers acquire goods from a wide and diverse range of suppliers, but the RGRs are the largest buyers of grocery products in New Zealand. This makes the RGRs a key route to market for many suppliers, with our supplier survey indicating that the RGRs on average account for over half of suppliers' sales. Over 40% of surveyed suppliers indicated that two-thirds or more of their sales came from the RGRs.

- Among the approximately 3,100 suppliers who sold goods to the RGRs in 2024, bargaining power and general experience with the RGRs varies. Our supplier survey corroborates anecdotal evidence that one of the biggest factors influencing the RGR / supplier relationship is the size of the supplier – with larger suppliers more likely to report favourable experiences than smaller suppliers. This is particularly important given that 10% of grocery suppliers account for 90% of wholesale grocery purchases by RGRs which leaves a long tail of small suppliers.

- Despite an overseas trend of private label growth and current cost of living concerns in New Zealand, our analysis of RGR data shows that private label sales have remained stable at around 17% of RGRs sales revenue and 20% of units sold between 2020 and 2024.

- The Grocery Industry Dispute Resolution Scheme was launched in September 2024. This provides a mechanism for suppliers to bring complaints to an independent body for resolution.

- The Grocery Supply Code is currently under review with a draft revised Code published for consultation in June 2025. The draft revised Code sets out a number of proposed amendments to better meet its purpose under the Act.

Features of grocery acquisition in New Zealand

RGRs and other retailers obtain groceries to on-sell from a wide and diverse range of New Zealand and overseas- based suppliers. They range from small local growers and craft food producers, iwi and other New Zealand owned businesses, to large multinational businesses.

RGRs are the largest buyers of grocery products in New Zealand, collectively spending $18.3 billion per annum and are a key route to market for many suppliers.[381] Suppliers seek access to and compete for RGRs' limited in-store shelf space.[382] RGRs take a number of factors into consideration when choosing which suppliers to purchase from, including a product range to meet the needs of consumers, availability of supply, RGRs' target margins, operational ease, and product substitutability.[383]

Most ranging decisions are made centrally through RGR head offices. However, some decisions are made at store level, particularly under Foodstuffs' operating model. Suppliers will aim to reach an agreement for a supply contract through negotiations with RGRs' category management teams, often done through the RGR range review process or by a new supplier with a new product contacting the RGR.[384]

Small group of large suppliers; long tail of smaller suppliers

In 2024, FSNI and FSSI each purchased products from around 1,500 suppliers while Woolworths had a slightly higher figure of 1,800. In total, there were approximately 3,100 suppliers who had products purchased from them by at least one RGR. However, only approximately 10% of these suppliers account for 90% of wholesale grocery purchases by the RGRs.[385]

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381 Commerce Commission analysis of industry information.

382 Commerce Commission "Foodstuffs Merger Clearance Determination" (30 September 2024) at p. 144, https://comcom.govt.nz/__data/assets/pdf_file/0025/362761/5B20245D-NZCC-24-Foodstuffs-merger-clearance-determination-30-September-2024.pdf.

383 Commerce Commission NZ "Market Study into the retail grocery sector – final report" (8 March 2022) at p. 328, https://comcom.govt.nz/__data/assets/pdf_file/0024/278403/Market-Study-into-the-retail-grocery-sector-Final-report-8-March-2022.pdf.

384 Commerce Commission analysis of industry information provided via proactive compliance activity.

385 Commerce Commission analysis of industry information.

Prevalence of rebates, discounts and payments

RDP is a collective term that covers the various types of rebates, discounts and payments that are paid by a supplier to a retailer to effectively reduce the final price paid by the retailer to a supplier.[386] RGRs receive over $5 billion annually in RDPs from suppliers to promote sales and cover various risks and expenses.[387]

There is a myriad of RDP; we have identified over 50 types.[388] This adds complexity and administrative cost. Our recent supplier survey notes that regardless of supplier size, satisfaction with the level and value of RDP terms was low in respect of all RGRs.[389]

Promotional funding is large, accounting for almost two-thirds of RDP spend across RGRs.[390] The Market Study noted that supplier-controlled promotional funding is a global dynamic and more pronounced with large multinational suppliers.[391] Supplier payments for promotional activities can be considered as an investment to the supplier as they then lead to an increase in sales.[392] This often occurs through temporary price reductions.[393] The New Zealand Food and Grocery Council (NZFGC) has described that promotional activities could encourage consumers to trial a product, increase product awareness, or increase volume during a lower demand period.[394]

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386 Commerce Commission "Wholesale Supply Inquiry – Preliminary Findings Paper" (5 June 2025) at pp. 54-55 and pp. 75-77, https://comcom.govt.nz/__data/assets/pdf_file/0026/366650/Wholesale-Supply-Inquiry-Preliminary-Findings-Paper-5-June-2025.pdf.

387 Commerce Commission "Wholesale Supply Inquiry – Preliminary Findings Paper" (5 June 2025) at para X5, https://comcom.govt.nz/__data/assets/pdf_file/0026/366650/Wholesale-Supply-Inquiry-Preliminary-Findings-Paper-5-June-2025.pdf.

388 Commerce Commission "Wholesale Supply Inquiry – Preliminary Findings Paper" (5 June 2025) at para X5, https://comcom.govt.nz/__data/assets/pdf_file/0026/366650/Wholesale-Supply-Inquiry-Preliminary-Findings-Paper-5-June-2025.pdf.

389 TRA x Commerce Commission Grocery Supplier Survey (January 2025) p. 31, https://comcom.govt.nz/__data/assets/pdf_file/0031/366646/Commerce-Commission-x-TRA-Grocery-Supplier-Survey-Report-5-June-2025.pdf.

390 Commerce Commission "Wholesale Supply Inquiry – Preliminary Findings Paper" (5 June 2025) at p. 23, https://comcom.govt.nz/__data/assets/pdf_file/0026/366650/Wholesale-Supply-Inquiry-Preliminary-Findings-Paper-5-June-2025.pdf.

391 Commerce Commission NZ "Market Study into the retail grocery sector – final report" (8 March 2022) at p. 354, https://comcom.govt.nz/__data/assets/pdf_file/0024/278403/Market-Study-into-the-retail-grocery-sector-Final-report-8-March-2022.pdf.

392 Commerce Commission "Wholesale Supply Inquiry – Preliminary Findings Paper" (5 June 2025) at p. 55, https://comcom.govt.nz/__data/assets/pdf_file/0026/366650/Wholesale-Supply-Inquiry-Preliminary-Findings-Paper-5-June-2025.pdf.

393 Commerce Commission "Wholesale Supply Inquiry – Preliminary Findings Paper" (5 June 2025) at p. 3, https://comcom.govt.nz/__data/assets/pdf_file/0026/366650/Wholesale-Supply-Inquiry-Preliminary-Findings-Paper-5-June-2025.pdf.

394 New Zealand Food & Grocery Council cross-submission on Review of Grocery Supply Code

27% of survey respondents reported experiencing an issue related to promotional agreements in the last year. The most prevalent promotional agreement issues related to being pressured to pay for promotions or being required to pay for promotions that seemed unreasonable.[395] This is consistent with supplier concerns raised in the recent ACCC supermarket inquiry.[396]

Engagement with retailers in adjacent markets during our Wholesale Supply Inquiry indicated RDPs occur in other markets, however they do not appear to occur with the same scale and complexity as in the grocery industry.[397]

RGR use of private label

Private labels or "store brands", such as Pams, Woolworths and Macro, are products manufactured or provided by a supplier for sale under a retailer's brand. Together they account for approximately 14.5% of pre-packaged products across all RGR categories.[398] These products are typically a low-cost alternative to branded products that can add value to the consumer shopping experience by providing a cheaper option on the shelf.[399]

Private label products are generally produced by existing suppliers to RGRs, who win the private label contract through a tender process. This means that a supplier of private label products usually produces goods under its own brand (supplier-branded products) in competition with private label alternatives.

"Request for views on issues and opportunities to consider within the review" (11 October 2024) at para 7.2, https://comcom.govt.nz/__data/assets/pdf_file/0023/362741/New-Zealand-Food-and-Grocery-Council-Cross-submission-on-Review-of-Grocery-Supply-Code-Request-for-Views-paper-11-October-2024.pdf.

395 TRA x Commerce Commission Grocery Supplier Survey (January 2025) p. 35, https://comcom.govt.nz/__data/assets/pdf_file/0031/366646/Commerce-Commission-x-TRA-Grocery-Supplier-Survey-Report-5-June-2025.pdf

396 ACCC "Supermarkets Inquiry – final report" (February 2025) at p. 342, https://www.accc.gov.au/system/files/supermarkets-inquiry_1.pdf

397 Commerce Commission "Wholesale Supply Inquiry – Preliminary Findings Paper" (5 June 2025) at p. 77, https://comcom.govt.nz/__data/assets/pdf_file/0026/366650/Wholesale-Supply-Inquiry-Preliminary-Findings-Paper-5-June-2025.pdf

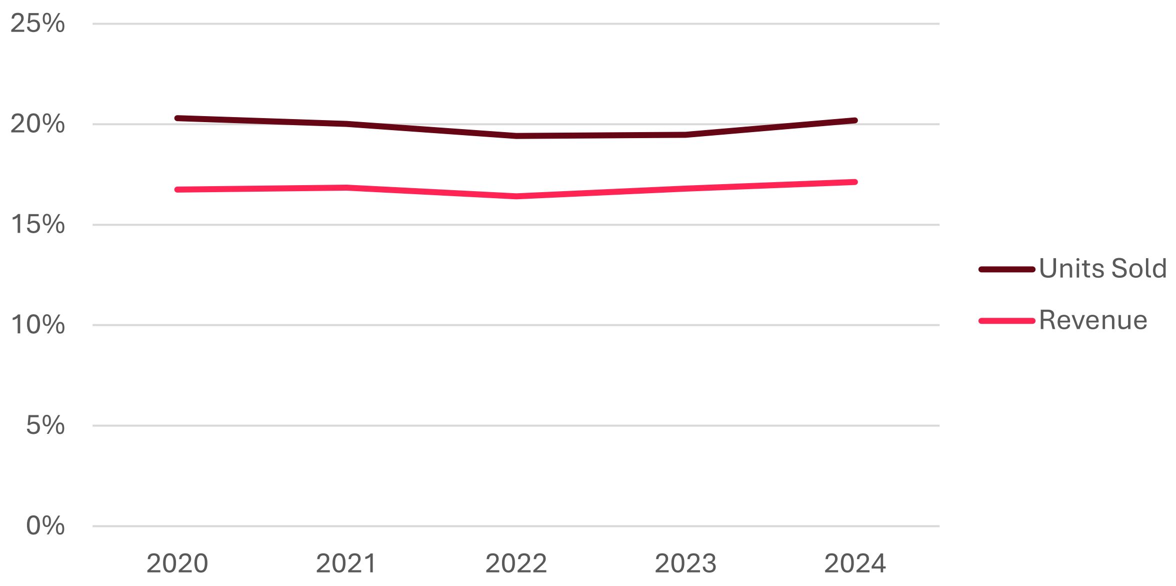
398 Business Desk "Supermarkets speak up at last about private-label products" (4 June 2025), https://businessdesk.co.nz/article/retail/supermarkets-speak-up-at-last-about-private-label-products.

399 Commerce Commission NZ "Market Study into the retail grocery sector – final report" (8 March 2022) at p. 367, https://comcom.govt.nz/__data/assets/pdf_file/0024/278403/Market-Study-into-the-retail-grocery-sector-Final-report-8-March-2022.pdf.

Concerns were raised during the Market Study by suppliers that private label products were receiving preferential treatment compared to branded products.[400] Concerns have also been raised by consumers about retailers placing greater emphasis on private label products by reducing the range of supplier-branded products being stocked.[401]

Our recent compliance monitoring project did not find evidence of preferential treatment of private label products. Notably, we saw evidence of private label products being reduced in favour of branded products. However, we acknowledge that our project was limited to a small number of recently completed range reviews (see page 149 for further information on this project).

Figure 28: Combined RGR's Private Label products as a percentage of total – by units sold and revenue – 2020-2024



Source: Commerce Commission analysis of industry data

400 Commerce Commission NZ "Market Study into the retail grocery sector – final report" (8 March 2022) at p.372, https://comcom.govt.nz/__data/assets/pdf_file/0024/278403/Market-Study-into-the-retail-grocery-sector-Final-report-8-March-2022.pdf.

401 Commerce Commission NZ "Market Study into the retail grocery sector – final report" (8 March 2022) at p.372, https://comcom.govt.nz/__data/assets/pdf_file/0024/278403/Market-Study-into-the-retail-grocery-sector-Final-report-8-March-2022.pdf.

As shown above in Figure 28, over the past five years private label sales have remained stable at around 17% of RGRs sales revenue and 20% of units sold. This is noteworthy as:

- the Market Study had found while private label sales in New Zealand were relatively low compared to overseas markets, they had been growing;[402]
- internationally private label sales are growing.[403]

As is being explored in the Wholesale Supply Inquiry, RGRs' wholesale offer should include value options (which could be private label products), since the ability for retailers to offer consumers products at a low price point is an important feature of being able to compete in the retail grocery market.[404] This is a key concern because excluding private label products for wholesale customers limits the range of offers available to consumers.

We intend to monitor RGRs' use of private label products over time as part of our ongoing monitoring of dynamics between RGRs and suppliers.

Suppliers' bargaining power

Suppliers are typically significantly more dependent on retailers than the retailers are on suppliers. In many cases, this results in a bargaining power imbalance.

The Foodstuffs merger determination highlighted that competition between RGRs is muted and not working well for many suppliers.[405] The Market Study found that bargaining power imbalances between RGRs and suppliers could lead to reduced production or capacity, lower product quality and fewer new product offerings.[406] Other grocery retailers may face reduced access to the supply of groceries, affecting their ability to enter or expand within the sector. If some suppliers exit the market, there is a risk of price increases and a reduction of competition between remaining suppliers.

402 Commerce Commission NZ "Market Study into the retail grocery sector – final report" (8 March 2022) at p.365, https://comcom.govt.nz/__data/assets/pdf_file/0024/278403/Market-Study-into-the-retail-grocery-sector-Final-report-8-March-2022.pdf.

403 Innova "Private label trends: Global market overview" (18 March 2025). https://www.innovamarketinsights.com/trends/global-private-label-trends/

404 Commerce Commission "Wholesale Supply Inquiry – Preliminary Findings Paper" (5 June 2025) at p. 31, https://comcom.govt.nz/__data/assets/pdf_file/0026/366650/Wholesale-Supply-Inquiry-Preliminary-Findings-Paper-5-June-2025.pdf.

405 Commerce Commission "Foodstuffs Merger Clearance Determination" (30 September 2024) at p. 21, https://comcom.govt.nz/__data/assets/pdf_file/0025/362761/5B20245D-NZCC-24-Foodstuffs-merger-clearance-determination-30-September-2024.pdf.

406 Commerce Commission "Market Study into the retail grocery sector – final report" (8 March 2022) at p. 324, https://comcom.govt.nz/__data/assets/pdf_file/0024/278403/Market-Study-into-the-retail-grocery-sector-Final-report-8-March-2022.pdf.

Suppliers' ability to negotiate on product ranging with RGRs depends on several factors such as their degree of patience, risk aversion, the extent of information available and their capacity to walk away from a negotiation.[407] Also relevant is the specific product range being negotiated which includes factors such as availability of supply, substitutability, sales growth and consumers' needs.[408]

Although large suppliers do face some of the same challenges as smaller suppliers, they are generally in a stronger position to negotiate. For example, they may have products with strong brand power which consumers expect to see in store. When presented with unfavourable terms it is these small suppliers who face the prospect of taking them or walking away, as opposed to negotiating for more favourable terms.[409]

Suppliers' reliance on RGRs

As noted in Chapter 4, with a combined grocery market share in 2024 of 82%, RGRs are the most significant route to market for suppliers to get their products to New Zealand consumers.

Our recent supplier survey reported that 57% of surveyed suppliers' revenue comes from RGRs, so having their products stocked is an important way for these suppliers to drive sales and to be viable commercially.[410] Additionally, 41% of suppliers reported at least two-thirds of their sales coming from RGRs, indicating a strong reliance on these retailers.[411]

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407 Commerce Commission "Foodstuffs Merger Clearance Determination" (30 September 2024) at p. 29, https://comcom.govt.nz/__data/assets/pdf_file/0025/362761/5B20245D-NZCC-24-Foodstuffs-merger-clearance-determination-30-September-2024.pdf.

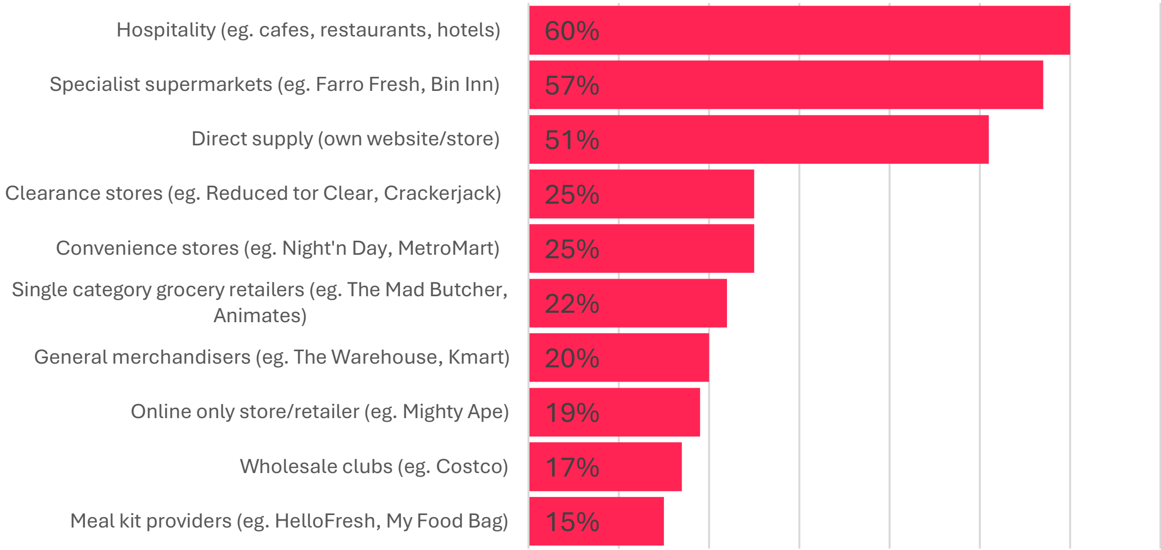
408 Commerce Commission NZ "Market Study into the retail grocery sector – final report" (8 March 2022) at p. 328, https://comcom.govt.nz/__data/assets/pdf_file/0024/278403/Market-Study-into-the-retail-grocery-sector-Final-report-8-March-2022.pdf.

409 Commerce Commission NZ "Market Study into the retail grocery sector – final report" (8 March 2022) at p. 344, https://comcom.govt.nz/__data/assets/pdf_file/0024/278403/Market-Study-into-the-retail-grocery-sector-Final-report-8-March-2022.pdf.

410 TRA x Commerce Commission Grocery Supplier Survey (January 2025) at p. 15, https://comcom.govt.nz/__data/assets/pdf_file/0031/366646/Commerce-Commission-x-TRA-Grocery-Supplier-Survey-Report-5-June-2025.pdf.

411 TRA x Commerce Commission Supplier Survey (January 2025) at p. 16, https://comcom.govt.nz/__data/assets/pdf_file/0031/366646/Commerce-Commission-x-TRA-Grocery-Supplier-Survey-Report-5-June-2025.pdf.

Figure 29: Surveyed suppliers' prevalence of supplying alternative channels[412]



Source: Commerce Commission Supplier Survey

While Figure 29 above shows the other channels being utilised by surveyed suppliers, Table 16 below shows that for these suppliers there is a strong reliance on RGRs for sales volume. It also shows that regardless of size, dependence is high across all surveyed suppliers.

Table 16: Surveyed suppliers' share of sales to RGRs by supplier size[413]

	Total	**Less than 20 FTE**	**20 – 99 FTE**	**100 or more FTE**
0 – 33% of sales (lower reliance)	30%	35%	23%	27%
34 – 66% of sales (medium reliance)	29%	27%	34%	25%
67 – 100% of sales (high reliance)	41%	38%	43%	48%

Source: Commerce Commission Supplier Survey

412 TRA x Commerce Commission Grocery Supplier Survey (January 2025) p. 18, https://comcom.govt.nz/__data/assets/pdf_file/0031/366646/Commerce-Commission-x-TRA-Grocery-Supplier-Survey-Report-5-June-2025.pdf.

413 TRA x Commerce Commission Grocery Supplier Survey (January 2025) p. 17, https://comcom.govt.nz/__data/assets/pdf_file/0031/366646/Commerce-Commission-x-TRA-Grocery-Supplier-Survey-Report-5-June-2025.pdf.

Suppliers with greater bargaining power

We have heard in a number of RGR submissions across various projects that bargaining power does not sit with the RGR in negotiations with many multinational suppliers who often have much higher returns.[414] For example, WWNZ has commented that multinational suppliers have exercised this power by relying on the Code when refusing to justify the extent of price increases.[415]

Large suppliers typically sell well-known brands such as the Coke range, Cadbury chocolates or Anchor dairy that are in demand by consumers, making these brands 'must have' on the shelf for any retailer seeking to attract shoppers, particularly for their main shop.[416]

Considering these factors, it is the large suppliers with well-known consumer brands that have a relatively stronger negotiating position with RGRs compared to smaller suppliers.

Looking at the seven largest suppliers in New Zealand we find that:[417]

- Five are multinational (Coca-Cola, Nestle, Reckitt Benckiser, Unilever, Mondelez) and two are domestic (Fonterra and Goodman Fielder);
- These suppliers sell approximately 100 brands that are stocked at RGRs' stores, with the largest being Unilever at 23 brands and Fonterra the smallest at nine;[418]

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414 Examples include: WWNZ "Submission on Review of the Grocery Supply Code Request for Views paper" (16 September 2024) at para 4.4(a)(iv), https://comcom.govt.nz/__data/assets/pdf_file/0023/362507/Woolworths-New-Zealand-Submission-on-Review-of-the-Grocery-Supply-Code-Request-for-Views-paper-16-September-2024.pdf; Commerce Commission "Foodstuffs Merger Clearance Determination" (30 September 2024) at p. 111, https://comcom.govt.nz/__data/assets/pdf_file/0025/362761/5B20245D-NZCC-24-Foodstuffs-merger-clearance-determination-30-September-2024.pdf; Commerce Commission "Market study not the retail grocery sector – final report" (8 March 2022) at p. 325, https://comcom.govt.nz/__data/assets/pdf_file/0024/278403/Market-Study-into-the-retail-grocery-sector-Final-report-8-March-2022.pdf.

415 WWNZ "Submission on Review of the Grocery Supply Code Request for Views paper" (16 September 2024) at para 4.4(a)(ii), https://comcom.govt.nz/__data/assets/pdf_file/0023/362507/Woolworths-New-Zealand-Submission-on-Review-of-the-Grocery-Supply-Code-Request-for-Views-paper-16-September-2024.pdf.

416 Commerce Commission analysis of industry information.

417 Companies identified by comparing WWNZ's Code review submission and Circana's 2024 top 25 fast moving consumer goods manufacturer list. WWNZ "Submission on Review of the Grocery Supply Code Request for Views paper" (16 September 2024) at p. 10, https://comcom.govt.nz/__data/assets/pdf_file/0023/362507/Woolworths-New-Zealand-Submission-on-Review-of-the-Grocery-Supply-Code-Request-for-Views-paper-16-September-2024.pdf; Food Ticker "Who topped Circana's annual top 25 FMCG manufacturers list" (15 November 2024), https://www.foodticker.co.nz/who-topped-circanas-annual-top-25-fmcg-manufacturers-list-2/.

418 Commerce Commission analysis of industry information.

- On average, their products make up approximately 36 of the top 100 SKUs sold across all RGR banners, excluding fresh, liquor, and tobacco; and[419]
- Each of these suppliers make up between one to four percent of total supplier spending across the RGRs. When compared to the total number of suppliers, that spend is significant. And this means that collectively these seven suppliers account for approximately 15% of RGRs total supplier spend.

Taken together these findings suggest that these large suppliers would have greater bargaining power than most other suppliers.

Commerce Commission Supplier Survey insights

In November 2024, we undertook our first online survey of grocery suppliers since the Act was introduced. The anonymous survey was sent to over 4,000 supplier contacts, with 562 participants responding. Key priorities for the survey were to better develop our understanding of issues facing suppliers in their dealings with RGRs, including their awareness of the Code and related avenues to raise concerns. The survey results establish a baseline for our understanding that we hope to grow over time.

It was encouraging to see such a high-level of engagement in responses with a wide range of feedback from suppliers and some positive trends emerging, particularly for large suppliers. These common themes indicated that suppliers value responsive, collaborative relationships as well as clear communication and transparency.

However, the issues identified still paint a troubling picture in that the suppliers still perceive there to be a power imbalance in the retailers' favour, despite the application of the Code from September 2023. Key negative themes reflected unfair negotiations; feeling pressured into unfavourable terms; and inconsistent or unclear communication around pricing, terms or decision-making processes. Specific concerns raised in this survey include:

- category reviews and the delisting process;
- being pressured to fund promotions;
- dissatisfaction in relation to payments made to retailers, including in relation to merchandising fees;
- low level of in-depth knowledge about the Code; and
- a lack of awareness of the dispute resolution scheme.

The report provides valuable insights to highlight where both the Commission and industry stakeholders can focus attention to improve the effectiveness of the Code for the ultimate benefit of New Zealand's consumers.

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419 Commerce Commission analysis of industry information.

We plan to undertake similar supplier surveys again in the future to identify whether and how supplier perspectives, experiences and activities are changing over time. We encourage suppliers to engage.

We drill into some key insights from the survey results below. The full supplier survey report can be found on our website at: https://comcom.govt.nz/__data/assets/pdf_file/0031/366646/Commerce-Commission-x-TRA-Grocery-Supplier-Survey-Report-5-June-2025.pdf.

Supplier experiences have common themes across RGRs

While suppliers may have differing experiences with RGRs, when asked in the survey to rate their overall experience, there were some themes that stood out.

Survey respondents were positive about relationships being responsive and collaborative, appreciating an approach that involved quick response times, problem solving, and working together towards process improvements.[420]

As shown in Table 17, the supplier survey highlighted a range of experiences when dealing with RGRs, rating them from "very positive" through to "very negative" in response to questions about overall experience, a supplier's ease of dealing with the RGR and fairness.

WWNZ and FSSI both received more positive than negative ratings while FSNI had the lowest experience rating with negative responses outweighing the positive across all three measures.

Table 17: Responses to Grocery Supplier Survey on experience with RGRs in the past year[421]

	Overall Experience with [retailer]			Ease of dealing with [retailer]			Fairness in how [retailer] treats me		
	FSNI	**FSSI**	**WWNZ**	**FSNI**	**FSSI**	**WWNZ**	**FSNI**	**FSSI**	**WWNZ**
Very positive	8%	12%	9%	9%	11%	11%	9%	10%	11%
Quite positive	22%	27%	30%	19%	27%	32%	18%	26%	28%
Neutral	25%	33%	29%	24%	31%	26%	28%	36%	25%
Negative	21%	13%	13%	22%	15%	13%	19%	13%	16%
Very negative	14%	4%	6%	15%	6%	7%	16%	4%	8%
Don't know	2%	1%	2%	2%	1%	2%	2%	2%	3%
Did not answer	8%	9%	10%	9%	8%	9%	9%	9%	9%

Source: Commerce Commission Supplier Survey

420 TRA x Commerce Commission Grocery Supplier Survey (January 2025) p. 23, https://comcom.govt.nz/__data/assets/pdf_file/0031/366646/Commerce-Commission-x-TRA-Grocery-Supplier-Survey-Report-5-June-2025.pdf.

421 Data from TRA analysis in association with TRA x Commerce Commission "Grocery Supplier Survey Report" (January 2025).

Looking closer at positive experiences with RGRs by supplier size, Table 18 shows that WWNZ leads in rankings for overall experience with FSSI showing a relatively consistent experience rating across all supplier sizes. As shown in the response breakdowns from Table 17 above, it is important to note that positive supplier experience encompasses both quite positive and very positive experiences in the resulting figure.

Table 18: Positive supplier experience with RGRs by supplier size[422]

	FSNI	FSSI	WWNZ
Overall Experience	30%	39%	40%
Less than 20 FTE	26%	37%	34%
20 – 99 FTE	33%	45%	42%
100 or more FTE	43%	32%	52%

Source: Commerce Commission Supplier Survey

However, there was frustration expressed regarding negotiation tactics and a perceived power imbalance that led suppliers to accept unfavourable outcomes. While suppliers value clear communication and transparency highly, they reported inconsistencies with these. This was especially the case regarding decision-making, terms, and pricing.

Supplier confidence is mixed

The suppliers we heard from reported mixed experiences with RGRs, with large suppliers more likely to report more favourable experiences than smaller suppliers. Many suppliers reported receiving new or updated grocery supply agreements in 2024, though these were widely seen as favouring the retailer. Suppliers felt an unequal sense of negotiating power, with less than half of the suppliers we heard from feeling confident in their ability to negotiate with RGRs.

422 TRA x Commerce Commission Grocery Supplier Survey (January 2025) p. 21-22, https://comcom.govt.nz/__data/assets/pdf_file/0031/366646/Commerce-Commission-x-TRA-Grocery-Supplier-Survey-Report-5-June-2025.pdf.

Table 19: Percent of suppliers who reported being confident in negotiating with RGRs by size of supplier[423]

	FSNI	FSSI	WWNZ
Less than 20 FTE	25%	38%	34%
20 – 99 FTE	33%	38%	40%
100 or more FTE	45%	49%	55%

Source: Commerce Commission supplier survey

As shown above in Table 19, supplier confidence is generally low, especially with smaller suppliers. In addition, suppliers of all sizes were more likely to be less confident when dealing with FSNI than with WWNZ or FSSI.

The results show that there is room to improve the resolution of issues between suppliers and RGRs. 75% of the suppliers we heard from reported encountering issues in their relationships with RGRs, with pricing and the category review process being the most frequent. While a higher proportion of larger suppliers than smaller suppliers attempted to resolve their issues, satisfaction with these attempts was generally low across all supplier sizes.[424]

RGR supplier surveys follow similar trend

Each year RGRs and suppliers complete a survey commissioned by RGRs to benchmark and measure performance.[425] The survey scores and ranks the supplier and retailer against a range of factors such as merchandising, communication, problem solving, support and satisfaction.[426] Survey results can be used by RGRs and suppliers to offer insights into their business and steps for improvements.

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423 Based on suppliers who rated their level of confidence as either 'very confident' or 'quite confident'. TRA x Commerce Commission Grocery Supplier Survey (January 2025) p. 25, https://comcom.govt.nz/__data/assets/pdf_file/0031/366646/Commerce-Commission-x-TRA-Grocery-Supplier-Survey-Report-5-June-2025.pdf.

424 TRA x Commerce Commission Grocery Supplier Survey (January 2025) p. 33-37, https://comcom.govt.nz/__data/assets/pdf_file/0031/366646/Commerce-Commission-x-TRA-Grocery-Supplier-Survey-Report-5-June-2025.pdf.

425 Conducted independently, including by consulting firm Advantage Group.

426 Information regarding this type of survey can be found via Advantage at https://www.advantagegroup.com/engagement-solutions/advantage-report/.

In the latest survey reports provided to us, suppliers report similar issues to the Commission-initiated survey, with transparency of RGR decision-making and lack of trust being common themes. Suppliers comment that negotiations and final outcomes favour the RGR with insufficient data available to the supplier before implementation of range reviews.[427] While larger suppliers are referred to as having more power to negotiate better terms than smaller suppliers, there is still an overarching theme of issues around relationships, trust and transparency.[428]

Protections for suppliers

There are several types of protections in place for suppliers to ensure a fair relationship. The most targeted protections are within the Code, discussed later in this chapter. Suppliers also benefit from the protection of provisions in the Commerce Act 1986 and the Fair Trading Act 1986 that prohibit restrictive trade practices and unfair contract terms.[429] Additionally, mediation and arbitration of disputes between suppliers and RGRs is available through the dedicated grocery industry dispute resolution scheme.

The dispute resolution scheme is in place

The Market Study recommended that to further support negotiating relationships between RGRs and suppliers, a dispute resolution mechanism should be provided that is independent, affordable, timely, confidential and informed by specialist expertise.[430]

A dispute resolution scheme is provided for by the Act and commenced in September 2024. It is provided by the New Zealand Disputes Resolution Centre with costs of the scheme recovered from RGRs.[431]

The scheme provides two types of dispute resolution processes: mediation and adjudication. When a claimant submits an application for dispute resolution, mediation is offered as the first option. However, if either the claimant or the respondent do not agree to mediation, the scheme provider will appoint an adjudicator to resolve the dispute.[432]

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427 Commerce Commission analysis of industry information.

428 Commerce Commission analysis of industry information.

429 Further information relating to these Acts can be found at https://www.legislation.govt.nz/.

430 Commerce Commission NZ "Market Study into the retail grocery sector – final report" (8 March 2022) at p. 381, https://comcom.govt.nz/__data/assets/pdf_file/0024/278403/Market-Study-into-the-retail-grocery-sector-Final-report-8-March-2022.pdf.

431 More information about the scheme can be found at https://nzdrc.co.nz/expertise/grocery-industry-dispute-resolution-scheme/#what-disputes-can-be-referred.

432 New Zealand Dispute Resolution Centre "Grocery Industry Dispute Resolution Scheme" (accessed 5 May 2025), https://nzdrc.co.nz/expertise/grocery-industry-dispute-resolution-scheme/#what-disputes-can-be-referred.

Just over half of the suppliers we heard from in the supplier survey were aware of the Grocery Industry Dispute Resolution Scheme, but familiarity and understanding of this was limited. Additionally, awareness of the Code was high, but the depth of knowledge about its detailed provisions was limited.

We will continue to monitor supplier awareness and use of the dispute resolution scheme over time.

Grocery Supply Code seeks to balance RGR and supplier negotiations

The Code sets out rules for the conduct of RGRs when dealing with grocery suppliers. Developed to address the imbalance in bargaining power between RGRs and their suppliers, its purpose is to promote competition and efficiency in the grocery industry by:

- Promoting fair conduct and prohibiting unfair conduct;
- Promoting transparency and certainty about the terms of agreements; and
- Contributing to a trading environment that supports competition, confident participants and a diverse range of suppliers in the grocery industry.

The Code imposes requirements on RGRs with a fundamental requirement being that the RGRs must at all times deal with suppliers in good faith.[433]

Under the Code, regardless of any wording within supply agreements, there are clauses that set requirements that RGRs must comply with including prohibiting certain behaviours completely.

Grocery Supply Code review proposed changes

Under the Act, the Commission is required to review the operation and effectiveness of the Code, with the first review due by 28 September 2025.

A draft review report was published on 5 June 2025 and has a dual purpose: it summarises the findings regarding the operation and effectiveness of the Code, and it sets out draft decisions to improve this operation. This including our priorities for guidance and a new draft Code that proposes amendments to better meet its purpose under the Act.

[433] More information on the Grocery Supply Code can be found at https://comcom.govt.nz/__data/assets/pdf_file/0022/329710/Commerce-Commission-Grocery-supply-code-factsheet-28-September-2023.pdf; or the full Grocery Supply Code in Schedule 2 of the Grocery Industry Competition Regulations 2023 at https://www.legislation.govt.nz/regulation/public/2023/0193/latest/LMS873854.html?src=qs.

Table 20: Summary of draft decisions[434]

Clause	Draft decision
Obligation to offer to vary existing agreements so that they are consistent with code clause 5	Provide a one-month period (after the new Code comes into force, which is proposed to be six months after decisions are made) for RGRs to offer changes to existing agreements to make them consistent with any new Code requirements. Provide that RGRs will not be in breach after the one-month period if they act in accordance with the Code and certain other criteria are met.
Unilateral variation of agreement clause 9	Add requirements to the Code for retailers to keep records in relation to the use of this provision and provide those records to the Commission on request.
Transport or logistics services clause 11	Prioritise guidance in relation to requirements for crates.
Payments to suppliers clauses 12(2) to 12(4)	Add requirements that if an RGR is making set-offs, a supplier is able to obtain an itemised summary of payments and set-offs for the financial quarter. Introduce a requirement for suppliers to be able to request an itemised summary of set-offs quarterly and annually. Prioritise development of guidance for this clause.
Payments for wastage clause 14	Change this provision, no longer allowing for payments for wastage while groceries are in the RGR's effective control.
Payments as condition of being a supplier clause 15	Add requirements to the Code for retailers to keep records in relation to the use of this provision and provide those records to the Commission on request.
Payments for retailer's business activities (including merchandising) clause 16	Change this provision, no longer allowing for payments for the activities covered by this clause, which include: (a) a buyer's visit to the supplier; (b) artwork or packaging design; (c) consumer or market research; (d) the opening or refurbishing of a store; (e) hospitality for the retailer's staff;

434 Commerce Commission "Review of the Grocery Supply Code – Draft Report, Decision and Reasons" (5 June 2025), at p. 9-12, https://comcom.govt.nz/__data/assets/pdf_file/0028/366643/Grocery-Supply-Code-Draft-Report-Decisions-and-Reasons-5-June-2025.pdf.

Clause	Draft decision
	(f) merchandising (for example, stocking shelves and setting up displays); and (g) the transport of goods within a retailer's business, which may include transport between distribution centres and retail stores.
Funding promotions clause 17	Add requirements to the Code for retailers to keep records in relation to the use of this provision and provide those records to the Commission on request. Prioritise development of guidance for this clause.
Funded promotions clauses 20(2) to (3)	Clause to be amended to require retailers to pay suppliers the difference in price for any products bought from suppliers at a promotional price but not sold to consumers at the promotional price.
Unduly hindering or obstructing supply to competitors clause 22	Remove "to competitors" from the title of this clause. As we do not consider that the words "to competitors" properly reflects the intended and appropriate application of that clause
New provision - Retaliation (clause 30)	Add new clause similar to that in the equivalent Australian code explicitly prohibiting retaliation in response to suppliers exercising rights under the Code.

Source: Grocery Supply Code Review

Where concerns were raised outside the scope for this review, it is proposed that they be listed in the final report alongside any alternative channel or process by which they can be addressed. Submissions on the draft decisions and reasons, as well as the new draft Code, are currently being sought from stakeholders.

Compliance work programme

We are actively investigating conduct under the Fair Trading Act, Commerce Act, and Grocery Industry Competition Act.

In March 2025, we announced that two Pak'nSave supermarkets were facing criminal charges laid under the Fair Trading Act for alleged pricing inaccuracies and misleading specials.[435] Both stores have pleaded guilty to some of the charges.[436] In May 2025, similar charges were also laid under the Fair Trading Act against WWNZ. Those litigation matters are ongoing.

In early July, we issued our first Warning under the Grocery Industry Competition Act to FSNI and compliance advice to one of its Category Managers. We reached a view that FSNI likely breached section 19 of the Grocery Industry Competition Act 2023 via non-compliance with clauses 6(1) and 28(2) of the Code. FSNI failed to meet the 30-day response requirement under clause 29 of the Code for a supplier price change request and, in our view, likely breached the 'good faith' obligation by acting unreasonably and obstructively in its communications with the supplier.

In the interim, we continue to progress a number of enforcement activities. Further investigations concerning supermarket operators under the Fair Trading Act are in train. Our investigation into potential anti-competitive conduct within the sector is nearing conclusion, and we are also assessing RGRs' compliance with wholesale obligations. We will provide more detailed information once enforcement outcomes have been reached.

We encourage anyone to come forward with information about potential non-compliance with the laws enforced by us. Concerns, insights and information from those working in the grocery industry are particularly useful to us and a crucial input to our future work programme.

We improved our understanding of RGR range review processes

In AGR1 we committed to looking at the range review process conducted by RGRs. This is the process undertaken by RGRs when choosing which products to stock.[437] In September 2024 we launched a compliance monitoring project to assess RGR compliance against their obligations under the Code. We completed an assessment of the end-to-end process for a completed review of a category.

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435 Radio New Zealand "Charges filed against two Pak'nSaves for 'misleading specials'" (4 March 2025), https://www.1news.co.nz/2025/03/04/charges-filed-against-two-paknsaves-for-misleading-specials/

436 Radio New Zealand "Two Pak'nSave supermarkets have pleaded guilty to breaching the Fair Trading Act" (25 June 2025). https://www.rnz.co.nz/news/business/565121/two-auckland-pak-nsave-supermarkets-plead-guilty-to-breaching-fair-trading-act

437 Commerce Commission "First Annual Grocery Report" (4 September 2024) at p. 111, https://comcom.govt.nz/__data/assets/pdf_file/0019/362305/Annual-Grocery-Report-2024.pdf.

Our assessment included analysis of the information related to each step RGRs take during their range review period and the process involved before reaching the final outcome. We reviewed:

- internal strategy meetings;
- insights and performance results presented to suppliers;
- supplier submissions;
- commercial negotiations; and
- RGR and supplier correspondence.

Where potential compliance concerns were identified, we assessed these against our usual enforcement criteria. We have engaged with RGRs to provide advice and are in the early stages of further investigations.

As the regulator we will continue to monitor RGR compliance with the Code and may conduct a similar review in the future. We encourage suppliers to come forward to us if you have concerns. [438] Information we receive from suppliers and other stakeholders supports us to assess the effectiveness of the grocery industry.

438 Information regarding any investigations opened can be found on the Commerce Commission case register at https://comcom.govt.nz/case-register.

We want to hear from suppliers

We know that suppliers may be hesitant about getting in touch for fear of retribution. Our Anonymous Reporting Tool provides a secure channel for suppliers to raise concerns about potential breaches of the Code or anti-competitive behaviour.

ANONYMOUS REPORTING TOOL

The Anonymous Reporting Tool is a confidential tool that enables people to remain anonymous, removing risk of retaliation when coming forward to the Commission with information about concerning or inappropriate behaviour.

More information on this tool can be found at https://comcom.govt.nz/report-a-concern

Since the Anonymous Reporting Tool was launched in January 2024, we have received over 70 individual reports relating to supermarket behaviour. This number includes reports submitted from both suppliers and consumers.

More generally, we are seeking to improve our knowledge about grocery suppliers and gain better insights into the views and experiences of suppliers, including those not directly covered by the Code.

To support improved understanding of suppliers and their experiences, we are planning to continue to undertake surveys to complement any direct engagement we have, including with representative bodies such as NZFGC and Horticulture New Zealand. We encourage suppliers to participate in those surveys.

WĀHANGA 8 CHAPTER 8

Ngā mahi e haere ake nei
Upcoming work programme

Chapter 8 outlines the Commission's upcoming grocery work programme.

This section provides a brief overview of key ongoing work programme projects that we will continue to progress. However, we operate in a highly dynamic grocery industry and our work will evolve and react to any relevant developments or issues that come to light.

Grocery regulation

Wholesale Supply Inquiry under s 55 of the Act

On 5 June 2025, we published a Preliminary Findings Paper that summarises our findings on the issues affecting the wholesale regime and our proposed next steps to address these issues.[439]

Our preliminary view is that we have enough evidence to meet the threshold required by the Act to impose or recommend additional regulation to promote the purpose of the wholesale regime.

However, at this stage we consider the least cost alternative is for the parties to modify their behaviour by changing their wholesale offerings to meet expectations as both suppliers and RGRs have incentives to do so.[440]

Therefore, we have proposed to extend the Inquiry timeframes by a year to give participants more time to address these recommendations. However, we may bring the timing for concluding the Inquiry forward if it becomes clear that sufficient progress is not being made by industry.

If the timing is to be brought forward, or in around a year if it is not, we will issue a process and timing update which will set out the timetable to conclude the Inquiry. This new timetable will allow consultation on a draft report, which will include our updated findings and any specific recommendations for further regulation that we propose.

Process step	Indicative date
Submissions on Preliminary Findings Paper due	Friday 29 August 2025
Cross-submissions (two weeks)	Mid-August 2025
Process and timing update	Mid-2026 at the latest

439 The Preliminary Findings Report can be found at https://comcom.govt.nz/__data/assets/pdf_file/0026/366650/Wholesale-Supply-Inquiry-Preliminary-Findings-Paper-5-June-2025.pdf.

440 Further information on the Inquiry and our expectations is provided in Chapter 6.

Grocery Supply Code review under s 20(1) of the Act

As part of its grocery responsibilities the Commission is required to review the operation and effectiveness of the Code, with the first review due by 28 September 2025.

On 5 June 2025, we published the Draft Report which summarises the review's findings regarding the operation and effectiveness of the Code and our preliminary opinion that the Code should be amended to enable it to better meet its purpose under the Grocery Industry Competition Act 2023. The Draft Report also introduces a new draft Code and sets out our draft decisions and reasons for the proposed changes.[441]

Process step	Indicative date
Submissions on draft report and draft Code due	Friday 18 July 2025
Cross-submissions (two weeks)	Monday 11 August 2025
Final report submitted to Minister and published[442]	Late September 2025

Consumer complaints disclosure standard

Under the Act the Commission can issue disclosure standards.[443] This is a tool that compels specified parties to supply information to the Commission in a prescribed manner.

We have consulted on the development of a draft disclosure standard to collect information on the number of consumer complaints and refunds paid out by the RGRs.

Submissions on the draft disclosure standard and reasons paper were received mid-February 2025.[444] We are considering feedback and will publish the final reasons paper (and if our decision is to proceed with the disclosure standard, the final standard) in Q3 2025.

441 Further information on our proposed changes to the Code is provided in Chapter 7.

442 The Act requires that the final report be submitted to the Minister no later than 28 September 2025 and be published as soon as practicable.

443 Section 191.

444 Submissions and cross submissions can be found at https://comcom.govt.nz/regulated-industries/grocery/consumer-complaints-disclosure-standard

Annual grocery report 2026

As noted in Chapter 1, the Act requires the Commission to publish a report on the state of competition in the grocery industry on an annual basis. We will start issuing requests for information to key stakeholders, including the RGRs, in the coming months to inform our third annual report which we are aiming to publish in mid-2026.

Our third report will include ongoing analysis of key sector developments during 2025 and update the key metrics we have included in this report such as market share, margin analysis and outcomes for consumers.

We plan to drill deeper into available data sources to explore potential regional differentiation in grocery industry competition and efficiency. In addition, we will be able to provide greater commentary on the impact of legislative and regulatory changes in our third report as the relevant provisions would have been effective or operational two years at that point.

Over time our reports will track how competition and efficiency in the grocery industry are evolving, evaluate the effectiveness of regulatory interventions and provide an evidence base to inform the use of further regulatory tools and interventions.

Ongoing monitoring of the grocery industry will help keep pressure on grocery industry participants, including by calling out where competition improvements could be made.

Ongoing work under the Act, and Fair Trading and Commerce Acts

In addition to these key projects for the year, we will also be continuing to monitor and regulate the grocery industry, including robust enforcement using all of our powers under the Act, the Commerce Act and the Fair Trading Act.

Further information on our compliance work programme is provided on page 150.

Staying up to date and contacting the Grocery team

More information will be available on our work on the grocery industry at https://comcom.govt.nz/regulated-industries/grocery and updates will be published through our social channels. Links to our social channels can be found on the website.

If you would like to receive emails from us when we update our website, or have other grocery regulation news to share, email us with the subject line 'Subscribe Grocery' to join our distribution list at Grocery.Regulation@ comcom.govt.nz.

You can make an enquiry or complaint on our website or contact us directly at contact@comcom.govt.nz.

If you are at all concerned about revealing your identity, our Anonymous Reporting Tool provides a secure channel for people to remain anonymous when coming forward to the Commission. Find out more about our Anonymous Reporting Tool on our website https:// comcom.govt.nz/make-a-complaint.

Phone: 0800 943 600

Write: Enquiries Team, PO Box 2351, Wellington 6140

Email: grocery.regulation@comcom.govt.nz

http://www.comcom.govt.nz