

Woolworths Group

Submission to the ACCC Supermarkets Inquiry 2024-25

9 April 2024

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Overview

On 1 February 2024, the Australian Government directed the ACCC to conduct an inquiry into Australia's supermarket sector (**Inquiry**). The Inquiry will examine competitive dynamics in the retail supply of groceries and in associated supply chains.

The ACCC released an Issues Paper on 29 February 2024 seeking views on the key topics it will consider in the Inquiry.

This submission of Woolworths Group Limited (**Woolworths Group**) responds to the Issues Paper. Woolworths welcomes the opportunity to assist the ACCC throughout the 12 month Inquiry.

Context to the Inquiry

The Inquiry is taking place against the backdrop of millions of Australians experiencing cost of living pressures, amid significant economy-wide, and global, rates of inflation. We are acutely aware of the pressure inflation is placing on our customers, our teams and our suppliers.

We recognise that our customers are experiencing pressure on household budgets across the board, especially housing, and that food (which accounts for approximately 10% of average household spend, as shown in **Figure 1** below) is an important component of this.

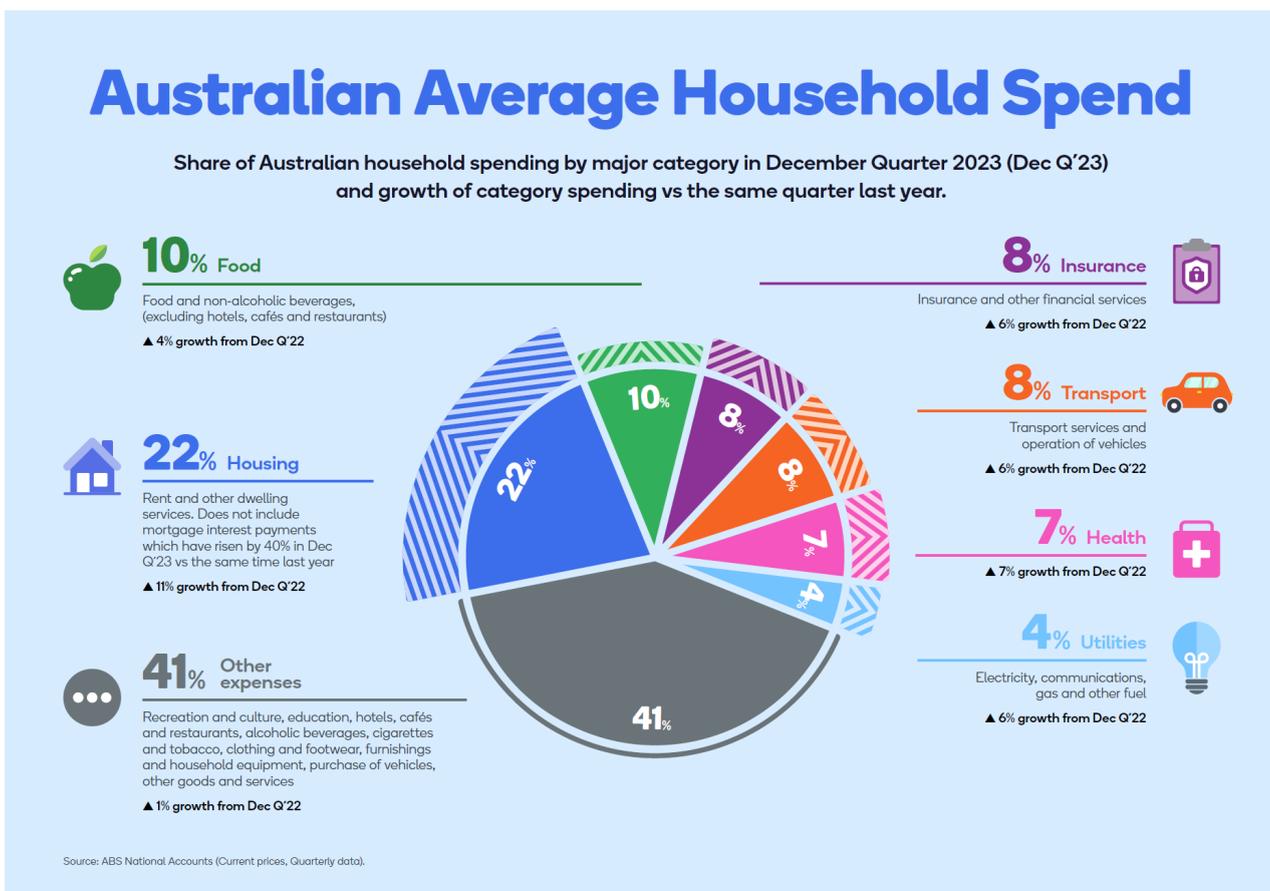


Figure 1: Australian Average Household Spend

Given the importance of grocery shopping to household budgets, delivering meaningful value for customers facing cost of living pressures has been one of our key priorities.

Australians are right to demand a grocery sector which both delivers compelling consumer value every day and ensures a sustainable, innovative and competitive industry. A competitive and well functioning grocery market is one that provides consumers with the value, service and range they need. We believe that the characteristics of the Australian grocery sector deliver these benefits to Australian consumers - they can choose to shop at “Deep Discounters” such as Aldi and Costco, “Mainline Supermarkets” (Woolworths, Coles and IGA), a broad array of independent grocery retailers and specialty category retailers (specialty fruit and vegetable and meat retailers, category specialists such as Chemist Warehouse for personal care, Bunnings for home and pet care, The Reject Shop for everyday needs) and in more recent years, online competitors such as Amazon.

Nonetheless, we respect the ACCC's consideration of the competitiveness of the supermarket sector. We expect the ACCC to adopt a data-driven, fact-based, rigorous approach to the Inquiry. We encourage engagement with stakeholders across the industry and consumers, including through well-designed, impartial consumer surveys.¹

Woolworths responses to the cornerstone issues in the Inquiry

Our submission addresses the following cornerstone issues in the Inquiry:

- The competitiveness of the Australian grocery sector including market structure, price and non-price competition, any barriers to entry and expansion, and consumer experience;
- Competition in grocery supply chains, including trading arrangements and practices and the impact of perceived buyer power; and
- Margins and profitability along the grocery supply chain, including for supermarkets and other grocery retailers.

Australian grocery retailing is fiercely competitive and innovative, delivering material price and non-price benefits to consumers

Australian grocery retailing competition has intensified since it was found to be “workably competitive” by the ACCC in its 2008 inquiry into the competitiveness of retail prices for standard groceries (**2008 Grocery Inquiry**). Relevantly:

¹The UK Competition & Markets Authority's principles on customer survey design and presentation are instructive in that regard (see 'Good practice in the design and presentation of customer survey evidence in merger cases', revised in May 2018, available at <https://www.gov.uk/government/publications/mergers-consumer-survey-evidence-design-and-presentation/good-practice-in-the-design-and-presentation-of-customer-survey-evidence-in-merger-cases>). We are concerned the ACCC's approach to date has not adhered to these principles.

- Since 2008, there has been significant entry and expansion of global retailers and competition from a broad set of competitors in the retail sale of grocery products, which are not limited to traditional supermarkets.
- Three of the world's biggest and most competitive retailers (Aldi, Amazon Retail and Costco) are present and growing in Australia, and offer compellingly different value propositions that further increase competitive tension.
 - Aldi has tripled the number of its stores in Australia since 2008, opening more stores than either Woolworths or Coles and growing to ~ \$12 billion in annual revenue.²
 - Amazon Retail has expanded rapidly since entering in 2017, with projected Gross Merchandise Value of \$5.5 billion in Australia for F24 and now with six fulfilment centres across Australia³ and soon to open its seventh and the largest in Australia.⁴
 - Costco expanded into the Australian grocery sector in 2009 and has since grown to \$4.4 billion in annual revenue,⁵ with ambitions to increase its footprint another ~30% in the next 5 years.⁶
- Woolworths continues to face robust competition, both in-store and online, from Coles and a vast array of independent grocery retailers including those operating in the Metcash-supplied IGA and Foodland networks and retailers like Drakes and Harris Farm. These supermarkets have continued to invest, expand and innovate in response to this increasing and intensified competition. Coles has invested heavily in supply chain automation and online fulfilment and delivery. Metcash has stated it is growing its 'Price Match and Low Prices Every Day programs' across IGA's 1,300 strong network⁷, and announced plans to accelerate its network expansion, targeting opening 20 new

² Aldi, '20 years in Australia': <https://20years.aldi.com.au/>.

³ See following article stating that Amazon fulfilment centres are located in Ravenhall VIC, Dandenong South VIC, Western Sydney NSW, Moorebank NSW, Lytton QLD: Danielle Cahill, 'Inside Amazon Australia's first sort centre', 6 October 2022, Realcommercial.com.au:

<https://www.realcommercial.com.au/news/inside-amazon-australias-first-sort-centre>. See also, article on opening of Jandakot Airport fulfilment centre which replaced the former Perth Airport fulfilment centre: Larry Schlesinger, 'Amazon opens biggest Perth warehouse in Dexus airport estate', 5 November 2023, Australian Financial Review:

<https://www.afr.com/property/commercial/amazon-opens-biggest-perth-warehouse-in-dexus-airport-estate-20231103-p5ehqd> and Amazon press release on same: Amazon, 'Amazon Australia's Purpose-Built Fulfilment Centre in Perth Opens in Time for the Holidays', 3 November 2023:

<https://amazonau.gcs-web.com/news-releases/news-release-details/amazon-australias-purpose-built-fulfilment-centre-perth-opens>.

⁴ Amazon, 'Construction has begun in Melbourne as Amazon Australia announces second robotics fulfilment centre', 9 August 2023:

<https://www.aboutamazon.com.au/news/workplace/construction-has-begun-in-melbourne-as-amazon-australia-announces-second-robotics-fulfilment-centre>.

⁵ Eli Greenblat, 'Costco sales in Australia hit \$4.4bn', 1 January 2024, The Australian:

[https://www.westlaw.com/Document/lece94490a8ed11ee8c2fff852a0a1508/View/FullText.html?transitionType=Default&contextData=\(sc.Default\)&VR=3.0&RS=cblt1.0](https://www.westlaw.com/Document/lece94490a8ed11ee8c2fff852a0a1508/View/FullText.html?transitionType=Default&contextData=(sc.Default)&VR=3.0&RS=cblt1.0).

⁶ 7News, Sunrise TV segment with Patrick Noone, Costco Warehouse Australia Managing Director, July 2023:

<https://7news.com.au/video/lifestyle/costco-reveals-australian-expansion-plans-bc-6330593803112>.

⁷ Metcash, Submission to Senate Select Committee on Supermarket Prices, 6 February 2024, page 1:

https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Supermarket_Prices/SupermarketPrices/Submissions.

supermarkets per year, with a potential to increase this to opening 10 stores, per state, per year.⁸

- Competition for the retail sale of grocery items extends well beyond supermarkets, and has only accelerated in recent years. Category specialists like Bunnings, Chemist Warehouse and The Reject Shop are increasingly competing with Woolworths in long life product categories.
 - Chemist Warehouse offers ~21,000 SKUs in-store, with a wider range online,⁹ with non-pharmacy products such as health, wellness and personal care products accounting for ~70% of store revenue.
 - Bunnings has ~4,000 SKUs across cleaning products and pet needs alone,¹⁰ competing heavily on a price point basis through its 'lowest prices' policy.
 - The Reject Shop has around 6,000 products¹¹ in the long-life packaged food and non-food essential categories including cleaning products, toiletries, personal hygiene, lunchbox snacks and pet products, and offers pick up or delivery for over 1,350 products via DoorDash.¹²
- Within food, supermarkets continue to compete with green grocers, butcher shops, bakeries and specialty retailers such as Bakers Delight, as well as other food retailers such as convenience stores (e.g. 7-Eleven), cafes and restaurants, and food delivery providers such as Hello Fresh and Uber Eats. Fruit and Vegetable, Butcher, Seafood and Bakery specialist stores accounted for more than \$11 billion consumer spend in F23.¹³
- Consumers across the country have meaningful choice of grocery retailers:
 - Australians have more grocery retail stores per capita than either the US or Canada. The majority of Australia's Statistical Areas Level 3 (**SA3s**) (236/336 covering ~85% of the population) have on average 18 major supermarkets, with at least one each of Woolworths, Coles and Aldi. This is in addition to specialty fresh and cultural retailers such as local greengrocers, bakeries, and butchers of which the Australian Bureau of

⁸ Metcash, Investor Day Presentation, 12 March 2024, page 20:

<https://mars-metcdn-com.global.ssl.fastly.net/content/uploads/sites/101/2024/03/12095501/Investor-Day-2024-presentation-FINAL.pdf>.

⁹ Sigma Healthcare, Transformational Merger with Chemist Warehouse Group and Sigma Equity Raising – Investor Presentation, 11 December 2023, page 46:

<https://investorcentre.sigmahealthcare.com.au/static-files/d2c377b3-f487-4488-b34d-43c02330e6b7>.

¹⁰ Carrie LaFrenz, 'Bunnings launches biggest product expansion in decades with pet care', 28 February 2023, Australian Financial Review:

<https://www.afr.com/companies/retail/bunnings-launches-biggest-expansion-in-decades-20230224-p5cneq>. Sarah

Swain, 'Bunnings expands bulk cleaning products to compete with supermarkets', 21 November 2023, 9News:

<https://www.9news.com.au/national/bunnings-cleaning-products-expansion/2ce87496-337a-43ea-a2e0-f0fe95c0a829>.

¹¹ See search results depicting size of The Reject Shop's product range here:

<https://www.rejectshop.com.au/search?products%5Bquery%5D=%2A>.

¹² The Reject Shop, 'Online Same Day Delivery FAQ':

<https://www.rejectshop.com.au/customerservice/online-same-day-delivery-faq>.

¹³ CBAIQ and Woolworths sales data.

Statistics (**ABS**) estimates there are 18,300 in Australia, and category specialists like Bunnings, Chemist Warehouse and The Reject Shop.¹⁴

- o Online grocery retailing has changed competition dynamics meaningfully since 2008, with competitors such as Amazon having ~80% of the Australian population within a 12 hour drive of its Western Sydney DC. The Amazon Prime subscription reportedly has more than 4 million members (and growing) in Australia,¹⁵ driving consumers to turn first to Amazon.
- As switching costs are negligible, consumers can easily, and do, compare prices and cross-shop and switch between retailers for their grocery needs. Competition is not only at a total basket level - retailers of grocery items compete for every item in a basket.
 - o Search costs are low because prices are highly transparent. Many supermarkets and other grocery retailers have made it even quicker and easier for consumers to check prices in real time - on their website and mobile apps. Consumers can and do compare prices online before, or as they are shopping in-store.
 - o The vast majority of customers who have a Woolworths in their local area will also shop at Coles, IGA, and Aldi in a given year and at least 1 in 6 customers who shop at Woolworths will shop at another major supermarket on the same day.¹⁶
- Price is the top ranking attribute when customers are choosing food products, with a range of other attributes impacting where customers choose to shop.
 - o Price competitiveness is nationwide, with the vast majority of the products sold by Woolworths priced consistently nationally, or on a state/territory basis (e.g. for fruit and vegetables, where Woolworths' costs can vary significantly across growing regions).
 - o We regularly monitor the retail grocery prices of a range of competitors and reduce our prices if we are priced uncompetitively. If we fail to do this, customers vote with their feet and we see a rapid drop in our sales volumes.
 - o Our own brand range plays an important and increasing role for our customers, providing great quality at affordable price points. We hold our own brand products at

¹⁴ ABS Series 8165.0 Counts of Australian Businesses, including Entries and Exits, June 2019 to June 2023, including Bakery Product Manufacturing (Non-factory based), Fresh Meat, Fish and Poultry Retailing, Fruit and Vegetable Retailing, and Other Specialised Food Retailing.

¹⁵ Sam Buckingham-Jones, 'Aussies added 189,000 streaming services despite cost-of-living crunch', 2 May 2023, Australian Financial Review: <https://www.afr.com/companies/media-and-marketing/aussies-added-189-000-streaming-services-despite-cost-of-living-crunch-20230501-p5d4j2>.

¹⁶ Banking transaction data based on de-identified, privacy-treated retail banking transactions including credit card, debit card and EFTPOS, normalised to be representative of the Australian population for the 12-month period to 31 December 2023. Percentage of customers is defined as the average proportion of the customers who shopped at other supermarket brands (e.g., Aldi, Coles, IGA, Harris Farms etc.) that reside in the vicinity of each Woolworths store. Only includes sales at brick & mortar stores. Source: CBAiQ (2023).

low prices across long-life categories, providing average savings of around 30% relative to branded products.

- o Woolworths must compete on both price and non-price factors to win and retain customers. We invest in a range of ways to improve the value delivered to customers, including our ongoing pricing initiatives, more convenience and access (eg ~700 Direct to Boot locations), better product quality (e.g. ripening rooms for bananas and avocados), greater choice of range, Everyday Rewards offers and engaging and connected customer experiences in-store and online.
- Countries around the world have experienced high food inflation, and Australia has not been insulated from this. However, aggregate food inflation in Australia during the period September 2021 to September 2023 was markedly lower than in other OECD countries, where food prices rose by 26% on average during that period.¹⁷ While there are a variety of factors that have contributed to this, the competitiveness of Australia's retail grocery sector has certainly played a role in restraining inflation from the levels seen overseas.

Grocery product supply chains have varied market dynamics which significantly impact the cost and in turn retail prices of grocery products

Grocery cost price increases from suppliers are a function of different market dynamics in grocery product supply chains, depending on whether the product is a packaged grocery product, or fresh product. Relevantly:

- Cost price increases within packaged (long-life) goods are driven predominantly by large multinational Consumer Goods Companies. These suppliers can represent over half of the sales in the categories they operate. In the 14 months from November 2021 to January 2023, we received more than 1,800 cost increase requests from our long-life suppliers, which was around 4.5 times the volume of requests we received pre-COVID.¹⁸
- Cost price increases in most fresh categories are driven by export markets and local growing conditions:
 - o **Fruit and vegetables:** 96% of the fruit and vegetables sold at Woolworths are sourced from Australian growers, who face supply and demand patterns that are heavily influenced by short and long-term growing conditions and extreme weather events, which are the primary driver of production volumes and, in turn, prices.
 - o **Meat:** 100% of the fresh beef, lamb, pork and poultry sold at Woolworths is sourced from Australia. The majority of all fresh beef and lamb farmed in Australia is exported. Farm gate prices are largely driven by export markets and weather events for beef and lamb, and by the price of grain for poultry and pork. Spot saleyard prices are not a relevant guide to Woolworths costs because of the basis on which we contract with

¹⁷ ABS (Dec-quarter-2023), Consumer Price Index, Australia, ABS Website, accessed 31 January 2024, OECD (2024), Inflation (CPI) (indicator). doi: 10.1787/eee82e6e-en (Accessed on 30 January 2024). N.B - OECD data only available to Sep-quarter 2023.

¹⁸ See Figure 14 in section 3 below for details.

farmers. For example, for fresh beef we buy on forward contracts to smooth the peaks and troughs through the cycle for our contracted farmers and secure high-quality, year-round supply for our customers. The cost of livestock represents only a portion of the total cost of the finished meat products in our stores. Those products involve extensive processing, packaging, transport, and labour costs, between the farm gate and our shelves.

- o **Dairy:** Farm gate prices are strongly influenced by global export prices, with significant proportions of production exported (in F22/23, 30% of milk and 42% of manufactured products, such as cheese and butter, was exported). Australian annual milk farm gate pricing remains elevated, driven by strong competition between milk processors to secure supply.
- o **Bread:** Cost prices are driven by the cost of wheat and to a lesser extent fertiliser, labour and freight. Australian wheat prices peaked in 2022, driven by the impacts of local weather on supply and heightened export demand as a result of global events (e.g. the war in Ukraine).

We recognise that healthy supplier/retailer relationships are vital to the success of our business and for a sustainable retail sector.

- Our small suppliers have always been vital trading partners for Woolworths. As a result of evolving consumer needs, we have supported a number of small suppliers to enter and grow their presence across our stores. We also continue to invest in ways to simplify and streamline how we engage with our small business suppliers. We provide ongoing support to help them grow their business with us, including commitments to short term payment cycles for these suppliers.
- We are committed to fostering fair, transparent and mutually beneficial relationships with our suppliers and believe the 2015 Food and Grocery Code (the **Grocery Code**) creates an effective framework that supports this objective and establishes a platform for fair dealing across diverse food and grocery supply chains. We support the Grocery Code becoming mandatory and strengthened, including by applying to all substantial retailers and wholesalers of grocery products with a gross annual turnover of \$1 billion or more.

Grocery retailing is a high turnover, low-margin business. We are continuing to make significant investments for the future to further improve our service, quality, and efficiency, enabling our ongoing contribution to the Australian economy and the communities we serve.

We consistently make low margins on grocery sales, and this fact is simply inconsistent with allegations of insufficient competitive pressure on pricing.

- As shown in **Figure 2** below, Woolworths makes around 3.6 cents for every \$1 of revenue in our Australian Food Group business before allocation of Group support costs.

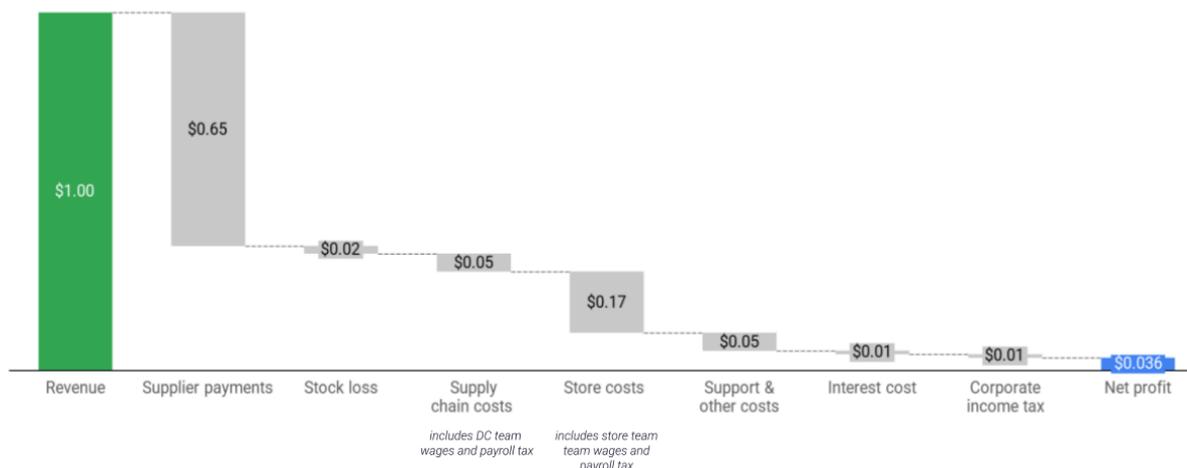


Figure 2: Woolworths Australian Food Group's Costs and Profit expressed as a percentage of Revenue, F2023 P&L¹⁹

- If you were to assume the Woolworths Group made no profits, the average weekly savings on groceries per Woolworths customer would be approximately \$5 per week. However, the Australian Government would also lose a significant income source, with no taxable profits available, as would Australian retail investors and superannuation funds who benefit from the distribution of annual dividends (almost three-quarters of our net profits after tax are currently distributed as dividends).
- Importantly, if our profits were substantially reduced, it would compromise our ability to sustainably invest in our operations, improve our service, quality, and efficiency, and improve our resilience to better manage ongoing supply chain risks and uncertainties, all of which benefit our customers and enable our significant contribution to the Australian economy and the communities we serve. Our contribution to the Australian economy and communities, enabled by our profits and investments, is detailed in section 1.
- We compete for shareholders and funding with other ASX listed companies and businesses across the Australian economy. This, in turn, requires us to generate returns for shareholders which are competitive with their alternatives, as well as ensuring that we can continue to invest back into the business over the longer term.

¹⁹This net profit accounts for Woolworths Supermarkets and other Woolworths Australian Food Group business units such as Cartology. Note: 'Interest' includes a proportional allocation of Group interest costs to the Food business and interest from leases (per the Lease accounting standard requirements); 'Corporate Income tax' is calculated by applying the Group's effective tax rate'. The Group does not typically report Business Segment results to NPAT. This has been produced for illustrative purposes only. Net profit figure of 3.6 cents (after tax) has been rounded to the nearest cent, or ~3.3 cents if group support costs of approximately \$200 million are allocated.

The grocery industry has become increasingly capital intensive, and we have reinvested more back into the business than our international peers.

- Australia already has one of the most innovative, efficient and productive grocery sectors in the OECD.
- Higher consumer expectations and intensified retail competition have necessitated investments in modern and resilient supply chains, a shorter store refurbishment cycle, the growth of online shopping, and the investment in digital technology platforms with shorter useful lives.
- Over the past five years, we have invested around \$10 billion in capital expenditure back into our business, strengthening supply chain resilience with new and expanded DCs, building new stores and upgrading existing ones, and delivering better online shopping experiences with new online customer fulfilment centres (**CFCs**) and store infrastructure (e.g. Direct to Boot).
- In F23, our capital expenditure/sales ratio was 3.3%. This is above international peers such as Walmart, Tesco and Loblaw, which ranged from 1.9% to 2.8% (see **Figure 22**, in section 4 below, for details).
- The capital investments we have made have not only improved our productivity and efficiency, but have delivered many benefits for our customers, including more convenient shopping experiences, greater choice and range, improved product availability and fresher produce.
- Benchmarking our financial performance indicates that, in the competitive environments in which we operate, our financial returns have been in line with relevant peers:
 - A key measure to assess the performance of a business is **Return on Capital**. To generate a reasonable Return on Capital we need to be efficient given we operate in a low margin sector. Our published accounts show that we make reasonable returns on capital for our investors with a post tax ROFE of 10.4% in F23²⁰, while reinvesting significantly back into our business for the benefit of our customers, our team and the broader Australian economy. When using FactSet's standardised calculation, as outlined in section 4 below, our Return on Capital is average when benchmarked against other Australian retailers and global peers.
 - Woolworths Group has achieved Total Shareholder Returns (**TSR**) - which sums both share price appreciation as well as any dividends paid by a company or index - of 11% per annum over the last 5 years. This performance is broadly in line with the TSR of the ASX200 over the same period, supporting the perspective that Woolworths has not over-earned.

²⁰ Our post-tax ROFE has averaged around 10% since F19 - see section 4 below for details.

1. Introduction to Woolworths

Australian origins

Woolworths Group is an Australian company, founded in 1924 with a history of serving Australian communities for almost 100 years. We are listed on the Australian Stock Exchange (**ASX**) and Australian investors account for around 70% of our shares.

Our team serves more than 20 million customers a week across more than 1,250 Woolworths Supermarkets, Woolworths Metro Stores and BIG W Discount Department Stores. We have 400 regional Woolworths Supermarkets, BIG W stores and Distribution Centres (**DCs**) nationally, including in some of the most remote parts of Australia including Weipa (QLD), Carnarvon (WA), Karratha (WA), Roxby Downs (SA), and Katherine (NT). Our supply chain and logistics networks, with 32 DCs across the country,²¹ help to support food security for some of Australia's most remote and disaster-prone regions.

The shape of Woolworths Group has changed significantly over the past decade. In 2015, we exited hardware (Masters and Home Timber and Hardware) and in 2019, we sold the Woolworths Fuel and Convenience business to EG Group. In 2021, we demerged our drinks retailing and hotels business - Endeavour Drinks (including Dan Murphy's and BWS) into a separately listed ASX company, Endeavour Group Limited. We are now a more focused retailer, committed to meeting the food and everyday needs of Australians and New Zealanders.

The Woolworths Supermarkets business sits within the Australian Food segment of Woolworths Group. Our network comprises 1,001 Woolworths Supermarkets (including approximately 700 Direct to Boot locations), 105 Metro Food Stores, 7 CFCs and 2 Woolworths eStores. Primary categories of groceries offered in our supermarkets (in store and/or online) include fresh food (fruit & vegetables, protein, dairy, bakery, meals), long life packaged food (drinks, pantry items, snacks) and non-food essentials (baby and pet needs, household and personal care, and general merchandise).

Woolworths "Customer 1st" strategy

Our "Customer 1st" approach of working hard to get customers to put us first in their weekly shopping trips (i.e "turn left rather than right") is anchored in providing all Australian customers with competitive prices and greater everyday value, fresh and healthy food, a tailored grocery range, convenient and easy access and a great shopping experience regardless of how they choose to engage with us (in-store or digitally).

To stay relevant to our customers, we are constantly implementing initiatives and making investments in the business that help us meet our customers' needs such as:

²¹ 32 DCs of which 17 service Food & Liquor, 4 service BIG W, and 11 are managed by third parties.

- **Competitive prices and greater everyday value:** We are constantly evolving and implementing attractive pricing and promotional offerings to ensure our customers get access to low prices and greater everyday value. At present, we have more than 2,500 products on our Everyday Low Price program and maintain over 6,000 Weekly Specials, in addition to seasonal Prices Dropped campaigns. Our Own and Exclusive Brands also play a key role in providing value for our customers. We have also continued to invest in our loyalty program, Everyday Rewards, which is free to join and participate, and offers customers a way to get a little more value by earning and redeeming points when they shop in-store and online at Woolworths and partners. Everyday Rewards delivers hundreds of millions of dollars in savings to members every year.
- **Convenient and easy access:** We are continuously investing in upgrading our store network. In F23 we opened 7 new Woolworths Supermarkets and 3 Woolworths Metro stores²² in Australia and renewed a further 43 across Australia to deliver better experiences for our customers and communities.

We have also seen (particularly since the COVID 19 pandemic) a rapid increase in the demand for our convenient online shopping propositions, especially for express delivery options such as Same Day and On-Demand delivery within the hour. To support this, we continue to enhance our store infrastructure such as Direct to Boot and home delivery services (available to 96% of Australian households), as well as opening more online CFCs.²³ Customers have responded positively to these investments, with online penetration growing from 4.4% in December 2019 to 11.9% in December 2023.

- **Greater quality and choice of range:** Woolworths Supermarkets offers a diverse range of products - more than 28,000 product SKUs (including around 6,000 own brand products) across 82 product categories and 364 subcategories. We work hard to curate this product range in every store to offer a tailored, relevant range for each of the communities we serve across Australia.

As Today's Fresh Food People, providing fresh food to all Australians is at the heart of who we are. Our fruit and vegetable department is at the front of our stores - over the last 5 years we have invested \$100 million to update this department in all our stores, and we have given away more than 160 million pieces of fruit through our Free Fruit for Kids program since 2015.²⁴ We have committed to growing the proportion of healthier choices in our customers' baskets by 50 basis points each year. To help achieve this, we are focused on making healthier food more affordable by including healthier choices in our various promotional programs, front of store ends and checkouts. On a rolling 12 month basis, around 60% of our sales and 70% of food sold by weight were Healthier Products

²² Net new store openings taking into account permanently closed stores.

²³ For example, we recently opened CFCs in Caringbah, NSW and Rochedale, QLD, bringing the total number of Australian CFCs to seven at the end of F23. We are working towards opening our first automated CFC in Auburn, NSW in 2025.

²⁴ Woolworths Group, 2023 Sustainability Report, page 47:

<https://www.woolworthsgroup.com.au/content/dam/wwg/investors/reports/f23/full-year/Woolworths%20Group%202023%20Sustainability%20Report.pdf>.

(>3.5* and above). In addition, our average price per kg for Healthier Products has increased at a lower rate compared to our overall range.

To enable a wider and fresher range, we have invested \$1 billion into our multi-year supply chain transformation over the past 5 years. Major new facilities and expansions opened over the last five years include Melbourne South Regional DC and Melbourne Fresh DC in Victoria; Adelaide Regional DC expansion in South Australia; and Heathwood Chilled and Frozen DC in Queensland. Two new DCs in Moorebank, NSW are progressing to plan with the initial phase of our new Sydney National DC now complete with an operational launch date planned for late 2024. These investments have also allowed us to strengthen our supply chain resilience, improve stock availability, and to drive productivity improvement, increase capacity and improve efficiencies.²⁵

- **Engaging and connected customer experiences:** To reflect our customers' growing demand to plan and do their shop online, we are continuing to invest in evolving our digital capabilities as a way to improve our customer experience. Our digital assets attract 16 million visits per week (vs 18 million weekly store visits), and we continue to evolve Woolworths and Everyday Rewards apps and websites to make it easier for our customers to plan, shop and find value online as well as in-store.²⁶
- **Listening to our customers and continuously evolving our propositions to meet their needs is an essential part of our culture:** Our "Voice of Customer" (VOC) survey is one of the largest daily consumer surveys conducted in Australia, capturing over 700,000 customer responses from our supermarket shoppers in the last year alone. VOC asks customers to rate their experience across many different elements of the shopping experience including but not limited to store presentation, range, value for money, care, fruit & veg, availability and queue wait times. We use this customer feedback to help adjust our business to better meet their needs, for example, ensuring the optimal mix of checkout types in a store, and taking steps to remove friction points during a shopping experience.

Within Woolworths Metro, our 'Picked by You' program provides customers the opportunity to request certain products to be ranged as part of our ongoing Metro offers, by using the Picked by You QR codes located in-store.

Our suppliers

Healthy retailer and supplier relationships are vital to the success and sustainability of the Australian grocery industry - we collectively work with thousands of suppliers to our supermarkets business to meet the needs of millions of Australian customers every day, and enable better outcomes across our shared value chain. We aspire to be the retail partner of choice for our

²⁵ Woolworths Group, 2023 Annual Report, pages 4-5:

<https://www.woolworthsgroup.com.au/content/dam/wwg/investors/reports/2023/f23-full-year/Woolworths%20Group%202023%20Annual%20Report.pdf>.

²⁶ Woolworths Group, F23 Full Year Profit and Dividend Announcement, page 13:

<https://www.woolworthsgroup.com.au/content/dam/wwg/investors/reports/f23/full-year/Woolworths%20Group%20F23%20Profit%20Announcement.pdf>.

supplier trade partners, and to build sustainable collaborative relationships that enable our Customer 1st strategy, as described further in section 3.

We actively support local suppliers and source Australian grown and produced products. 96% of our fresh fruit and vegetables and 100% of our fresh Woolworths meat, chicken, eggs and milk comes from Australia.²⁷ We also continue to invest in ways to simplify and streamline how we engage with our small business suppliers and provide ongoing support to help them grow their business with us, as described in section 3.

Contribution to communities and the broader economy

Employment

We are Australia's largest private sector employer with 176,000 Australian-based team members, of which over 25,000 have more than 15 years of service. We play an important role in providing first job opportunities to young Australians, with around 20% of our team under 21 years of age. Every year we invest heavily in training and development for our team (\$57 million in F23, \$63 million budgeted for F24). In July 2023, we increased wages for all our retail team members by 5.75% and lifted superannuation contributions by 0.5% – maintaining above award rates of pay for our store teams.²⁸

Regional investment

We make a significant contribution to regional Australia and its communities.

We have established disruption management measures for higher risk communities to continue delivering essential supplies to regional and remote communities in the event of disruption. Our supply chain handled 164 days of disruption in F23 as a result of floods, rail derailments, cyclones, and fires. An example of our regional investment in this context is the expansion of capacity in our Townsville DC to provide more resiliency to Far North Queensland, increased inventory holdings ahead of seasonal weather events, use of alternative transport modes and road routes, and pre-positioning of contingency stock for essential items in areas subject to floods and cyclones.

Modelling from economic consultancy, Mandala, focusing on our contribution to regional Australia, estimates we support as many as 57,000 regional jobs on top of our direct employment footprint of more than 47,000 team members in regional Australia.²⁹ Around 16,000 jobs are indirectly supported through the billions of dollars we spend with suppliers in regional Australia every year. A major part of this is the \$5.7 billion we pay our suppliers for fresh Australian meat, fruit and vegetables grown on regional farms. A further 40,000 regional jobs are estimated to be

²⁷ Woolworths Group, 2023 Regional Report, page 26:

https://www.woolworthsgroup.com.au/content/dam/wwg/investors/reports/2023/f23-full-year/137899_Regional_Aus_Report_DIGI_2023.pdf.

²⁸ A total of 6.25% including the 2023 increase in the superannuation guarantee.

²⁹ Woolworths Group, 2023 Regional Report, page 6:

https://www.woolworthsgroup.com.au/content/dam/wwg/investors/reports/2023/f23-full-year/137899_Regional_Aus_Report_DIGI_2023.pdf.

supported by the \$1.6 billion in wages we pay regional team members each year. As population growth picks up in regional Australia, we are working to expand our economic contribution further.

Woolworths plans to invest an additional \$330 million over the next five years to improve shopping experiences for our regional customers. This investment will support ~1,800 construction jobs and create opportunities for smaller retailers and hospitality operators who co-locate in the new shopping centres we develop.

Community contribution

In F23, we also invested the equivalent of \$122 million³⁰ in contributions in our communities to support natural disaster resilience, food security, education and health. Examples of our contributions to communities include:

- Our Support Through Australian Natural Disasters (S.T.A.N.D.) program helps our communities during times of natural disasters, such as the devastating floods that hit WA, Vic and NSW in F23. Funds raised through our S.T.A.N.D. program in F23, including our annual donation of \$500,000, enabled The Salvation Army to provide immediate relief to affected communities.³¹
- In F23, Woolworths Group contributed a record of more than 34 million meals to our food rescue partners, including OzHarvest, Foodbank and Fareshare in Australia, and KiwiHarvest and The Salvation Army in New Zealand. We helped donate \$75.8 million of surplus food and groceries from our stores and DCs to thousands of local charitable organisations across Australia and New Zealand.³²
- Our Mini Woolies program in partnership with Fujitsu provides hands-on learning experiences for students and job candidates living with disabilities. Since its inception in 2018, it has grown to more than 52 locations and offered experiences to more than 3,000 young Australians.³³

Tax and dividends

In F23, in addition to paying more than \$9.9 billion in salary and wages, we paid \$1.1 billion in taxes and \$1 billion to shareholders in dividends. Over the past 5 years, we have paid over \$5.1 billion in federal and state taxes³⁴ and \$5.7 billion in dividends to shareholders. We have a dividend payout target of 70-75% of our net profit after tax. This means that of every dollar of

³⁰ Woolworths Group 2023 Sustainability Report, page 26:
<https://www.woolworthsgroup.com.au/content/dam/wwg/investors/reports/f23/full-year/Woolworths%20Group%2023%20Sustainability%20Report.pdf>.

³¹ Woolworths Group, 2023 Annual Report, page 19:
<https://www.woolworthsgroup.com.au/content/dam/wwg/investors/reports/2023/f23-full-year/Woolworths%20Group%202023%20Annual%20Report.pdf>;

³² Woolworths Group 2023 Sustainability Report, page 26:
<https://www.woolworthsgroup.com.au/content/dam/wwg/investors/reports/f23/full-year/Woolworths%20Group%2023%20Sustainability%20Report.pdf>.

³³ Ibid; Woolworths Group F24 H1 Analyst Presentation, page 15:
<https://www.woolworthsgroup.com.au/content/dam/wwg/investors/asx-announcements/2024/Woolworths%20Group%20F24%20H1%20Analyst%20Presentation.pdf>.

³⁴ Cumulative total of corporate income tax, payroll tax, customs/duty, fringe benefits tax and other.

profit we make, around three quarters is paid to our shareholders in dividends with the balance reinvested back into our business.

The majority of our dividends are paid to Australian shareholders who own around 70% of our shares either directly or via their superannuation funds. This contributes directly to the retirement incomes of millions of Australians.

2. Australian grocery retail is fiercely competitive

In 2008, the ACCC found that the retail grocery industry was “workably competitive”.³⁵ The grocery retail landscape we face today is significantly more competitive than it was then.

We face robust competition (both in-store and online) from a broad set of competitors in the retail sale of grocery products, which are not limited to traditional supermarkets. **Figure 3** below shows the many different types of grocery retailers in Australia competing fiercely for share of the customer’s grocery basket.



Figure 3: Competitors of Woolworths

Further information is provided below on many of these highly competitive retailers.

There has been significant entry and expansion by global competitors since 2008

Three of the world’s largest retailers - Aldi, Amazon Retail and Costco - have established material positions in Australia with significant published plans for growth. Each offers compelling and differentiated value propositions that heighten competitive tension and the need for dynamic innovation in grocery retail. This dynamism is anticipated to drive a continuation of proactive and reactive competitive initiatives such as those shown in **Figure 4** below.

³⁵ ACCC, 2008 Grocery Inquiry Report, page xvi:
<https://www.accc.gov.au/system/files/Grocery%20inquiry%20report%20-%20July%202008.pdf>.

Timeline of key competitive movements and events since 2008

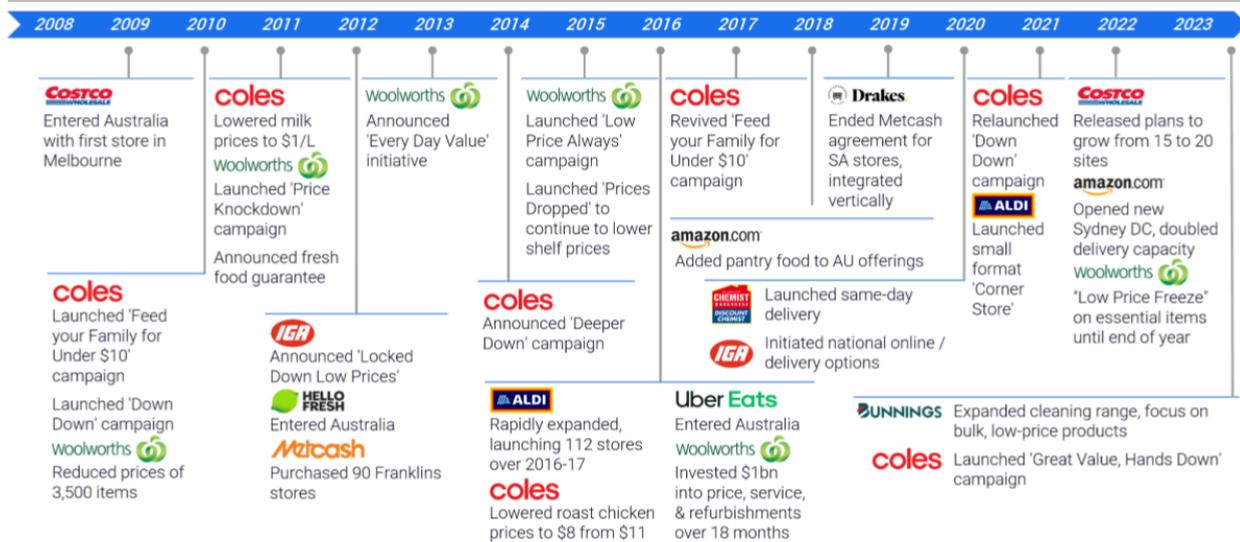


Figure 4: Examples of competitive movements and events since 2008

Aldi

Since the 2008 Grocery Inquiry when the ACCC found that “Aldi has been a significant influence on Australian grocery retailing”,³⁶ Aldi has grown from 170 to 593 stores³⁷ in Australia and is estimated to have annual Australian sales of nearly \$12 billion.³⁸

Count of Aldi stores by year, Australia, 2008 to 2024 (#)

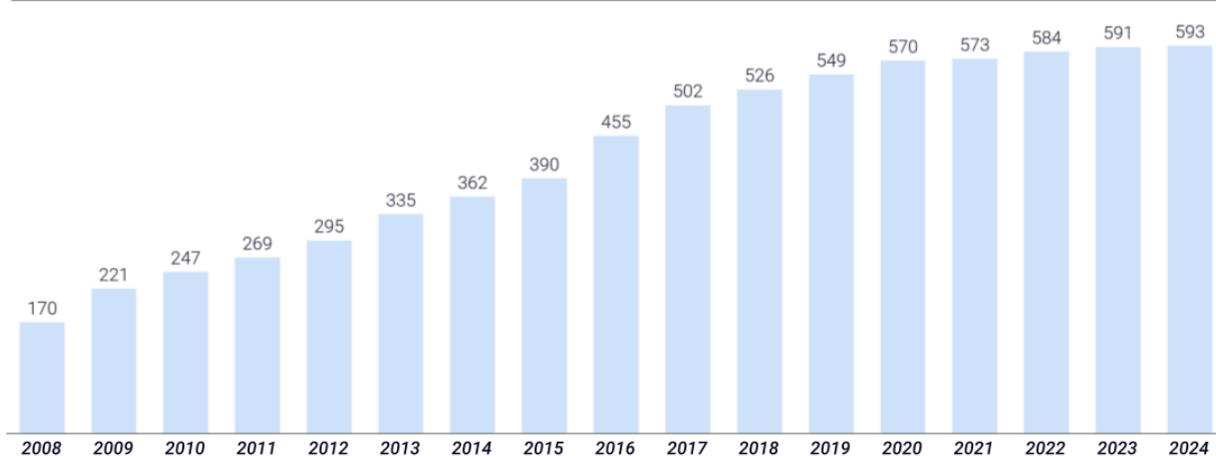


Figure 5: Count of Aldi stores by year, 2008 to 2024

³⁶ ACCC, 2008 Grocery Inquiry Report, page xvi:

<https://www.accc.gov.au/system/files/Grocery%20inquiry%20report%20-%20July%202008.pdf>.

³⁷ ACCC, 2008 Grocery Inquiry Report, page 43:

<https://www.accc.gov.au/system/files/Grocery%20inquiry%20report%20-%20July%202008.pdf>; Aldi, 'All stores':

<https://store.aldi.com.au>.

³⁸ Carrie LaFrenz, Meet the woman tasked with steering Aldi to new heights, Australian Financial Review, 10 August 2023:

<https://www.afr.com/companies/retail/meet-the-woman-tasked-with-steering-aldi-to-new-heights-20230808-p5duxt>.

Aldi's customer value proposition is anchored on price³⁹, typically offering significantly less product variety. Aldi's entry level price point is often lower than the price points of branded products at other major supermarkets. This is enabled by its concentrated exclusive brand range with limited marketing and branding-related costs, direct sourcing from manufacturers, lean buying structure, smaller stores and smaller number of team members.

Aldi's current "Shop at Aldi first and save" advertising campaign shows Aldi competing for the primary share of a customer's basket - but recognising explicitly that many customers shop across a range of retailers.⁴⁰ Woolworths must continuously work hard to compete effectively with Aldi to try to win as much of the customer's basket as possible. On average, 58% of customers who have a Woolworths within their local area shop at an Aldi.⁴¹ 80% of Woolworths stores are located within 5km of an Aldi store.⁴²

Aldi promises Australia's lowest prices and asserts that it exerts substantial downward pressure on grocery prices across the sector.⁴³ Aldi is a particularly close and vigorous competitor to Woolworths in entry level exclusive label products, and fresh produce and protein. Aldi has also innovated its shopping experience to appeal to a broader range of customers, for example, through its 'Project Fresh' program, stocking more branded products, and expanding its exclusive label range with more mainstream and premium products.⁴⁴

In 2015/16, Woolworths reset its price positioning, including its Woolworths own brand range, so that it provided greater price competitiveness to Aldi (as well as Costco). As cost of living pressures have risen we have continued to focus on being price competitive with Aldi, particularly in fruit, vegetables and protein, to help customers find value and to keep items in the basket at Woolworths.

Aldi's business model "is about sustainable long term growth" and it is "heavily invested in the Australian market".⁴⁵ Aldi's investments are focused on new DCs, additional store openings,

³⁹ Aldi, 'Price Promise': <https://www.aldi.com.au/about-aldi/price-promise/>.

⁴⁰ Aldi, 'Good Different': <https://www.aldi.com.au/about-aldi/good-different/>.

⁴¹ Banking transaction data based on de-identified, privacy-treated retail banking transactions including credit card, debit card and EFTPOS, normalised to be representative of the Australian population for the 12-month period to 31 December 2023. Percentage of customers is defined as the average proportion of the customers who shopped at other supermarket brands (e.g., Aldi, Coles, IGA, Harris Farms etc.) that reside in the vicinity of each Woolworths store. Only includes sales at brick & mortar stores. Source: CBAiQ (2023).

⁴² Woolworths Property analysis.

⁴³ Aldi, 'Aldi Australia saved customers \$3.1 billion in 2022 despite cost of living increases':

https://www.aldi.com.au/fileadmin/fm-dam/images/Price_Promise/Fact_Sheet/Price_Report_Fact_sheet.pdf.

⁴⁴ Intrec, 'Aldi Refresh Rollout': https://intrec.com.au/portfolio_item/aldi-refresh-rollout/; Aldi Unpacked, 'Coming to a store near you', 8 May 2018: <https://www.aldiunpacked.com.au/coming-to-a-store-near-you/>.

⁴⁵ Aldi, Submission to the Senate Select Committee on Supermarket Prices, 2 February 2024, page 2:

https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Supermarket_Prices/SupermarketPrices/Submissions.

refurbishments and extensions and product innovation.⁴⁶ It reportedly has plans to add further stores in metro areas and growth corridors on the outskirts of Australia's big cities.⁴⁷

Amazon Retail

Since the 2008 Grocery Inquiry, Amazon Retail has established operations in Australia (in 2017) and grown rapidly. With projected Gross Merchandise Value of \$5.5 billion in Australia alone for F24,⁴⁸ Amazon competes directly with Woolworths on around 6,500 long-life packaged food and non-food essentials.

A key part of Amazon's customer value proposition is being the "first point of product research", offering competitive pricing and fast delivery. Amazon reportedly has more than four million Australian 'Prime' subscribers who gain access to Amazon's faster delivery service and pricing deals through monthly or yearly subscriptions.⁴⁹ Amazon was one of the first Australian businesses to offer 1-day delivery, a service which has expanded year on year, with the recent inclusion of Brisbane, Geelong, Gosford, Newcastle and Wollongong.⁵⁰ Customers can also sign up for scheduled repeat deliveries on products they routinely shop for with the benefit of a 10% discount and free delivery through Amazon's 'Subscribe and Save' proposition.⁵¹

Amazon is now well established in Australia and continues to heavily invest and expand its presence.⁵² Amazon currently has six large fulfilment centres located in Victoria, New South Wales, Queensland and Western Australia.⁵³ A seventh fulfilment centre in North Melbourne,

⁴⁶ Aldi, Submission to the Senate Select Committee on Supermarket Prices, 2 February 2024, page 2: https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Supermarket_Prices/SupermarketPrices/Submissions.

⁴⁷ Carrie LaFrenz, 'Meet the woman tasked with steering Aldi to new heights', 10 August 2023, Australian Financial Review: <https://www.afr.com/companies/retail/meet-the-woman-tasked-with-steering-aldi-to-new-heights-20230808-p5duxt>. Demonstrating Aldi's geographic expansion into regional Australia, in November 2023 Aldi opened its first store in Far North Queensland (in Townsville), Thomas Oakley-Newell, 'Aldi opens first store in North Queensland', 20 December 2023, Convenience and Impulse Retailing: <https://www.c-store.com.au/aldi-opens-first-store-in-north-queensland/>. Publicly available information indicates Aldi plans to launch a further two stores in Townsville as well as one in Mackay in the next 12 months.

⁴⁸ Carrie LaFrenz, 'Amazon moves closer to \$5.5b Australian milestone', 5 June 2023, Australian Financial Review: <https://www.afr.com/companies/retail/amazon-inches-to-5-5b-australian-milestone-20230605-p5de19>.

⁴⁹ Sam Buckingham-Jones, 'Aussies added 189,000 streaming service despite cost-of-living crunch', Australian Financial Review, 2 May 2023. See: <https://www.afr.com/companies/media-and-marketing/aussies-added-189-000-streaming-services-despite-cost-of-living-crunch-20230501-p5d4j2>.

⁵⁰ Amazon, 'Amazon Australia announces Prime free one-day delivery in Brisbane, Geelong, Gosford, Newcastle and Wollongong', 7 February 2024: <https://amazonau.gcs-web.com/news-releases/news-release-details/amazon-australia-announces-prime-free-one-day-delivery-brisbane>.

⁵¹ Amazon, 'Amazon Australia launches 'Subscribe and Save' - Bringing customers scheduled repeat deliveries on household essentials at discounted prices', 23 October 2019: <https://amazonau.gcs-web.com/news-releases/news-release-details/amazon-australia-launches-subscribe-and-save-bringing-customers>.

⁵² In 2022, Amazon invested \$1.9 billion in Australia across all of its businesses. See Amazon, 'Amazon Australia's first robotics fulfilment centre in Western Sydney now open', 6 April 2022: <https://amazonau.gcs-web.com/news-releases/news-release-details/amazon-australias-first-robotics-fulfilment-centre-western>.

⁵³ See following article stating that Amazon fulfilment centres are located in Ravenhall VIC, Dandenong South VIC, Western Sydney NSW, Moorebank NSW, Lytton QLD: Danielle Cahill, 'Inside Amazon Australia's first sort centre', 6

Victoria is expected to be completed by 2025.⁵⁴ This new robotics fulfilment centre in Melbourne will be the largest in Australia and will be Amazon's second robotics fulfilment centre following completion of its 200,000 sqm warehouse in Western Sydney, NSW. Opening in April 2022 Amazon's Western Sydney fulfilment centre is within a 12-hour drive of 80% of the Australian population.⁵⁵

Amazon's growth trajectory, scope expansion (including the launch of Amazon Fresh, offering groceries online and in store) and penetration in other countries such as the US and UK, and across Europe and Asia, point to the continued and enhanced presence of Amazon in the near to medium term in Australia.⁵⁶

Costco

Since the 2008 Grocery Inquiry, multinational giant Costco has entered Australia (in 2009) and grown to 15 grocery and general merchandise warehouses (equivalent to ~70 supermarkets by trading area) and \$4.4 billion in annual revenue.⁵⁷ Costco competes directly with Woolworths across the full range of groceries including fresh food (such as meat, seafood and bread), long life packaged food and non-food essentials like household and personal care products.

Costco offers a low price point through its bulk-size and big-box store format. It operates a membership model (with two tiers of individual annual membership at \$65 and \$130⁵⁸). Costco reportedly achieved sales growth of "almost 20%" in 2023, and has a "total membership base in

October 2022, Realcommercial.com.au:

<https://www.realcommercial.com.au/news/inside-amazon-australias-first-sort-centre>. See also, article on opening of Jandakot Airport fulfilment centre which replaced the former Perth Airport fulfilment centre: Larry Schlesinger, 'Amazon opens biggest Perth warehouse in Dexus airport estate', 5 November 2023, Australian Financial Review:

<https://www.afr.com/property/commercial/amazon-opens-biggest-perth-warehouse-in-dexus-airport-estate-20231103-p5ehqd> and Amazon press release on same: Amazon, 'Amazon Australia's Purpose-Built Fulfilment Centre in Perth Opens in Time for the Holidays', 3 November 2023:

<https://amazonau.gcs-web.com/news-releases/news-release-details/amazon-australias-purpose-built-fulfilment-centre-perth-opens>.

⁵⁴ Amazon, 'Construction has begun in Melbourne as Amazon Australia announces second robotics fulfilment centre', 9 August 2023:

<https://www.aboutamazon.com.au/news/workplace/construction-has-begun-in-melbourne-as-amazon-australia-announces-second-robotics-fulfilment-centre>.

⁵⁵ Amazon, 'Amazon Australia's first robotics fulfilment centre in Western Sydney now open', 6 April 2022:

<https://amazonau.gcs-web.com/news-releases/news-release-details/amazon-australias-first-robotics-fulfilment-centre-western>.

⁵⁶ As an indicator of further potential growth in Australia, it is estimated that there are 168 million subscribers in the US (equivalent to 50% of the population). As of March 2023, Amazon Prime reportedly had 4.2 million subscribers in Australia (equivalent to 16% of the Australian population). See following articles on Amazon subscriber count: Eugene Kim, 'Amazon's Prime membership program stopped growing in the US for the first time ever, according to new estimates', 18 January 2023, Business Insider:

<https://www.businessinsider.com/amazon-shopping-prime-membership-us-stopped-growing-first-time-ever-2023-1> and Sam Buckingham-Jones, 'Aussies added 189,000 streaming services despite cost-of-living crunch', 2 May 2023, Australian Financial Review:

<https://www.afr.com/companies/media-and-marketing/aussies-added-189-000-streaming-services-despite-cost-of-living-crunch-20230501-p5d4j2>.

⁵⁷ Eli Greenblat, 'Costco sales in Australia hit \$4.4bn', 1 January 2024, The Australian:

[https://www.westlaw.com/Document/lece94490a8ed11ee8c2fff852a0a1508/View/FullText.html?transitionType=Default&contextData=\(sc.Default\)&VR=3.0&RS=cblt1.0](https://www.westlaw.com/Document/lece94490a8ed11ee8c2fff852a0a1508/View/FullText.html?transitionType=Default&contextData=(sc.Default)&VR=3.0&RS=cblt1.0).

⁵⁸ Costco, 'Membership': <https://www.costco.com.au/membership>.

Australia of 1.5 million”.⁵⁹ In 2023, Costco’s CEO indicated the retailer had witnessed increased competitive pressures from some of its main rivals, such as Woolworths, with Costco lowering its shelf prices to maintain its “competitive credentials”.⁶⁰

Costco is also the owner of one of the world’s biggest food and everyday needs private label brands ‘Kirkland Signature’,⁶¹ which benefits from material global scale in procurement and manufacturing. Promoted as “high quality products at incredibly low prices”, Costco’s private label currently makes up around 20% of the products Costco stocks.⁶²

Costco is one of the world’s largest retail companies, by global revenue, and intends to grow its Australian footprint another ~30%, to a total of 20 warehouses in the next 5 years.⁶³

Woolworths continues to face robust competition, both in-store and online, from long-standing rival Coles and banners supported by Metcash, as well as specialty retailers, independent supermarkets and convenience retailers

Coles

Coles has 850 stores covering “every part of Australia” and an extensive network of distribution and fulfilment centres which service these stores and Coles’ online delivery service.⁶⁴ Coles generated \$36.75 billion in turnover in F23.⁶⁵

Coles and Woolworths have continued to fiercely compete on price since 2008, both in-store and online. This has manifested in major price campaigns launched by each of Coles and Woolworths (examples of which are shown in **Figure 4** above), among continual tactical competitive initiatives to win customers. The intensity of competition between Coles and Woolworths is also evident in the substantial investments made by each to drive efficiency, especially as regards supply chain automation and online fulfilment and delivery. For example, as stated in its 2024 submission to the Senate Select Committee on Supermarket Prices, “[o]ver the past 5 years, Coles has invested over \$6 billion in capital expenditure to enhance the customer experience...”.⁶⁶ This includes investing in the construction of two automated DCs in Queensland and NSW (using Witron

⁵⁹ Eli Greenblat, 'Costco sales in Australia hit \$4.4bn', 1 January 2024, The Australian: [https://www.westlaw.com/Document/lece94490a8ed11ee8c2fff852a0a1508/View/FullText.html?transitionType=Default&contextData=\(sc.Default\)&VR=3.0&RS=cblt1.0](https://www.westlaw.com/Document/lece94490a8ed11ee8c2fff852a0a1508/View/FullText.html?transitionType=Default&contextData=(sc.Default)&VR=3.0&RS=cblt1.0).

⁶⁰ Eli Greenblat, 'Costco sales in Australia hit \$4.4bn', 1 January 2024, The Australian: [https://www.westlaw.com/Document/lece94490a8ed11ee8c2fff852a0a1508/View/FullText.html?transitionType=Default&contextData=\(sc.Default\)&VR=3.0&RS=cblt1.0](https://www.westlaw.com/Document/lece94490a8ed11ee8c2fff852a0a1508/View/FullText.html?transitionType=Default&contextData=(sc.Default)&VR=3.0&RS=cblt1.0).

⁶¹ Costco, 'Kirkland Signature': [costco.com.au/kirkland-signature](https://www.costco.com.au/kirkland-signature).

⁶² Costco, 'Kirkland Signature': <https://www.costco.com.au/KIRKLAND-SIGNATURE/c/KIRKLAND-SIGNATURE>.

⁶³ 7News, Sunrise TV segment with Patrick Noone, Costco Warehouse Australia Managing Director, July 2023: <https://7news.com.au/video/lifestyle/costco-reveals-australian-expansion-plans-bc-6330593803112>.

⁶⁴ Coles Group, 2024 Half Year Results Presentation, 27 February 2024, page 5: <https://www.colesgroup.com.au/investors/?page=asx-announcements>; Coles Group, Submission to Senate Select Committee on Supermarket Prices, 2 February 2024, page 2: https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Supermarket_Prices/SupermarketPrices/Submissions.

⁶⁵ Coles Group, 2023 Annual Report, page 26: https://www.colesgroup.com.au/FormBuilder/_Resource/_module/ir5sKeTxxEONDzdh00hWJw/file/Annual_Report.pdf.

⁶⁶ Coles, Submission to the Senate Select Committee on Supermarket Prices, 2 February 2024, page 22: https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Supermarket_Prices/SupermarketPrices/Submissions.

technology) and two automated CFCs for online orders in Victoria and NSW (in partnership with British e-commerce company Ocado).⁶⁷

Independent grocery and convenience retailers

The presence of independent grocery retailers and convenience stores has remained strong since 2008; through the continued strength of the Metcash-supported IGA banner group and the expansion of grocery retailers including Drakes, Harris Farm and convenience store network 7-Eleven.

Metcash / IGA

Metcash supports over 1,600 independent retailers across Australia.⁶⁸ This includes independent retailers that operate under the IGA, Ritchies, Foodland, Supa Valu, Village Grocer and Friendly Grocer brands.⁶⁹ The vast majority of these supermarkets operate under the IGA banner (~1,300 Australia-wide⁷⁰). In recent years Metcash has supported the competitiveness of the IGA network through pricing initiatives like the IGA Price Match Promise and Low Prices Every Day,⁷¹ store upgrades under the Diamond Store Accelerator program as well as by expanding its digital offerings such as IGA Rewards and IGA Shop Online.⁷²

Metcash has stated that it is focused on expanding its store network and further differentiating the IGA offer.⁷³ In 2024 so far, Metcash has announced plans to open 20 new supermarkets per year, with the potential to increase this to 10 supermarkets per state per year⁷⁴ and acquire

⁶⁷ Coles, Submission to the Senate Select Committee on Supermarket Prices, 2 February 2024, page 18-19: https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Supermarket_Prices/SupermarketPrices/Submissions.

⁶⁸ Metcash, Submission to Senate Select Committee on Supermarket Prices, 6 February 2024, page 1: https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Supermarket_Prices/SupermarketPrices/Submissions.

⁶⁹ Metcash, Investor Day Presentation, 12 March 2024, Food section page 3: <https://mars-metcdn-com.global.ssl.fastly.net/content/uploads/sites/101/2024/03/12095501/Investor-Day-2024-presentation-FINAL.pdf>.

⁷⁰ Metcash, Investor Day Presentation, 12 March 2024, Food section page 8: <https://mars-metcdn-com.global.ssl.fastly.net/content/uploads/sites/101/2024/03/12095501/Investor-Day-2024-presentation-FINAL.pdf>.

⁷¹ Metcash, Submission to Senate Select Committee on Supermarket Prices, 6 February 2024, page 1: https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Supermarket_Prices/SupermarketPrices/Submissions;

IGA Price Match Promise': <https://www.iga.com.au/price-match/>; IGA, 'IGA Low Prices Everyday': <https://www.iga.com.au/low-prices-every-day/>. Metcash, Annual Report 2023, page 20 states "The IGA price gap to the major chains has narrowed to our most competitive position ever..."

⁷² Metcash, Annual Report 2023, page 13 states "Underpinning the strong performance is the continued successful execution of our strategic initiatives to further improve the competitiveness of the IGA network, with particular focus on prices, ranges, store quality and standards to drive value for shoppers":

https://mars-metcdn-com.global.ssl.fastly.net/content/uploads/sites/101/2023/08/14161944/20837_Metcash_AR23_00_FULL_Web_V1.pdf. See also page 20 of the Annual Report 2023 discussing IGA Rewards and IGA Shop Online.

⁷³ Metcash, Investor Day Presentation, 12 March 2024, page 78: <https://mars-metcdn-com.global.ssl.fastly.net/content/uploads/sites/101/2024/03/12095501/Investor-Day-2024-presentation-FINAL.pdf>.

⁷⁴ Metcash, Investor Day Presentation March, 12 March 2024, page 20: <https://mars-metcdn-com.global.ssl.fastly.net/content/uploads/sites/101/2024/03/12095501/Investor-Day-2024-presentation-FINAL.pdf>.

Australia's third largest foodservice distribution business called Superior Food Group.⁷⁵

Drakes, Harris Farm and 7-Eleven

The successful growth of independent retailer networks in Australia is evident in the cases of Drakes (\$1.2 billion revenue in F23)⁷⁶, Harris Farm (reportedly \$649 million revenue in F21)⁷⁷ and 7-Eleven (\$1.8 billion merchandise sales in F23)⁷⁸. Since 2008, these retailers have increased their presence, expanded their range, and launched online delivery and click and collect propositions:

- **Increased presence:** Drakes has expanded to a network of 67 stores (SA and QLD), with plans to grow to 80 Stores by 2027.⁷⁹ Drakes also opened its own multi-million dollar DC in South Australia in 2019, marking the end of its supply agreement with Metcash for its stores in that state.⁸⁰ Harris Farm has expanded to a network of 27 stores (NSW and QLD). 7-Eleven has grown to approximately 750 stores (VIC, NSW, ACT, QLD and WA)⁸¹ and reportedly plans to open 35 stores annually.⁸²
- **Expanded and differentiated range:** Along with a full range of fresh and long life groceries, Drakes sells gelato, pasta and sauces all made fresh in store, and a takeaway breakfast, lunch and dinner offering known as 'The Little Kitchen'⁸³ which offers wraps, salads, self-serve soup and hot meals. Harris Farm offers a full range of fresh and long life groceries, along with a large range of 'Ready to Cook' meal kits which provide customers with ingredients and step-by-step cooking instructions.⁸⁴ 7-Eleven offers fresh and long life groceries and a variety of ready meals.⁸⁵

⁷⁵ Jessica Yun, 'Metcash makes \$560 million bet on food services, hardware', 4 February 2024, Sydney Morning Herald: <https://www.smh.com.au/business/companies/metcash-makes-560-million-bet-on-food-services-hardware-20240205-p5f2iu.html>.

⁷⁶ Sarah Keoghan, 'Man that Woolies rejected is now worth \$827 million', 15 March 2024, News.com.au: <https://www.news.com.au/finance/money/wealth/supermarket-king-roger-drake-makes-australias-richest-250/news-story/125789c5335f410504d326fa6d1b1836>.

⁷⁷ Sarah Thompson, Anthony Macdonald and Tim Boyd, 'Harris Farm earnings up 2.5x by FY25: pitch to suitors', 10 June 2021, Australian Financial Review: <https://www.afr.com/street-talk/earnings-up-2-5x-by-fy25-harris-farm-s-pitch-to-buyers-20210610-p57zvy>.

⁷⁸ Seven & i Holdings, 'Briefing on Group Strategy Execution', 1 December 2023, page 9: https://www.7andi.com/en/ir/file/library/ks/pdf/2023_1201kse.pdf.

⁷⁹ Drakes recently acquired a store in Mount Barker, making its network now 67 stores: Drakes, 'Drakes proudly expands with acquisition of IGA Mount Barker and Mount Barker Cellarbration, 19 March 2024, page 1:

<https://drakes.com.au/wp-content/uploads/2024/03/Drakes-Supermarkets-expands-with-Mount-Barker-Aquisition-MED-IA-RELEASE.pdf>; Drakes, 'Drakes Supermarkets 50th Year Press Release', 2024, page 2:

<https://drakes.com.au/wp-content/uploads/2024/02/Drakes-Supermarkets-50th-Year-PRESS-RELEASE.pdf>.

⁸⁰ Drakes, 'About Us': <https://drakes.com.au/about/>. Following consolidation of supply deals that came about after this change, Drakes' reported profits lifted more than 50 percent: Eli Greenblat, 'Home cooking to drive supermarket sales, says Drakes boss John-Paul Drake', 15 November 2023, The Australian.

⁸¹ 7-Eleven Australia, 'About Us': <https://www.7eleven.com.au/get-to-know-us/about-us.html>.

⁸² Simon Evans, 'From one 7-Eleven store to a \$1.71 billion payday', 30 November 2023, Australian Financial Review: <https://www.afr.com/companies/retail/from-one-7-eleven-store-to-a-1-71-billion-payday-20231130-p5eo4x>.

⁸³ Drakes, 'The Little Kitchen': <https://drakes.com.au/the-little-kitchen/>.

⁸⁴ Harris Farm, 'Ready to Cook by Harris Farm': <https://www.harrisfarm.com.au/collections/ready-to-cook>.

⁸⁵ Note that this was gathered from browsing the Tipple portal:

<https://7eleven.tipple.com.au/shop/new-south-wales/sydney/categories>.

- **Expanded and enhanced online / digital services:** All offer online ordering with delivery and click and collect options. Harris Farm and Drakes both offer a delivery subscription service⁸⁶ and 7-Eleven has a Pay & Go service which allows users to scan their items in-store and pay within the My 7-Eleven app.⁸⁷

These ~2,440 stores (being independent retailers supported by Metcash, Drakes, Harris Farm and 7-Eleven stores) as well as a wide variety of other independent supermarkets and convenience stores compete vigorously for the same customers that would otherwise shop for competing items at major supermarkets.

Continued prevalence of speciality fresh food retailers

Woolworths continues to compete for share of basket against a broad range of specialty retailers such as butchers, fishmongers, bakeries, greengrocers, produce markets, pharmacies and Middle Eastern, Asian and Indian grocers. ABS data indicates there are approximately 18,300 specialty retailer businesses in Australia, including over 5,000 butchers, seafood and poultry stores.⁸⁸

These specialists include large chains like Bakers Delight (more than 500 stores across Australia and New Zealand, with plans to open 100 new stores in Australia within the next 3 - 5 years),⁸⁹ Brumbys (more than 140 stores across Australia),⁹⁰ and The Cheesecake Shop (236 stores across Australia and New Zealand).⁹¹ These ~800 stores, as well as smaller regional chains and thousands of independent stores, compete vigorously and effectively, with particular focus, for their share of the food grocery basket.

The ACCC has previously stated that specialty retailers “provide consumers with a significant alternative to supermarkets in purchasing fresh products. The vast majority of specialty retailers and the low barriers to setting up specialty grocery outlets mean specialty retailers provide a strong competitive force in retailing fresh products”.⁹² Speciality retailers continue to provide a strong competitive force, particularly in fresh food. For example, Fruit and Vegetable, Butcher, Seafood and Bakery specialist stores accounted for more than \$11 billion consumer spend in F23.⁹³

⁸⁶ Harris Farm, 'Introducing Harris Farm Delivery Pass':

<https://www.harrisfarm.com.au/blogs/promotions/delivery-pass>; Drakes Online: <https://online.drakes.com.au/>.

⁸⁷ 7-Eleven Australia, 'Pay & Go': <https://www.7eleven.com.au/payandgo.html>.

⁸⁸ ABS Series 8165.0 Counts of Australian Businesses, including Entries and Exits, June 2019 to June 2023, including Bakery Product Manufacturing (Non-factory based), Fresh Meat, Fish and Poultry Retailing, Fruit and Vegetable Retailing, and Other Specialised Food Retailing.

⁸⁹ Bakers Delight, 'Franchising': <https://www.bakersdelight.com.au/franchise/opportunities/>.

⁹⁰ Brumby's Bakery, 'Franchising': <https://www.brumbys.com.au/franchising/>.

⁹¹ The Cheesecake Shop, Instagram profile: <https://www.instagram.com/thecheesecakeshop/?hl=en>.

⁹² ACCC, 2008 Grocery Inquiry Report, page 165:

<https://www.accc.gov.au/system/files/Grocery%20inquiry%20report%20-%20July%202008.pdf>.

⁹³ CBAIQ and Woolworths sales data.

Direct competition for the retail sale of groceries extends well beyond supermarkets, and has only intensified in recent years

Chemist Warehouse

The Chemist Warehouse Group (**CWG**) has a large franchise network of 557 Chemist Warehouse branded stores across Australia⁹⁴ and continues to expand, with 9 stores added since 30 June 2023.⁹⁵ Around 67% (\$3 billion) of its sales are from non-pharmacy products, where it competes with Woolworths across a range of long-life packaged food and non-food essentials (such as products in health and wellness and personal care categories).⁹⁶

Primarily based in Australia, CWG's retail store network has grown significantly over the last 20 years. Since 2004 CWG's Total Network Sales (Retail Network's in-store and CWG's online sales) have increased by 50x and the number of Retail Network stores by 10x.⁹⁷

In F23, CWG recorded Total Network Sales of \$7.9 billion and a F23 statutory earnings before interest and taxes (**EBIT**) margin of 15%.⁹⁸ CWG's growth continued in the first half of 2024, reporting a 13.5% increase in Total Network Sales compared to the previous corresponding period (1H F23).⁹⁹ In December 2023, CWG and Sigma Healthcare announced plans to merge, which could bring together the CWG's 557 Chemist Warehouse franchise store network in Australia with Sigma's 340 pharmacies operating under the Amcal and Discount Drug Store banner brands.¹⁰⁰

Bunnings (owned by Wesfarmers)

Bunnings has a network of 382 stores, including 286 large warehouse stores and 65 smaller format stores, across Australia (and New Zealand).¹⁰¹ Bunnings generated \$18.5 billion in revenue

⁹⁴ Sigma Healthcare, F24 Results Announcement, 21 March 2024, page 23:

<https://investorcentre.sigmahealthcare.com.au/static-files/31bbd40a-4e4c-4383-9a87-2e30c32717d8>.

⁹⁵ Sigma Healthcare, F24 Results Announcement, 21 March 2024, page 23:

<https://investorcentre.sigmahealthcare.com.au/static-files/31bbd40a-4e4c-4383-9a87-2e30c32717d8>.

⁹⁶ James Thompson, 'First look under the hood of Chemist Warehouse is striking', 21 March 2024, Australian Financial Review:

<https://www.afr.com/chanticleer/first-look-under-the-hood-of-chemist-warehouse-is-striking-20240321-p5fe6e>.

⁹⁷ Sigma Healthcare, Transformational Merger with Chemist Warehouse Group and Sigma Equity Raising – Investor Presentation, 11 December 2023, page 17:

<https://investorcentre.sigmahealthcare.com.au/static-files/d2c377b3-f487-4488-b34d-43c02330e6b7>.

⁹⁸ Sigma Healthcare, Transformational Merger with Chemist Warehouse Group and Sigma Equity Raising – Investor Presentation, 11 December 2023, page 19:

<https://investorcentre.sigmahealthcare.com.au/static-files/d2c377b3-f487-4488-b34d-43c02330e6b7>.

⁹⁹ Sigma Healthcare, F24 Results Announcement, 21 March 2024, page 23:

<https://investorcentre.sigmahealthcare.com.au/static-files/31bbd40a-4e4c-4383-9a87-2e30c32717d8>.

¹⁰⁰ Sigma Healthcare, F24 Results Announcement, 21 March 2024, page 23:

<https://investorcentre.sigmahealthcare.com.au/static-files/31bbd40a-4e4c-4383-9a87-2e30c32717d8>; Sigma Healthcare, Transformational Merger with Chemist Warehouse Group and Sigma Equity Raising – Investor Presentation, 11 December 2023, page 25:

<https://investorcentre.sigmahealthcare.com.au/static-files/d2c377b3-f487-4488-b34d-43c02330e6b7>.

¹⁰¹ 382 represents the total number of Bunnings Warehouse, Bunnings smaller formats and Bunnings Trade Centres but excludes Tool Kit Depot and Beaumont Tiles locations, both of which form part of Bunnings Group. See Wesfarmers Limited, 2024 Half-Year Report, page 44:

https://www.wesfarmers.com.au/docs/default-source/asx-announcements/2024-half-year-report-incorporating-appendix-4dfda3a97f-6194-4e76-82ba-a0a8223290da.pdf?sfvrsn=1f70e0bb_3.

in F23, achieving an EBIT margin of 12.6% that year.¹⁰²

Historically a hardware and home improvement retailer, Bunnings has been expanding its offering to compete with traditional supermarket grocery retailers in the non-food essentials category. In 2023, Bunnings expanded its range of household cleaning products to include over 2,000 new products across eight categories,¹⁰³ with a focus on bulk sizes at competitive prices and launched a pet-care department offering close to 1,000 products.¹⁰⁴

The Reject Shop

As a large discount variety retailer, The Reject Shop competes with Woolworths in 'branded everyday essential items', with around 6,000 products¹⁰⁵ in the long-life packaged food and non-food essential categories including cleaning products, toiletries, personal hygiene, lunchbox snack and pet products.¹⁰⁶ The Reject Shop has 383¹⁰⁷ stores across all states and territories except for the Northern Territory. In F23, The Reject Shop reported \$819.3 million in sales revenue,¹⁰⁸ \$10.3 million net profit after tax¹⁰⁹ and \$20.8 million EBIT.¹¹⁰

Consumers are increasingly shopping at discounters like The Reject Shop for key long life and packaged product categories. For the first six months of F24, The Reject Shop reported strong unit volume growth (an increase in customer transactions of 1.2 million in the first half of F24 versus the prior corresponding period) and plans to open approximately eight new stores during the second half of F24.¹¹¹

Since 2020, The Reject Shop has also partnered with DoorDash to offer delivery or pick-up for

¹⁰² Wesfarmers Limited, 2023 Full Year Results, page 10:

https://www.wesfarmers.com.au/docs/default-source/asx-announcements/2023-full-year-results.pdf?sfvrsn=32cde1bb_0.

¹⁰³ Sarah Swain, 'Bunnings expands bulk cleaning products to compete with supermarkets', 21 November 2023, 9News: <https://www.9news.com.au/national/bunnings-cleaning-products-expansion/2ce87496-337a-43ea-a2e0-f0fe95c0a829>.

¹⁰⁴ Sarah Swain, 'Bunnings expands bulk cleaning products to compete with supermarkets', 21 November 2023, 9News: <https://www.9news.com.au/national/bunnings-cleaning-products-expansion/2ce87496-337a-43ea-a2e0-f0fe95c0a829>; Carrie LaFrenz, 'Bunnings launches biggest product expansion in decades with pet care', 28 February 2023, Australian Financial Review:

<https://www.afr.com/companies/retail/bunnings-launches-biggest-expansion-in-decades-20230224-p5cneq>.

¹⁰⁵ See search results depicting size of The Reject Shop's product range here:

<https://www.rejectshop.com.au/search?products%5Bquery%5D=%2A>.

¹⁰⁶ See product categories listed on The Reject Shop: <https://www.rejectshop.com.au/>

¹⁰⁷ The Reject Shop, 1H24 Results Presentation, 22 February 2024, page 2:

https://trs-storefront.cdn.prismic.io/trs-storefront/1c55c361-3525-4154-b328-9f151b1f0e4d_24.02.22+TRS+1H24+Results+Presentation+%28FINAL%29.pdf.

¹⁰⁸ The Reject Shop, Annual Report FY23, page 34:

https://trs-storefront.cdn.prismic.io/trs-storefront/e2ee900f-8271-47a6-abc2-541cb17419cc_FY23+Appendix+4E+-+v1.pdf.

¹⁰⁹ Ibid.

¹¹⁰ The Reject Shop, Annual Report FY23, page 13:

https://trs-storefront.cdn.prismic.io/trs-storefront/e2ee900f-8271-47a6-abc2-541cb17419cc_FY23+Appendix+4E+-+v1.pdf.

¹¹¹ The Reject Shop, 1H24 Results Presentation, 22 February 2024, pages 5 and 8:

https://trs-storefront.cdn.prismic.io/trs-storefront/1c55c361-3525-4154-b328-9f151b1f0e4d_24.02.22+TRS+1H24+Results+Presentation+%28FINAL%29.pdf.

over 1,350 products, extending its reach beyond its store locations.¹¹²

Annex 1 contains further details on the growth and offering of the competing retailers described above.

Alternative meal providers are also growing their “share of stomach”

These providers typically focus on restaurant and take-away food delivery and offer a convenient alternative food solution to traditional groceries for consumers. They present key competitive alternatives for the customer to respond to the daily question of “what’s for dinner?”. For example:

- Meal kit services like HelloFresh, Marley Spoon and Dinnerly provide easy-to-prepare recipes (typically taking less than 30 minutes to prepare) along with the exact grocery ingredients needed to prepare each meal.
- Rapid meal delivery services like UberEats and DoorDash offer fast delivery of ready-to-eat meals (as well as groceries) alongside traditional fast-service takeaway retailers like Domino’s Pizza with on premise and delivery services. Together, these providers accounted for ~\$25 billion retail turnover in 2023.¹¹³
- Cafes and restaurants (Out-of-Home) also compete for the customer meal occasion. Retail turnover for Out-of-Home dining was ~\$40 billion in 2023.¹¹⁴

Customers across Australia benefit from meaningful choice and competition in their local areas

In 2008, there were ~3,300 major supermarket stores in Australia; today there are ~4,150.¹¹⁵

Figure 6 below shows the number of net new stores opened by Aldi, Woolworths and Coles. In that period, Aldi tripled its store footprint, opening 423 stores.¹¹⁶ In addition, the IGA network has grown from 1,288 to 1,321, and the Metcash network remains the largest network (with 1,600 stores).¹¹⁷

¹¹² The Reject Shop, ‘Online Same Day Delivery FAQ’:

<https://www.rejectshop.com.au/customerservice/online-same-day-delivery-faq>.

¹¹³ ABS Retail trade in Australia, Series 85010, Table 11; Takeaway food services.

¹¹⁴ ABS Retail trade in Australia, Series 85010, Table 11; convenience stores turnover excludes petrol sales.

¹¹⁵ Major supermarkets include Woolworths, Coles, Aldi, and Metcash supported banners (IGA, Friendly Grocer / Eziway).

¹¹⁶ The vast majority of new supermarkets (including Woolworths Metros) opened by Woolworths since F13 have been greenfield developments.

¹¹⁷ Although Metcash’s total store network declined slightly during the period, it has announced ambitious expansion plans, as discussed above.

Major supermarket net new store openings since 2008, Australia (#)

Major supermarket net stores by retailer, Australia, 2008 vs 2024 (#)

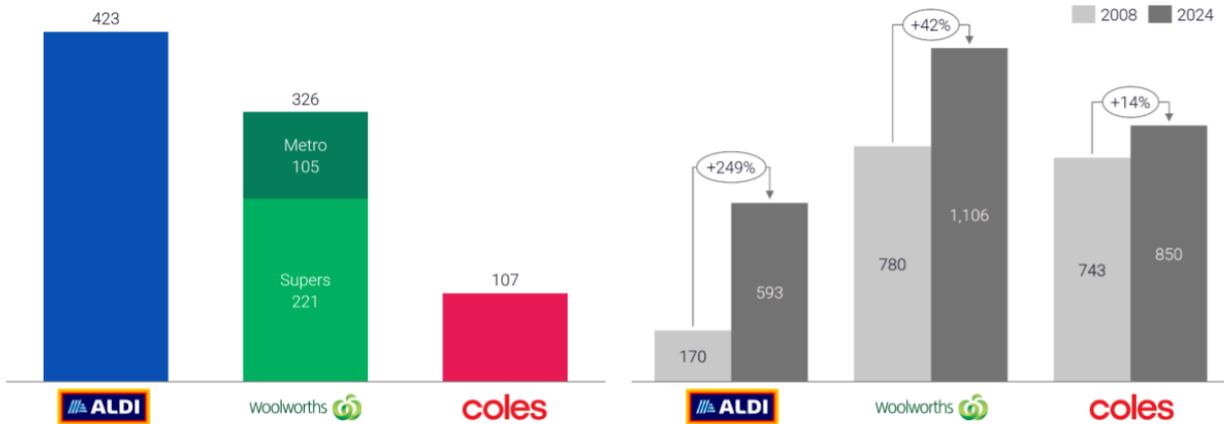


Figure 6: Number of Aldi, Woolworths and Coles supermarket store openings in Australia, since 2008 and number of supermarket stores in Australia of each of those major supermarkets 2008 vs 2024

The net impact of this increase in the number of supermarkets is that many consumers have greater choice in grocery retailers than in 2008.

Australians have more grocery retail stores per capita than either the US or Canada.¹¹⁸ The majority of SA3s (236/336 covering ~85% of the population) have on average 18 major supermarkets,¹¹⁹ with at least one each of Woolworths, Coles and Aldi. This is in addition to specialty fresh and cultural retailers such as local greengrocers, bakeries and butchers (of which the ABS estimates there are 18,300 in Australia)¹²⁰ as well as category specialists like Bunnings, Chemist Warehouse and The Reject Shop.

To further illustrate the meaningful choice of grocery retailers offered to Australian consumers:

- Every Woolworths store has a competing major grocery retailer within 1.2 km on average in urban areas and within 1.5 km on average in regional areas.¹²¹

¹¹⁸ In 2022, Australia had 193 grocery retail stores per million people, whereas Canada had 117 and the US had 109. Source: IGD retail database as at January 2024 (grocery stores defined by IGD to include supermarkets, hypermarkets, convenience, discounters and other grocery specialists), Woolworths analysis.

¹¹⁹ Major supermarkets include Woolworths (including Metro), Coles (including Local), Aldi, Costco, Drakes, Foodland, Foodworks, Harris Farm, IGA, Spudshed, Friendly Grocery, and SPAR.

¹²⁰ ABS Series 8165.0 Counts of Australian Businesses, including Entries and Exits, June 2019 to June 2023, including Bakery Product Manufacturing (Non-factory based), Fresh Meat, Fish and Poultry Retailing, Fruit and Vegetable Retailing, and Other Specialised Food Retailing.

¹²¹ Km refers to driving distance; Urban defined as CBD, Major Urban or Large Town SA3s; Regional defined as Regional City, Medium Town, Small Town, Very Small Town and Rural SA3s. Only 12 (out of 1,106) Woolworths Supermarkets and Metro stores have no major supermarket competitor within 15 kilometres (Mission Beach, Weipa, Blackwater, Gove, Bannockburn Central, Jindabyne, Deloraine, Wickham, Kambalda, Katherine, Strathalbyn, Roxby Downs). However, in each case, there is another major supermarket in a local centre within about 30-40 minutes drive (other than in the very remote cases: Weipa, Gove, Katherine and Roxby Downs), there is ready availability of sites for another local supermarket in each of these local areas, and there are specialty and other food retailers in the local area.

- On average, Woolworths stores have 6 to 7 major supermarkets nearby, including 2 to 3 Coles or Aldi stores.¹²²
- Approximately 30% of Woolworths supermarkets (incl. Metros) are in shopping malls in Australia, which provide further customer choice, convenience and the opportunity for customers to cross-shop or “switch” where they buy a given item in the basket. In these cases, a consumer needs do no more than walk a few minutes within the shopping mall to another major supermarket and/or specialty retailer. 55% of the 479 shopping malls across Australia have at least 2 of either Woolworths, Coles, or Aldi in the same shopping mall.¹²³

Retail price competitiveness is nationwide as Woolworths, Coles and Aldi have national pricing strategies (discussed in more detail regarding Woolworths below).¹²⁴ As acknowledged by the House of Representatives Standing Committee on Economics in its recent report on ‘Better Competition, Better Prices’, “A national pricing strategy, where key products are priced at the same level across stores, can ameliorate the localised impact of price differences in major supermarkets that don’t have a local competitor”.¹²⁵

Online grocery retailing has further improved customer access and convenience

The ACCC’s Issues Paper observes “[c]onsumers are increasingly shopping online (through desktop websites and mobile apps) and getting their groceries delivered (including through third parties such as UberEats)”.¹²⁶ Online shopping has evolved to become a highly competitive and ultra-convenient offering for customers. More customers are switching to convenient online delivery solutions. Consumers are also increasingly using websites and apps to check pricing and availability, even as part of their in-store shopping mission, discussed further below.

In addition to the entry and expansion of Amazon Retail (discussed above), the majority of Australian supermarkets and large specialty retailers now provide an online offering via their own websites and apps (e.g. Coles, IGA, Costco, Amazon, Harris Farm, among others) and /or third party websites and apps such as UberEats, DoorDash and Menulog. This means that more retailers compete in the same local area, without the need for a physical store presence.

Consumers can also compare prices using free third party comparison apps like Frugl Grocery (which includes prices for retailers like Coles, Aldi, Woolworths and IGA and speciality retailers

¹²² Where, for the purposes of this illustration, ‘nearby’ means within 3 kilometres for CBD, 5 kilometres for major urban / large towns and 10 kilometres for regional cities, medium / small / very small towns and rural and ‘major supermarkets’ includes but is not limited to: Woolworths (incl. Metro), Coles (incl. Local), Aldi, Costco, Drakes, Foodland, Foodworks, Harris Farm, IGA, Spudshed, Friendly Grocery, and SPAR.

¹²³ Woolworths Property analysis.

¹²⁴ House of Representatives Standing Committee on Economics, ‘Better Competition, Better Prices’, March 2024, paragraph 9.29 (Better Competition, Better Prices Report): https://www.aph.gov.au/Parliamentary_Business/Committees/House/Economics/Economicdynamism/Report/Chapter_9_-_Retail_markets#Heading11.

¹²⁵ Better Competition Better Prices Report, paragraph 9.28: https://www.aph.gov.au/Parliamentary_Business/Committees/House/Economics/Economicdynamism/Report/Chapter_9_-_Retail_markets#Heading11.

¹²⁶ ACCC, ACCC Supermarkets Inquiry Issues Paper, 29 February 2024, page 14: https://www.accc.gov.au/system/files/supermarkets-inquiry-issues-paper_0.pdf?ref=0&download=y.

covering 5,200 stores and almost 60,000 products),¹²⁷ WiseList and Grocerize (which compare supermarket prices for Coles and Woolworths) as well as the Half Price app (which shows all the products that are currently half-price at Coles and Woolworths).

Australian consumers are savvy and can - and do - shop across retailers. As consumer switching costs are negligible grocery retailers compete for every item of a basket

The vast majority of customers shop at multiple supermarkets. As **Figure 7** below illustrates, where there is a Woolworths store in a given local area on average, 92% of customers will shop at the Woolworths; 86% will shop at a Coles; 58% at an Aldi, 53% at an IGA, and 16% at a Costco in a given year.¹²⁸

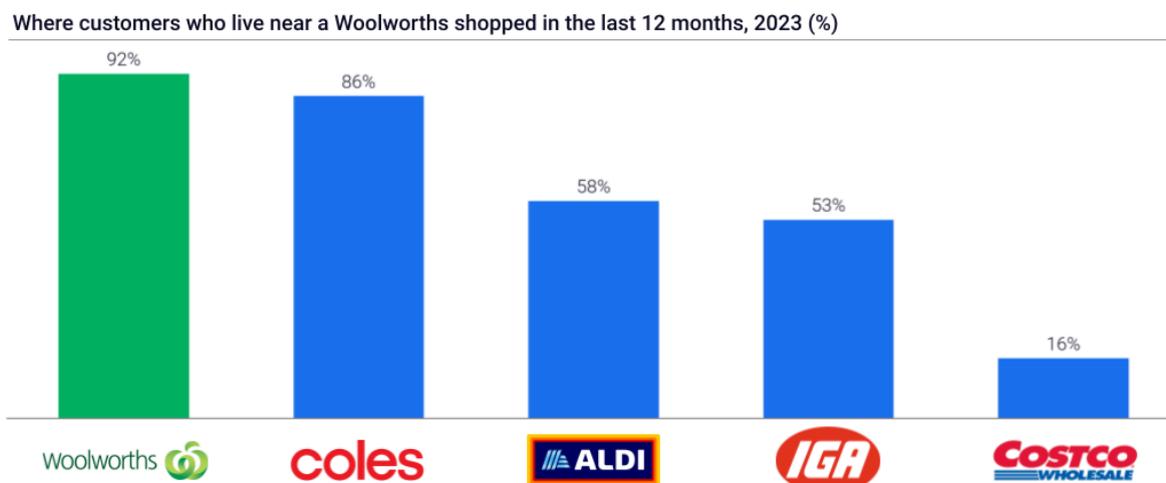


Figure 7: Shopping patterns of customers who have a Woolworths store in their local area¹²⁹

The high rates of cross-shopping reflect that switching costs are low, switching is easy, and customers can and do split their basket across multiple retailers. This is because:

- **Transaction costs are low** - There are no joining, membership or exit fees associated with changing where you shop for groceries - other than at Costco. This is in contrast to, for example, the market for home loans, where the customer often pays fees to end a relationship with one bank and start a relationship with another bank.

¹²⁷ Rakshna Pattabiraman, 'Frugl Grocery unveils a new version with advanced features', 2 February 2022: <https://insideretail.com.au/sectors/frugl-grocery-unveils-a-new-version-with-advanced-features-202202>.

¹²⁸ Banking transaction data based on de-identified, privacy-treated retail banking transactions including credit card, debit card and EFTPOS, normalised to be representative of the Australian population for the 12-month period to 31 December 2023. Percentage of customers is defined as the average proportion of the customers who shopped at other supermarket brands (e.g., Aldi, Coles, IGA, Harris Farms etc.) that reside in the vicinity of each Woolworths store. Only includes sales at brick & mortar stores. Source: CBAiQ (2023).

¹²⁹ Ibid.

- **It is easy and convenient to shop across multiple retailers** - The vast majority of customers have multiple stores and retailers to choose from within easy distance, as well as a range of specialty stores. Alternative online grocery retailers are just a click away, 24 hours a day, 7 days a week.
- **Search costs are low and prices are highly transparent** - Retail prices are clear and transparently labelled by product at any point in time, online and in store. Consumers engage multiple times a week with grocery prices and the prices for staple products (such as milk and meat) are often the subject of public commentary and scrutiny. Many supermarkets and grocery retailers have made it even quicker and easier for consumers to check prices in real time - on their website and mobile app. Consumers can and do compare prices online before, or as they are shopping in-store.

By contrast, consumers do not enjoy high levels of price transparency in relation to other major areas of household spend, for example:

- electricity - consumers only find out what they need to pay after the relevant monthly/quarterly bill cycle and easy ways to compare prices remain less well known and used; and
- retail banking - although headline rates are published, the full costs involved in a basic product such as a mortgage are difficult to compartmentalise on a weekly basis.

Furthermore, consumers are not typically comparing published prices on a weekly or daily basis in relation to utilities, health and wellness, housing and finances, as they do in groceries. (This is notwithstanding that food consistently accounts for approximately 10% of average household spend, substantially less than housing, for example, as shown in **Figure 1** in the Overview.)

Price is the top ranking attribute when customers are choosing food products, with a range of other attributes impacting where customers choose to shop

Woolworths competes vigorously with its grocery retail competitors across price, convenience, range, and shopping experience. High levels of competition and innovation have driven significant value to customers, including (i) competitive prices (with a range of offers to meet the different ways customers seek value eg weekly specials, stable dropped prices, everyday low prices and member offers), (ii) more shopping convenience and easy store, online and app access, (iii) greater product range, (iv) better product quality, and (v) enhanced shopping experiences.

(i) Competitive prices

Consumers are highly sensitive to grocery prices. Our data shows that "low price" is the top ranking attribute when customers are choosing food products.¹³⁰ Approximately 30% of all sales in our supermarkets are purchased on a yellow ticket "special" promotion.

Our experience shows that consumers' perception of prices can have a significant impact on profitability. In 2014/2015, we rapidly lost significant sales when consumers perceived our prices to be uncompetitive.¹³¹ Decisive action under new management was taken to invest approximately \$1 billion to reduce prices, and ensure our own brand was competitive with other retail brands, particularly Aldi.

The way in which Woolworths Supermarkets prices its products contributes to the competitiveness of the Australian retail grocery sector. Woolworths Supermarkets operates a national pricing strategy, by which we sell:

- the vast majority of products at the same price across all of our supermarket stores nationally.¹³² There are some exceptions, notably fruit and vegetables where pricing is set at a state level (subject to limited exceptions), due to differences in sources of supply and at a small number of regional stores.¹³³ However, our national pricing approach means that:
 - customers benefit across Woolworths' entire store network from the vigorous price competition Woolworths brings to grocery retailing, irrespective of whether particular competing grocery retailers are also present in the local area; and
 - Woolworths largely absorbs the cost of distributing groceries to stores in regional Australia with customers of the vast majority of regional stores paying the same price for groceries as customers in metro areas. The benefits of the most vibrant competition for retail sales in high density metropolitan centres are gained across Woolworths national customer base.
- products at the same price online, as they are in store (with very limited exceptions). This provides customers with increased price transparency, and also facilitates direct comparisons on price and range with our competitors.

Woolworths regularly monitors the retail grocery prices of a range of competitors. We have to

¹³⁰ Woolworths Gather Panel, Attitudinal Survey F24 (Nov 23) Vs Attitudinal Survey F23 (Nov 22), Total Nov 23 n=9050, Nov 22 N=3658, Q: Please rank the below based on what's most important to you generally when deciding what food products to buy (1 = most important, 11 = least important).

¹³¹ Sue Mitchell, 'Best Prices still Woolies' Key Priority', 5 September 2014, Australian Financial Review: <https://www.afr.com/companies/retail/best-prices-still-woolies-key-priority-20140905-jerb9>.

¹³² The pricing at the majority of Woolworths Metro stores differs slightly to Woolworths Supermarkets (with some limited exceptions) reflecting the convenience-focussed offering and higher operating costs (including rent) associated with this store format.

¹³³ Broome, Carnarvon, Derby, Esperance, Karratha City, Newman, Port Hedland, Wickham, Weipa (QRX), Gove, Bakewell, Casuarina, Coolalinga, Darwin City, Humpty Doo, Karama, Katherine, Leanyer, Nightcliff, Palmerston Gateway, Centre Plaza, Broken Hill, Mildura.

ensure our prices are always competitive across the total basket. Where products are priced uncompetitively, customers vote with their feet and we see a rapid drop in our sales volumes.

Woolworths implements an ongoing range of value initiatives to ensure our prices are always competitive and help customers find value, including:

- Providing over 6,000 meaningful weekly specials and ~4,000 products on our everyday low price programs 'Low Price' and seasonal 'Prices Dropped'.
- Committing to price 'Odd Bunch' fruit and vegetable products (which might not otherwise meet visual quality standards for retail sale) at 20% below comparable fruit and vegetable products in our stores.
- Holding our own brand products at low prices, providing average savings of around 30% to branded products across long-life categories.
- Introducing an easily accessible 'best unit price' filter on our website and app (which ranks products from lowest to highest price per unit), so customers can easily find the most cost-effective products in a category.
- Introducing more all member Everyday Rewards booster campaigns such as Boost your Budget which provides members who boost 10x points on selected products, which can be converted into savings when shopping at Woolworths or our partners.

(ii) More shopping convenience and easy store access

Our customers tell us that convenience¹³⁴ is the largest overall driver of store choice and we are continually investing in ways to improve convenience and access to our offer.

Woolworths home delivery is now available to 96 per cent of Australian households. During F23, Woolworths saw a rapid increase in the demand for our convenient online shopping propositions, particularly for express delivery options such as Same Day and On-Demand delivery within the hour.

Many customers also choose to use our online click and collect services (which we refer to as "Pick Up"), which are available from almost all of our Australian supermarkets. Customers can enjoy our "Direct to Boot" service free of charge in approximately 700 stores, and pick up their order at the service desk in approximately 260 of our stores. Direct to Boot enables customers to place an order online and drive to a dedicated area where a team member places the order directly in the customer's boot.¹³⁵ Direct to Boot offers fantastic convenience, especially for parents with young children pre and post school pick up. A new service called "Direct to Boot Now" offers even more convenience with collection in 60 minutes at a cost of \$5.

¹³⁴ Customers describe convenience as being: have a store location that suits, easy to park, easy to find what I need in store, offers ways to shop that suit e.g. pick up, Direct to Boot.

¹³⁵ Woolworths Group, Full Year Results 2023, page 45:

<https://www.woolworthsgroup.com.au/content/dam/wwg/investors/reports/f23/full-year/Woolworths%20Group%20F23%20Analyst%20Presentation.pdf>.

(iii) Greater product range

Woolworths differentiates its range through innovation and curation, and works to understand the communities serviced by our stores and the feedback customers provide. Woolworths' product range is continually evolving to meet localised and changing customer preferences and to respond to competition from other grocery retailers. For instance, in collaboration with our supplier partners, we have:

- expanded multi-cultural ranges for example across Asian, Middle Eastern and South Asian demographics;
- introduced local and gourmet ranges focussed on high quality artisan products (often through smaller suppliers);
- grown the number of 'cheese corners' across our stores;
- brought in-store sushi to more stores; and
- increased our range of products from smaller suppliers such as Partner Foods (The Happy Snack Company), Aginbrook eggs, Fleurieu Milk Company, Sai Shree (Indian dairy products) and Bondi Wash.

Woolworths also offers around 6,000 own brand products nationwide. This range is designed to give Australians quality products at prices that are competitive with the own brand products produced by competitors such as Aldi, Coles and Costco. Woolworths typically makes less margin on its own brand products in order to offer customers a low price option on food and everyday essentials. Woolworths has continued to provide these products at prices on average 30% below national branded products in long life categories.

We continue to evolve and differentiate our portfolio with an emphasis on product development. In 2023, Woolworths launched 1,500 products that were redesigned, reformulated or new and was ranked Australia's healthiest own brand for five years in a row.¹³⁶

(iv) Better product quality

We have made significant investments in improving freshness (and therefore shelf-life in the home) of our fresh produce, so as to compete better with local grocers, markets and other competitors in relation to fresh produce.

We have recently equipped a number of DCs with the latest banana and avocado ripening technology, and world-class refrigeration systems to ensure top product quality and freshness on the shelf. We continue to invest significantly in ensuring our refrigeration in each store across the country meets our temperature and freshness requirements 24 hour a day, 7 days a week, with extensive remote monitoring and support in place. We have trained all our fruit and vegetable managers to care for our product in store (chilled integrity, rotation of product, "would I buy it" checks to remove product where unfit for sale - which is then donated to our food rescue partners) in a program called 'Cultivate' to support the high quality standards expected from the

¹³⁶ Woolworths Group, 2023 Annual Report, page 31:

<https://www.woolworthsgroup.com.au/content/dam/wwg/investors/reports/2023/f23-full-year/Woolworths%20Group%202023%20Annual%20Report.pdf>. See also, Woolworths, 'Australia's healthiest own brands five years in a row': <https://www.woolworths.com.au/shop/discover/healthiest-supermarket-own-brands>.

fresh food people.

(v) Enhanced shopping experiences

Woolworths continually invests in ways to improve customer experience. Woolworths' Everyday Rewards Program¹³⁷ is one way Woolworths seeks to do this, by offering customers a way to earn and redeem points when they shop in-store and online at Woolworths and partners, which can then be used for money off future shops.¹³⁸ In F23, Woolworths estimates it returned \$289 million to Supermarkets and Metro customers who redeemed their accumulated Everyday Rewards points.

The Everyday Rewards Program is free and easy to join - there are no entry, membership or exit fees or other conditions to join or leave. There is no restriction on members also being members of other loyalty programs and customers are often members of multiple loyalty programs. Every member is entitled to the same number of base points for earning and redeeming points, irrespective of the member's participation in the Everyday Rewards program.

Members can also receive bonus points (such as via Boosts), and can also subscribe for Everyday Extra,¹³⁹ which provides additional benefits (10% off one shop each month and Extra Points (2x Everyday Rewards points) in exchange for a modest monthly or annual fee).

Woolworths is committed to keeping our customers' personal information safe and secure and using it responsibly. Woolworths knows how important privacy is to our customers and has established a [Privacy Centre](#) where customers can find out in plain English how personal information is handled by Woolworths.

Woolworths has also invested heavily in our website and mobile apps, to help customers find more value and more easily manage their weekly budget. For example customers can:

- use 'My Specials' in the app or web filter to easily access all our specials every week (beyond those shown in the printed or digital catalogue);
- track their cumulative spend as they select products and create a list (with a running total shown on screen) and adjusting product selections to fit their budget;
- prepare their digital shopping list (including specials, seasonal Prices Dropped and Low Prices) before they go into store,¹⁴⁰

¹³⁷ In 2020, Woolworths re-branded its loyalty program from Woolworth Rewards to Everyday Rewards. See 'Woolworths Rewards is now Everyday Rewards': <https://web.archive.org/web/20200729092707/https://www.woolworthsrewards.com.au/introducing-everyday-rewards.html>.

¹³⁸ In its 2019 review of customer loyalty schemes, the ACCC recognised that "[l]oyalty schemes can intensify competition between rivals and result in consumer benefits in the form of loyalty discounts and lower prices. This is likely to occur where there is strong competitive tension in a market and rivals are able to match the ability of a loyalty scheme to compete for a significant proportion of customers": ACCC, Customer Loyalty Schemes, Final Report, December 2019, pages 104-105: <https://www.accc.gov.au/system/files/Customer%20Loyalty%20Schemes%20-%20Final%20Report%20-%20December%202019.PDF>.

¹³⁹ Everyday Extra: <https://www.woolworthsrewards.com.au/extra.html>.

¹⁴⁰ Woolworths Group, Annual Report 2023, page 34:

<https://www.woolworthsgroup.com.au/content/dam/wwg/investors/reports/2023/f23-full-year/Woolworths%20Group%202023%20Annual%20Report.pdf>.

- choose the most cost-effective products by using our 'best unit price' tool, which ranks products from lowest to highest price per unit (see **Figure 8** below); and
- save money by accessing \$10 off their shop sooner with personalised points "Boosts".

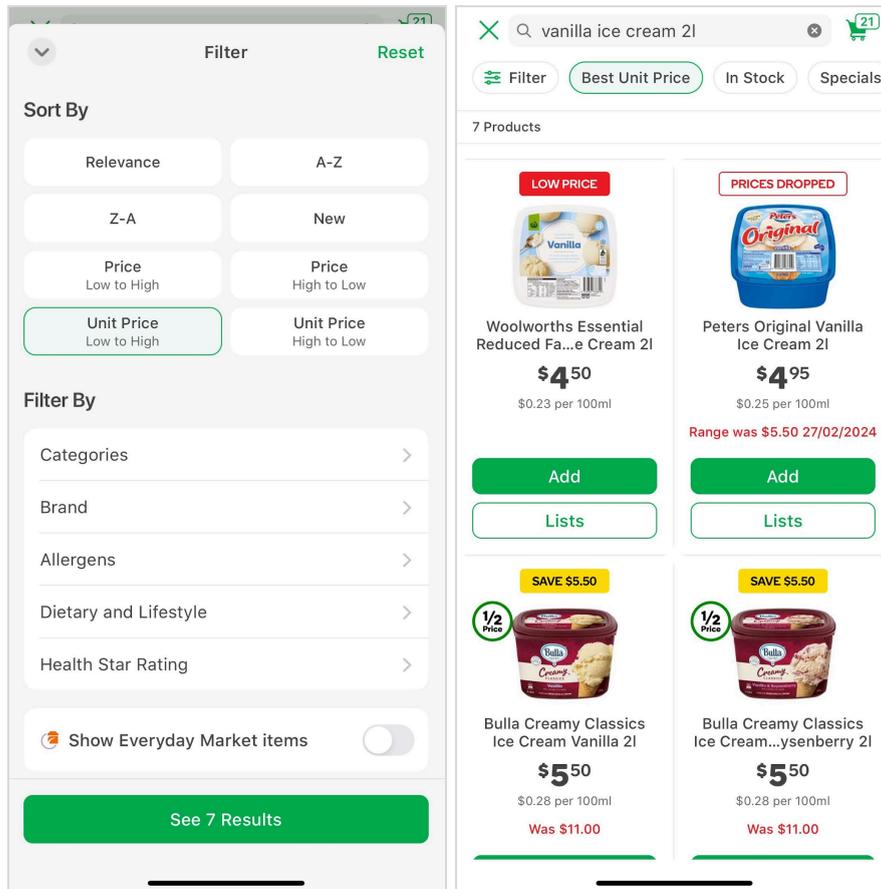


Figure 8: Woolworths App, Best Unit Price Search, accessed 25 March 2024

Average weekly traffic to Woolworths Food and Everyday digital platforms reached 16.3 million weekly visits in 2023 (vs ~18 million weekly store visits).¹⁴¹

Grocery prices have reduced in real terms

While food prices in Australia have risen over recent years, that is a global phenomenon, not a result of muted retail competition in Australia.

In its 2008 Grocery Inquiry Report, the ACCC recognised that “food prices can increase for reasons other than the level of competition in the grocery sector”.¹⁴² The ACCC found that “the vast majority of grocery price increases in Australia are attributable to other factors such as supply and demand changes in international and domestic markets, increases in the costs of

¹⁴¹ Woolworths Group, F23 Full Year Profit and Dividend Announcement, page 13:

<https://www.woolworthsgroup.com.au/content/dam/wwg/investors/reports/f23/full-year/Woolworths%20Group%20F23%20Profit%20Announcement.pdf>.

¹⁴² ACCC 2008 Grocery Inquiry Report, page 14:

<https://www.accc.gov.au/system/files/Grocery%20inquiry%20report%20-%20July%202008.pdf>.

production and domestic weather conditions.”¹⁴³ This remains the case today. We discuss the external factors driving food inflation in section 3.

Intensified competition in grocery retailing has put downward pressure on retail prices, and we believe that this has led to a decline in grocery prices in *real* terms. But for the intense competition at the retail level, we expect grocery inflation in Australia would have been higher.

As **Figure 9** shows, economy-wide inflation (ABS CPI) has increased 4 percentage points faster than food inflation (ABS Food and Non-Alcoholic Beverages) since the 2008 Grocery Inquiry (September 2008-September 2023). Wages (ABS Wage Price Index) have increased 8 percentage points faster than food inflation over the equivalent period.

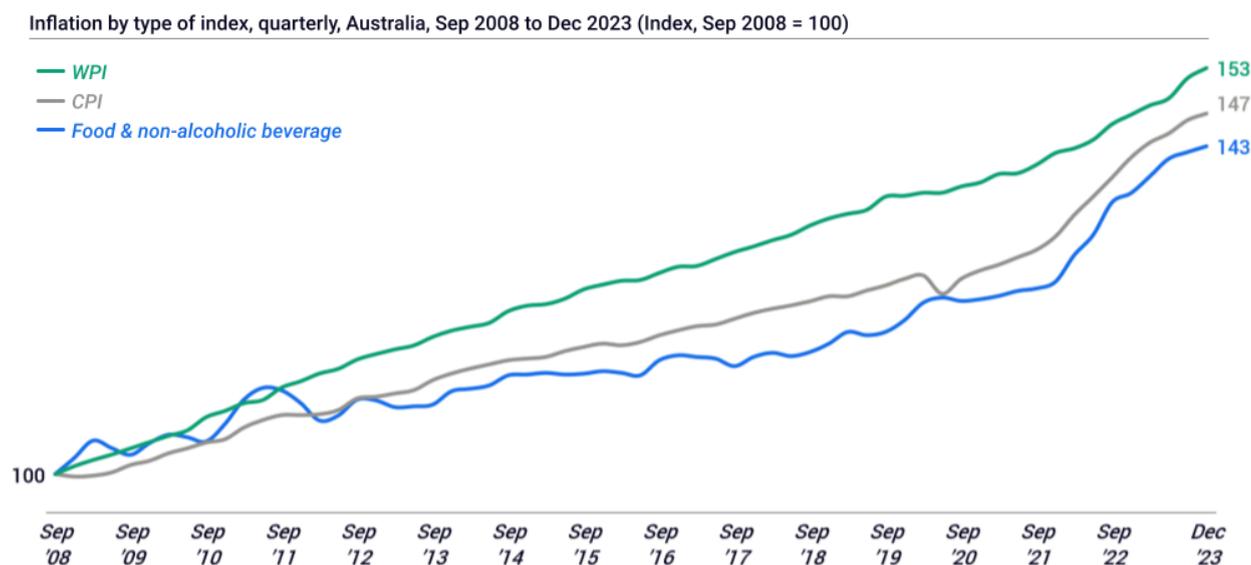


Figure 9: ABS Consumer Price Index, Food Price Index and Wage Price Index from Sep-quarter 2008 - Dec-quarter 2023

Food inflation in Australia has been lower than other OECD countries

Australia’s annual rate of food inflation has been lower than the OECD average for over a decade, and the spread has increased in recent years (see **Figure 10** below). Countries around the world have experienced high food inflation in recent years, and Australia has not been insulated from this, with food inflation of 14% between September 2021-23. However, this is markedly lower than in other OECD countries, where food prices rose by 26% on average during the same period.¹⁴⁴

¹⁴³ ACCC 2008 Grocery Inquiry Report, page xiv:

<https://www.accc.gov.au/system/files/Grocery%20inquiry%20report%20-%20July%202008.pdf>.

¹⁴⁴ ABS (Dec-quarter-2023), Consumer Price Index, Australia, ABS Website, accessed 31 January 2024; OECD (2024), Inflation (CPI) (indicator). doi: 10.1787/eee82e6e-en (Accessed on 30 January 2024). N.B - OECD data only available to Sep-quarter 2023.

Food & non-alcoholic beverages index, quarterly, Australia vs OECD, Sep 2008 to Dec 2023 (Index, Sep 2008 = 100)

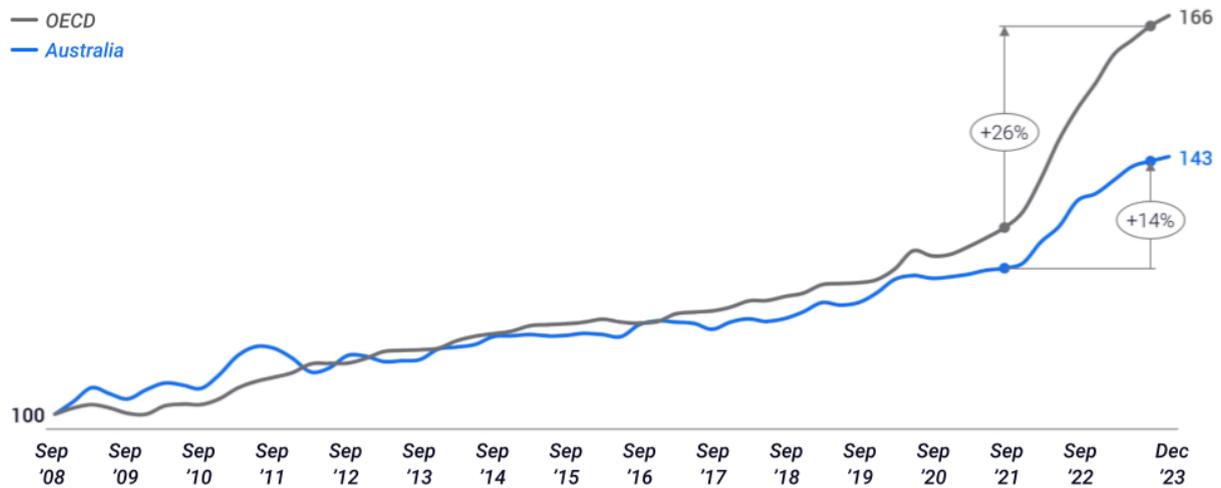


Figure 10: ABS Consumer Price Index 17th Series, Food & Non-alcoholic beverages; OECD Statistics

As shown in **Figure 11** below, Australian food inflation at its peak was also considerably lower than the US, UK and Canada.

Food & non-alcoholic beverages index, monthly, Australia vs peers, Sep 2018 to Dec 2023 (% compared to year prior)

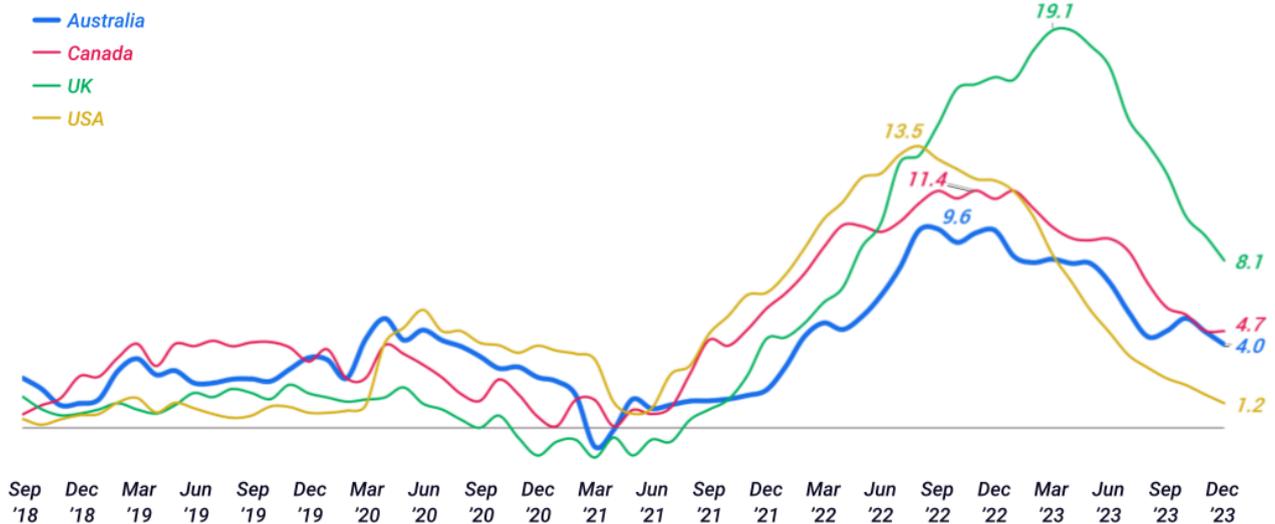


Figure 11: Comparison of Food & Non-alcoholic beverages inflation (sub-category of Consumer Price Index) between Australia and peer countries, from September 2018 to December 2023¹⁴⁵

Woolworths expects that competition will further intensify in the coming years, continuing to deliver competitive prices, convenience and easy access, quality products and wide choice of range, and improved experiences for customers

Woolworths expects that competition will further intensify in the coming years, continuing to deliver price and non-price benefits to consumers, for reasons including the following:

¹⁴⁵ ABS, Monthly Consumer Price Index Indicator, February 2024; OECD Databook, February 2024.

- Consumers will continue to make daily and weekly decisions about where and what to shop for and switch retailers often at the basket or item level, with low / negligible switching costs set to continue and potentially further decline. The majority of customers already shop across multiple grocery retailers and there is no reason to believe consumers will become less savvy than they are today.
- Consumers are becoming more price sensitive, and will continue to demand great value and purchase groceries on promotion or at everyday low prices.
- Digital app usage will continue to grow, and digital platforms will continue to facilitate greater switching by allowing consumers to easily, instantly find and compare prices as they plan their shop in-store or shop online.
- Online retail will continue to make any barriers to entry less relevant and will continue to bring further innovation and price pressure. We expect to see a further increase in online penetration, as online shopping continues to become even more efficient and convenient. There will continue to be an increasing number of options for consumers to split their purchases as online shopping provides the convenience of 24/7 shopping without the need for a physical store in all locations. Additionally, we expect alternative channels such as meal kit services like HelloFresh, Marley Spoon and Dinnerly and rapid meal delivery services like UberEats and DoorDash to continue to compete vigorously to increase their “share of stomach”.
- Global retailers that have fundamentally changed the Australian competitive landscape, are set to continue their aggressive expansion and drive ongoing responses from Woolworths and other grocery retailers. Aldi has tripled its stores in Australia since 2008,¹⁴⁶ and Costco and Amazon have each entered and established a strong presence in Australia - critically, all have plans to continue expanding.
- Major supermarkets will continue to invest, expand, innovate and react to competition. This is evident from the announced investment pipeline of Coles and Metcash (and the investments and initiatives of Woolworths, described in this submission). For example, Coles' partnership with British e-commerce company Ocado to build highly automated CFCs which will use robots to pick and pack online grocery orders, scheduled to launch in Sydney (at the end of F24) and Melbourne (by mid-F25).¹⁴⁷ With an annual sales capacity of \$1.0-1.5 billion,¹⁴⁸ these facilities are expected to drive greater efficiencies and exert further downward pressure on online delivery fees. Metcash has announced plans to

¹⁴⁶ Aldi, '20 years in Australia': <https://20years.aldi.com.au/>.

¹⁴⁷ Coles Group, '2023 Full Year Results Release', page 9: <https://www.colesgroup.com.au/DownloadFile.axd?file=/Report/ComNews/20230822/02700046.pdf>.

¹⁴⁸ Ocado Group, 'Our partnership with Coles': <https://www.ocadogroup.com/our-business/osp-partners/coles/>; Coles Group, 'Coles enters partnership with Ocado', 26 March 2019: <https://www.colesgroup.com.au/media-releases/?page=coles-enters-partnership-with-ocado>.

significantly accelerate its store network expansion, as described above.¹⁴⁹ Metcash has also worked with Ritchies and Romeo's to develop Supa Valu, a new supermarket launched as a competitor to discount grocers such as Aldi and Costco.¹⁵⁰

- More retailers will compete (and are likely to compete more aggressively) for the same items in the grocery basket, as existing players like Bunnings, Chemist Warehouse and The Reject Shop continue to diversify and broaden their offer. As noted above, Chemist Warehouse and Sigma Healthcare have announced their intention to merge, and between them they have over 1,000 retail stores and 16 DCs across Australia and NZ.¹⁵¹

¹⁴⁹ Metcash, Investor Day Presentation, 12 March 2024, page 20:

<https://mars-metcdn-com.global.ssl.fastly.net/content/uploads/sites/101/2024/03/12095501/Investor-Day-2024-presentation-FINAL.pdf>.

¹⁵⁰ Jessica Vican, 'IGA Australia Launches Supa Valu Discount Stores', 26 May 2021, IGA Insights:

<https://www.iga.com/insights/iga-australia-launches-supava-discount-stores>.

¹⁵¹ Sigma Healthcare, Transformational Merger with Chemist Warehouse Group and Sigma Equity Raising – Investor Presentation, 11 December 2023, page 13:

<https://investorcentre.sigmahealthcare.com.au/static-files/d2c377b3-f487-4488-b34d-43c02330e6b7>.

3. Grocery product supply chains: different market dynamics across different supply chains

In its 2008 Grocery Inquiry Report, the ACCC observed “There is no single ‘story’ that can be told about the grocery supply chain in Australia”. That remains the case today.

As a grocery retailer, Woolworths is at the front end of the supply chain for all fresh food and long-life grocery products in its supermarkets. The various grocery products have vastly different upstream supply chains and dynamics, which impact suppliers’ production costs and wholesale prices at which we purchase products, and in turn our retail prices. In this section, we address the supply chains for long-life products, fruit and vegetables, meat, dairy and bread.¹⁵²

While the market dynamics and cost (and inflation) drivers for these product categories differ (as described below), in the last two to three years prices across these categories have increased and we have seen many drivers of higher costs coincide (as shown in **Figure 12** below).

Household inflation, by CPI sub-group, quarterly, Australia, Sep 2008 to Dec 2023 (Index, Sep 2008 = 100)

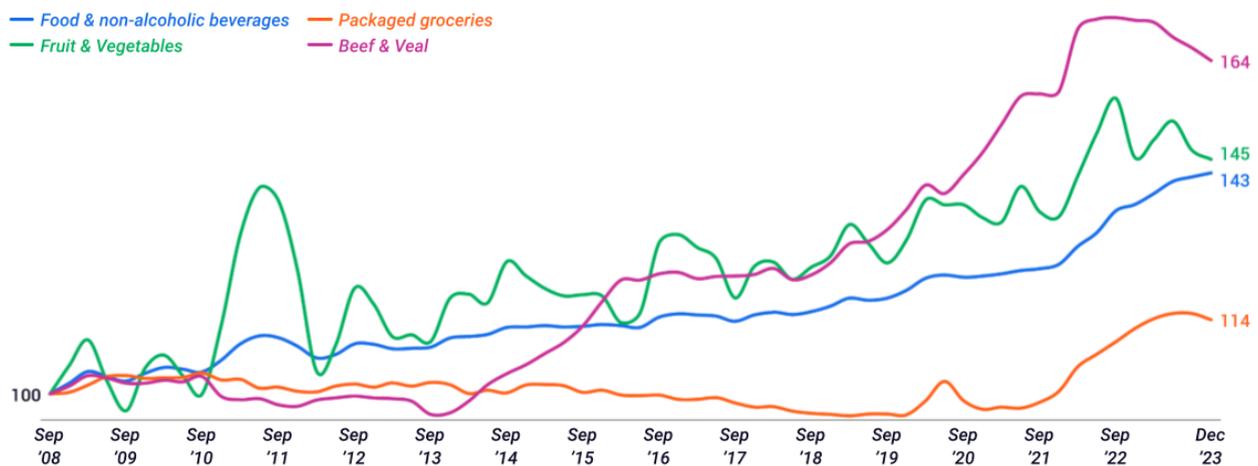


Figure 12: Quarterly household inflation, by CPI sub-group, Australia, 2008-23 (Index, 2008 = 100)¹⁵³

Domestic and international factors that have had significant (inflationary) impacts on the cost (and in turn retail price) of groceries broadly include the following:

- Domestic: Natural disasters such as cyclones, fires, floods and drought have not only had impacts on fruit and vegetable supply, but have also impacted fresh meat, with farmers needing to rebuild herds. Labour shortages exacerbated by the COVID pandemic have also contributed to inflationary pressures in underlying costs.

¹⁵² This is not an exhaustive list of all the product categories available at Woolworths supermarkets.

¹⁵³ Refers to ABS definition of non-durable household goods (incl. cleaning & maintenance, personal care, other household products). Source: ABS Series 6401.0 Consumer Price Index, Australia, Table 7: Group, Sub-group and Expenditure Class, Weighted Average of Eight Capital Cities; Australian Bureau of Agricultural and Resource Economics and Sciences; BoM; World Bank; USDA; WWF; Press releases.

- International: The COVID pandemic and geopolitical tensions have driven input cost increases - relevantly, in global freight, global supply chains and global commodity prices such as grain, wheat and crude oil. As discussed below, in the period since the start of the pandemic, we have experienced unprecedented numbers of cost increase requests by packaged grocery suppliers.

Long-life products

The long life products category includes packaged (i.e. non-perishable) foods and everyday needs. As **Figure 13** shows, in Australia the largest three suppliers within 8 major categories account for between 78 and 94 percent of supermarket sales of long life products.

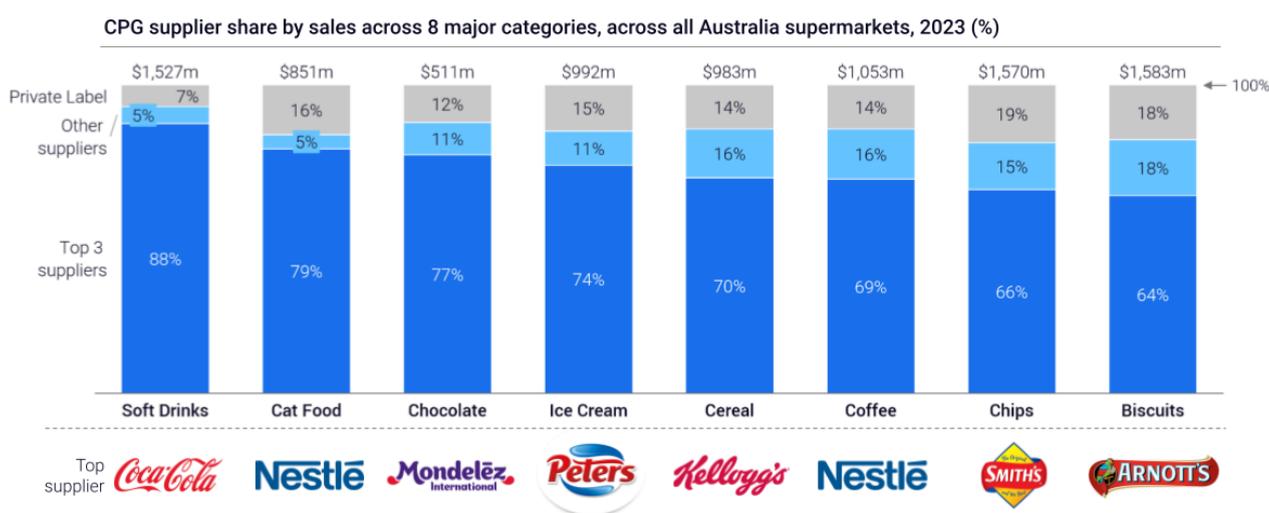


Figure 13: Supplier share of sales for 8 major categories (excluding private label) across all Australian supermarkets, 2023 (%)¹⁵⁴

These large global suppliers typically have global scale, “must have” brands, strong marketing investment and brand recognition, sophisticated systems and processes and significant financial resources.

At Woolworths, our packaged supplier base is highly concentrated:

- Large Australian and foreign owned consumer packaged goods companies supply over 70% of our packaged goods by sales, and more than 60% of sales across all products.
- In more than 20 packaged grocery categories there are two or three Consumer Goods Companies that have significant scale, brand differentiation and greater than 50% share of category sales. For example, the top two suppliers of pet products to our stores together have more than 50% share of category sales in the ‘Pet Needs’ Category and the top three suppliers of snacks together have more than 62% share of sales in our snacks category. The drinks, confectionary and baby needs categories are also examples of where large

¹⁵⁴ Circana Shopper Panel (2023 - no POS alignment). Note Peters is owned by Froneri and The Smith's Snackfood Company is owned by PepsiCo.

Global Consumer Goods Companies have a significant share of sales.

Cost prices of packaged groceries are heavily influenced by global commodity prices and supply chain costs. Even long-life products produced in Australia are heavily dependent on a wide range of imports, including equipment, fuel, pesticides and fertilisers, ingredients and other critical materials such as food packaging.¹⁵⁵ While some of these costs have started to decline, many remain above pre-COVID levels.

With these large, high-volume long-life suppliers, Woolworths agrees on a wholesale price for the cost of goods. Changes to our cost of goods are reviewed through a well-established 'cost price increase' negotiation process, which is commenced by a supplier submitting a cost increase request.

In the 14 months from November 2021 to January 2023, we received more than 1,800 cost increase requests from our long-life suppliers with an average per month ~4.5x our pre-COVID volumes. As illustrated in **Figure 14**, towards the end of 2023, we started to see a meaningful reduction in the volume of cost increase requests although they remained at ~2.3x pre-COVID levels. The average cost increase request throughout this period has also generally been high relative to historical levels, at >10% on the existing cost price.

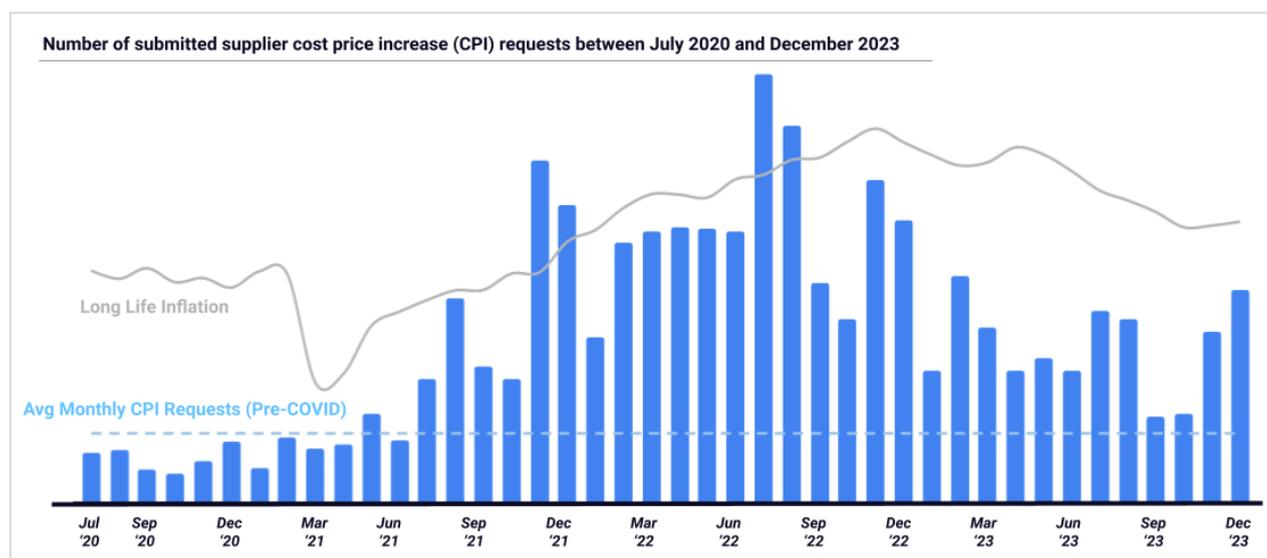


Figure 14: Woolworths' volume of supplier cost price increase (CPI) requests from Long-Life (LL) Suppliers;¹⁵⁶ total internal inflation on LL products reflecting movements in retail prices year on year (excl. Non Trade & Cigs), Monthly Data, Jul 2020 - Dec 2023

¹⁵⁵ In F22, Australia imported ~\$17.1 billion of goods for the purpose of food product manufacturing, equating to 16.2% of the total cost base of the food product manufacturing industry. However, the overall industry exposure to imports is likely to be much higher. The imports number does not include goods which are used in food manufacturing, but are not specifically imported in Australia for that purpose, e.g. fuel, vehicles, and other capital goods. Sources: ABS, Australian Industry, 2021-22, Australian industry by subdivision; ABS, International Trade in Goods, October 2023, Table 35a. Merchandise Imports, Industry (ANZSIC 2006), Customs Value.

¹⁵⁶ Long-Life including Pantry, Drinks & Snacking, Health & Wellness, Frozen, Baby Needs, Pet Needs, Household & Personal Care, Home Essentials; excludes Meat, Fruit & Veg, Chilled, Bakery, Deli, Charities & Donations, Tobacco & Cigarettes, Mobile.

Cost price increases by our largest 100 suppliers (ranked by sales) accounted for approximately 80% of all cost price increases we received in the 2022/2023 reporting period. Large suppliers are often robust cost price negotiators and may, in some cases, withhold the supply of products as part of the negotiation. We negotiate directly with them with the intent of trying to ensure that their price increases are reasonable and based on genuine changes in their cost. However, suppliers are not obliged to provide cost information to justify their increased wholesale prices to retailers under the Grocery Code. This limits our ability to test and verify the basis for a cost increase request. In many cases, we accept these cost price increases so we can continue to offer products expected by our customers.

A significant component of overall food and grocery price inflation in Australia is attributable to higher prices on packaged (i.e. non-perishable) groceries and everyday needs (>50% of the average weekly basket).¹⁵⁷

Fruit and vegetables

Woolworths sources around 96% of our fresh fruit and vegetables from Australian growers. This accounts for only 20-25% of Australian fruit and vegetable supply (excluding processing), with the remainder going towards exports, food services, and to other retailers.¹⁵⁸

We predominantly buy from growers and grower/aggregators with whom we have long-term purchasing relationships. Many of these growers and grower/aggregators are given long-term forecast estimates to provide more certainty on the volumes we are likely to need. We then negotiate specific volumes and pricing with our supply partners each week due to the highly variable nature of supply volumes. We supplement this with purchases from market agents (<10% of weekly purchases) to allow for additional variability in supply and demand patterns.

Retailers such as Woolworths purchase at wholesale prices, which is the price paid for graded, sorted, packed retail-quality produce that is transported to our points of distribution. This is distinct from farm gate pricing, which does not consider the intended channel (e.g. whether the product ends up at a restaurant or at a retailer who sells produce). Where growers are selling through intermediaries such as aggregators or agents, Woolworths will not have visibility of the price that an end grower receives, which may not be the price that retailers pay.

Almost all our suppliers submit pricing quotes every week as the market responds quickly to dynamic fruit and veg supply volumes. Products with less volatility in production, such as packaged salads or mushrooms, have contracted pricing in place to allow for longer-term planning with our supply partners and their suppliers.

The prices of fruit and vegetables in Australia are primarily driven by supply and demand. Supply is heavily influenced by short and long-term growing conditions and extreme weather events. For example, in the first half of 2022, prices went up when heavy rain and low sunlight associated with La Niña reduced the available volume of some fruit and vegetables on the market. Better growing

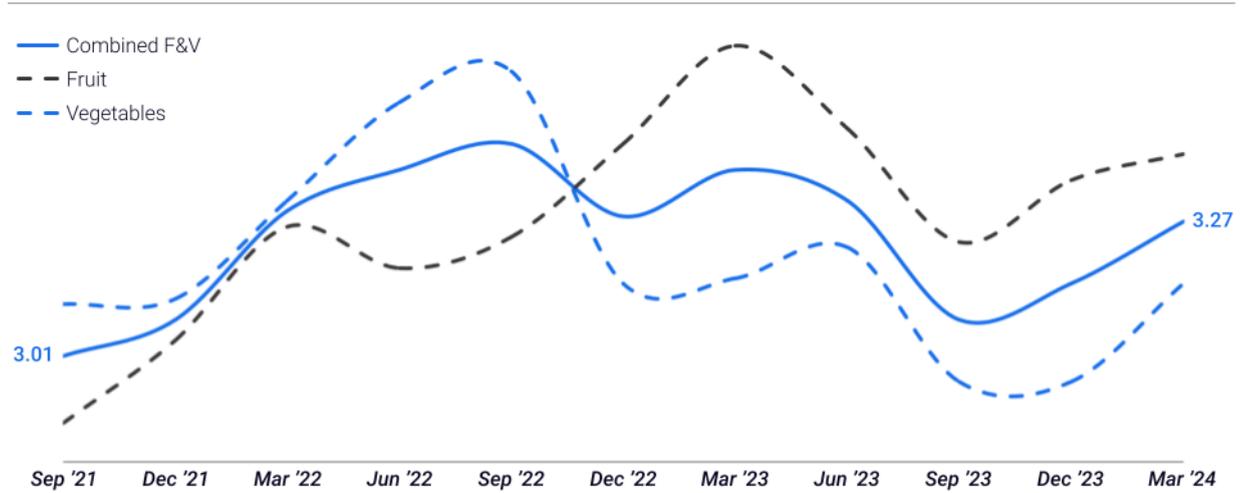
¹⁵⁷ Woolworths Finance. For 1H F24, packaged groceries comprised 56.8% of items sold, and 50.7% of sales.

¹⁵⁸ Calculated by comparing the tonnage of Woolworths purchases for fruit and vegetables, to retail production volume (adjusted to exclude processing volume in tonnage) outlined in Hort Innovation, 'Australian Horticulture Statistics Handbook 2022/23'.

conditions in 2023 improved availability, and fruit and vegetable prices reduced in the second half of 2023.

As shown in **Figure 15**, the average retail sale price of fruit and vegetables as a category in our stores declined significantly in the period September 2022 to 2023. The reductions in average fruit and vegetable sale prices experienced in that period resulted from oversupply, which is now stabilising. It is important to note that the average sales prices of different vegetables and fruit in our stores were impacted differently, owing to their specific supply and demand circumstances (for example, the average sale price of carrots remained flat).

Fruit & Vegetable average selling price, quarterly, Sep 2021 to Mar 2024 (\$ ASP)



Fruit & Vegetable average selling price, by sub-category, quarterly, Sep 2021 to Mar 2024 (\$ ASP)

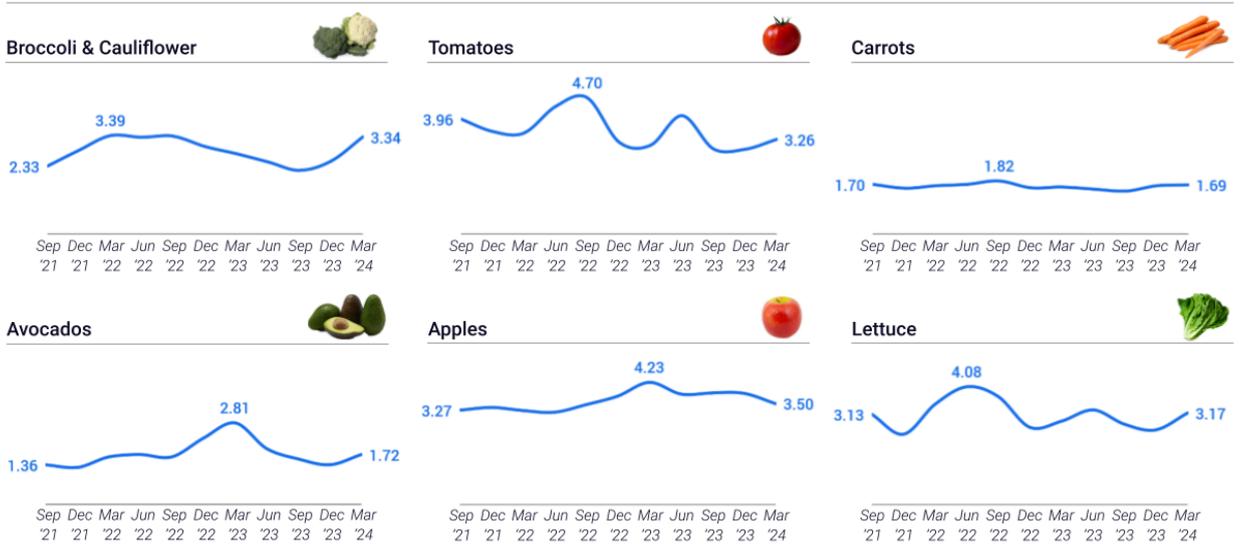


Figure 15: Fruit & Vegetable Average Quarterly Prices in aggregate and for Select Fruit and Vegetables (measured in Average Sale Price)

The horticultural industry is facing significant structural change, driven by factors such as the need for capital and scale to realise greater efficiency. In recent years, there has been an acceleration of corporatisation and consolidation in the industry,¹⁵⁹ including acquisitions by international financial buyers such as Canadian pension funds Ontario Teachers' Pension Plan, BCI and Public Sector Pension Investment Board. Acquisitions in the fruit and vegetables industry have been highly active, with completed deals in the last 3 years (2021-2023) valued at \$3.5 billion in total,¹⁶⁰ supported by several high-profile transactions targeting major F&V players (Perfection Fresh, Costa Group, Montague). Larger growers are better able to attract the funding to invest in more efficient yet capital-intensive operations, helping them to navigate factors such as seasonality and weather exposure. We are conscious of the impact this is having on smaller growers.

Meat

Beef and Lamb

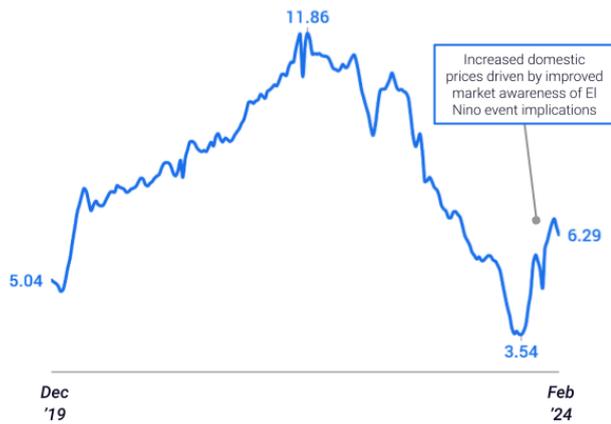
We source 100% of our fresh beef and lamb locally. This accounts for around 7% of Australia's national beef production and 6% of lamb - around 70% of Australia's red meat production is exported.

Beef and lamb prices are cyclical and heavily influenced by weather and export markets, as shown in **Figure 16** below. In recent years, red meat farm gate prices increased due to supply constraints as farmers rebuilt herds following the 2018/19 drought and bushfires. Farm gate prices started to reduce in 2023 as seasonal conditions pointed to a drier F23/24 summer season. Australian livestock prices increased sharply in December 2024 on improved seasonal conditions and outlook, with growing export demand and processing/labour capacity constraints stabilising.

¹⁵⁹ Corporate and foreign acquisitions of farms, farmland and other agribusinesses that were previously family owned and run.

¹⁶⁰ Based on Australian agricultural M&A deals with disclosed transactions valued over \$10m with transaction targets in fruit and vegetables businesses, sourced from 'M&A activity in the Australian agriculture industry' (March 2024) published by Jarden.

Eastern Young Cattle indicator, weekly, Australia
Dec 2019 to Feb 2024 (\$/kg carcass weight)



National Trade Lamb indicator, weekly, Australia
Dec 2019 to Feb 2024 (\$/kg carcass weight)

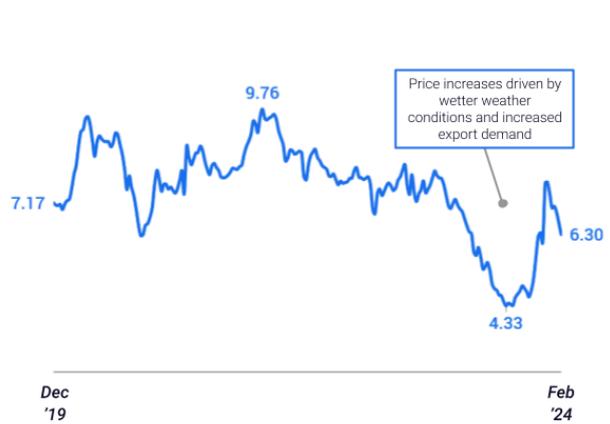


Figure 16: Australian livestock prices. Source: Meat & Livestock Australia

We have long standing relationships with our livestock producers who we aim to support through fluctuations in commodity prices.

For beef, by buying on forward contracts, we offset some of the volatility in spot markets, helping to smooth the peaks and troughs through the cycle for our contracted farmers and secure high-quality, year-round supply for our customers. For this reason, spot saleyard prices are not a relevant guide to our costs (i.e. the prices we pay our growers). For example, in 2023, as spot market prices reduced to record lows, for cattle we continued to pay our suppliers in line with our settled forward contracts and worked with them to ensure sustainable pricing. For lamb, we continued to partner with our long-term suppliers paying above spot market rates to ensure they had the confidence to feed and manage their stock through drier periods.

It is also important to note that the cost of livestock represents only a portion of the total cost of the finished meat products in our stores. Those products involve extensive processing, packaging, transport, and labour costs, between the farm gate and our shelves.

Pork and Poultry

We source 100% of our fresh pork and poultry products locally.

We purchase pork directly from a small number of primary processors that are vertically integrated (i.e. also producers) or source from other piggeries. We purchase poultry from a small number of vertically integrated primary processors and also buy a small volume of branded products. We typically enter into longer-term pork and poultry contracts where the price is reviewed based on movements of key inputs like feed.

Pork and poultry prices fluctuate in line with movements in feed costs (i.e. grain prices). Recent geopolitical conflict and weather impacts have seen the price of grain increase, creating upward pressure on pricing along with energy and labour. As with red meat, we have seen rising costs across the supply chain in processing, packaging, storage and transport of pork and poultry.

Dairy

We source 100% of our fresh own brand milk locally. We enter into two kinds of milk supply contracts:

- Contracts with processors for our own brand (Woolworths) milk: we acquire a large volume of processed white drinking milk from dairy processors through a volume-based tender process. We do not have visibility of, or control over, dairy processors' contractual arrangements with dairy farmers – including the actual price they pay; and
- Contracts directly with a small number of dairy farmers for the supply of Farmers' Own milk: we acquire raw milk directly from farmers. Farmers are paid a premium above the fresh milk farm gate price in each state at a committed contracted volume. Farmers' Own milk gives farmers a longer-term contract that enables them to invest in and build their businesses. This is a relatively small, but important, part of our dairy offering.

We also sell branded milk supplied by a range of firms including smaller, local dairies in each state.

Australian farm gate dairy prices are strongly influenced by global export prices. In F22/23, 30% of milk produced in Australia was exported while around 42% of manufactured products, such as cheese and butter was exported.¹⁶¹

As **Figure 17** shows, Australian annual milk farm gate pricing remains elevated, driven by strong competition between milk processors to secure supply. In December last year, Dairy Australia noted, "The Australian dairy industry enjoyed record profitability last season and is still benefiting from high farm gate milk prices this season".¹⁶²

¹⁶¹ Dairy Australia, In Focus 2023: The Australian Dairy Industry, 15 November 2023, page 2: https://cdn-prod.dairyaustralia.com.au/gippsdairy/-/media/project/dairy-australia-sites/national-home/resources/reports/in-focus/in-focus-report_2023.pdf?rev=0f7dfebb96b241a9b633ef250eef2872.

¹⁶² Dairy News Australia, 'Dairy still in strong shape', January 2024, page 4: https://issuu.com/dairynewsaustralia/docs/dnn_02012024_issuu.

Milk farmgate prices, Australia vs peers, Jun 2021 to Dec 2023 (ASP, \$/L)

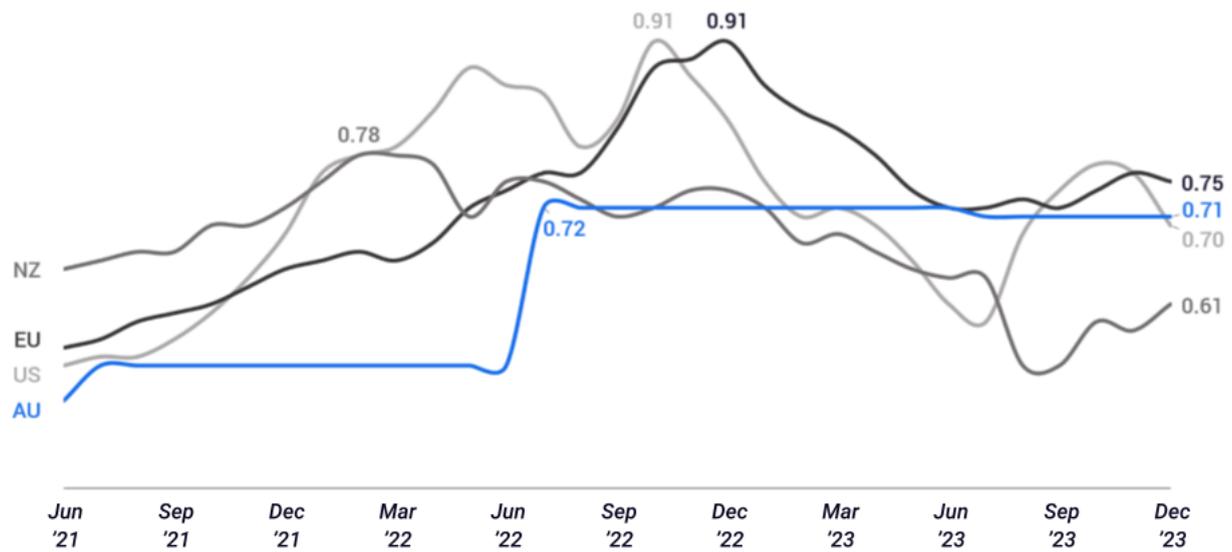


Figure 17: Global farm gate milk prices, AUD/litre, Jun 2021 - Dec 2023¹⁶³

We provide customers with lower prices on our own brands in dairy, and as **Figure 18** shows, have worked to keep own brand milk retail price rises relatively lower than branded and total milk prices for customers despite elevated wholesale costs since mid-2022.

Milk prices, by category, Sep 2021 to Dec 2023 (\$ ASP)

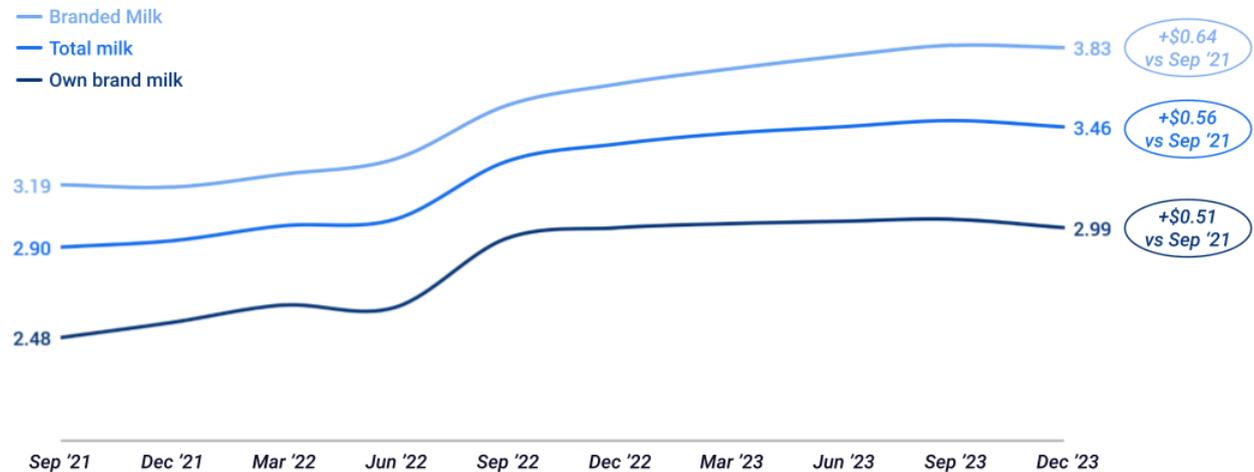


Figure 18: \$ Average Sale Price Branded vs Own Brand Milk products (all sizes); Data from Sep 2021 - Dec 2023

Bread

At Woolworths, national brands account for ~82% of packaged bread sales, with our own brand bread making up the remaining ~18%. We sell both in-store baked bread and packaged bread

¹⁶³ Note AU refers to Southern Australia; Source: Australian Dairy Products Federation, Milk Values in Other Markets, at <https://milkvalue.com.au/milk-prices/global-comparisons/>.

which includes both branded and own brand products.

We deliver value to our customers through our in-store bakery and own brand packaged bread pricing, which is materially lower than national brands and specialist bakeries (e.g. Brumby's, Bakers Delight).

The key driver of bread cost and price is wheat and, to a lesser extent, fertiliser, labour and freight. Australian wheat prices peaked in 2022, driven by the impacts of local weather on supply and heightened export demand as a result of global events (e.g. the war in Ukraine). Across F23, 80% of wheat in Australia was exported.¹⁶⁴

As shown in **Figure 19** below, the retail price of several key lines of bread went up \$0.50 across the industry in the first quarter of 2023, due to wheat shortages and higher input costs.

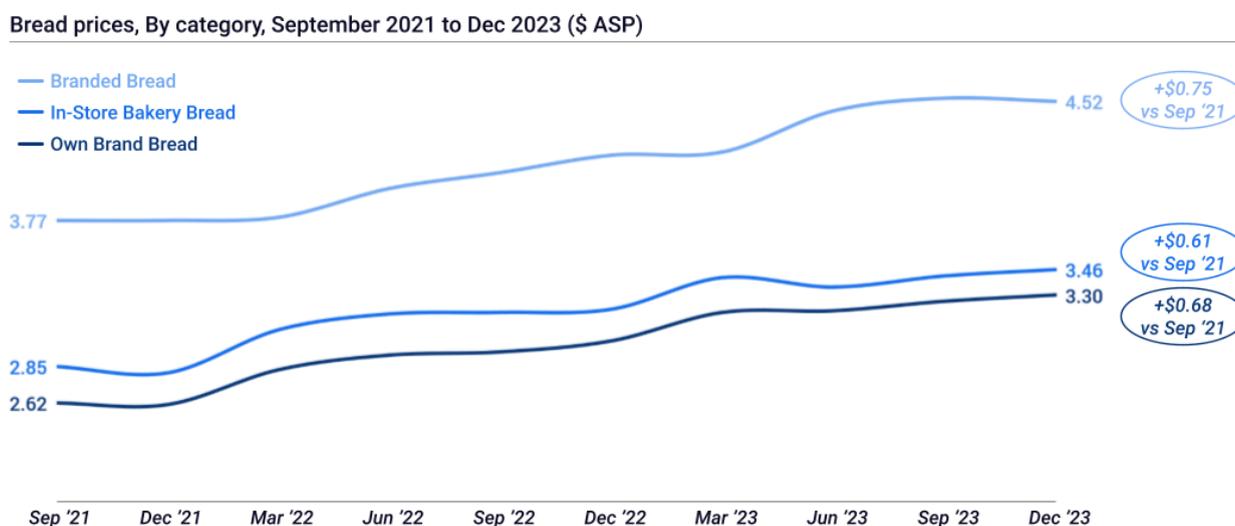


Figure 19: Average Sale Price for Woolworths Own Brand (OB), Woolworths In-Store Bakery (ISB), and Branded Bread, Quarterly, Sep 2021 - Dec 2023

Healthy supplier/retailer relationships are vital to the success of Woolworths' business and for a sustainable retail sector

Woolworths values its relationships with all of its suppliers, who are vital to the success of our business. We aspire to be the retail partner of choice for our supplier trade partners. In addition to being a founding signatory to the Grocery Code, our Trade Partner Charter launched in December 2020 outlines our aspiration to build sustainable collaborative relationships that enable our Customer First strategy. Woolworths was ranked Number 1 in the 2023 Annual Advantage Mirror Survey, in which suppliers provide feedback on 20 retailers across Australia.¹⁶⁵

¹⁶⁴ Australian Bureau of Agricultural and Resource Economics and Sciences, Agricultural commodities March 2024, Tables 12 & 16:

<https://www.agriculture.gov.au/abares/research-topics/agricultural-outlook/data#agricultural-commodities>.

¹⁶⁵ The Advantage Group, Annual Grocery Industry Voice of Supplier Program, May 2023. The survey covers business relationship, organisational behaviour, personnel/ organisation, category & business development, execution and supply chain management.

Since 2016, we have sought feedback from our suppliers through Voice of Supplier (**VOS**), a survey run every 6 weeks by the independent research organisation, the Advantage Group, a leading advisor in B2B engagement globally. This program was set up to improve the effectiveness of our supplier partnerships with metrics that measure supplier confidence and sentiment to enable us to review the feedback and put in place actions to address and improve our suppliers' experience. Our VOS survey data reflects our strengthened collaboration with suppliers of all sizes showing a steady and significant increase in suppliers' high confidence scores in Woolworths Supermarkets from 2016 through to 2024.

Woolworths has commercial relationships with around 3,300 trade suppliers to our Supermarkets and Metro stores. Our suppliers range from large well known Consumer Goods Companies supplying large volumes of products across the entire Woolworths (and broader global) retail network through to small Australian family-owned operations supplying products to a subset of our stores.

A growing base of small suppliers

Our small suppliers have always been vital trading partners for our business. As a result of evolving consumer needs, we have supported a number of small suppliers to enter the market and grow their presence across our stores. For example:

- **Partner Foods Pty Ltd:** Partner Foods, better known as The Happy Snack Company, is a family business that has been supplying Woolworths in the Health Foods aisle for over 25 years and currently has 10 SKUs ranged nationally. The original business, "Chic Nuts", started with a small range of roasted chickpeas in selected QLD stores. Following new ownership in 2015, the brand was updated and innovative new varieties, flavours and pack sizes were developed. The business is now a major brand within health food recognised for transforming Australian grown chickpeas and broad beans into tasty, healthy snacks.
- **Aginbrook (Mornington Peninsula Eggs):** A family business, owned by Peter Kambouris, Aginbrook was eager to grow and attract more customers. We worked with Aginbrook to expand the number of Woolworths stores it supplied and to adjust its product range to take advantage of gaps we identified in the market. For example, in collaboration with Aginbrook, the Mornington Peninsula Eggs 600g dozen egg carton was replaced with a 900g 18 pack carton to attract larger households and/or protein seekers. More recently, barn eggs were added to the range. Over the Christmas 2023 period, Aginbrook helped to cover shortfalls from other larger suppliers. Consistent with Woolworths focus on local brands of provenance by state, Woolworths worked with Aginbrook to transition from supplying around 30 stores directly, to supplying into our DC enabling supply to the whole of Victoria from January 2023.
- **Fleurieu Milk Company (FMC):** FMC was formed in 2004 by two farming families in Myponga, located on the foothills of the Fleurieu Peninsula just outside of Adelaide. FMC pride themselves on providing "real milk, how it used to taste" and have built a strong brand in the independents sector in South Australia, in particular with their premium jersey milk range. In early 2020, amid COVID-related disruption, an opportunity for Woolworths to

partner with FMC was presented and both parties moved quickly to launch FMC products in Woolworths stores in May 2020. FMC now supplies 48 South Australian stores and FMC's SKUs are a key partner in our biannual South Australia Local Provenance Campaigns.

- **Sai Shree Foods:** Born from a desire to share the rich culinary heritage of India with the Australian community, Sai Shree Foods is a supplier of South Asian chilled goods locally produced in Melbourne. Sai Shree Foods was introduced to Woolworths in 2018 through our local sourcing program in Victoria. This partnership provided an opportunity to better meet the needs of our South Asian customers in Melbourne for authentic Indian dairy products such as yoghurts, drinks and dosa batter. Initially, we were able to range Sai Shree Foods in NSW and Victorian stores with supply direct to store. The range was successful and we worked closely with Sai Shree Foods to grow the number of stores at a pace that was manageable for them. Sai Shree Foods now supplies over 100 stores nationally, serviced through our DC network. Our partnership with Sai Shree Foods has been successful in introducing new customers to our network.
- **Bondi Wash:** Bondi Wash is a range of natural products for the home, body, baby and dog that combine Australian botanicals with natural ingredients to create distinctive products that are “good for you, the planet and your home”.¹⁶⁶ Our partnership began in 2022 with a trial of the Bondi Wash range in a small number of stores local to the business base in Bondi. We continued to work collaboratively with Bondi Wash to develop a range that was tailored to more of our stores and in 2023 launched the Wash Wild range into more than 250 stores across Australia through our DC network.

We have seen an increase in small supplier participation, with combined supermarkets and Metro small supplier sales growing more than 15% (compared to growth of around 5% in total sales across our Supermarket and Metro stores).¹⁶⁷

We recognise that smaller suppliers with very small teams, in particular, can find large retailers and wholesalers complex to deal with due to a lack of resources, knowledge and experience in the retail industry. We continue to invest in ways to simplify and streamline how we engage with these suppliers and provide ongoing support to help them grow their business with us. This has included the following:

Initiative	Description
Creation of the Small Supplier & Specialist Range Development Team	In June 2023 we established the Small Supplier & Speciality Range Development Team, dedicated to actively supporting small suppliers to do business with us and to guide them in their first months’ partnering with us. We provide support to these small suppliers on sourcing, onboarding and brand building and share best practices to help inspire small suppliers to enable their growth. This complements an onboarding guide and training modules to help guide small

¹⁶⁶ Bondi Wash: <https://bondiwash.com.au/>.

¹⁶⁷ For the 52 week period prior to 3 March 2024.

Initiative	Description
	suppliers.
Small Supplier Commercial Report	We developed a Small Supplier Commercial Report, providing our smaller suppliers with data on the commercial performance of their products (drawing on feedback from the Independent Reviewer), to enable product-level insights to help small suppliers make data-led business decisions and allow more informed and constructive conversations with the Woolworths Commercial Team.
Shorter Payment Terms	We recognise payment terms are an important component of the commercial arrangements with our suppliers that provide reliable cash flow. We particularly understand the importance of prompt payments for small Australian suppliers and growers. We have invested in our systems and resources to speed up payment terms over recent years. We continue to provide small suppliers with shorter payment terms (14 days or less), to support their cash flow and actively work with them to resolve cash flow issues due to growth with us. In F23, Woolworths Group paid \$3.2 billion to our small suppliers within 30 days of invoice or less. For the six months ended December 2023, more than 97% of invoices (by value) and 96% (by volume) from small trade and non-trade suppliers to our Australian based businesses (including Woolworths Supermarkets and Metro) were paid on or within 30 days. We are working hard with our small suppliers to drive further improvement as we aim for 99%+ on time payment. ¹⁶⁸
Seedlab Australia Partnership	We have invested over \$5.2 million in Seedlab, an independent national small business incubator and accelerator program. This initiative which is fully funded by Woolworths enables small suppliers to become retail ready and grow, offering programs including: Bootcamp, Cultivate and Propagate.
Improving the discoverability of specialty products	We also introduced a new program focused on tailoring our promotional assets to drive awareness and sales of products from small suppliers.

We are also invested in the success of Australian horticulture, dairy, and seafood and provide support in a range of ways, including through:

- \$6 million in grants offered to growers to invest in equipment and infrastructure and \$2.2 million in interest-free loans offered to farmers through the Organic Growth Fund;
- Developing our Odd Bunch range to provide a market for crops that might not otherwise meet quality standards for retail sale;
- Shorter payment terms (14 days or less) to help support cash flow;
- Being flexible with specifications when growing conditions or weather events have

¹⁶⁸ Woolworths Supermarkets has some of the highest 30-day payment rates in the retail industry. The majority of invoices not paid within 30 days are due to delayed issuing of invoices by the supplier, or delay in the receipt of goods delivered directly to stores.

- adverse impacts on supply; and
- \$5 million in grants offered to almost 60 dairy farmers through the Dairy Innovation Fund and \$160,000 in grants offered to seafood suppliers to help support the environmental performance of the Australian seafood industry.

The Grocery Code helps foster fair, transparent and mutually beneficial relationships between retailers and suppliers

We are committed to fostering fair, transparent and mutually beneficial relationships with our suppliers and believe the Grocery Code creates an effective framework that supports this objective and establishes a platform for fair dealing across hugely diverse food and grocery supply chains. Woolworths has been a signatory to the Grocery Code since its inception in 2015 and, although we are legally bound to comply with the Grocery Code today, we support the Grocery Code becoming mandatory and strengthened to:

- apply to all substantial retailers and wholesalers of grocery products with a gross annual turnover of \$1 billion or more;
- encourage all parties to work in good faith;
- encourage suppliers to feel comfortable to raise complaints (including informally with the Code Arbiter); and
- enable the swift and cost effective settlement of supplier concerns and disputes.¹⁶⁹

In our experience, the provisions of the Grocery Code have helped foster a positive cultural change and to improve supplier/retailer relationships in accordance with the stated objectives detailed in section 2 of the Grocery Code. We have seen this reflected in our internal feedback and supplier satisfaction metrics. Woolworths was ranked Number 1 in the 2023 Annual Advantage Mirror Survey, in which suppliers provide feedback on 20 retailers across Australia. This has improved from a low of 11th in 2016. We have made clear that we support the freedom of suppliers to raise complaints with us or the Code Arbiter, and that we will not tolerate any commercial detriment to any supplier for raising a Grocery Code complaint. This position will be personally monitored by Woolworths Managing Director of Supermarkets under our Trade Partner Complaints Integrity Policy.

The requirements in the Grocery Code underpin fair, transparent and efficient relationships with our suppliers for the following reasons:

- We acknowledge that the sophistication, resourcing and the relative bargaining power across different suppliers in their dealings with grocery retailers varies significantly. The Grocery Code promotes and requires good faith fair dealing, irrespective of the size and sophistication of a supplier. Key legally binding provisions such as the obligation (or

¹⁶⁹ We have made submissions to this effect to the 2023-24 Review of the Food and Grocery Code of Conduct, led by Dr Craig Emerson, which is currently underway. Woolworths acknowledges the publication of the 'Independent Review of the Food and Grocery Code of Conduct - Interim Report' (available at <https://treasury.gov.au/sites/default/files/2024-04/c2024-510813-ir.pdf>), on 8 April 2024, seeking further comments by 30 April 2024. We intend to make further submissions in that process. Our submission of 6 March 2024 is available at: <https://www.woolworthsgroup.com.au/content/dam/wwg/media/customer-and-regulatory/Grocery%20Code%20Review-Woolworths-Group-Submission-06.03.2024.pdf>.

expectation, in the suppliers' case) for retailers and wholesalers to act in good faith at all times ensure that the parties engage in open, and cooperative dealings, fostering a positive and sustainable working relationship. The Grocery Code also invokes the need for grocery retailers to consider the particular circumstances of suppliers when making retail decisions that impact them.

- The dispute resolution mechanisms in the Grocery Code provide a clear, structured process for addressing any concerns or disagreements, ensuring they are resolved promptly and fairly. The current Grocery Code provisions not only support a healthy dialogue between retailers/wholesalers and suppliers but also contribute to the stability and predictability of the supply chain.
- The current Grocery Code provisions give suppliers the flexibility to negotiate and agree on key commercial and operational terms in their Grocery Supply Agreements (**GSA**) and where not captured in a GSA, the Grocery Code provides a default position, or backstop for the benefit of suppliers.
- Currently the Code Arbiters are obliged to publish their annual reports and provide copies to the Independent Reviewer and the ACCC to provide transparency in relation to the issues and disputes they have resolved. Woolworths Code Arbiter attaches and publishes Woolworths required reporting on negotiation time frames.

The minimum behavioural standards in the Grocery Code contribute to a more predictable and equitable business environment for suppliers. They not only protect suppliers from potentially unacceptable practices, but they also encourage a cooperative, mutually beneficial relationship between trading partners.

Intensified competition at the retail level means we have to compete harder to grow our business with suppliers

As set out above, we are part of a highly competitive and innovative grocery sector. With the arrival of three of the world's biggest and most competitive retailers (Aldi, Costco and Amazon) in Australia and the expansion of existing competitors into new or existing grocery lines, consumers - and also suppliers - have even more choice.

This heightened competition at the retail level means we have to compete harder in order to grow our business with suppliers. Large, global suppliers to Woolworths may choose where to grow their business anywhere around the world. Equally, Woolworths Australian producers and other suppliers are able to grow overseas, or locally through a broad range of grocery retailers including supermarkets, specialist retailers, such as butchers and fresh fruit and vegetable stores, and category specialists and discounters. Other suppliers similarly have a range of alternative retail buyers which they can expand into.

There are strong and enduring commercial incentives to foster healthy supplier relationships, because they are vital to the success of our business and for a sustainable and innovative retail sector.

4. Grocery retailing is a high turnover, low margin business, requiring substantial sustainable capital investment

Grocery retail is a high turnover, low margin business. The low margins can be observed below by comparisons to other retail sectors and to major suppliers of groceries.

Grocery retailing in Australia requires substantial capital investment and, in order to access funding, Woolworths must compete against other ASX listed companies by delivering reasonable returns for shareholders. Our Return on Capital is reasonable when compared to our global peers and other retailers as discussed below, and competitive having regard to the returns required by shareholders.

Where our customer's dollar goes

We make low margins on a high volume of grocery sales, and the vast majority of what customers spend in our stores goes to suppliers as payment for their goods and to wages and salaries for our 176,000 Australian team members.

Critically, the differences between our shelf prices and the prices paid to farmers (or other suppliers) do not constitute our net margin. In addition to cost prices paid to our suppliers, there is a range of costs associated with getting products into stores and selling these products to our customers, including team costs (wages for our store team and those in support areas), store and supply chain costs (including all costs required to store and move products, such as wages to our team in our DCs, rent, utilities, freight, stock loss (such as spoiled stock, and stock adjustments or theft)), and tax and interest.

When all of the above costs are deducted, we make around 3.6c in net profit for every \$1.00 of revenue that customers spend with our Australian Food Group business (see **Figure 2** in the Overview), before the allocation of Group costs.¹⁷⁰

Another way to view this net profit is to consider the position if, hypothetically, the Woolworths Group were to make no profits. In those circumstances, the average weekly savings on groceries per Woolworths customer would be approximately \$5 per week.

Grocery retailing is a low margin business

Grocery retailing is a low margin business compared to other retail sectors. The published figures for the Woolworths Group and for similar retail businesses, including NPAT and EBIT, can be found in [Annex 3](#). **Figure 20** below depicts the NPAT figures for ten retail businesses in Australia and demonstrates, very clearly, that grocery retailing is very low margin compared to other

¹⁷⁰ This net profit accounts for Woolworths Supermarkets and other Woolworths Australian Food Group business units such as Cartology. The net profit figure is prior to any allocation of Woolworths Group support costs (over \$200 million). If these support costs were allocated to the Australian Food Group business, the 3.6c figure would reduce to ~3.3c.

Australian retail sectors.

Australian retailer profitability, FY23, NPAT margin (%)

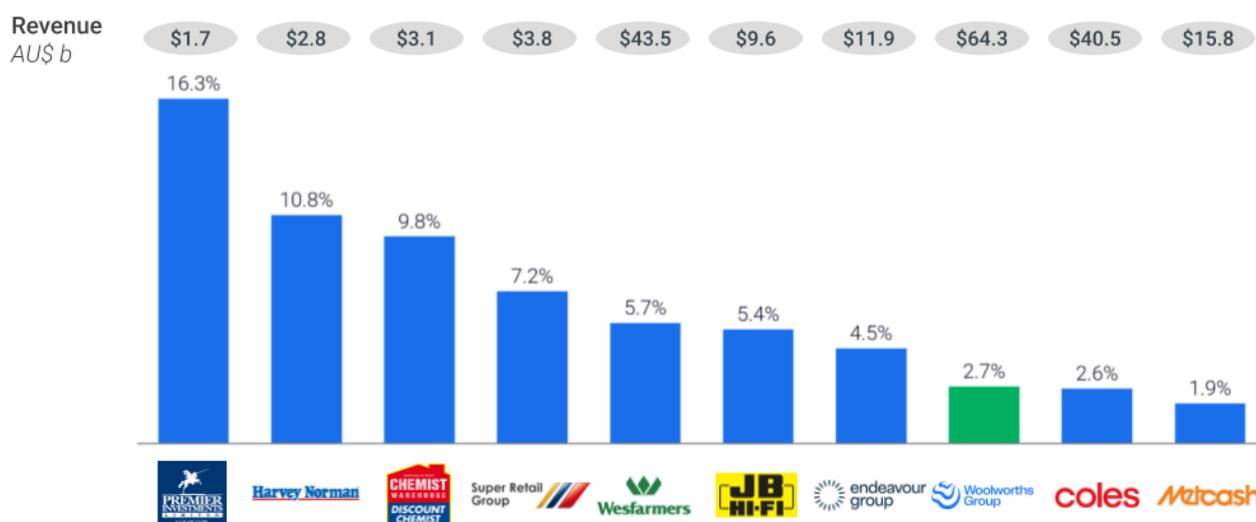


Figure 20: Australian retailer profitability in F23, NPAT margin (%)¹⁷¹

By comparison to grocery retailers, many grocery suppliers, which include large multinational consumer goods companies, make much greater margins. **Figure 21** below illustrates that our Group NPAT margin was a fraction of the NPAT margin of 10 of our major suppliers (who together make up 12% of the sales in our Australian Food business).

Global CPG profitability, FY23, NPAT margin (%)

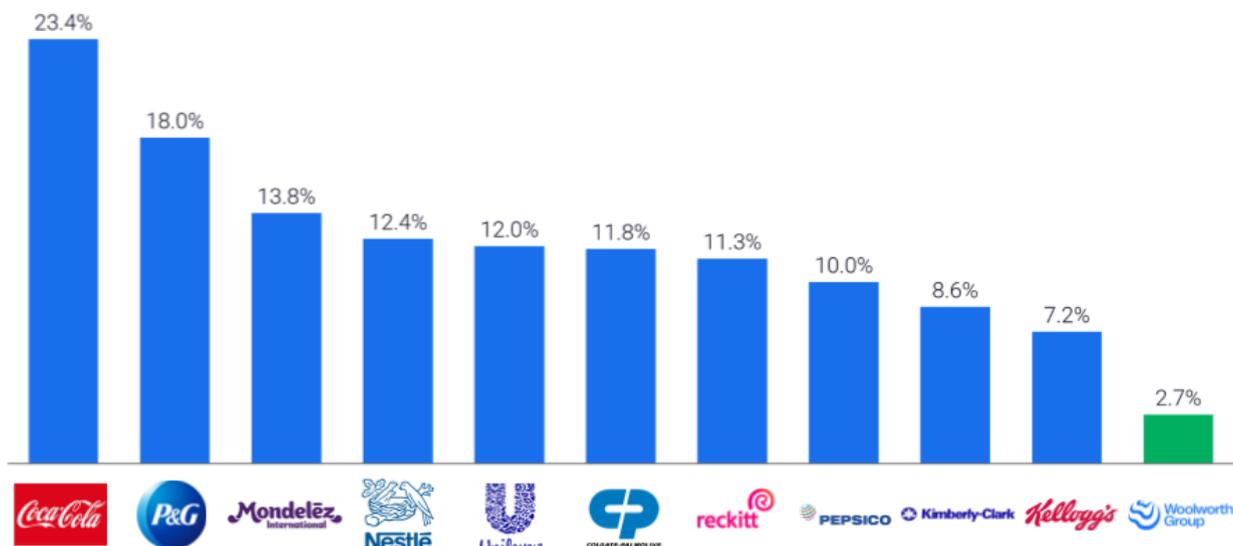


Figure 21: Global consumer packaged goods (CPG) profitability in F23, NPAT margin (%)¹⁷²

¹⁷¹ Company reports, FactSet, Visible Alpha. Based on the individual company's financial year-end. Where available presented on a normalised and continuing operations basis. Harvey Norman profitability based on its retail segment.

¹⁷² Source: Company Annual Reports; S&P Capital IQ. All figures represent F23, except for Reckitt (F22 due to availability of data); currency conversions as at the last date of the financial year. Net Profit After Tax (NPAT) figures are not net of profits not attributable to shareholders, and exclude non-recurring costs.

The grocery industry has become increasingly capital intensive, and we have reinvested more back into the business than our peers to further improve our service, quality, resilience and efficiency

Australia's grocery sector is intensely competitive and, as a result, it has one of the most innovative, efficient and productive grocery sectors in the OECD.

To respond to changing consumer expectations, and increased competition in grocery retailing, Woolworths has made significant investments for the future to further improve our service, quality, resilience and efficiency. The growth of online shopping, higher consumer expectations, and intensified retail competition have necessitated investments in modern and resilient supply chains, a shorter store refurbishment cycle, and the investment in digital technology platforms with shorter useful lives. In addition, the large geography (and the distances products have to travel to get to customers) and small relative population of Australia requires a significant level of capital investment to support a national footprint.

Within this context, over the past 5 years, we have invested around \$10 billion in capital expenditure back into our business. This is almost double the amount paid to investors in dividends over the same period (\$5.7 billion). These investments have allowed us to strengthen our supply chain resilience with new and expanded DCs, build new stores and upgrade existing ones, and deliver better online shopping experiences with new CFCs.

We have reinvested more back into the business than international peers, as shown in **Figure 22** below. Our capital expenditure/sales ratio was 3.3%, which was above international peers such as Walmart, Tesco and Loblaw.

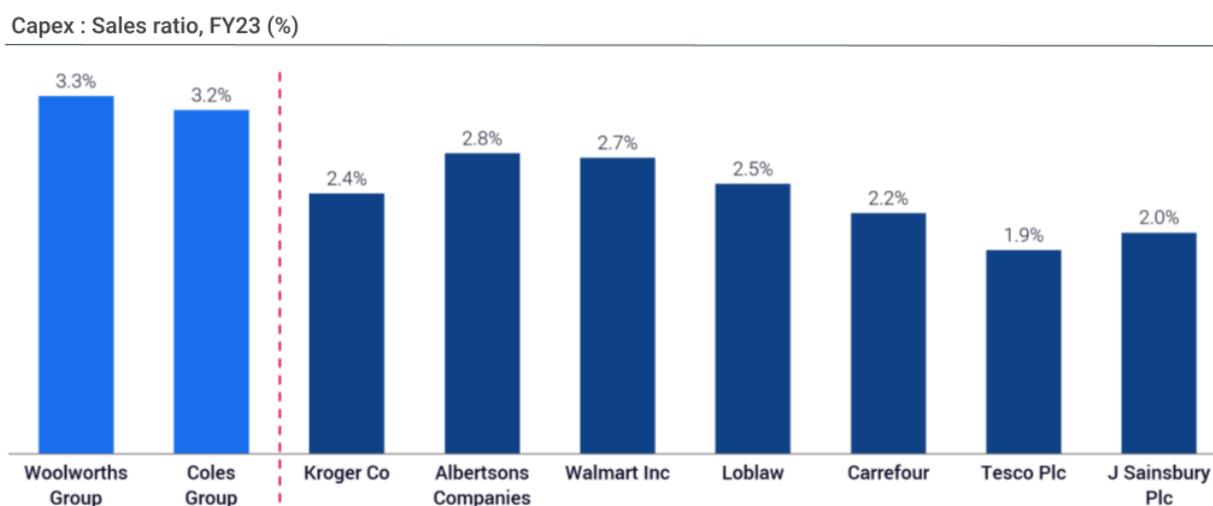


Figure 22: Capex: Sales ratio (%) for Australian supermarkets and global peers¹⁷³

¹⁷³ Source: Company annual reports and filings.

The capital investments we have made have not only improved our productivity and efficiency, but have delivered many benefits for our customers, including more convenient shopping experiences, improved product availability and fresher produce.

Our capital investments have included investing \$1 billion in our supply chain over the past 5 years to allow us to operate more efficiently and provide better availability for our customers at competitive prices. By way of example, our Melbourne South Regional DC carton rate ranks above benchmarked peers in the US and Europe, and our Primary Connect¹⁷⁴ grocery retail supply chain has been ranked 5th globally (up from 11th in 2020) by Gartner. We outline some of our supply chain transformation investments in section 1 above and in **Figure 23** below.

Overview of Woolworths Group Capex spend on supply chain, 2019 to 2025F



Figure 23: Woolworths Group investments in supply chain 2019 - 2025. \$1bn is inclusive of total Group investment in the supply chain across all businesses.

In addition to constantly improving how we serve our customers, we are continually transforming processes and investing in innovation to improve operating efficiency and productivity. It is critical for the sustainability of our business to keep improving all elements of our financial performance and help offset cost pressures, including the productivity of store selling space, the efficiency of our stores, supply chain and overall management of costs and the effective management of working capital, including inventory. Examples of how we have improved productivity include:

- increasing the number of items that are sold for each hour of labour put in by our store teams through initiatives such as better aligning hours to store demand, and automating manual processes; and

¹⁷⁴ Primary Connect (which forms part of Woolworths Group) operates a national distribution network, consisting of road and rail transport services and Third Party Logistics storage facilities.

- improving the efficiency of online order picking (e.g. through multi-location picking and supporting easier product identification), as well as optimising the routing of our online delivery trucks.

These efficiency improvements help to fund ongoing investment in improving customer experience (for example through store renewals, and more convenient online delivery options) and team (for example, through increased wages, and investment in learning and development).

Our profits and returns for shareholders

As an ASX-listed company, we publish detailed audited financial accounts every six months. This provides a high degree of transparency both to our investors and the broader public on the financial performance of our business.

As noted above, the published figures for the Woolworths Group, including NPAT and EBIT, are in [Annex 3](#). To put those profit measures in context, regard should be had to the funds employed to generate them.

The return on capital of a business is a key measure to assess its performance. To generate a reasonable return on capital, Woolworths must be efficient, given we operate in a low margin sector. Our published accounts show that we make reasonable returns on capital for our investors, while reinvesting significantly back into our business for the benefit of our customers, our team, our suppliers and the broader Australian economy.

The table below highlights Woolworths Group's return on funds employed (**ROFE**) over the last five years. ROFE is the key return on capital metric that Woolworths Group measures to determine the return on its capital investments. Pre-tax ROFE has been relatively stable in the mid-teens since F19 and after applying the 30% corporate tax rate, post-tax ROFE has averaged around 10%.

Woolworths Return on Capital	F19	F20	F21	F22	F23
ROFE (pre-tax)	14.1%	13.7%	16.9%	13.7%	14.9%
ROFE (post-tax)	9.9%	9.6%	11.8%	9.6%	10.4%

Note: ROFE is calculated as EBIT/ average funds employed. Funds employed is capital employed excluding tax balances. F19 is normalised for the adoption of AASB 16 and the 53rd trading week.

We believe it is appropriate to consider ROFE at a Woolworths Group level given there are costs and assets that are not allocated to business units.

Retailers use many different return on capital measures which makes direct comparisons between companies difficult. However, using FactSet's standardised calculation, as shown in **Figure 24** below, our return on total capital sits below a significant group of global peers and Australian retailers. We believe that our return on capital is reasonable.

Return on total capital, FY23 (%)

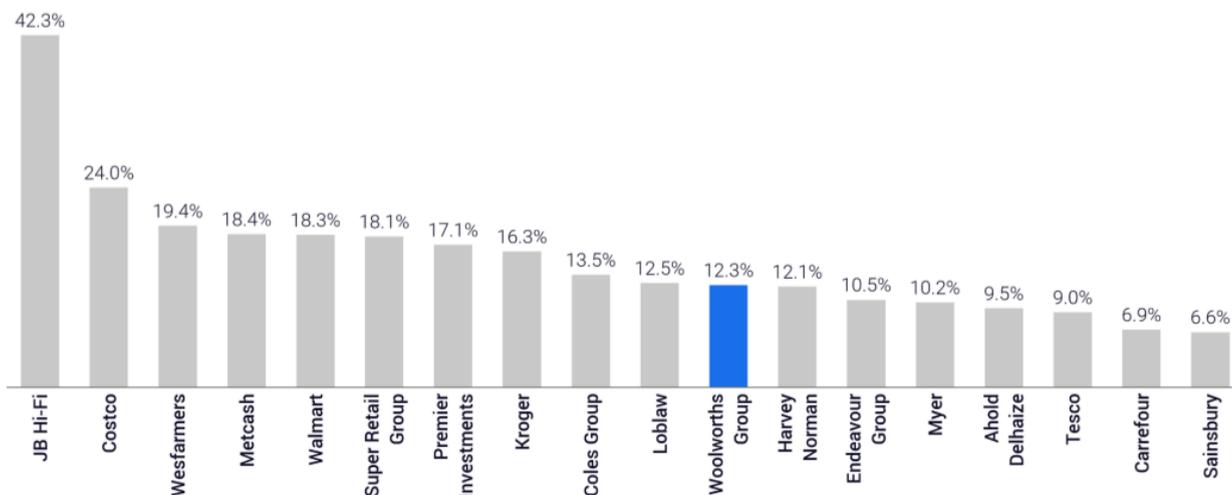


Figure 24: Return on total capital (%) for Australian supermarkets, retailers and global peers¹⁷⁵

It is also important to recognise that we compete for shareholders and funding for these investments with other ASX listed companies and businesses across the Australian economy. And this, in turn, requires us to generate, after tax, reasonable returns for shareholders to continue to be able to invest back into the business and get access to capital and funding.

Woolworths has achieved a TSR - which sums both share price appreciation as well as any dividends paid by a company or index - of 11% per annum over the last 5 years. This performance is broadly in line with the TSR of the ASX200 over the same period, supporting the perspective that Woolworths has not over-earned.¹⁷⁶

With the profits we earn from our business, we are able to continue to contribute to the broader Australian economy. Our significant contributions to the economy and communities over recent years were outlined in section 1.

After payment of tax, almost three-quarters of our net profits are currently distributed as dividends, with the balance reinvested into the business. As noted above, if, hypothetically, the Woolworths Group made no profits, the average weekly savings per customer would be approximately \$5 per week but our base of predominantly Australian retail investors and superannuation funds would not receive any distribution of dividends. The Australian Government would also lose a significant income source by way of company taxes.

¹⁷⁵ Source: FactSet. Based on individual companies' financial year ends. Note: Return on capital calculated as FactSet standardised pre-tax operating income / total capital including leases. The calculation may differ from the company's reported return on capital metric, including the Woolworths ROFE calculation above, but represents a consistent basis of measurement for comparability between companies.

¹⁷⁶ December 2018 to December 2023. S&P Capital IQ.

5. Policy changes and regulatory interventions

Since the ACCC's 2008 Grocery Inquiry Report, the grocery sector has been the subject of multiple inquiries, ACCC competition and consumer law investigations resulting in undertakings and proceedings resulting in penalties, as well as legislative reform including industry codes. [Annex 2](#) provides an overview of the key regulatory developments and inquiries since the 2008 Grocery Inquiry Report.

Together, these developments have had significant impacts on the sector, including, relevantly, lowering barriers to entry and expansion for new supermarkets, ensuring fair dealings and terms between supermarkets and suppliers and improving price transparency for consumers.

Law reform options currently being considered by the Government, including the proposed prohibition on unfair trading practices and overhaul of the merger regime will, if implemented, further impact the grocery sector, as well as the broader economy.

In considering the need for further reforms, we trust the ACCC will have regard to the existing regulatory landscape, the investigation and enforcement tools already available to it under current laws, the reforms already being considered by the Government and recommendations made in the inquiries currently on foot (and set to complete before the ACCC's inquiry).

Annexures

ANNEX 1 GROCERY RETAILER FACT SHEETS



Financials

~\$125bn

Aldi South net sales (2022)⁶

\$370.2m

Australian profit before income tax (F21)⁷

~\$12bn

Australian annual turnover (F23)⁸

Footprint

593

stores across all states except TAS and NT,²³ since entering Australia in 2001²⁴

6 DCs in

Australia,²⁵ with plans to replace them with "three new larger, high-tech warehouses"²⁶

Notable campaigns

"Australia's Lowest Prices"

"Shop at Aldi first and save"

Overall

Aldi is a global supermarket retailer in fresh food, long life packaged food and non-food essentials that is "heavily invested in the Australian market".¹ In 2008, the ACCC found Aldi had "been a significant influence on Australian grocery retailing"² and a "vigorous price competitor since its entry into Australia".³ Aldi has tripled its store footprint since the ACCC's 2008 inquiry.⁴ In 2023, Aldi had a "customer increase of approximately four percent".⁵

Product range

- "Limited product range of about 1,800 products",⁹ and "approximately 90% of Aldi's products are exclusive brand products that are commissioned by Aldi".¹⁰
- Aldi also offers "special buys" which can include "anything from electronics ... to clothing and furniture".¹¹

Convenience and online

- No online shopping or loyalty program.
- Aldi Corner Stores: first introduced in 2021,¹² a "smaller-format convenience store" in "high-density urban areas where convenience is desired, making them perfect for commuters and residents needing freshly-baked goods and lunch on the run".¹³
- Project Fresh: commenced in 2017 with the "primary objective to align all stores in the nation"¹⁴ and "standardise Aldi's national brand presence".¹⁵ The program intends to provide a more "efficient shopping experience, while also catering for an expanded range across our fresh meat, produce and health categories".¹⁶

Expansion / future plans

- Aldi's "business model is about sustainable long term growth".¹⁷
- Focused on "new distribution centres, additional store openings, refurbishments and extensions, and product innovation".¹⁸
- Reported that Aldi has plans for "adding stores in some metro areas" and is "still targeting growth corridors on the outskirts of Australia's big cities, but is mostly focused on growing customers within its current store network".¹⁹

Notable campaigns

- "Australia's Lowest Prices":²⁰ "We won't be beaten on the cost of your weekly shop".²¹
- "Shop at Aldi first and save" campaign".²²



Financials

~\$736.76bn

global retail sales
(2023)³⁰

\$3.1bn

Australian retail sales
(2023)³¹

18%

growth in Australian
retail sales (2023)³²

Footprint

6

fulfilment centres⁵⁶ in
VIC, NSW, QLD and
WA⁵⁷ with a 7th under
construction in VIC⁵⁸

12 logistics sites in
Australia⁵⁹

Notable campaigns

Amazon Prime Day

Amazon Prime Big Deal
Days

Subscribe & Save

Overall

E-commerce company Amazon Retail formally established operations in Australia in 2017.²⁷ In 2018, Amazon started selling dry groceries, "rounding out its existing range of non-food groceries and household cleaning products".²⁸ There were reportedly 4.2 million Amazon Prime subscribers in 2023.²⁹

Product range

- Offers a selection of "more than 200 million products across 31 categories"³³ including long-life packaged food and non-food essentials.
- Amazon has several private label brands within the grocery category, such as "Amazon Essentials",³⁴ "Amazon Basics",³⁵ and "Amazon Devices".³⁶

Convenience and online

- Amazon is an online retailer in Australia and its "delivery capacity increased by almost 50% in 2023".³⁷
- Amazon Prime: a subscription costing \$9.99/month or \$79/year³⁸ which provides access to benefits such as "free one-day delivery in select areas"³⁹ and "free expedited delivery on eligible orders".⁴⁰ When Amazon Prime launched in Australia in 2018,⁴¹ it was capable of offering "free two business day delivery to nearly 90 per cent of Australians".⁴²

Expansion / future plans

- Robotics fulfilment centres: Amazon currently operates 1 robotics fulfilment centre in Western Sydney⁴³ which is "within 12 hours drive of more than 80% of the Australian" population⁴⁴ and the "largest warehouse ever built in Australia".⁴⁵ Construction has begun on a second robotics fulfilment centre in north Melbourne,⁴⁶ which will surpass the size of the Western Sydney robotics fulfilment centre.⁴⁷ Amazon is "targeting completion in 2025".⁴⁸
- Amazon Fresh: "an online and physical grocery store"⁴⁹ launched in cities across the US,⁵⁰ Europe⁵¹ and Asia.⁵²

Notable campaigns

- Amazon Prime Day: a shopping event with discounts exclusive to Amazon Prime members that was first launched in Australia in 2018.⁵³
- Amazon Prime Big Deal Days: an additional shopping event with discounts exclusive to Amazon Prime members that was first launched in Australia in 2023.⁵⁴
- Amazon Subscribe & Save: offers 10% discount off eligible Amazon everyday consumable products and free delivery when customers sign-up for recurring deliveries.⁵⁵



Financials

~\$361.85bn

global retail sales
(F23)⁶²

\$4.4bn

Australian sales
(2023)⁶³

19.8% Australian
sales growth (2023)⁶⁴

Footprint

15

warehouses across all
states except TAS and
NT,⁷⁷ since entering
market in 2009⁷⁸

1 DC in Australia⁷⁹

which serves "all
Costco stores
nationally"⁸⁰

Notable campaigns

Hot Buys

In-Warehouse Savings

Overall

One of the world's largest retail companies by global revenue, Costco operates a bulk-size, big-box store format offering fresh food, long life packaged food and non-food essentials.

Costco has a "total membership base in Australia of 1.5 million".⁶⁰ It also owns one of the world's biggest food and everyday needs private label brands 'Kirkland'.⁶¹

Product range

- Offers bulk-sized goods with ~4,000 SKUs per store covering three core merchandise categories - "Foods and Sundries", "Non-Foods", and "Fresh Foods".⁶⁵
- 'Kirkland Signature' private label makes up ~20% of warehouse products⁶⁶ and spans "a whole range of things, including men's dress shirts, laundry detergent, pet food, toilet paper, cookware, olive oil, Champagne and garden furniture".⁶⁷

Convenience and online

- Two tiers of individual annual membership at \$65 and \$130.⁶⁸
- Operates an e-commerce website in Australia. Costco states that their e-commerce business "provides a broader selection of merchandise that complements our warehouses".⁶⁹ This allows for delivery of a selection of fresh, long life packaged food and non-food essentials.⁷⁰
- Costco provides various "Warehouse Services" including hearing aid centres, optical, fuel stations, tyre centres, kiosks and food courts.⁷¹

Expansion / future plans

- Costco says "20 stores are expected to be up and running over the next 5 years".⁷²
- "Aspirational locations" include Hobart, North Sydney, South Sydney, North Perth, South Adelaide and Geelong⁷³ and "finding additional sites in Sydney, where Costco currently has three stores, is a priority".⁷⁴

Notable campaigns

- Hot Buys: reduced prices for a range of products, which appear to focus on groceries in the form of household goods, electrical appliances and kitchenware.⁷⁵
- In-Warehouse Savings: a rotating range of products available at discounted prices, offered over a 4 week period.⁷⁶



Financials

\$1.04bn

Coles Group net profit after tax (F23)⁸¹

\$36.746bn

Coles Supermarkets sales revenue (F23)⁸²

\$1.765bn

Coles Supermarkets EBIT (F23)⁸³

Footprint

850

stores in "every part of Australia"¹⁰⁹ since entering market in 1914¹¹⁰

Extensive network of DCs in Australia,¹¹¹ including automated distribution centres¹¹²

Notable campaigns

A mix of **promotional campaigns, seasonal promotions** and **weekly specials**¹¹³

Overall

Coles is a traditional supermarket with 850 stores covering "every part of Australia" and an extensive network of distribution and fulfilment centres which service these stores and Coles' online delivery service.

Product range

- Over 40,000 product lines⁸⁴ across a full product range.⁸⁵
- Private label: under Coles Own Brand portfolio⁸⁶ which "includes grocery, fresh produce, meat and non-food products"⁸⁷ that are "typically 10-40% cheaper for consumers than similar proprietary brands".⁸⁸

Convenience and online

- Coles Online: "an 'anytime, anywhere' shopping proposition" offering home delivery or pick up from click & collect locations.⁸⁹
- In F23, Coles expanded:
 - Rapid Click & Collect (order ready for collection within 90 minutes)⁹⁰ by another 151 stores,⁹¹ such that it is now available in 606 stores;⁹² and
 - Home Delivery Rapid (home delivery within 2 hours)⁹³ by another 463 stores,⁹⁴ so it is now available from 480 stores.⁹⁵
- Loyalty program: Coles' Flybuys program "now reaches approximately 80% of Australian households".⁹⁶

Expansion / future plans

- Investing \$1 billion into 2 automated distribution centres with Witron:⁹⁷ to "create safer and more sustainable outcomes for team members and suppliers, and better on-shelf availability for customers".⁹⁸ First centre opened in Queensland in April 2023,⁹⁹ and a second automated distribution centre is expected to open in Sydney in 2024.¹⁰⁰
- Investing ~ \$400 million¹⁰¹ into 2 automated customer fulfilment centres in partnership with Ocado:¹⁰² expected to "double Coles' current Australia-wide home delivery capacity", and create a "seamless digital customer experience, greater range, improved product availability and freshness, more regular delivery windows, increased network capacity at a lower cost to serve".¹⁰³ Each centre has "estimated sales capacity of between \$500 million and \$750 million per annum".¹⁰⁴ The Sydney centre is expected to launch at the end of F24, and the Melbourne centre is expected to launch by mid-F25.¹⁰⁵

Notable campaigns

- Promotional campaigns such as 'Great Value Hands Down', 'Down, Down' and 'Dropped & Locked'.¹⁰⁶
- Seasonal promotions such as 'Only for Christmas' and 'Only for Easter'.¹⁰⁷
- Weekly specials offering short term discounts of up to 50% "on high volume lines critical to the customer basket".¹⁰⁸

Financials

\$308m

Metcash Group profit after tax (F23)¹¹⁷

~\$9.6bn

food sales (F23)¹¹⁸

2.8%

sales growth in food (F23)¹¹⁹

Footprint

<1,600

stores supported across Food business¹³⁷ since entering market in 1927.¹³⁸ 1,299 IGA stores nationally.¹³⁹

20 DCs

overall,¹⁴⁰ with 5 of them being major Metcash Food DCs.¹⁴¹

Notable campaigns

"Price Match Promise"

"Low Prices Every Day"

Overall

Metcash is the "largest supplier to independent food businesses in Australia"¹¹⁴ and supports supermarket banner groups including IGA, Foodland, Supa Valu, Village Grocer and Friendly Grocer.¹¹⁵ The vast majority of these supermarkets operate under the IGA banner, the focus of this fact sheet. Metcash also operates at the retail level, owning a "29.9% stake in Ritchies and 45% stake in Cornetts, in addition to several other grocery retailing entities".¹¹⁶



IGA product range

- IGA stocks a range of fresh food, long life packaged food and non-food essentials with a focus on "a broad and locally tailored range".¹²⁰
- Private labels: Black & Gold and Community Co.¹²¹

Convenience and online

- IGA Shop Online: "now live in over 330 stores"¹²² with collection or delivery options.¹²³
- On-demand rapid delivery: partnerships with Uber Eats and DoorDash.¹²⁴
- IGA Rewards: loyalty program "currently in ~430 IGA stores",¹²⁵ which provides member specials, entry into prize draws, exclusive travel deals and personalised offers.¹²⁶

Metcash expansion / future plans

- Current target of "20 new stores per year",¹²⁷ with "potential to increase to 10 stores per state per year".¹²⁸
- Metcash has identified an "opportunity to expand beyond current minority ownership position in Food"¹²⁹ and has a focus on "replicating successful growth strategies across the Metcash Group" to Food via company-owned retail, joint venture retail and new stores.¹³⁰
- Plans to acquire Superior Foods, "the third-largest player in Australia's \$21 billion food services business".¹³¹
- Co-developed new format Supa Valu stores: to "go head-to-head with discounters like Aldi and Costco on price".¹³²

Notable IGA campaigns

- IGA Price Match Promise: "matches the lowest regular shelf price of essential comparable products at the chains"¹³³ each week.¹³⁴
- IGA Low Prices Every Day: "100's of low prices across the store everyday"¹³⁵ on "over 3,000 essential, competitively priced products".¹³⁶



Financials

\$1.18bn

revenue (2023)¹⁴⁴

3.3%

increase in annual sales (2023)¹⁴⁵

\$36.85m

net profit (2023)¹⁴⁶

Footprint

67

stores across SA and QLD¹⁶² since entering market in 1974¹⁶³

4 DCs in

Australia¹⁶⁴

Notable campaigns

Price Drop

Scan & Win through the myDrakes app

5% Aged and Veteran Pensioner Discount

Overall

Drakes is an independent grocery retailer in fresh food, long life packaged food and non-food essentials with 67 stores across SA and QLD.¹⁴² Drakes has plans to grow its store footprint to "at least 80 stores by 2027".¹⁴³

Product range

- Fresh and dry products, alongside general merchandise such as clothes, garden needs and kitchenware.¹⁴⁷
- In-store food services at select stores: gelato "made fresh in-store" from 'La Gelateria Autentica',¹⁴⁸ "handmade pasta and ... pasta sauces made in-store" from 'Nonnas Pasta'.¹⁴⁹ Also offer take away breakfast, lunch and dinner in the form of salads, wraps, rolls, self-serve hot soups and ready meals from 'The Little Kitchen',¹⁵⁰ and "barista quality coffee" from 'Grown + Ground Crafted Coffee'.¹⁵¹
- Feed Me by Drakes: a variety of platters, boxes and edible gifts available for order.¹⁵²

Convenience and online

- Offers online shopping with store-pick up (select stores only) and delivery available.¹⁵³
- Unlimited Delivery subscription: for \$30 a month, customers can get "unlimited deliveries on every order over \$80".¹⁵⁴
- myDrakes App: customers can access "digital receipts and fuel vouchers", "redeem coupons for discounts" and "Scan & Play for the chance to win myDrakes rewards" and get "instant money off [their] shop".¹⁵⁵

Expansion / future plans

- Distribution centre: In 2019, Drakes opened a \$125 million distribution centre in South Australia that "utilises \$15 million worth of robotics and houses over 23,000 separate lines of products",¹⁵⁶ "signifying the official beginning of [the company's] independence from The Metcash/Foodland Group".¹⁵⁷ It was reported that Drakes would "start supplying other independents once it has bedded down the distribution centre".¹⁵⁸
- New stores: Drakes has "plans to grow their store footprint to at least 80 stores by 2027".¹⁵⁹

Notable campaigns

- "Price Drop" on select products within weekly catalogues.¹⁶⁰
- 5% Aged and Veteran Pensioner discount on Wednesdays.¹⁶¹



Financials

\$649m

revenue (F21)¹⁶⁶

\$48m

EBITDA (F21)¹⁶⁷

Footprint

27

supermarkets, and 5 butchers, across NSW and QLD¹⁸⁴ since entering market in 1971¹⁸⁵

2 DCs across

NSW and QLD¹⁸⁶

Notable campaigns

Midweek / Weekend Specials

Value Boxes

Overall

Harris Farm is an independent grocery retailer that operates supermarkets and butchers across NSW and QLD. Harris Farm's product range encompasses fresh food, long life packaged food and non-food essentials. Harris Farm has been considered "one of Australia's most successful fresh food retail companies".¹⁶⁵

Product range

- Extensive range of fresh products, broad range of long-life food products as well as a range of non-food products.¹⁶⁸
- Ready to Cook by Harris Farm: meal kit offering where Harris Farm "send you the ingredients, plus a digital copy of step by step cooking instructions".¹⁶⁹
- Private label: Harris Farm branded products such as yoghurt, honey, orange juice, nut mixes and jams,¹⁷⁰ along with 'Pure Pastures' range "made in small batches from single origin Jersey cow and goat herds".¹⁷¹

Convenience and online

- Offers online shopping with click and collect¹⁷² from all Harris Farm stores except Bathurst, and delivery available around various regions of NSW, QLD and ACT.¹⁷³
- Delivery Pass: 1, 3, 6 month or annual subscriptions enabling "free delivery on all Harris Farm online orders over \$120".¹⁷⁴
- Loyalty programs: Friend of the Farm members get "5% off all vegies", exclusive offers and specials, seasonal recipes and market updates.¹⁷⁵ Gold customers, being those who have spent \$1,000 in the last 30 days, \$2,500 in the last 90 days or \$7,500 in the last 12 months, get "free delivery on all orders over \$150".¹⁷⁶

Expansion / future plans

- 3 new Sydney stores planned in 2024 for Surry Hills, Marrickville and Turrumurra.¹⁷⁷
- Refurbishment of older-store styles: reportedly aiming to focus on "retail as an experience",¹⁷⁸ offer "speciality producers a chance to operate within their stores as concessions"¹⁷⁹ and "range more and more products beyond fruit and veg".¹⁸⁰

Notable campaigns

- Midweek and weekend specials: limited time specials that have historically been offered over a mid-week or weekend period.¹⁸¹
- Value boxes: "offer the best in seasonality and value"¹⁸² and comprise of items such as fruits, vegetables, meat, snacks and pizzas.¹⁸³



Financials

\$1.185bn

total gross profit
(F23A)¹⁹¹

\$1.792bn

merchandise sales
(F23A),¹⁹² being all
sales excluding fuel

Footprint

~750

stores across VIC,
NSW, ACT, QLD and
WA²¹⁵ since entering
market in 1977²¹⁶

3 DCs in
Australia²¹⁷

Notable campaigns

\$2 Coffee

Meal deals and combo
deals

Overall

7-Eleven is Australia's "largest private fuel and convenience retailer"¹⁸⁷ and has built a network of approximately 750 stores.¹⁸⁸ In F23A, merchandise comprised 58% of 7-Eleven's gross profit.¹⁸⁹ 7-Eleven reportedly plans to "expand its focus on ready-to-eat fresh food products to accelerate growth".¹⁹⁰

Product range

- Sells a range of fresh and dry groceries and hot meals.¹⁹³ Fresh groceries include dairy, bakery items, eggs and ready to eat meals.¹⁹⁴ Dry groceries include pantry, medicine, bathroom, personal care, household supplies and electronics.¹⁹⁵
- Private label: '7-Eleven' brand which includes fresh food (e.g. milk),¹⁹⁶ meals (e.g. sandwiches and hot food)¹⁹⁷ and dry groceries (e.g. protein bars and small electronics).¹⁹⁸

Convenience and online

- 7-Eleven Delivery: on-demand or scheduled delivery¹⁹⁹ to "select Australian suburbs"²⁰⁰ available between "8am to 11pm, 7 days a week".²⁰¹ Products available to order include drinks, slurpees, smoothies, doughnuts, snacks and essentials.²⁰²
- Pay & Go: customers can skip the queue by scanning and paying for items through the 'My 7-Eleven' app.²⁰³
- Micro-Markets: "self-service, unattended 7-Eleven stores which are suitable for all types of environments"²⁰⁴ where "customers can shop a tailored range of 7-Eleven products and checkout conveniently through the My 7-Eleven app".²⁰⁵

Expansion / future plans

- New stores: 7-Eleven is reportedly "aiming to open around 35 stores annually"²⁰⁶ and has previously exhibited an interest in growing its presence in regional Australia.²⁰⁷ In 2022-23, 7-Eleven "undertook 76 store refurbishments"²⁰⁸ and "opened 41 new [stores] including 16 Micro Markets".²⁰⁹
- 7-Eleven's new owners, 7-Eleven International, have stated that although fuel remains a "crucial part of the business,"²¹⁰ they "see larger growth opportunities in merchandising"²¹¹ and the company "would expand its focus on ready-to-eat fresh food products to accelerate growth".²¹²

Notable campaigns

- \$1 (now \$2) coffee: sold \$1 coffees for 13 years until 2022, when prices were increased to \$2.²¹³
- Meal deals and combo deals: include food (e.g. sandwich, sausage roll or pie) and drink.²¹⁴

Financials

\$7.9bn

Total Network Sales
(F23)²¹⁸

\$460m

 statutory
EBIT(F23)²¹⁹

15%

statutory EBIT margin
(F23)²²⁰

Footprint

557

stores in Australia²³⁰
since entering market
in 1972²³¹

7 DCs

 across
Australia²³²

Notable campaigns

"Lowest Prices
Guaranteed"²³³

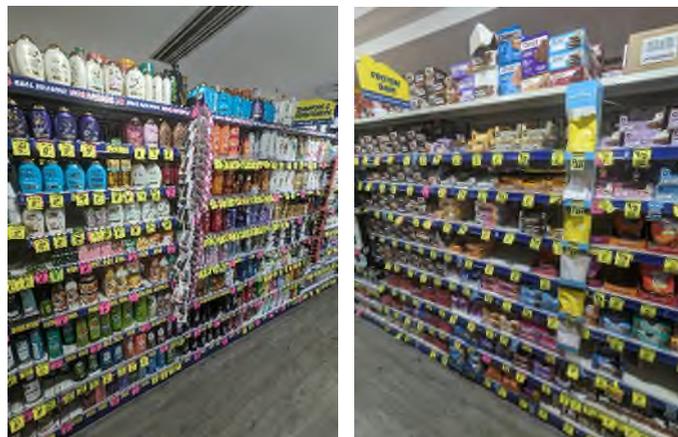
Overall

Chemist Warehouse is a category specialist retailer. In addition to its pharmacy products, Chemist Warehouse offers a range of long life packaged food and non-food essentials.



Product range

- 13,000 SKUs²²¹ across long-life food and non-food essentials, such that "the products in a Chemist Warehouse store, including a big range of health and beauty products and some household goods, are broadly comparable with what you'll find in supermarket aisles".²²²
- Various fully or partly owned brands, private labels and licensed brands which "represented ~2% Total Network Sales in F23, with potential to further increase this penetration rate in the future".²²³
- Chemist Warehouse "makes about 67 per cent of its sales from what is called the front of the store – that is, not the pharmacy dispensing counter".²²⁴



Convenience and online

- Delivery and click and collect which is "typically ready to collect within 4 hours" is available.²²⁵

Expansion / future plans

- Chemist Warehouse chief executive has stated that there is "plenty of room for more stores in Australia - although most would be outside Victoria".²²⁶ As of December 2023, Victorian stores made up "42% of the company's Australian store network".²²⁷
- 9 stores added in Australia since 30 June 2023.²²⁸
- In December 2023, Chemist Warehouse and Sigma Healthcare announced plans to merge.²²⁹

Financials

\$18.539bn

revenue (F23)²³⁴

4.4%

total sales growth
(F23)²³⁵

\$2.345bn

EBIT (F23)²³⁶

Footprint

382

Bunnings stores across
Australia and New
Zealand²⁵² since its
incorporation in
1907²⁵³

5 major

DCs²⁵⁴

Notable campaigns

"If you find a
competitor's lower
price (including GST
and delivery charges)
on the same in-stock
item, we'll beat it by
10%"²⁵⁵

Overall

Bunnings (part of Wesfarmers) is a category specialist retailer that has evolved its offering to compete with traditional supermarket grocery retailers in non-food essentials.



Product range

- Bunnings has evolved into an "omnichannel business with over 110,000 home, commercial and lifestyle products across its in-store, online and marketplace offers".²³⁷
- Pet-care and cleaning: In 2023, Bunnings introduced a speciality pet-care department offering "close to 1000 new items"²³⁸ which was "the biggest single-category expansion by the hardware retailer in two decades".²³⁹ In 2023, Bunnings also expanded its household cleaning range to "over 2000 new products across eight categories including laundry, dishwashing, hand washing and irons"²⁴⁰ in "large sizes".²⁴¹ This included brands new to Bunnings such as "OMO, Finish, Dettol, Sukin and Sunbeam".²⁴²



Convenience and online

- Offers online shopping with click and collect²⁴³ or delivery.²⁴⁴
- Bunnings Marketplace: products "sold online and delivered directly to customers by the third-party Trusted Sellers".²⁴⁵
- Loyalty program: Bunnings uses the Flybuys loyalty program.²⁴⁶ It also partners with OnePass, a paid program, which offers free delivery on eligible orders, express click and collect and 5 x Flybuys points on purchases.²⁴⁷

Expansion / future plans

- Store network: In F23, Bunnings "completed 18 upgrades and three store expansions",²⁴⁸ and "opened three net new Bunnings warehouses".²⁴⁹ Bunnings had plans to "continue to invest in the expansion and renewal of its store network, and maintain its focus on optimising the use of retail space".²⁵⁰
- In 1HF24, Bunnings "continue to pursue opportunities to grow its addressable market and customer participation through new ranges, network optimisation, commercial strategies and digital channel growth".²⁵¹

Financials

\$819.3m

sales revenue (F23)²⁵⁶

\$10.3m

net profit after tax
(F23)²⁵⁷

\$20.8m

EBIT (F23)²⁵⁸

Footprint

383

stores²⁸⁰ across all
states except NT²⁸¹
since entering market
in 1981²⁸²

3 DCs in

Australia²⁸³

Notable campaigns

"Rethink the Reject
Shop"

In 1HF24, lowered the
prices of "general
merchandise and
seasonal ranges"²⁸⁴

Overall

The Reject Shop is a category specialist retailer offering a range of long life packaged food and non-food essentials.

**THE
REJECT
SHOP**

Product range

- Sells ~6,000 products²⁵⁹ spanning "general merchandise and seasonal ranges"²⁶⁰ and "everyday essential items"²⁶¹ including cleaning products, toiletries, personal hygiene products, kids lunchbox snacks and pet products".²⁶²
- Offers a "wide variety of products from a range of high-quality private labels and Australia's most-trusted brands",²⁶³ with some of these brands being Colgate, Dove, Nestle, Palmolive, Twinings, Uncle Tobys and Maggi.²⁶⁴



Convenience and online

- DoorDash partnership: "able to order from over 240 of The Reject Shop's stores"²⁶⁵ and choose from "a selection of over 1,350 low-priced essential products"²⁶⁶ including "grocery, snacks, petcare, garden, partyware, cleaning, toiletries and other household items".²⁶⁷ Orders are "delivered in as little as 45 minutes" on average.²⁶⁸ The Reject Shop is "working to add more and more products to its online offering".²⁶⁹
- Loyalty program: 'Savvy Shoppers'²⁷⁰ which provides access to "special offers",²⁷¹ "sneak peek catalogues, giveaways and more".²⁷²

Expansion / future plans

- Expand national store network:²⁷³ this is a key focus area for F24.²⁷⁴ The Reject Shop opened 7 new stores in 1HF24,²⁷⁵ and is "targeting to open approximately eight new stores during the second half" of F24.²⁷⁶
- Investing in strategic projects: another F24 key focus area is to "continue to explore and invest in strategic projects (mainly supply chain and technology), which minimise risk and enable efficiencies and growth".²⁷⁷

Notable campaigns

- 'Rethink The Reject Shop': launched in 2023 and sought to "position The Reject Shop as a trusted retailer that stocks big brands essentials at low prices".²⁷⁸
- General lowering of prices: "our team worked hard during the first half to lower the prices of our exciting general merchandise and seasonal ranges".²⁷⁹

Endnotes

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ANNEX 2

OVERVIEW OF POLICY CHANGES AND REGULATORY DEVELOPMENTS

Year	Event	Description
2009	Removal of restrictive lease provisions in supermarket leases ¹	<p>During its 2008 Grocery Inquiry Report, the ACCC raised concerns with supermarkets about tenancy terms which may have prevented shopping centre managers leasing space to competing supermarkets. The ACCC considered that such practices had the potential to act as a barrier to entry and expansion.</p> <p>In response, Woolworths, Coles, Aldi, Metcash, SPAR and Foodworks gave court enforceable undertakings under section 87B of the (then) <i>Trade Practices Act</i> to the ACCC to phase out all restrictive provisions in supermarket leases. The undertakings (which remain in place) require the relevant supermarkets to not give effect to existing restrictive provisions in lease agreements and to not enter into new lease agreements containing restrictive provisions.</p> <p>This was considered "a major breakthrough for grocery competition in Australia," with ACCC chair at the time, Graeme Samuel, proclaiming "[r]educing the barriers to entry for new and expanding players opens the possibility for Australian consumers to have greater choices in where to shop, and potentially pay lower prices as a result."²</p> <p>Graeme Samuel also noted that "[t]hese supermarkets, to their credit, have all acknowledged the concerns of the ACCC in respect to restrictive provisions and have acted responsibly in cooperating with the ACCC to phase out restrictive provisions."</p>
2009	National competition and consumer legislation introduced ³	<p>A reform process was undertaken to create a single, national consumer law in 2009. This resulted in the introduction of the <i>Competition and Consumer Act 2010 (Cth)</i> (CCA), the first national law covering both competition policy and consumer protection.</p> <p>The Australian Consumer Law (ACL) (Schedule 2 to the CCA) includes prohibitions on misleading and deceptive conduct and representations and unconscionable conduct and the unfair contract terms regime (subsequently extended, as described below).</p>

¹ See undertakings for Woolworths, Aldi, Metcash, SPAR, Foodworks and Supabarn:

<https://www.accc.gov.au/system/files/public-registers/undertaking/893470-1-Undertaking.PDF>;
<https://www.accc.gov.au/system/files/public-registers/undertaking/893471-1-Undertaking.PDF>;
<https://www.accc.gov.au/system/files/public-registers/undertaking/908332-1-Undertaking.PDF>;
<https://www.accc.gov.au/system/files/public-registers/undertaking/908307-1-Undertaking.PDF>;
<https://www.accc.gov.au/system/files/public-registers/undertaking/908314-1-Undertaking.PDF>;
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<https://www.accc.gov.au/system/files/public-registers/undertaking/986140-1-Undertaking.pdf>.

² ACCC media release:

<https://www.accc.gov.au/media-release/supermarket-agreement-opens-way-for-more-competition>.

³ *Competition and Consumer Act 2010*.

Year	Event	Description
2009	Introduction of Unit Pricing Code of Conduct (Unit Pricing Code) ⁴	The Unit Pricing Code is a mandatory industry code of conduct prescribed under the CCA. It was introduced on 1 July 2009 following a recommendation in the 2008 Grocery Inquiry Report for the introduction of a mandatory, nationally consistent unit pricing scheme. Unit pricing is a comparison tool of convenience for consumers, allowing shoppers to make accurate and timely price comparisons between different brands and sizes based on weight, volume or unit. The Unit Pricing Code requires certain grocery retailers to use unit pricing when selling particular grocery items to consumers.
2011	Legislation to deal with “creeping acquisitions” ⁵ under the CCA	The <i>Competition and Consumer Legislation Amendment Act 2011</i> was passed and amended the merger control provisions in section 50 of the CCA. This legislation was designed to ensure the ACCC and the courts “have the power to reject mergers and acquisitions that would substantially lessen competition in any local, regional or national market”. ⁶
2012	Post implementation review of the Unit Pricing Code ⁷	A Post-Implementation Review of the Unit Pricing Code was undertaken in 2012. The Review found that: <ul style="list-style-type: none"> • consumers often rely on unit prices, are more inclined to choose lower priced products where unit prices are available and value unit prices even where products are sold in common sizes, weights or quantities; • unit pricing conferred a number of benefits to consumers, such as reducing information load and decision difficulty and the tendency to purchase lower priced products where unit pricing is available; and • these benefits were likely to be realised at a low cost. Specifically, households that are actively using unit prices would only need to benefit by 32 cents per week, on an average weekly grocery bill of \$176, for the benefits of the Unit Pricing Code to outweigh its costs. These costs were primarily borne by the affected grocery retailers in complying with the Unit Pricing Code.
2013 - 2014	Fuel shopper docket	In 2012-2013, when supermarket shopper docket fuel discounts of up to 40 cents per litre were on offer, the ACCC investigated whether

⁴ See: <https://www.legislation.gov.au/F2009L02457/latest/text> (**Unit Pricing Code**).

⁵ *Competition and Consumer Legislation Amendment Act 2011*, No. 184, 2011.

⁶ Second Reading Speech for the Competition and Consumer Legislation Amendment Bill 2011 on 15 June 2011: <https://ministers.treasury.gov.au/ministers/david-bradbury-2010/speeches/competition-and-consumer-legislation-amendment-bill-2011> and Explanatory Memorandum to the Competition and Consumer Legislation Amendment Bill 2011, p. 3.

⁷ See:

<https://oia.pmc.gov.au/published-impact-analyses-and-reports/unit-pricing-code-conduct-post-implementation-review-treasury> and https://treasury.gov.au/sites/default/files/2021-05/c2018-174951_discussion_paper.pdf.

Year	Event	Description
	undertakings ⁸	<p>such discounts were anti-competitive.</p> <p>On 6 December 2013, the ACCC accepted court enforceable undertakings from Coles and Woolworths to voluntarily limit fuel discounts that are linked to supermarket purchases to a maximum of 4 cents per litre. The undertakings took full effect on 1 January 2014.</p> <p>In 2014, the ACCC instituted proceedings in the Federal Court against Coles and Woolworths for allegedly breaching the court enforceable undertakings each provided to the ACCC in relation to their fuel shopper dockets.</p> <p>The Court found that Woolworths breached its court enforceable undertaking by a 4 + 4 cents fuel discount offer made until 9 March 2014 that was conditional on Woolworths supermarket purchases. However, the Federal Court dismissed the ACCC's allegations against Coles and Woolworths that their recent offers of bundled discounts breached their undertakings to the ACCC on the basis that only 4 cents of the total bundled discount of 14 cents per litre was contingent on a qualifying supermarket purchase.</p> <p>Woolworths has since divested its fuel/convenience sites in 2019.</p>
2014-2015	Competition Policy Review: Harper review on Competition ⁹	<p>The Harper Review provided a comprehensive assessment of Australia's competition framework. The Review Panel made 56 recommendations aimed at reinvigorating competition policy at both state and Commonwealth level, reshaping competition institutions, and modernising and simplifying Australia's competition laws.</p> <p>There were a suite of reforms following recommendations by the Review Panel, including the introduction of the revised prohibition on misuse of market power in 2017 (see below).</p>
2014 - 2015	ACCC took action against Coles for unconscionable conduct ¹⁰	<p>The Court made declarations that Coles engaged in unconscionable conduct in the implementation of the Active Retail Collaboration (ARC) program in respect of certain suppliers by taking steps when those suppliers declined to make payment of the ARC rebate. Coles was ordered to pay \$10 million in penalties.</p> <p>Coles was also required to give a court enforceable undertaking and refund \$12 million to suppliers following ACCC action.</p>
2015	Introduction of the	The Grocery Code, a voluntary code prescribed under the CCA, came

⁸ See: <https://www.accc.gov.au/system/files/public-registers/undertaking/1128691-1-Undertaking.PDF>; <https://www.accc.gov.au/system/files/public-registers/undertaking/1128691-1-Undertaking.PDF>; *Australian Competition and Consumer Commission v Coles Group Limited* [2014] FCA 363; *Australian Competition and Consumer Commission v Woolworths Limited* [2014] FCA 364.

⁹ See: https://treasury.gov.au/sites/default/files/2019-03/Competition-policy-review-report_online.pdf.

¹⁰ *Australian Competition and Consumer Commission v Coles Supermarkets Australia Pty Ltd* [2014] FCA 1405.

Year	Event	Description
	Food and Grocery Code of Conduct (the Grocery Code) ¹¹	into effect in 2015. The Grocery Code was introduced to improve standards of business behaviour in the food and grocery sector, including the conduct of retailers and wholesalers towards suppliers. Retailers or wholesalers who sign up to the Grocery Code become bound and have certain obligations when they deal with suppliers (in addition to protections that apply under general competition and consumer law). Woolworths has been a signatory to the Grocery Code since its inception on 1 July 2015.
2015	ACCC took action against Woolworths for alleged unconscionable conduct as part of "Mind the gap" scheme ¹²	The ACCC instituted proceedings in the Federal Court against Woolworths, alleging it engaged in unconscionable conduct in dealings with a large number of its supermarket suppliers, in contravention of the ACL. The Federal Court found that Woolworths' conduct was not unconscionable. The ACCC did not appeal the Federal Court's decision ¹³ .
2016	Unfair contract terms regime extended to small businesses ¹⁴	The unfair contract terms regime in Part 2-3 of the ACL, which commenced in 2011 in respect of consumer contracts, was extended to standard form contracts with small businesses. These changes were intended to protect small businesses from unfair terms in standard form contracts. Prior to the introduction of these amendments, the ACCC engaged with businesses across the advertising, telecommunications, retail leasing, independent contracting, franchising, waste management and agriculture industries to review standard form business-to-business contracts and identify terms that may be unfair. This included standard form contracts from 17 traders across the horticulture, beef and cattle, viticulture, honey, cotton, poultry, grain and sugar industries as well as standard form contracts for retail leasing. Following this review, the ACCC published a report containing a breakdown of the common terms of concern identified in the selected industries, and the kinds of changes that businesses made in response to the ACCC's concerns. ¹⁵
2016 - 2017	ACCC Cattle and beef market	In 2016 and 2017 the ACCC's Agriculture Unit conducted a market study of the cattle and beef sector. The market study examined

¹¹ *Competition and Consumer (Industry Codes—Food and Grocery) Regulation 2015*; See: <https://www.accc.gov.au/business/industry-codes/food-and-grocery-code-of-conduct/trade-and-business-covered-by-the-food-and-grocery-code>.

¹² *Australian Competition and Consumer Commission v Woolworths Limited* [2016] FCA 1472.

¹³ See: <https://www.accc.gov.au/media-release/accc-wont-appeal-woolworths-unconscionable-conduct-decision>.

¹⁴ See:

https://www.accc.gov.au/system/files/B2B%20UCT%20-%20Final%20-%20Unfair%20terms%20in%20small%20business%20contracts%20-%20A%20review%20of%20selected%20industries_0.PDF.

¹⁵ See: <https://www.accc.gov.au/about-us/publications/unfair-terms-in-small-business-contracts>.

Year	Event	Description
	study ¹⁶	<p>competition, transparency and efficiency in cattle and beef supply chains.</p> <p>The ACCC identified certain long-standing and industry-accepted practices which, when combined with other industry features such as intersecting personal and professional relationships, are characteristics which risk damaging transparency, competition and efficiency in the industry. The study highlighted shortcomings in price reporting, a lack of trust in the carcass grading system, and concerns about anti-competitive conduct affecting competition in cattle and beef sales.</p> <p>The ACCC made 15 recommendations intended to improve transparency, competition and efficiency in the industry. The recommendations cover issues including:</p> <ul style="list-style-type: none"> • improving price information by requesting that meat processors publish price grids for sales made direct to processors. This would make it easier for producers to consider and compare price offers; • an increase in the frequency of AUS-MEAT's random and unannounced audits of cattle grading and trimming in processing plants to improve integrity in the system; • the introduction of an independent dispute resolution process to apply across the industry; • the prioritisation of objective carcass measurement technology to increase the accuracy and transparency of carcass assessments, and the sharing of the data arising from the technology with cattle producers; • the introduction of a buyers register and post auction buyers report for major saleyards; and • expanded reporting of historical prices to make it easier for producers to compare prices paid for cattle sold through saleyards, paddock sales and over-the-hooks. <p>The ACCC stated that “[c]ertain recommendations are aimed at improving the work of specific organisations, while others are more general and will require industry leadership and collaboration by multiple stakeholders in order to be implemented”.</p>
2016 - 2018	Dairy Inquiry ¹⁷	The ACCC conducted an inquiry into the competitiveness, trading practices, and transparency of the Australian dairy industry. This ultimately led to the introduction of the mandatory Dairy Code of Conduct (Dairy Code) considered below.

¹⁶ See:

<https://www.accc.gov.au/system/files/ACCC%20Cattle%20and%20beef%20market%20studyFinal%20report.pdf>.

¹⁷ See: https://www.accc.gov.au/system/files/1395_Dairy%20inquiry%20final%20report.pdf.

Year	Event	Description
2017	Introduction of the Horticulture Code of Conduct (Horticulture Code) ¹⁸	<p>The Horticulture Code is a mandatory industry code prescribed under the CCA. The Horticulture Code's aim is to improve clarity and transparency of trade between growers and traders.</p> <p>The Horticulture Code requires all trade in horticultural produce to have a horticulture produce agreement. Growers and traders must deal in good faith and failure to do so can lead to penalties.</p>
2017	Amended misuse of market power prohibition ¹⁹	<p>The misuse of market power prohibition in section 46 of the CCA was substantially amended in November 2017 as part of the suite of reforms following recommendations by the Harper Review. The section was amended to prohibit a corporation with substantial market power engaging in conduct that has the purpose, effect or likely effect of substantially lessening competition.</p>
2018	ACCC's Cattle and beef market study - review of progress ²⁰	<p>In May 2018, the ACCC released its <i>Cattle and beef market study - Update report</i>, providing a review of progress toward implementing the recommendations in the twelve months since the release of the ACCC's Cattle and beef market study Final Report.</p> <p>The ACCC found that the cattle and beef industry has not acted on most of the recommendations made by the ACCC in 2017 to improve the transparency and efficiency of Australian cattle markets.</p> <p>The ACCC noted that, while there had been some improvements to market reporting and producer education activities, the level of action was disappointing overall. The ACCC stated "[w]e will instead engage with Commonwealth and state governments through the Agriculture Ministers' Forum to push for implementation of the recommendations".</p>
2018	Review of Grocery Code ²¹	<p>An independent review of the Grocery Code was undertaken by Professor Graeme Samuel AC to assess its impact in improving the commercial relations between grocery retailers, wholesalers and suppliers.</p> <p>Professor Samuel's overall assessment was that the Grocery Code has made a positive contribution to improving the relationship between retailers and suppliers. The broad industry feedback was that the major retailers were treating their suppliers much better under the Grocery Code. The review also found that the Grocery</p>

¹⁸ *Competition and Consumer (Industry Codes—Horticulture) Regulations 2017*.

¹⁹ See: *Competition and Consumer Amendment (Misuse of Market Power) Act 2017*.

²⁰ See: https://www.accc.gov.au/system/files/1397_Cattle%20and%20beef%20market%20study_FA.PDF;
<https://www.accc.gov.au/media-release/poor-progress-on-cattle-and-beef-industry-market-reform>.

²¹ See: <https://treasury.gov.au/sites/default/files/2021-08/Independent-review-of-the-Food-and-Grocery-Code-of-Conduct-Final-Report.pdf>.

Year	Event	Description
		<p>Code has helped drive cultural change within these organisations and has been effective in addressing harmful behaviours that had previously been reported by suppliers in the past.</p> <p>It noted that there still remains room for improvement and identified specific areas of the Grocery Code that should be changed to support the industry on its journey towards achieving higher standards of business dealings. The three main areas for improvement referred to were:</p> <ul style="list-style-type: none"> ● retailers and wholesalers with significant market power should become signatories; ● making the current good faith provision clearer and easier to apply in practice and introducing new principles of fair dealings to guide Grocery Code Arbiters during their dispute resolution role; and ● requiring each signatory to have a Grocery Code Arbiter with the power to resolve individual complaints, make binding decisions and award compensation. On top of this, any supplier dissatisfied with the Grocery Code Arbiter process should be able to refer their case to a government appointed Independent Reviewer to check the integrity of the dispute resolution process. This is intended to address the underutilisation by suppliers of the dispute resolution mechanisms in the Grocery Code due to lack of trust they will obtain an effective outcome and fear of retribution for making complaints.
2018 - 2019	Review of the Unit Pricing Code ²²	<p>The Government reviewed the operation of the Unit Pricing Code in 2018/2019. The review included assessment of research and industry trends and was informed by feedback from stakeholders, including:</p> <ul style="list-style-type: none"> ● on the merits of maintaining unit pricing regulation through the Unit Pricing Code or allowing it to sunset; and ● ideas for how the efficiency and effectiveness of the Unit Pricing Code might be improved. <p>The review found (amongst other things) that the Unit Pricing Code:</p> <ul style="list-style-type: none"> ● is operating efficiently and effectively in line with its primary objective of empowering consumers to make informed decisions about grocery purchases through greater price transparency; ● currently allows consumers to compare unit prices for the vast majority of grocery items and at the retailers where they buy most of their grocery supplies and when they make a

²² See: <https://treasury.gov.au/review/grocery-unit-pricing-code-review/reviewing-code>.

Year	Event	Description
		<p>large number of decisions under time pressure; and</p> <ul style="list-style-type: none"> • promotes price competition between these grocery stores, while being well targeted in minimising regulatory costs for small retailers. <p>Based on this review, the Government decided to remake the Unit Pricing Code without substantive changes and before its scheduled sunset date.</p>
2019	ACCC Customer Loyalty Schemes inquiry/ Report ²³	<p>The ACCC examined consumer and competition issues associated with consumer-facing customer loyalty schemes in Australia, including the way in which loyalty schemes collect, use and disclose consumer data.</p> <p>The ACCC's review of the major loyalty schemes in Australia focused on the following key issues:</p> <ul style="list-style-type: none"> • <i>Consumer issues</i>: whether consumers are properly informed and receive the benefits advertised by loyalty schemes. • <i>Data practices</i>: the collection, use and disclosure of consumer data by loyalty schemes and their partners. • <i>Competition issues</i>: the potential impact of loyalty schemes on competing firms, in particular on new entrants. <p>The report recommended loyalty schemes, such as frequent flyer, supermarket and hotel operators, better inform consumers, improve their data practices and stop automatically linking members' payment cards to their loyalty scheme profiles. It also called for broader changes to consumer and privacy law.</p>
2019	Coles required to pay Norco dairy farmers around \$5.25 million following ACCC investigation ²⁴	<p>The ACCC conducted an investigation into whether Coles fully passed on to Norco a 10 cents per litre (cpl) price rise it charged consumers for Coles branded fresh milk, as it claimed it would do in Coles' marketing materials.</p> <p>Coles committed in writing to the ACCC that it will pay an additional 7 cpl for 2 litre and 3 litre Coles branded fresh milk, which amounts to around \$5.25 million to Norco for milk supplied between 1 April 2019 and 30 June 2020, resolving the ACCC's investigation.</p>
2020	Introduction of the Dairy Code ²⁵	<p>The Dairy Code came into effect on 1 January 2020. This is a mandatory code and since 1 January 2021, all milk must be</p>

²³ See:

<https://www.accc.gov.au/system/files/Customer%20Loyalty%20Schemes%20-%20Final%20Report%20-%20December%202019.PDF>.

²⁴ See:

<https://www.accc.gov.au/media-release/coles-to-pay-norco-dairy-farmers-around-525-million-following-accc-investigation>.

²⁵ *Competition and Consumer (Industry Codes—Dairy) Regulations 2019*.

Year	Event	Description
		<p>purchased under a milk supply agreement and all milk supply agreements must comply with this Dairy Code.</p> <p>The Dairy Code aims to promote fair trading in the dairy industry by imposing minimum standards of conduct on farmers and processors. These minimum standards of conduct seek to:</p> <ul style="list-style-type: none"> ■ account for the imbalance in bargaining power between dairy farmers and processors; and ■ address long standing industry practices which were seen to be unfair or had the effect of deterring farmers from responding to market signals.
2020	ACCC's Perishable Agricultural Goods Inquiry Report ²⁶	<p>The ACCC's Perishable Agricultural Goods Inquiry Report examined markets for perishable agricultural goods, including meat products, eggs, seafood, dairy products and horticultural goods. The ACCC analysed the factors that affect the bargaining power of farmers, processors and retailers of perishable agricultural goods, and where this can lead to economic harm.</p> <p>The ACCC recommended the introduction of an unfair trading practices prohibition, and the strengthening of the small business unfair contract term protections and the Grocery Code.</p> <p>The ACCC's inquiry found that the introduction of the mandatory Dairy Code has increased transparency of prices and contracting arrangements, and reduced barriers to farmers switching between processors, which encourages competition. While there may be room for improvement in some aspects of the Dairy Code, the ACCC considered that it was too early to be recommending substantial changes to this code.</p>
2021	Unit Pricing Code remade ²⁷	Following a review, the Government decided to remake the Unit Pricing Code without significant changes, so that unit pricing continues into the future.
2020	Amendments to the Grocery Code ²⁸	The Grocery Code review in 2018 resulted in amendments in October 2020 to improve the operation of certain provisions in the Grocery Code, which included enhancing dispute resolution processes available to suppliers by requiring signatories to appoint Grocery Code Arbiters with the authority to resolve supplier complaints and issue binding compensation orders of up to \$5 million.

²⁶ See:

<https://www.accc.gov.au/system/files/Perishable%20Agricultural%20Goods%20Inquiry%20-%20Final%20Report%20-%20December%202020.pdf>.

²⁷ *Competition and Consumer (Industry Codes—Unit Pricing) Regulations 2021*.

²⁸ See:

<https://treasury.gov.au/sites/default/files/2019-03/Independent-review-of-the-Food-and-Grocery-Code-of-Conduct-Final-Report.pdf>;

https://grocerycodereviewer.gov.au/sites/grocerycodereviewer.gov.au/files/2021-11/p2021-229034_0.pdf.

Year	Event	Description
2022- Ongoing	Senate Select Committee on the Cost of Living Inquiry ²⁹	<p>The Senate Select Committee was established to inquire into and report on:</p> <ul style="list-style-type: none"> the cost of living pressures facing Australians; the Government's fiscal policy response to the cost of living; ways to ease cost of living pressures through the tax and transfer system; measures to ease the cost of living through the provision of Government services; and any other related matter. <p>The Committee is due to report by 31 May 2024.</p>
2023	Amendments to the unfair contract terms regime ³⁰	<p>Australia's unfair contract terms regime in the ACL and the ASIC Act which apply to standard form consumer and small business contracts saw significant change effective from 9 November 2023. It is now illegal to make a standard form contract containing an unfair term and give effect to such a term. Contraventions give rise to substantial penalties.</p> <p>Previously, unfair contract terms were void and unenforceable and applied to a more limited set of businesses / contracts.</p>
2023- Ongoing	Unfair trading practices consultation ³¹	<p>In September 2022, the Commonwealth, state and territory consumer ministers agreed that the Commonwealth would lead a public consultation on options to address unfair trading practices on behalf of all jurisdictions.</p> <p>The Consultation Regulation Impact Statement sought further evidence on the nature of unfair trading practices in Australia and the extent of consumer and small business harm arising from potential gaps in the ACL. Treasury also sought stakeholder feedback on policy options to address unfair trading practices in Australia.</p>
2023- Ongoing	Senate Select Committee on Supermarket Prices ³²	<p>The Senate Select Committee was established to inquire into and report on the price setting practices and market power of major supermarkets, with particular reference to:</p> <ul style="list-style-type: none"> the effect of market concentration and the exercise of corporate power on the price of food and groceries;

²⁹ See: https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Cost_of_Living/costofliving.

³⁰ *Treasury Laws Amendment (More Competition, Better Prices) Act 2022*.

³¹ See: <https://treasury.gov.au/sites/default/files/2023-08/c2023-430458-cris1.pdf>.

³² See:

https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Supermarket_Prices/SupermarketPrices; A copy of Woolworths' submission can be accessed at: https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Supermarket_Prices/SupermarketPrices/Submissions.

Year	Event	Description
		<ul style="list-style-type: none"> • the pattern of price setting between the two major supermarket chains; • rising supermarket profits and the large increase in price of essential items; • the prevalence of opportunistic pricing, price mark-ups and discounts that are not discounts; • the contribution of home brand products to the concentration of corporate power; • the use of technology and automation to extract cost-savings from consumers and employees; and • improvements to the regulatory framework to deliver lower prices for food and grocery. <p>The Committee is to present a final report by 7 May 2024.</p>
2023- Ongoing	Grocery Code Review ³³	<p>The Grocery Code is scheduled to sunset on 1 April 2025. Prior to sunsetting, a review of the Grocery Code is required to determine whether the Grocery Code remains fit for purpose. In accordance with these requirements, the Hon Dr Craig Emerson MP has been appointed to undertake this review of the Grocery Code, supported by a secretariat within the Treasury.</p> <p>The review will:</p> <ul style="list-style-type: none"> • assess the effectiveness of the Grocery Code provisions (other than Part 5 of the Grocery Code) in achieving the purpose of the Grocery Code to improve the commercial relationship between retailers, wholesalers and suppliers in the grocery sector; and • consider the need for the Grocery Code, including whether it should be remade, amended or repealed. <p>In evaluating the purpose and features of the Grocery Code, the review will have particular regard to:</p> <ul style="list-style-type: none"> • the impact of the Grocery Code in improving commercial relations between grocery retailers, wholesalers and suppliers; • whether the Grocery Code’s provisions should be extended to other retailers or wholesalers operating in the food and grocery sector; • whether the Grocery Code should be made mandatory; and • whether the Grocery Code should include civil penalty provisions. <p>On 8 April 2024, the “Independent Review of the Food and Grocery Code of Conduct - Interim Report”³⁴, was released. The Interim Report makes 8 “firm” recommendations and a further 3 recommendations on which stakeholder views are sought by 30 April 2024.</p>

³³ See: <https://treasury.gov.au/review/food-and-grocery-code-of-conduct-review-2023/terms-of-reference>.

³⁴ See: <https://treasury.gov.au/sites/default/files/2024-04/c2024-510813-ir.pdf>.

Year	Event	Description
		The Final Report is to be prepared by 30 June 2024 for consideration by the Assistant Minister for Competition, Charities and the Treasury. The report will include findings and any recommendations based on the evidence received during the review process, in response to the terms of reference.
2023- Ongoing	Competition Review ³⁵	<p>The Competition Review will provide advice to the government on how to improve competition across the economy. The Review will look at competition laws, policies and institutions to ensure they remain fit-for-purpose for the modern economy, with a focus on reforms that would increase productivity, reduce the cost of living and/or lift wages.</p> <p>A Competition Taskforce has been established in Treasury to conduct the review, which will be progressed over two years and involve targeted public consultation. It will provide continuous advice rather than a formal report, so progress can be made over time.</p> <p>Initial issues to be considered by the review will include:</p> <ul style="list-style-type: none"> proposals put forward by the ACCC around merger reform, as well as other competition law issues; options for coordinated reform with states and territories, to be progressed through the Council on Federal Financial Relations; non-compete and related clauses that restrict workers from shifting to a better-paid job; and providing advice on competition issues raised by new technologies, the net zero transformation and growth in the care economy.
2023 - Ongoing	Merger Reform Consultation ³⁶	<p>As part of the Competition Review referred to above, a merger reform consultation was conducted between 20 November 2023 - 19 January 2024. The review sought input to help assess:</p> <ul style="list-style-type: none"> whether Australia's current merger regime and processes are effective, enabling beneficial mergers while addressing those that could be anti-competitive; and in what ways Australia's merger rules and processes could be improved. <p>In respect of merger reform, the ACCC has told the Treasury Competition Review that reform of laws governing mergers and acquisitions is urgently needed to bring Australia in line with other</p>

³⁵ See: <https://treasury.gov.au/review/competition-review-2023>.

³⁶ See: <https://treasury.gov.au/consultation/c2023-463361>.

Year	Event	Description
		<p>developed economies and ensure the merger laws are effective in preventing anti-competitive transactions, particularly during the current cost-of-living crisis. The ACCC notes that “Australian consumers, farmers, and small businesses need to have confidence that potentially anti-competitive acquisitions will be scrutinised and if necessary prevented.”</p> <p>The reform package proposed by the ACCC includes many of the features contained in merger regimes in other major economies, including mandatory notification of mergers above certain thresholds and a requirement to not complete the transaction until approval is granted. To minimise any burden on businesses involved in non-contentious mergers, the ACCC proposes a waiver process which would allow for a fast-track 20 business day exemption from the requirement to lodge a formal notification. This would allow the vast majority of mergers to be assessed expeditiously.</p> <p>The ACCC has considered a number of mergers involving major supermarkets since 2008, under the current merger regime, including the following:</p> <ul style="list-style-type: none"> • (June 2009) Woolworths acquisition of Macro Wholefoods; • (November 2010) Metcash’s acquisition of Franklins (ACCC opposed however acquisition was approved by the Court); • (October 2012) Woolworths/Lowe’s proposed acquisition of G Gay & Co hardware stores (opposed); • (June 2013) Woolworths acquisition of Glenmore Ridge site (opposed); • (July 2013) Woolworths acquisition of Hawker Supa IGA; • (August 2013) Woolworths acquisition of three Queensland Supa IGA’s; • (September 2014) Coles acquisition of three Supa IGA stores in WA; • (July 2015) Coles acquisition of lease to operate a supermarket at Lakelands (accepted after court enforceable undertaking to divest supermarket development site); • (March 2016) Coles acquisition of five Supabarn supermarkets; • (March 2020) Coles acquisition of Jewel Fine Foods; • (June 2021) Woolworths acquisition of 65% share of PFD; • (August 2022) Woolworth’s acquisition of MyDeal; and • (May 2023) Woolworths acquisition of SUPA IGA Karabar (opposed).
2024	CHOICE to receive funding to provide supermarket price transparency and	The Government has committed \$1.1 million to consumer group CHOICE to develop and publish reports that provide Australian consumers with information on the comparative price of grocery goods available for sale at different retailers. The funding supports

Year	Event	Description
	comparison reports for three years ³⁷	<p>CHOICE to provide these reports on a quarterly basis for three years, starting from the second quarter of 2024.</p> <p>When announcing the funding, the Government stated CHOICE "will provide shoppers with better information on the comparative costs of grocery goods at different retailers, highlighting those charging the most and the least. The provision of this information is intended to empower Australian consumers to make informed choices about food and grocery purchases".</p>
2024	Introducing Designated complaints function to the ACCC ³⁸	<p>Parliament passed the <i>Competition and Consumer Amendment (Fair Go for Consumers and Small Business) Bill 2024</i> on 26 March 2024. This legislation will enable certain consumer and small business groups to submit a complaint to the ACCC where they have evidence of a significant or systemic market issue that affects consumers or small business in Australia.</p> <p>Under the scheme certain consumer and business advocacy groups will be approved by the Minister to make designated complaints to the ACCC. Once a designated complaint is lodged, the ACCC will be required to assess and publicly respond to the complaint within 90 days. The ACCC must state what further action, if any, will be taken in response to the complaint.</p> <p>The scheme is expected to commence from July 2024.</p>
2024	House of Representatives Standing Committee Report on "Better Competition, Better Prices" ³⁹	<p>On 27 March 2024, the House Standing Committee on Economics released its 'Better Competition, Better Prices' report from the inquiry into promoting economic dynamism, competition and business formation.</p> <p>The Committee's wide-ranging report is the culmination of 14 months of evidence gathering and analysis from numerous sectors of the economy. The Committee received more than 60 submissions from stakeholders across industry and government and followed up with many stakeholders and other experts at a series of 18 public</p>

³⁷ See:

<https://ministers.treasury.gov.au/ministers/jim-chalmers-2022/media-releases/government-launch-accq-inquiry-supermarket-prices>; Industry Research and Development (Supermarket Price Transparency and Comparison Reports Program) Instrument 2024.

³⁸ See: <https://www.accc.gov.au/media-release/designated-complaints-legislation-welcomed>; <https://ministers.treasury.gov.au/ministers/andrew-leigh-2022/speeches/second-reading-speech-competition-and-consumer-amendment-fair>; <https://treasury.gov.au/consultation/c2023-472022>; <https://treasury.gov.au/consultation/c2024-507732>.

³⁹ See:

https://www.aph.gov.au/Parliamentary_Business/Committees/House/Economics/Economicdynamism/Report; https://www.aph.gov.au/About_Parliament/House_of_Representatives/About_the_House_News/Media_Releases/Better_Competition_Better_Prices_-_Economics_Committee_report_released.

Year	Event	Description
		<p>hearings.</p> <p>The Committee made 44 recommendations covering a number of issues, including in relation to bolstering the economic and market data collected by government agencies, the ability for those agencies to use that data, as well as access to that data by appropriate third parties, with appropriate controls, and improving competition law and policy, including reforms to the mergers framework, tasking the Competition Taskforce with matters to examine including in relation to competition policies, principles and regulation and merger reform and giving the ACCC oversight of market concentration powers.</p>

ANNEX 3

DETAILED FINANCIAL METRICS

For F23, Woolworths Group reported a Net Profit After Tax (**NPAT**) of \$1,618 million (\$1,721 million before significant items) on sales of \$64,294 million - a margin of 2.5% (2.7% before significant items). Our NPAT margin has been consistently around 2.6% since 2020 and is in line with the period before the inflation outbreak (i.e. in F18 was 2.8%). The tables below provide a historical perspective compared to other retailers.

Due to the implementation of the lease accounting standard (AASB 16) in F19, the table below provides financial metrics for the last four financial years (to enable comparison).

EBIT Margin (%)

Retail Group	F20	F21	F22	F23	4 Year Average
Supermarkets					
Woolworths Group	4.7%	5.0%	4.4%	4.8%	4.7%
<i>Australian Food</i>	5.3%	5.5%	5.3%	6.0%	5.5%
Coles Group	4.7%	4.9%	4.9%	4.8%	4.8%
<i>Coles Supermarkets</i>	4.9%	5.0%	5.0%	5.0%	5.0%
Metcash	2.6%	2.8%	3.1%	3.2%	2.9%
Simple average	4.0%	4.2%	4.1%	4.3%	4.1%
Other Retailers					
Wesfarmers	8.1%	10.3%	9.3%	8.4%	9.0%
<i>EBT¹ Margin by Division</i>					
<i>Bunnings</i>	12.2%	13.0%	12.4%	12.0%	12.4%
<i>Kmart Group</i>	4.4%	6.9%	5.5%	7.2%	6.0%
<i>Officeworks</i>	7.1%	7.0%	5.7%	6.0%	6.4%
<i>Catch</i>	-	-	(17.3%)	(46.0%)	(31.7%)
Premier Investments	15.4%	21.1%	22.4%	21.7%	20.1%
JB Hi-Fi	6.4%	8.3%	8.6%	8.0%	7.8%
Harvey Norman	19.3%	24.6%	21.7%	17.6%	20.8%
Super Retail Group	9.4%	13.8%	11.2%	11.5%	11.5%
Chemist Warehouse ²	-	3.1%	19.6%	14.9%	12.5%
Endeavour Group	8.6%	8.0%	7.8%	6.9%	7.8%
Simple average	11.2%	12.7%	14.4%	12.7%	12.8%

NPAT Margin (%)

Retail Group	F20	F21	F22	F23	4 Year Average
Supermarkets					
Woolworths Group	2.4%	2.7%	2.5%	2.7%	2.6%
Coles	2.6%	2.6%	2.7%	2.6%	2.6%
Metcash	1.5%	1.8%	2.0%	1.9%	1.8%
Simple average	2.2%	2.4%	2.4%	2.4%	2.3%
Other Retailers					
Wesfarmers	6.7%	7.1%	6.4%	5.7%	6.5%
Premier Investments	11.5%	18.2%	18.2%	16.3%	16.1%
JB Hi-Fi	4.1%	5.7%	5.9%	5.4%	5.3%
Harvey Norman	13.0%	16.9%	14.7%	10.8%	13.8%
Super Retail Group	5.2%	8.9%	6.9%	7.2%	7.0%
Chemist Warehouse	-	(7.3%)	12.9%	9.8%	5.1%
Endeavour Group	3.1%	3.8%	4.3%	4.5%	3.9%
Simple average	7.3%	7.6%	9.9%	8.5%	8.3%

Source: Company reports, FactSet, Visible Alpha. Based on the individual company's financial year-end. Where available presented on a normalised and continuing operations basis.

¹ Earnings Before Tax and after interest on lease liabilities

² Calculated as Earnings Before Tax with net Finance Costs / Income included

Return on Capital¹ (%)

Retail Group	F20 ²	F21	F22	F23	4 Year Average
Supermarkets					
Woolworths Group	11.8%	11.9%	13.0%	12.3%	12.3%
Coles Group	18.6%	13.8%	13.9%	13.5%	14.9%
Metcash	15.7%	14.9%	18.0%	18.4%	16.7%
Simple average	15.4%	13.5%	15.0%	14.7%	14.6%
Other Retailers					
Wesfarmers	16.7%	18.5%	16.9%	19.4%	17.9%
Premier Investments	12.0%	18.0%	17.7%	17.1%	16.2%
JB Hi-Fi	33.2%	42.0%	44.7%	42.3%	40.5%
Harvey Norman	15.0%	20.3%	16.4%	12.1%	16.0%
Super Retail Group	15.1%	21.5%	17.8%	18.1%	18.1%
Endeavour Group	N/A	10.2%	10.0%	10.5%	10.2%
Simple average	18.4%	21.8%	20.6%	19.9%	20.2%

Source: Company reports, FactSet, Visible Alpha. Based on the individual company's financial year-end.

¹ Return on capital calculated as Factset standardised pre-tax operating income / total capital including leases. The calculation may differ from the company's reported return on capital metric

² Comparability of F20 metrics may be impacted by the implementation of AASB 16 (lease accounting standard)