

Australia's two major supermarket chains charged for price-gouging with fake discounts

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The two major Australian supermarket chains, Coles and Woolworths, intentionally misled customers by placing “illusory” discounts on items that had been temporarily raised in price, according to the Australian Competition and Consumer Commission (ACCC). Separate court proceedings against both companies have been initiated by the ACCC, the country’s national regulatory body and an arm of the federal government.

This deceptive practice reportedly impacted the sale of tens of millions of products between September 2021 and May 2023 at Woolworths, and between March 2022 and May 2023 at Coles. It allowed the supermarkets to appear as if they were dropping prices when they were actually raising them, directly exacerbating costs for customers during an immense surge in the cost of living.

The ACCC is responsible for enforcing the Competition and Consumer Act 2010, supposedly designed to prevent anti-competitive practices, misleading advertising, price fixing and unfair practices toward consumers.

In fact, it prevented nothing of the sort, nor did it initiate the investigation into supermarket price-gouging. It was angry working people who first noticed the false discount tags, eventually compelling the ACCC to initiate an investigation.

The regulatory body amassed its evidence through hundreds of social media posts made by concerned working people on X (formally Twitter), Reddit and TikTok and via direct complaints from customers. As ACCC chair Gina Cass-Gottlieb admitted, “We first identified this conduct because of contact from consumers.”

The ACCC claims Coles and Woolworths artificially raised the prices of hundreds of everyday products by at least 15 per cent before offering misleading discounts. This manipulation occurred under “Down, Down” (Coles) and “Prices Dropped” (Woolworths) promotional campaigns where 266 Woolworths products and 245 Coles products like Tim Tams, Doritos, Bega cheese, and Libra tampons were “discounted” at different times.

For instance, Woolworths increased the price of an Oreo

Family Pack that had been \$3.50 for over 696 days to \$5.00 for 22 days, then applied a “Prices Dropped” promotion with a new price of \$4.50. By increasing the “was” price, the supermarkets were able to exploit their promotional campaign and pose as if they reduce prices in the consumers’ interest, when in fact they were increasing profit margins.

Many consumers are outraged by the rising supermarket prices. The ACCC found in a recent consumer survey that trust in “sale” prices is declining, and about 50 percent of consumers now compare prices between stores before shopping, up from 17 per cent in 2008. Furthermore, the two supermarket chains offer almost identical prices and “discounts” on common items, just at different times at their respective stores.

Coles and Woolworths are blaming increases in supply chain costs for their increase in prices. However, a Four Corners documentary released by the *Australian Broadcasting Corporation* in February showed that the prices at the supermarkets did not increase in proportion to their operational costs but outstripped them, leading to higher profits.

In the financial year of 2023-2024, Woolworths reported a net profit after tax of \$1.71 billion. Coles reported a net profit of \$1.1 billion, marking a 2.1 percent increase on the previous year.

Woolworths is the largest supermarket chain in Australia, running approximately 1,140 supermarket stores, while Coles runs approximately 840 stores. These two chains control over 67 percent of Australian supermarket retail sales. The third largest supermarket chain is German-owned ALDI, which has a market share of approximately 9 percent and nearly 600 stores, having arrived in 2001.

The blatant price-gouging targeting consumers forms part of a broader pattern, with the two chains exploiting their market dominance in other ways. Many grocery suppliers, for instance, informed the ACCC that they often receive prices lower than their production costs and are forced to accept unfavourable conditions.

The ACCC report also highlights industry accusations of “land banking,” where companies purchase land without immediate plans for development, using it as an investment and to block rival grocery companies. Woolworths was identified as owning 110 undeveloped sites across Australia and Coles 42 sites.

A 2008 inquiry by the ACCC into the supermarket sector found that Woolworths and Coles were able to buy up huge areas of land and prevent rival supermarkets from developing stores. A lack of viable supermarket locations led German supermarket conglomerate Kaufland to pull out of investment in Australia in 2020.

The ACCC’s action over the price-gouging could result in financial penalties being imposed. They start at \$50 million per violation or up to three times that amount, depending on the scale of violation. The ACCC is also seeking guarantees that Woolworths and Coles will “each fund a registered charity.”

That latter request underscores the generally toothless and pathetic character of the regulator’s action. The obvious question, which it has not attempted to answer, is how the chains were able to engage in these practices over an extended period without the regulator noticing prior to consumers taking to social media.

The answer is that the ACCC, and the entire regulatory framework, is part of a set-up designed to protect the profits of the major corporations, while occasionally issuing token criticisms or even initiating actions aimed at masking this basic reality.

The price gouging has a broader significance, expressing in a particular form the massive power of the major corporations and shedding light on the class character of the cost-of-living crisis.

The period when Coles and Woolworths were engaging in their phoney discounts included the peak of inflation, which reached a high of 7.8 percent in December 2022.

The official inflation rate understates the impact on working people, with real cost increases to essentials, including supermarket prices, invariably higher. That remains the case today. While the Labor government has touted reductions in the headline rate, costs associated with housing are at record levels, as prices for other key items such as groceries surpass the overall figure.

This is part of a longer-term trend. The ACCC inquiry also revealed that over the past five years the cost of a standard grocery basket has increased by more than 20 percent and that low-income households are now spending more than 20 percent of their net income on groceries.

While major global shocks, including the COVID-19 pandemic and the US-NATO proxy war against Russia in Ukraine, have helped to fuel inflation over recent years,

official discussion has almost invariably covered up the role of corporate profiteering.

One exception was provided by a study conducted by the Australia Institute in July 2022. It found that the increases in prices to that point during the current inflation crisis were 60 percent attributable to business profits.

The response of governments, including the Labor administration in Australia, has been to protect those profit-making activities. Meanwhile, the Reserve Bank has increased interest rates thirteen times and has maintained them at the high levels, inflicting further pain on mortgage holders and working people more generally. That is part of a broader onslaught on living conditions, which has seen a 4.8 percent decrease in real wages since 2019.

Labor has cynically postured over the activities of the supermarkets, including with condemnations of the price-gouging. Its primary measure, however, has been to make mandatory an already-existing code of conduct covering the supermarket chains, drafted in consultation with the conglomerates themselves.

When the opposition Liberals and Greens sought to capitalise on widespread anger earlier this year by suggesting divestiture powers if the major supermarkets continued to engage in predatory practices, Prime Minister Anthony Albanese accused them of wanting to “break up capitalism.”

Labor has aided and promoted Coles and Woolworths as the two companies have overseen a wave of job-cutting and automation in distribution centres and stores while increasing shareholder profit. As the WSWS has reported, Coles is in the midst of a major restructuring operation aimed at cutting costs, not to lower prices for customers, but to raise profitability. Hundreds of jobs have been cut in the past 5 years.

That underscores another basic class issue. The attacks by the major supermarket chains on consumers will not be halted by proposals for divestiture, or the activities of the ACCC. Instead, the price-gouging is one expression of the character of capitalism, based on the relentless exploitation of working people for profit. The only means of ending it is through the fight for a workers’ government and socialist policies, including placing the corporations and the banks under public ownership and democratic workers’ control.



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