

ATTACHMENT 1

Response to ACCC's information request dated 20 June 2022
Price reduction representations and Unit Pricing

1. List your top 50 non-perishable grocery products by total number of units sold in Australia in May 2022. In respect of each product, provide the details requested in each column in the attached spreadsheet at Tab A, adding columns as necessary.

See Tab A of the spreadsheet entitled "**Confidential Attachment 2 - Woolworths' pricing information**".

Units sold are sales made nationally by Woolworths Supermarkets physical outlets and Woolworths online. The pricing information is for NSW, which best reflects the national position, albeit there are some differences in price across states for example to reflect variations in the container deposit scheme. Online pricing is shown, as requested, however a relatively small proportion of customers shop online compared to in-store. While pricing is generally the same in-store and online, there are some online-only promotions.

Tab A contains a high number of impulse snacking and drinks product lines that are promoted in the market frequently. The promotional activity on these particular lines is not representative of the Woolworths promotional program across its overall product range.

2. Provide the details requested in each column in the attached spreadsheet at Tab B for each of the products listed, adding columns as necessary.'

See Tab B of the spreadsheet entitled "**Confidential Attachment 2 - Woolworths' pricing information**". As is the case for Tab A, the units sold are sales made nationally by Woolworths Supermarkets physical outlets and Woolworths online and the price information provided is for NSW.

Pricing

3. With regard to your top 50 non-perishable grocery products listed in Tab A, state whether there have been any price changes of 20% or more in a single price movement during any period within the last 12 months, and specify the product/s, percentage change, relevant dates and the reasons for any such changes.

If the prices for any of the products to be listed in Tab A differ across different geographic markets (and/or between physical outlets and the online store), please calculate the price changes using the online price and pricing representations on your website for a customer living in a set geographic location, noting your reasons for selecting this location.

See Tab C of the spreadsheet entitled "**Confidential Attachment 2 - Woolworths' pricing information**". The information requested is set out as follows:

- Column A: product SKU
- Column B: product description
- Column C: date on which a price change of 20% or more occurred in a single price movement
- Column D: percentage price change of 20% or more from the last sell price (not the shelf price)

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- Column E: reason for change identified in column C

Woolworths prices nationally, with limited state-based adjustments in pricing including for products affected by different application of taxes and container deposit schemes, atypical freight costs to remote locations (e.g. Far North Queensland). Pricing is generally the same in physical Woolworths Supermarkets and Woolworths Online, however there are some online only specials.

The pricing information provided in Tab C has been drawn from the online database for NSW, which is the largest and most representative state.

4. With regard to the products listed in Tab B, state whether there have been any price changes of 20% or more in a single price movement during any period within the last 12 months and specify the product/s, percentage change, relevant dates and the reasons for any such changes.

If the prices for any of the specified products differ across different geographic markets (and/or between physical outlets and the online store), please calculate the price changes using the online price and pricing representations on your website for a customer living in a set geographic location, noting your reasons for selecting this location.

See Tab C of the spreadsheet entitled "**Confidential Attachment 2 - Woolworths' pricing information**". The notes regarding the data provided in response to question 3 (above) apply to the response to this question.

Price reduction representations

5. Provide details of any policies or procedures you have regarding the use of price reduction representations in Woolworths supermarket outlets and Woolworths online, current and in effect as at 20 June 2022.

Woolworths requires its pricing and buying teams to set prices and operationalise pricing practices in accordance with guardrails, training and legal advice applicable to promotional activity and save claims.

Woolworths makes the following price reduction representations in relation to individual products sold in its physical supermarket outlets and/or online:

1. Prices Dropped¹;
2. Special;
3. Save \$²;
4. % off;
5. ½ price or "Better than ½ price"; and
6. Clearance.

¹ This representation is made on shelf tickets, online and in catalogue, together with a WAS date and a price which is a higher price than the Prices Dropped price.

² This representation is made both on individual items and in the context of "multibuy" (e.g. where a customer makes a saving when purchasing multiples of a given product, compared to the price of purchasing each product singly in separate transactions). Our weekly price checks suggest that Coles uses a combination of specials on single items with special multibuy, to promote a number of products listed in Tab A almost on a weekly basis.

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Prices Dropped - This shelf price reduction program is negotiated with suppliers and funded separately to the yellow ticket 'special' and specific price reduction promotions (items 2-5 above). Further information is provided in relation to Prices Dropped in response to question 8 below.

Specials & Saves Items 2-5 above are special and specific price reduction mechanics (yellow ticket programs). Woolworths' buying teams set promotional prices for products within their category. These prices are generally set on a national basis, covering both physical supermarkets and Woolworths online. Working with suppliers, a mutually agreed promotional calendar is planned in advance each 6 months. Woolworths occasionally holds sales across whole departments or brands, e.g. "50% off freezer" or "50% of Swisse vitamins". Where a 50% discount is advertised, the ticketing at shelf level or online will be a "½ price" ticket.

Clearance Woolworths' uses "clearance" claims where there is excess stock to be sold through, for example if a product is being removed from range or is near its expiry date. Items to be cleared and clearance prices may be set centrally or at store level.

6. What, if any, measures does Woolworths have in place to ensure that price reduction representations in Woolworths supermarket outlets and Woolworths online are not misleading? Please provide details.

Woolworths Supermarkets has in place a number of compliance measures, guardrails and approvals to ensure that price reduction claims are not misleading. Key measures are described in the table below. Specific rules and guidelines will differ depending on the price reduction claim. Price reduction claims must be genuine, accurate, and must not be misleading or deceptive.

Measure	Explanation
Training	The Woolworths buying team undergoes training on the prohibition against misleading and deceptive conduct, both in terms of the legal requirements and pricing-setting best practice. This is a combination of on the job and formal training including face-to-face sessions with the Pricing & Customer Value team and compulsory online compliance training with annual refreshers for the full team.
Written & Oral legal advice³, guidance and guardrails	Woolworths' legal team provides written and oral legal guidance to the Buying team, the Pricing & Customer Value (PCV) team and Senior Management. The PCV and Buying teams develop commercial guidelines and pricing guardrails to govern pricing decisions reflecting that advice.
Pricing & Customer Value team oversight	The PCV team oversees the promotional slotting calendar planning process. It provides guidance and responds to ad hoc queries from the buying team to assist with planning and decision-making and may examine promotional activity undertaken in order to ensure compliance.
Automated system controls	The Buying team manually selects products for promotion and sets promotional time periods in conjunction with suppliers. This process is supported by a number of automated controls within Woolworths' systems to strengthen compliance.

³ For the avoidance of doubt, legal privilege is not waived by virtue of answering this question.

7. Please outline any steps taken to ensure that price reduction representations made in Woolworths supermarket outlets and Woolworths online are only used for products that have previously been available for sale at a higher price for a reasonable period of time before the sale or price reduction commenced.

Woolworths refers to the measures taken to mitigate and control for the risk of misleading price claims set out above in response to question 6.

For yellow special and price reduction promotions Woolworths guidelines require that the reference price be appropriately established for a reasonable period of time prior to the price reduction claim being made. This may vary by reference to factors such as the interpurchase interval, duration and competitive market dynamics.

For prices dropped, a "dropped" claim may only be made by reference to an established shelf price named on the ticket. Further explanation is provided in question 8 below.

8. In which circumstances do you include the date of the benchmark price in price reduction representations made in Woolworths supermarket outlets and Woolworths online?

The date and amount of the benchmark price (the relevant established shelf price) is shown on Prices Dropped tickets.

The date is the last date when the product was at the referenced standard shelf price (which price is also displayed on the ticket) from which the price was dropped.

The Prices Dropped program provides a sustained drop from the standard shelf price of a product. This is distinct from a yellow special or save promotion which may be a more temporary offer.

For a product to be approved to go on the Prices Dropped program, it must have been available and sold at the established 'WAS' standard shelf price for a reasonable period of time. This may vary by reference to the interpurchase interval and product.

When Woolworths accepts a substantial cost price increase on a product on Prices Dropped the product will be removed from the Prices Dropped program. Woolworths does not permit that product to be placed back on the Prices Dropped program until after a new shelf price (that becomes the reference WAS price) has been established for a reasonable period of time.

Display of unit pricing

9. Please outline any steps you have taken, or intend to take, to ensure that unit pricing displayed on instore, online and in app product labels complies with the Retail Grocery Industry (Unit Pricing) Code of Conduct.

The unit prices displayed by Woolworths are calculated based on product data fields maintained in Woolworths' master data system (SAP), which are completed by the supplier and Woolworths' Buying Team. The product data fields required for the calculation of unit prices are mandatory fields (unless

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a merchandise category is exempt), therefore a unit price cannot be calculated without them. This helps ensure compliance with the Code.

The main steps for the calculation of a product's unit price are:

1. The Woolworths Buying Team will select the product's merchandise category from a drop-down list in SAP. Examples of merchandise categories are 'Paper Towel', 'Confectionary', 'Oral Care', 'Chips', 'Cat food', 'Magazines' and so on.
2. The supplier provides the following product data for each product ranged at Woolworths:
 - The Consumer Net Contents of the product. For example, the Consumer Net Contents for a three pack paper towel product is 3.
 - The Consumer Net Contents Unit of Measure (**UOM**). Using the examples above, the towel product has a UOM of Each.
3. The Woolworths Buying Team inputs the following product data:
 - The Final Sell Price. This is the final price at which the product is sold by Woolworths to a customer (inclusive of GST).
 - The Comparative Size of Net Contents. This is used to calculate the unit price in compliance with the Code. Using the paper towel example, the Comparative Size would be 1 Each.
4. The unit price is calculated by Woolworths' downstream systems (for example, systems for store ticketing and online) based on the product data contained within SAP using the following formula: $\text{Unit price} = (\text{Comparative Size} / \text{Consumer Net Contents}) \times \text{Final Sell Price}$.

The unit price displayed by Woolworths based on the above process is set out on product ticketing and online tiles in a manner that is prominent, legible, and clear for consumers and follows standardised legally reviewed templates in compliance with the Code.

Woolworths' Buying Teams, supported by the Woolworths Commercial Support Team, are responsible for overseeing the product data practices based on the unit pricing guidelines published on the ACCC website, to ensure consistency and compliance with the Code. These teams work with suppliers to confirm their understanding of the Code requirements. Woolworths' legal team also provides legal guidance to the Woolworths Buying Teams and Commercial Support Team as required.

From time to time, Woolworths' Buying Teams undertake compliance checks across categories to ensure Woolworths meets its obligations under the Code and to identify and address any discrepancies.