

DEPARTMENT OF TREASURY
MINUTE



To: Treasurer Copy To:

Subject: **Supermarket Survey May 2009**

Timing: **For information.**

Purpose: To inform you of the results of a supermarket survey conducted by Treasury.

Background

Exempt s43

Treasury

undertook to provide you with an updated grocery survey (see appendix 1 for basket price ranking and goods surveyed). This survey, which was previously conducted on 16 April 2008 (see appendix 2 for price comparison), was investigating whether there was a difference in prices charged for the same basket of goods between supermarket type and location.

- The following factors were considered:
 - : Coles and Woolworths with no competitors nearby;
 - : Coles and Woolworths operating near an Aldi; and
 - : Supermarkets operating in poorer socioeconomic regions.
- In 2008, Treasury officers surveyed a fixed basket of 29 items at 22 supermarkets in the ACT and Queanbeyan.
- This year Treasury expanded the survey to include supermarket own-brand discount product lines (eg Woolworths' Homebrand and IGA/Supabarn's Black and Gold products).
- Treasury also extended the survey to several further supermarkets including an additional Supabarn in Wanniasa and Aldi.
- Although Aldi prices were surveyed, direct comparison with other supermarkets is not possible due to differing brands.
- The previously Commonwealth funded *Grocery Choice* website did not have the detail required to answer the preceding questions.
 - The Commonwealth Government recently announced it will not proceed with the Grocery Choice website, originally planned to be re-launched on 1 July 2009.
 - : The Commonwealth Government would like retailers to establish their own price information website but at this point, retailers have not advanced on this issue.

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- This survey is not related to the review currently being conducted by John Martin (former Deputy Commissioner of the Australian Competition and Consumer Commission (ACCC)) through Chief Minister's Department.
 - However, Treasury has agreed to share the results of our analysis with CMD at the officer level.

Key Points

- The results from Treasury's survey are not inconsistent with the findings from the ACCC inquiry into the competitiveness of retail prices for standard groceries (the ACCC Report).
 - However, the small number of stores and products surveyed limits the strength of conclusions that can be drawn.
 - A more comprehensive, resource intensive survey would be required to gain a conclusive understanding of the grocery market in the ACT.
- However, there is nothing to suggest that the ACT grocery market's characteristics are inconsistent with ACCC findings regarding the national market.
- For example, the ACCC Report states that Woolworths is moving to a more uniform pricing strategy for groceries other than fresh food across its stores.
 - We observed that both Coles and Woolworths have similar prices across stores in the ACT region.
 - : The standard deviation of Coles and Woolworths' basket of goods is only \$1.31 (1.56 per cent of the mean), with a range of \$82.32 to \$86.14. Aldi advertises a national price strategy.
 - However, where Coles and Woolworths are co-located there were some very small differences in prices. For example, Cold Power laundry soap ranged from \$8.99 to \$10.99.
 - It is possible that Coles and Woolworths monitor each others prices as there are several key products which are priced exactly the same at all Coles and Woolworths across the ACT region (see appendix 3).
 - The ACCC Report quotes executives from both Coles and Woolworths saying that they monitor the competitors' prices
- Additionally, the ACCC Report found that smaller, locally-based supermarkets (IGAs) are more expensive than their larger competitors.
 - The basket prices of IGAs surveyed in the ACT were consistent with this finding.
- There was no compelling evidence that proximity to Aldi impacts on prices charged by supermarkets (see appendix 4 and 5 for graphical representations).
- There was no evidence to suggest prices vary in accordance with socioeconomic region:

- For example, the basket at Woolworths Woden was \$2.86 cheaper than at Woolworths Queanbeyan.
- The survey conducted does have limitations.
 - Commenting on overall competitiveness of the ACT market based on the survey is difficult because the number of supermarkets and products surveyed are too small.
 - : We note that a market with small price differences doesn't necessarily indicate the absence of a competitive market as firms can compete on other factors such as location, opening hours, or service quality. The small difference in basket prices may be a result of the lack of incentive for supermarkets to compete on price and/or indicate supermarkets potentially working collectively.
 - : However, the ACCC Report concluded that the market is workably competitive on a national basis, and these results are in line with that finding.
 - All Coles and Woolworths baskets were priced within \$3.82 of each other, therefore a small difference in price may significantly change the rankings.
 - : For example, Coles at Central Belconnen priced apples more than \$1.50 less than the next cheapest competitor thereby becoming the least expensive supermarket and
 - The survey was undertaken on one day, hence does not take into account changes to prices over time.
 - Treasury was unable to survey meat due to the variations in quality between supermarkets.

Recommendations:

- That you note that:
 - ACT Treasury results are not inconsistent with ACCC Report findings.
 - : For the goods surveyed, there is very little difference in prices between Woolworths, Coles and Supabarn.

Kathy Goth

Kathy Goth
Acting Director, Economics Branch
6 July 2009

Katy Gallagher
Noted / Approved / Not approved / Please discuss
Katy Gallagher MLA / 3 2/2009

Appendix 1a - Ranking of Supermarkets (not including Aldi) and goods surveyed

Supermarket	Cost of Basket
Coles - Central Belconnen	\$82.32
Woolworths - Woden	\$82.33
Woolworths Central Belconnen	\$82.45
Woolworths - Dickson	\$82.48
Woolworths - Holt	\$82.85
Woolworths - Gungahlin	\$83.08
Coles - Jamison	\$83.10
Woolworths - Weston Creek	\$83.14
Woolworths - Condor	\$83.20
Woolworths - Hyperdome	\$83.27
Woolworths - Kambah	\$83.81
Woolworths - Calwell	\$84.33
Coles - Manuka	\$84.68
Woolworths - Wanniasa	\$85.03
Coles - Hyperdome	\$85.15
Woolworths - Charnwood	\$85.29
Coles - Chislm	\$85.40
Woolworths - Queanbeyan	\$85.41
Coles - Gungahlin	\$86.00
Coles Woden	\$86.14
Supabarn - Wanniasa	\$88.47
Supabarn - City	\$89.21
<i>Mean</i>	<i>\$89.29</i>
IGA - Kaleen	\$96.82
IGA - City	\$96.88
IGA - Yarralumla	\$97.31
IGA - Richardson	\$97.76
IGA - Fraser	\$104.86
IGA Hawker	\$107.30
IGA - Waramanga	\$110.08
IGA - Lyneham	\$110.64

Appendix 1 Continued – Goods Surveyed

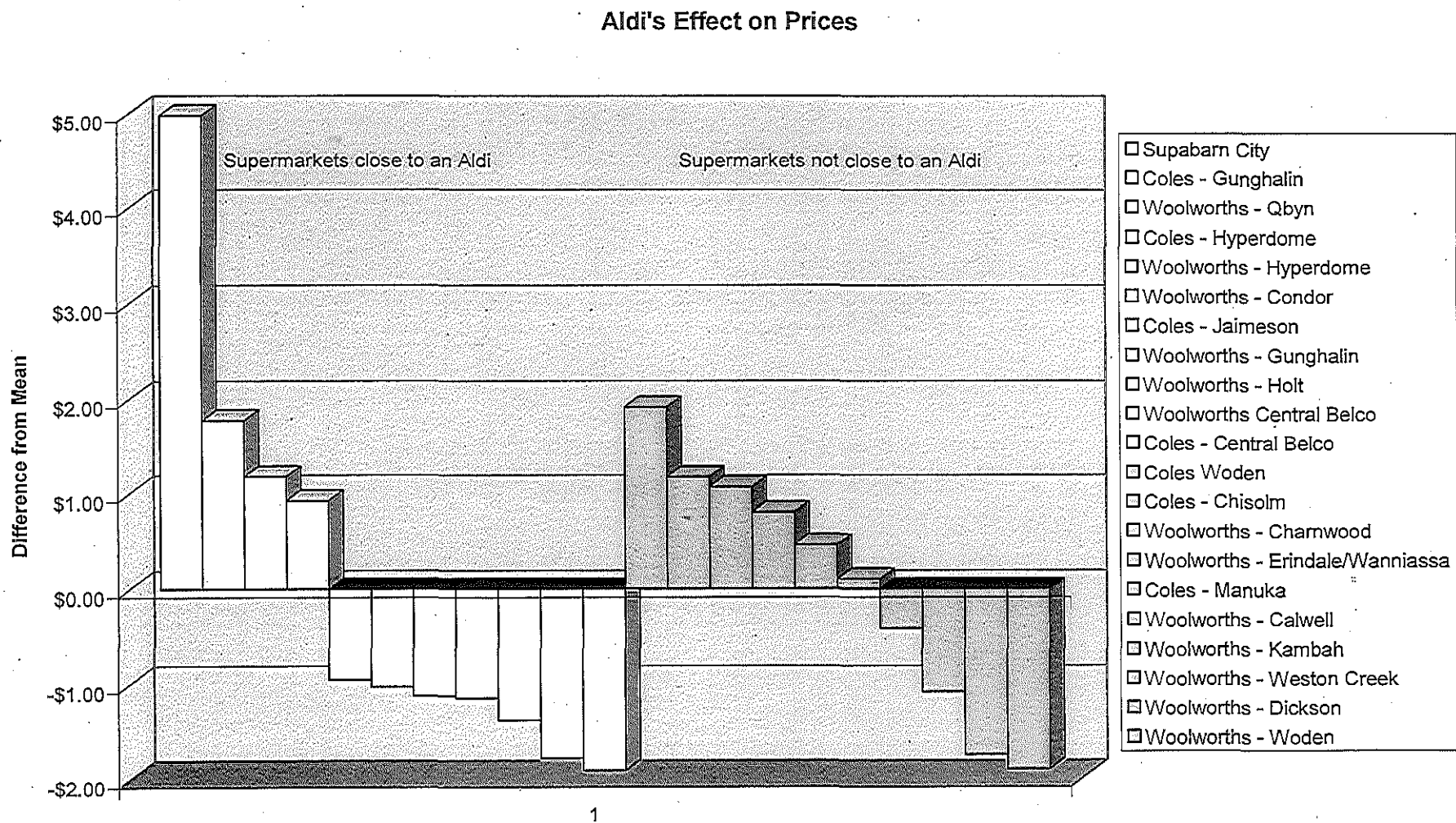
Item Number	Item Surveyed	Avg Item Price
1	Red Delicious Apples p/kg	\$3.93
2	Bananas p/kg	\$3.62
3	Arnotts Jatz crackers orginial 250 gm	\$2.76
4	Supermarket Brand Tissues	\$1.30
5	Kleenex facial tissues white family pack 250	\$2.88
6	Pine O Clean disinfectant 500ml	\$2.57
7	Cold Power powder concentrate regular 1kg	\$10.13
8	Supermarket Brand Anti bacterial disinfectant 2lt	\$1.57
9	Colgate Toothpaste coolmint 175 gm	\$3.71
10	Supermarket Brand Toothpaste	\$1.62
11	Panadol tablets (24)	\$2.87
12	Supermarket Brand Paracetamol 24	\$1.09
13	CSR sugar while 1kg	\$1.65
14	Zafarellii pasta spaghetti No.4 500gm	\$1.66
15	Supermarket Brand Spaghetti 500gr	\$0.87
16	Leggo Bolognese 575ml	\$3.38
17	Ardmona whole peeled tomatoes 400gm	\$1.44
18	Greenseas tuna in springwater 425gm	\$4.97
19	Lipton Quality Black Tea Bags 50	\$3.18
20	Supermarket Brand Tea Pot Bags	\$2.70
21	Birds Eye fish fingers 250 gm	\$4.65
22	Coca Cola drink 1.25 litre	\$2.38
23	2 litres Canberra milk	\$3.82
24	Coon cheese tasty block 250gm	\$4.20
25	MeadowLea Spread Poly Cholesterol Free 250gr	\$2.00
26	Supermarket Brand Matured Cheddar Cheese 1kg	\$8.55
27	Heinz baked beans in tomato sauce 420gm	\$1.68
28	Supermarket Brand Baked Beans	\$0.84
29	Sanitarim Weetbix 375gm	\$2.88

Appendix 2 – Price Comparison from previous year's survey

- There is evidence of a general increase in grocery prices since 2008
 - All prices increased except for Pine O Clean and Greenseas Tuna.
 - Percentage price increases were from 1.41 per cent (Sanitarium Wheetbix) to 22 per cent (Birds Eye Fish Fingers).

Appendix 3 - Standard Deviation of Products Surveyed at Coles and Woolworths

Item Surveyed	Std Deviation Coles and Woolworths \$	Coefficient of Variation (standard deviation divided by the mean) %
Red Delicious Apples p/kg	0.45	11.81%
Bananas p/kg	0.59	17.44%
<i>Arnott's Jatz crackers original 250 gm</i>	0.00	0.00%
<i>Supermarket Brand Tissues</i>	0.01	0.92%
Kleenex facial tissues white family pack 250	0.23	8.38%
<i>Pine O Clean disinfectant 500ml</i>	0.00	0.09%
Cold Power powder concentrate regular 1kg	0.60	6.02%
Supermarket Brand Anti bacterial disinfectant 2lt	0.21	14.80%
Colgate Toothpaste coolmint 175 gm	0.68	18.94%
Supermarket Brand Toothpaste	0.37	25.56%
Panadol tablets (24)	0.62	24.99%
Supermarket Brand Paracetamol 24	0.59	58.13%
CSR sugar while 1kg	0.26	16.84%
Zafarellii pasta spaghetti No.4 500gm	0.11	6.91%
Supermarket Brand Spaghetti 500gr	0.18	27.36%
Leggo Bolognese 575ml	0.14	4.29%
Ardmona whole peeled tomatoes 400gm	0.13	9.58%
Greenseas tuna in springwater 425gm	0.34	6.97%
Lipton Quality Black Tea Bags 50	0.10	3.41%
Supermarket Brand Tea Pot Bags	0.38	14.61%
Birds Eye fish fingers 250 gm	0.22	4.94%
Coca Cola drink 1.25 litre	0.39	17.78%
2 litres Canberra milk	0.22	5.87%
Coon cheese tasty block 250gm	0.21	5.25%
<i>MeadowLea Spread Poly Cholesterol Free 250gr</i>	0.01	0.44%
Supermarket Brand Matured Cheddar Cheese 1kg	0.76	9.77%
Heinz baked beans in tomato sauce 420gm	0.03	1.79%
Supermarket Brand Baked Beans	0.13	17.73%
<i>Sanitarim Weetbix 375gm</i>	0.01	0.41%



Appendix 5 – Basket Price Difference from the Mean

