An oligopolistic market. Comment on Findings Supermarket Inquiry Final Report, Australian Competition and Consumer Commission.
February 2025

Introduction
In February 2025, the Australian Competition and Consumer Commission (ACCC) released the final report of its Supermarket Inquiry. As a consumer It makes for depressing reading.
The terms of the inquiry were that it must consider:

- the structure of the markets for the supply of groceries by suppliers, wholesalers and retailers
- price setting practices of suppliers, wholesalers and retailers
- factors affecting the price of inputs along the supply chain
- non-price aspects of competition in the markets for groceries, including the impact of loyalty programs.[1]

This article presents some of the findings selected by me as of interest to consumers. They are taken from the *Supermarket Inquiry Final Report* [2] *Supermarket Inquiry Executive Summary*[3]and the *Supermarket Inquiry Summary*[4].

The Inquiry made 20 Recommendations of considerable length and detail and if the reader is interested in reading them an edited set is pages 26 -30 of the Supermarkets inquiry. Final Report. Where appropriate they have been incorporated in the text of this article.

Supermarkets
> ALDI, Coles and Woolworths appear among the most profitable supermarket businesses globally.[5]
>
> The market's barriers to entry and expansion and advantages held by Coles and Woolworths mean that the fundamental dynamics of competition in this sector and associated outcomes appear set to continue for the foreseeable future.[6]

The ACCC estimates Woolworths has 38% of supermarket grocery sales nationally, Coles has 29%, ALDI has 9% and Metcash, as a proxy for the independent supermarkets it supplies, has 7%.[7] Metcash-supplied independents have however been losing market share over time at a national level.

The groceries market the Report says, 'is an oligopolistic market structure in which Coles and Woolworths have limited incentive to compete vigorously with each other on price'.[8] Coles and Woolworths' entrenched position in an oligopolistic market means substantial pro-competitive departures from the status quo are unlikely in the foreseeable future'.

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[1] *Supermarket Inquiry Final Report*, Australian Competition and Consumer Commission, February 2025 p.32
[2] *Supermarket Inquiry Final Report*, Australian Competition and Consumer Commission, February 2025
[3] Executive Summary *Supermarket Inquiry Final Report* February 2025 p.1
[4] Supermarket Inquiry Summary … February 2025 p.1
[5] Inquiry Summary … February 2025 p.1
[6] Final Report … February 2025 p.17
[7] Executive Summary … February 2025 p.1
[8] Executive Summary … February 2025 p.1

'ALDI', the report says, 'while it is a source of price constraint on Coles and Woolworths, being a low-cost operation doesn't compete with the big two'.[9] However, the increased prevalence of Aldi stores increased prevalence has likely increased the competitive pressure it places on Coles' and Woolworths' networks as a whole.[10]

increased prevalence of ALDI stores has likely increased the competitive pressure it places on Coles' and Woolworths' networks as a whole. Independent supermarkets, 'provide an alternative to Coles, Woolworths and Aldi, with their greater ability to meet local needs in their ranging and other aspects of their offerings to consumers.'[11]

However, there has been a decline in the competitive significance of independent supermarkets nationally.[12]

A barrier to increasing competition is that 'by virtue of their significant size, reputation and financial resources, Coles and Woolworths have competitive advantages in acquiring suitable sites and are often the most likely to be successful in acquiring suitable sites over other supermarket operators'.[13]

Grocery Prices

> The Coles/Woolworths duopoly also has monopsony power, both so large they can influence the overall price of an item, that is, affect the market price of a product.[14]

'Grocery prices in Australia,' the Inquiry found, 'have been increasing rapidly over the last 5 financial years. Most of those increases are attributable to increases in the cost of doing business across the economy, including particularly production costs for suppliers, which has increased supermarkets' input costs. However, ALDI, Coles and Woolworths have increased their product and EBIT[15] margins during this time, meaning that at least some of the grocery price increases have resulted in additional profits for ALDI, Coles and Woolworths'.[16]

Alongside their price increases, ALDI, Coles and Woolworths increased their average product margin over the last 5 financial years.[17]

Over the same period wages did not increase at the same rate. 'By the end of 2022 and in early 2023 grocery prices were increasing at more than twice the rate of wage growth'.[18] This disparity affects low income households in particular who spend a greater proportion of their income on groceries.[19]

More than half of products purchased at Coles and Woolworths are on promotion. Their promotional activities and loyalty programs make it harder for consumers to judge whether they are getting a good deal and make informed decisions about whether to shop with them or

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[9] Executive Summary … February 2025 p.1
[10] Final Report … February 2025 p.10
[11] Executive Summary … February 2025 p.1
[12] Final Report … February 2025 p.14
[13] Final Report … February 2025 p.159
[14] Executive Summary … February 2025 p.1
[15] Earnings Before Income Tax
[16] Executive Summary … February 2025 p.1
[17] Final Report … February 2025 p.4
[18] Final Report … February 2025 p.2
[19] Final Report … February 2025 p.3

elsewhere.[20] The Report recommended that 'Supermarkets be subject to minimum information requirements in respect of their pricing and promotional practices to improve transparency and consumer understanding, and this should be supported by specific record keeping obligations'[21].

Consumer behaviour

Supermarkets account for approximately 85% of consumer expenditure on groceries.[22]

Most consumers do a 'main shop' for groceries, purchasing most or all of their groceries in one visit to a grocery retailer. The E61 Institute's September 2024 study of NSW and ACT consumer grocery spend found 59% of consumers in the study concentrated more than half of their total grocery expenditure in 2022 at a single store; 81% of consumers in the study concentrated more than half of their expenditure at a single supermarket brand.[23]

But there is a trend to do 'cross-shopping', shopping at several supermarkets, which can be stimulus for competitive pricing.[24]

However, convenience as the main reason consumers give for main shopping reduces the likelihood of greater competitive pricing.[25]

Other types of shopping mission include "top up shops" and "food for tonight shops". Supermarkets are able to meet the needs of these other types of shopping mission. Depending on the groceries that are needed, non-supermarket retailers may also be an option for these shopping missions.[26]

In the consumer survey, respondents said 'grocery shopping is more time-consuming than ever, because they have to spend a lot of time comparing prices, trying to choose the most cost-effective produce, items or brands, and visiting different stores to get the best prices.'[27]

Technology continues to bring changes to consumer behaviour. Supermarkets are rapidly expanding their online grocery offerings and consumers increasingly do online cost comparisons before shopping.[28] In store technologies are also changing such as electronic shelf labels and smart trolleys.[29]

Consumers' ability to rely on online sources to compare prices is dependent on several factors, including:

- whether grocery pricing information is available online
- whether online pricing information is consistent with pricing in physical stores
- the ease of comparing multiple products across 2 or more websites or apps

[20] Executive Summary ... February 2025 p.1
[21] Final Report ... February 2025 p.20
[22] Inquiry 2024 p.38
[23] Final Report ... February 2025 p.82
[24] Inquiry Summary ... February 2025 p.1
[25] Inquiry Summary ... February 2025 p.2
[26] Final Report ... February 2025 p.12
[27] Final Report ... February 2025 p.80
[28] Inquiry Summary ... February 2025 p.2
[29] Final Report ... February 2025 p.73

- whether online grocery pricing information can be accessed by third-party online price comparison tools.[30]

However, consumer survey respondents reported a higher frequency of price comparison in-store while shopping (that is, when they have already chosen a supermarket) as compared to before shopping (while choosing where to shop).[31]

Remote Australia

The high cost for servicing remote areas leads to higher prices disadvantaging consumers in these areas.[32] They can be further disadvantaged by having no Coles, Woolworths or IGA supermarkets. So independent or community controlled supermarkets have a role to play in providing groceries there.[33]

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[30] Final Report ... February 2025 p.107
[31] Final Report ... February 2025 p.106
[32] Inquiry Summary ... February 2025 p.1
[33] Inquiry Summary ... February 2025 p.2