RE: Grocery Prices and a possible solution

It has already been concluded by many that Grocery Watch a form of price watching based on naming and shaming is not a realistic solution to a lack of competition in the market place.

Though monopolies are very profitable for the companies concerned the simple fact that is when a company achieves greater than 35% market share that competition suffers and prices increase. As we are all consumers of grocery products a long term solution is required to redress the changes in market share of Woolworths and Coles.

In the past to promote greater competition a duopoly was created when one player had essentially formed a monopoly. Telecommunications for example went through this transformation.

The natural extension of this is what I wish to call the Quantum Qualifier (QQ for short). The QQ as applied to the Grocery market would see a limit on the market share of any one player being limited to Q. Forced divestiture would then occur with another grocer ensuring that the divesture is picked up.

It is more complex than this and the following models should be further considered:

1. Segment of a grocery market for example sales by volume of apples to end customers.
2. Overall sales of a grocer (all items) across Australia.
3. Overall sales of a grocer (all items) across a State/Territory.
4. Combinations of the above or additional methods.

What must be avoided?

1. Interruption in supply of essential foods.
2. Front companies created hiding shareholder interest from the major players.
3. Reasonable warnings provided to grocers above the Q level.
4. Reasonable amount of time provided to that Grocer to correct market share above the Q level.

Policing:

1. Stiff fines when market share is exceeded particularly on staple food lines.
2. The fines should be in the many of million's of dollars and reflect % above the Q level.
3. Fines should escalate for continuing breaches above the Q level.
4. Though is does seem difficult to police at first glance these are large public companies that provide detailed independently audited financial reports the further requirement of itemising each item by volumetric selling should be straight forward if that model is chosen.
5. If a private company the same reporting conditions would be required for a grocer with 5% and above market share.

An example (Q= 35%):

Before (These figures are for example purposes only):

Woolworths (48%), Coles (43%), .

After (Q=35%):

Woolworths (35%), Coles (35%), Aldi (9%), IGA (12%), .

Like tariffs in the past used to control a market a lowering of the Q level to say 30% encourages further competition and would see the following:

A further example (Q= 30%):

Woolworths (30%), Coles (30%), Aldi (12%), IGA (16%), .

As I am not an economist and do not have the resources to model such a change but I believe the QQ is a logical and simple change to encourage more competition in the grocery market. Sometimes the simplest ideas are those that people considered to be a good or positive change.

This model may also be applied to other industries where competition likewise has failed due to too much market share for any one company.

I believe it to be superior to breaking up a company entirely into smaller entities. After all the company has been very successful in obtaining such a market share and many customers obviously enjoy the experience of shopping there.

Thank you for this opportunity,

Mark Austen

Nobel Prize - Definitely a contender for this simplistic correction to a market share problem.

Sorry its not complex enough.

Please Note: This theorem is receiving wider circulation at the moment.

It is a policy of Substance.

It is a personnel theory only and I do not have the modelling tools.

It does not reflect any Party Political view.

Something for the Treasurer to ponder on if the in-flight movie is not to his liking.