

## **WOOLWORTHS CODE ARBITER**

### **ANNUAL REPORT FINANCIAL YEAR ENDED 30 JUNE 2022**

This Report is provided pursuant to clause 36D of the Food and Grocery Code of Conduct by Helen McKenzie, Code Arbiter for Woolworths.

#### **Number of complaints received for investigation in the financial year**

None

#### **Number of complaints in respect of which a recommendation under subclause 36(4) was made**

None

#### **Information provided by Woolworths under clause 27B in relation to price increase**

Attached is a report provided by Woolworths dated 26 July 2022.

#### **Expansion of Code Arbiter role**

The absence of complaints to the Code Arbiter over the last 12 months, particularly given the pressure on prices that is referred to in the attached report from Woolworths may indicate a reluctance on the part of suppliers to initiate formal written complaints. To address this, Woolworths and I have agreed to expand my role. With effect from 1 June 2022, I am able to receive and act on reports or concerns raised with me by suppliers without the need for a formal or written notification. I am also able to conduct appropriate inquiries into these concerns and provide feedback to Woolworths on any negative trends or problematic conduct or practices by Woolworths.

I hope that the expansion of my role will enable me to provide more effective support to suppliers in relation to matters covered by the Food and Grocery Code of Conduct.

The changes to my role have been communicated to all Woolworths suppliers together with a reminder of my contact details.



**Helen McKenzie**  
**Woolworths Code Arbiter**

**29 July 2022**

## Woolworths FY22 Report to Code Arbiter Information about Price Increases

26 July 2022

In accordance with clause 27B of the *Competition and Consumer (Industry Codes - Food and Grocery) Regulation 2015 (Food and Grocery Code)*, Woolworths Group Limited (**Woolworths**) produces this report to the Code Arbiter. The report contains information about supplier price increase negotiations during the period from **1 July 2021 to 30 June 2022 (FY22)**.

The Code Arbiter must include any information given to her by Woolworths under clause 27B (information about price increases) in a written annual report to be provided to the ACCC, the Independent Reviewer and Woolworths (**Code Arbiter Report**) within 30 business days after the end of the financial year. Woolworths must publish the Code Arbiter Report within one business day of receiving the report.

The Woolworths' information required to be produced pursuant to subclauses 27B(a)-(e) of the Food and Grocery Code is reported **below**.

**(a) the total number of notifications given under sub clause 27A(2) by the retailer or wholesaler to any supplier during the financial year**

Woolworths gave **2104** notifications (**Retailer Notifications**) in response to being informed of a price increase by its suppliers (**Price Increase Request**). Where multiple notifications have been provided to a single supplier in respect of different categories of products, these have been reported as separate individual Retailer Notifications.

**(b) the number of those notifications that were not given within the 30-day period required by that subclause**

**1** Retailer Notification was not given within the required 30-day period.

**(c) the total number of negotiations entered into during the financial year following requests made under sub clause 27A(3)**

Suppliers requested negotiations (**Negotiation Request**) in respect of **1627** of the 2104 Retailer Notifications.

**(d) the number of those negotiations in which the retailer or wholesaler did not conclude its position on the negotiations within the period of 30 days starting on the day (the notification day) the retailer or wholesaler was notified of the relevant proposed price increase by the supplier**

**1176** Negotiation Requests were not concluded within 30 days of the Price Increase Request.

**(e) for each of the negotiations to which paragraph (d) applies, the number of days the retailer or wholesaler took to conclude its position on the negotiations starting from the notification day for the relevant proposed price increase**

We have set out below a breakdown of negotiation lengths for the 1176 Negotiation Requests that exceeded 30 days of the Price Increase Request.

12 negotiations took 31 days	22 negotiations took 56 days	59 negotiations took 81 days
16 negotiations took 32 days	19 negotiations took 57 days	28 negotiations took 82 days
13 negotiations took 33 days	20 negotiations took 58 days	67 negotiations took 83 days
12 negotiations took 34 days	17 negotiations took 59 days	51 negotiations took 84 days
19 negotiation took 35 days	6 negotiations took 60 days	15 negotiations took 85 days
12 negotiations took 36 days	9 negotiations took 61 days	9 negotiations took 86 days
7 negotiation took 37 days	20 negotiations took 62 days	17 negotiations took 87 days
13 negotiations took 38 days	15 negotiations took 63 days	14 negotiations took 88 days
17 negotiation took 39 days	22 negotiations took 64 days	5 negotiations took 89 days
13 negotiations took 40 days	12 negotiations took 65 days	6 negotiations took 90 days
16 negotiation took 41 days	13 negotiations took 66 days	6 negotiations took 91 days
15 negotiations took 42 days	12 negotiations took 67 days	2 negotiations took 92 days
13 negotiations took 43 days	18 negotiations took 68 days	1 negotiation took 93 days
17 negotiation took 44 days	19 negotiations took 69 days	3 negotiations took 94 days
17 negotiations took 45 days	25 negotiations took 70 days	3 negotiations took 95 days
4 negotiations took 46 days	16 negotiations took 71 days	3 negotiations took 97 days
19 negotiation took 47 days	28 negotiations took 72 days	3 negotiations took 98 days
11 negotiations took 48 days	29 negotiations took 73 days	2 negotiations took 100 days
17 negotiation took 49 days	22 negotiations took 74 days	1 negotiation took 102 days
20 negotiations took 50 days	24 negotiations took 75 days	1 negotiation took 109 days
13 negotiations took 51 days	24 negotiations took 76 days	1 negotiation took 111 days
8 negotiations took 52 days	34 negotiations took 77 days	1 negotiation took 112 days
16 negotiations took 53 days	28 negotiations took 78 days	1 negotiation took 128 days
22 negotiations took 54 days	25 negotiations took 79 days	1 negotiation took 135 days
16 negotiations took 55 days	38 negotiations took 80 days	1 negotiation took 149 days

Explanatory notes overleaf.

## Explanatory Notes

These notes provide contextual background in respect of the data reported above.

### Significant increase in Price Rise Requests

In FY22, Woolworths has received an atypically high volume of Price Rise Requests from suppliers in the current inflationary environment, particularly from November 2021 onwards.

The number of Price Rise Requests received between 1 January 2022 and 30 June 2022 exceeded the previous financial year's volume by over five times when compared to the same period last year.<sup>1</sup> This increase has required the urgent allocation of significant administrative and additional category management resources to assist commercial teams. Woolworths' commercial team members have worked diligently to manage the influx of supplier requests.

The high volume of Price Rise Requests continues into FY23, with many suppliers seeking second or third price rises, sometimes whilst the first request is still in negotiation.

Woolworths notes that despite the increase in Price Rise Requests in FY22, no complaints relating to Price Rise Requests were raised by suppliers against Woolworths through Woolworths' Speak Up hotline, and no written Grocery Code complaints have been referred to the Code Arbiter for investigation and resolution. A new "informal reporting" process has been added to the Code Arbiter's complaints handling process to make it easier and more comfortable for suppliers to contact the Code Arbiter on a confidential, informal basis.

### Time to resolve high volume of requests in the period

Woolworths strives to conclude all negotiations by the date nominated by the supplier on which a requested price rise is to come into effect (**Nominated Effective Date**). Woolworths' preference, as set out in our longstanding published policy, is to be given 12 weeks notice of the Nominated Effective Date.

This time period is usually preferred in order to allow for the standard cycle of commercial activities to be implemented (e.g. promotions and planning cycles). Many suppliers, including overseas suppliers, require a longer time period (in some instances, up to 6-9 months) for their own planning purposes. Accordingly, suppliers are accustomed to providing and, in many cases, require a 12 week notice period. As the data attests, depending on the specific circumstances, many negotiations are concluded in a far shorter period.

Despite the atypically high number of Price Rise Requests received in FY22 and the resource challenges faced by the Woolworths commercial teams, Woolworths sought to resolve negotiations as quickly as possible during the period, and:

- in only one case was a Retailer Notification not provided to the supplier within 30 days of being informed by the supplier of the Price Rise Request;
- over 95% of Price Rise Requests were resolved within the 12 week timeframe in accordance with Woolworths' published policy; and
- in relation to the suppliers with whom negotiations lasted longer than 30 days, over 90% of these were with large overseas-based own brand suppliers, large international FMCG companies, or medium-sized Australian companies with similar trading arrangements and planning arrangements to the large international companies.

---

<sup>1</sup> During the 6 month period 1 January 2021 to 30 June 2021, Woolworths reported last year that it had received 237 Price Rise Requests from suppliers. This is more than five times less than the number of Price Rise Requests received during the 6 month period from 1 January 2022 to 30 June 2022, being 1273.

### **Retailer Notification not given within 30 day period**

In relation to the one Retailer Notification that was not given within the required 30 day period, Woolworths confirms that this inadvertently occurred during the changeover period from one category manager to another. Woolworths confirms that discussions were still on foot with the supplier during the initial 30 day period and the Price Rise Request was accepted 44 days prior to the Nominated Effective Date. Woolworths subsequently established a centralised mailbox within its PartnerHub database to track the initial responses and ensure Retailer Notifications are given within the required 30 day timeframe and before the Nominated Effective Date.