



31 January 2025

Committee Secretariat
Senate Economics References Committee
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Via email: economics.sen@aph.gov.au

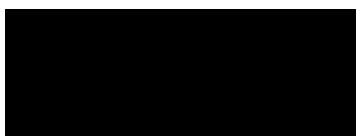
Dear Senators,

Bunnings is grateful for the opportunity to provide a supplementary submission to our 27 September 2024 primary submission to the Senate Economics References Committee's inquiry into 'Big box' retailer price setting (**Inquiry**).

The purpose of this supplementary submission is to provide the Committee with information in response to some of the matters raised in John Dahlsen and Lisa Asher's 1 November 2024 submission to the inquiry (**Dahlsen-Asher submission**).

We trust that the information in our enclosed submission further addresses any questions the Committee has about Bunnings.

Yours sincerely,



Michael Schneider
Managing Director



1 Response to the Dahlsen-Asher submission

On 5 November 2024 Bunnings became aware of the Dahlsen-Asher submission via an article of *The Australian* on the same date which referred to detailed content of the Dahlsen-Asher submission.¹ On 26 November 2024 Bunnings was grateful to obtain access to the submission through the Committee when it was published.

We take this opportunity to provide the Committee with information in response to various matters the Dahlsen-Asher submission raises. In summary, Bunnings' view is that the Dahlsen-Asher submission is predicated on a competitor's experience and is based on many inaccuracies. The submission assumes Bunnings' growth has come at the expense of customers, competitors and suppliers. The reality is that Bunnings' lowest prices, widest range and best experience offer resonates with customers, creates a valuable and sustainable channel for our suppliers, and generates significant value for local communities.

1.1 Dahlsens is a competitor to Bunnings

Dahlsens is a builder-focussed, commercial building supplies and frame and truss supplier, and a competitor to Bunnings' Trade business, primarily in regional locations across Victoria, NSW and the ACT. Dahlsens also competes in Queensland, through its Cairns Hardware, Herbert Hall Hardware, Townsville Hardware, and Nortruss retail brands. Dahlsens operates from over 65 trade sites, including 12 frame and truss plants.² In Bunnings' view Dahlsens is a strong specialised competitor, particularly in regional locations, and is a preferred supplier to a significant number of commercial customers.

1.2 Dahlsen-Asher submission inaccuracies

The Dahlsen-Asher submission contains a volume of claims about Bunnings which are underpinned by inaccuracies. Rather than responding to each, we will deal in turn with material inaccuracies about the following topics:

- Store numbers and acquisitions
- Market structure
- Earnings
- Advertising and brand trust
- Lowest prices guarantee
- Ethical sourcing and own brands
- Trade, and frame and truss practices

Store numbers and acquisitions

The Dahlsen-Asher submission claims that there has been a "huge concentration of stores to Bunnings from Mitre10, where Mitre10 dropped from having 900 stores in the 1990s to 300 today, while Bunnings has the opposite."³ These numbers are materially inaccurate.

Bunnings operates an Australian network of 255 warehouses, 55 smaller format stores, 21 trade centres, and 7 frame and truss manufacturing plants.

According to Metcash's recent annual report, its Independent Hardware Group (IHG) network in Australia "...comprises ~610 bannered stores, predominantly operating under the Mitre 10 and Home Hardware brands" and "supports the largest network of independent hardware stores in Australia, including an additional ~950 unbannered stores."⁴

¹ <https://www.theaustralian.com.au/business/the-giant-hardware-retailer-achieves-a-mammoth-69pc-return-on-invested-capital/news-story/05fc2ef6e91b464fe971b0655bfdddc> [accessed 20 January 2025]

² <https://www.dahlsens.com.au/store-locator/> [accessed 20 January 2025]

³ Dahlsen-Asher submission, page 2

⁴ Metcash Limited, Annual Report 2024, page 22



The Dahlsen-Asher submission further suggests that Bunnings has grown its network through serial acquisitions.⁵ This is also inaccurate. Since 2014, Bunnings has grown its Bunnings warehouses and smaller format stores network by 64 stores, of which only 3 have been acquisitions.

For completeness Bunnings notes that our separate acquisitions of speciality businesses Adelaide Tools and Beaumont Tiles—both of which were reviewed and approved by the Australian Competition and Consumer Commission—concern specialist business models which are distinct from our Bunnings warehouses and smaller format stores.

Market structure

Market share

The Dahlsen-Asher submission claims Bunnings has a 66% share of the hardware and building supplies market.⁶ This claim mischaracterises Bunnings' market share and addressable market.

The calculation set out in the Dahlsen-Asher submission takes an estimate of Bunnings' entire Australian revenue and divides it by an estimate of the size of the Australian hardware and building supplies market. This calculation overstates Bunnings' market share, ignoring that Bunnings generates substantial sales in categories other than hardware and building supplies.

Bunnings operates in a highly competitive landscape within the home, commercial and lifestyle sectors. We estimate these sectors as having a combined value of approximately \$110 billion across Australia and New Zealand. When we apply the value of these sectors to our FY2024 revenue, we estimate our market share within the home, commercial and lifestyle sectors as approximately 17%.

Market concentration

The Dahlsen-Asher submission claims Bunnings operates within a highly concentrated market with high barriers to entry.⁷ This claim again mischaracterises the market in which Bunnings operates, ignoring the presence of competing category specialists who provide customers with compelling alternatives.

Some examples of highly credible and effective category specialists excluded from the Dahlsen-Asher submission's analysis are set out in the table below:

Category	Category specialist
Tools	Total Tools, Sydney Tools, United Tools, Trade Tools, Supercheap Auto, Gasweld Tools, Repco
Outdoor living and lifestyle	BBQs Galore, Weber stores, IKEA, Freedom, Harvey Norman, Super Amart, Costco
Paint	Inspirations Paint, Bristol, Paint Spot, Haymes Paint, Paint Place, PaintAccess.com.au
Hardware and fixings	Bowens, Home Timber and Hardware, Hardware & General, Stratco
Plumbing and bathroom	Reece, E&S, Tradelink, Highgrove Bathrooms
Electrical and Lighting	Beacon Lighting, AWM, Middys, Rexel, Ideal Electrical, L&H
Pets	Petstock, Petbarn, PetO, MegaPet

⁵ Dahlsen-Asher submission, page 43

⁶ Dahlsen-Asher submission, page 13

⁷ Dahlsen-Asher submission, page 24



In contrast to the claims of high barriers to entry, the recent growth of Total Tools' and Sydney Tools' illustrates the ability for new entrants to establish substantial scale and market participation in one of our core categories. In the 2 years to FY2024 Total Tools has increased its store count by 18% to 118 stores and revenue by 14.4%. In the 4 years to January 2025 Sydney Tools has doubled its store count to 101 stores and between FY21 to FY24 increased its revenue by 179% to \$945.4 million.

In addition to category specialists and independent hardware stores, Bunnings faces competition from other large format multi-category retailers (e.g. JB Hi-Fi, Coles, Woolworths, Aldi, IKEA, The Good Guys, Freedom, Harvey Norman and Big W) and pure-play online retailers (e.g. Amazon, Kogan, Appliances Online, Temu and Temple and Webster). The Dahlsen-Asher submission excludes these competitors from its analysis, contributing to an inaccurate estimate of market concentration.

Impact of entry into new categories

The Dahlsen-Asher submission claims that Bunnings' entry into new categories could "kill other retailers, leaving it in a dominant position to then raise prices, once competition has disappeared."⁸ Bunnings disagrees with this proposition. Bunnings' entry into new categories contributes to competition on price for the benefit of customers and there continues to be a significant number of large and small retailers that customers can and do choose to shop at, across the same categories ranged by Bunnings. For example, Bunnings' entry into the smart home category has brought price competition to JB HiFi and Amazon.

One-stop shop

The Dahlsen-Asher submission argues Bunnings is the only outlet that offers a "one stop shop".⁹ While Bunnings aims to have a wide range across our home, commercial and lifestyle offers, this claim mischaracterises the nature of our customers' shopping journeys. Bunnings' retail customers regularly shop with us for projects (e.g. to build a deck) and commercial customers shop with us in the categories relevant to the sector that they operate (e.g. plumbers predominantly purchase plumbing products, rather than paint or timber products). There is also a well-known range of highly effective and credible specialist suppliers in each of these categories who compete vigorously in their respective categories, offering both retail and commercial customers substantial choice when seeking to undertake their specific project or job.

Monopsony power

The Dahlsen-Asher submission claims Bunnings has monopsony power (i.e. it faces little competition from other buyers).¹⁰ This is inaccurate and mischaracterises the nature of Bunnings' suppliers and the longstanding partnerships we have with them.

A core element of Bunnings' value proposition to customers is the range of leading brands available at Bunnings. Pursuant to this strategy, Bunnings engages with a diverse set of large and well-known suppliers, with substantial brand equity and countervailing negotiating power. For example, Dulux Group supplies many leading brands—including Selleys, Dulux, Yates and Cabot's— to various retailers including Bunnings, Mitre 10, Coles, Woolworths, as well as selling direct to customers via its stores (Inspirations Paint and Paint Spot), website and marketplaces including Amazon.

Suppliers also exercise power through their channel management strategies, at times deciding not to supply Bunnings because of the availability of other specialist retailers whose format or service capability better aligns with their brands.

For example, Bunnings does not have access to STIHL's power garden tool range, as STIHL has decided to sell to specialised mowing and machinery dealers with maintenance and service capabilities. Another example is Weber, which also does not sell its BBQs to Bunnings, instead supplying specialised BBQ retailers, Weber stores and other retailers with different service models.

⁸ Dahlsen-Asher submission, page 29

⁹ Dahlsen-Asher submission, page 16

¹⁰ Dahlsen-Asher submission, page 27



Finally, many of Bunnings' suppliers are global businesses, for which Bunnings represents a very small proportion of global sales. As an example, Techtronic Industries Company Limited (TTI), a Hong Kong based multinational which generated global revenue of over US\$7bn in FY2024, has several international customers for its power tool brands (which include, for example, Milwaukee, Ryobi and Hoover), including Bunnings and Mitre 10 in Australia.

We acknowledge there are limited exceptions. For example, as set out in section 2.2 of Bunnings' 25 November 2024 response to the Greenlife Industry Association's submission to the inquiry, some smaller suppliers may prefer to direct a large proportion of their business to Bunnings for various reasons including that we have the required scale to take stock at larger volumes and that we make payments on time.

Earnings

The Dahlsen-Asher submission claims that Bunnings' strong earnings relative to other Australian and international retailers including Woolworths, Coles, Kmart and Walmart (US) is because Bunnings' market power gives us the ability to set prices significantly above marginal cost.¹¹ This argument is contrary to our Everyday Low Prices (**EDLP**) strategy and lowest prices positioning.

Our earnings margins have decreased each year since 2021, and otherwise remained broadly consistent for the past 20 years. Though Bunnings has experienced significant cost inflation since COVID-19, as part of our EDLP strategy, we have invested in lower prices to drive increased value for customers and volume for our suppliers. This investment has been supported by our low-cost operating model (which includes warehouse stores with concrete floors, bulk purchasing practices and investment in permanent team members).

Bunnings considers that a comparison of different retailers' earnings margins does not provide a useful proxy for analysing whether a business operates in a competitive environment. This is particularly so where the retailers are being compared across sectors and geographies, as in the Dahlsen-Asher submission.

Advertising and brand trust

The Dahlsen-Asher submission claims that there is a correlation between advertising spend and brand trust.¹² Our view is that while advertising assists brands communicate their offers, value and promises, trust is built on how well those promises are delivered. This point is illustrated by the data relied on in the Dahlsen-Asher submission—4 of the 10 most *distrusted* brands as at March 2024 also appear in the top 11 advertisers.

For over 30 years, Bunnings has built trust by focusing on delivering lowest price, widest range and best experience, and by conducting our business with integrity and respect, in accordance with our core values and our embedded culture of 'doing the right thing' by our customers, team, suppliers and the broader community.

Lowest prices guarantee

The Dahlsen-Asher submission claims that Bunnings' price guarantee (our commitment that if a customer finds a lower price offered by a competitor for the same in-stock item at Bunnings, we will beat it by 10%)¹³ is "insignificant or immaterial" and questions whether it is a valid message or "one that is said and not honoured".¹⁴ This claim is false.

¹¹ Dahlsen-Asher submission, page 25

¹² Dahlsen-Asher submission, page 22

¹³ Note Bunnings' price policy wording: Our lowest prices policy means that 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%. This excludes trade quotes, stock liquidations, commercial quantities, and items sold by other *Bunnings Group businesses and Bunnings Marketplace. *Bunnings Group businesses mean Tool Kit Depot and Beaumont Tiles corporate owned stores.

¹⁴ Dahlsen-Asher submission, page 22



As set out in detail at section 2.2 of our primary submission, Bunnings' commitment to lowest prices goes far beyond the price guarantee, it is fundamental to our operating model and is delivered through:

- sourcing in bulk volumes from domestic and international suppliers;
- performing independent due diligence for all new products to determine the lowest sale price in the market;
- regular monitoring of prices (e.g., through physical visits, catalogue reviews, online price monitoring);
- a dedicated Bunnings team that monitors social media platforms and product review sites to listen and respond to customer feedback;
- implementing price reductions for products where competitors' prices are identified as being lower than Bunnings' prices;
- a continuous focus on improving productivity across supply chains, stores, and service models to reduce Bunnings' cost base; and
- an extensive and well-established compliance framework to promote our team members' understanding of, and compliance with, our lowest prices policy and Bunnings' legal obligations. This framework includes mandatory training of our team members (especially our merchandise and store teams), as well as internal policies, processes, and procedures.

Given the wide variety of products we stock, over 250,000 stock keeping units (SKUs), and dynamic pricing within some categories, there are occasions where for a short period of time we may not be lowest. This is when the price guarantee comes into play, allowing us to provide a customer with the lowest price in the moment and implement any required price changes across our stores.

The price guarantee is activated genuinely and frequently. Over the past five years, approximately 163,600 price guarantee claims have been processed, delivering customer savings of over \$11.5 million. As detailed in our primary submission, our team members are trained to take a like-for-like approach to application of the price guarantee extending to exclusive brands and factoring in unit size differences.

Ethical sourcing and own brands

The Dahlsen-Asher submission misinterprets Wesfarmers' modern slavery disclosure, including the nature of Bunnings' suppliers monitored in our Ethical Sourcing Program (particularly for directly sourced or "own brand" products).¹⁵

Consistent with the requirements of the Modern Slavery Act, Bunnings adopts a risk-based approach, monitoring 924 suppliers (and their 1,521 sites) we have classified as high risk, which includes all international suppliers of directly imported "own-brand" product.

The balance of the 6,467 suppliers not in the program include lower risk Australian businesses, including domestic merchandise suppliers, goods not for resale suppliers and services providers (including for example professional services, such as legal or marketing providers).

Bunnings has contributed to nine annual modern slavery statements published by Wesfarmers. Each of those statements were independently assured by Ernst & Young with no material issues noted about their content. Additionally, Monash University independently assesses the quality of the modern slavery statements published by the ASX100, awarding Wesfarmers an A grading (its highest) for the past four years.

Bunnings also voluntarily publishes an annual *Snapshot of Bunnings' direct imports supply chain* which highlights our top 10 sourcing countries, the number of sites and workers in those countries and the key categories they supply. We also have strong processes in place to ensure we comply with country-of-origin labelling requirements.

¹⁵ Dahlsen-Asher submission, page 37



We are committed to working in multi-stakeholder partnerships to safeguard human rights across our global supply chains and continuing to strengthen our Ethical Sourcing Program. In FY2024 Bunnings' Ethical Sourcing program supported 300 third party manufacturing sites remediate 1,840 non-conformances identified via third-party audits, which improved working conditions for more than 85,000 workers in 20 countries.

Trade, and frame and truss practices

The Dahlsen-Asher submission suggests Bunnings' use of large, automated frame and truss plants means that Bunnings is able to make losses on individual contracts with builders.¹⁶ This claim is false. Bunnings entered the frame and truss category in 2001 and is continually exploring ways to offer value to our commercial customers. Bunnings operates seven frame and truss plants and has recently invested in new manufacturing technologies, which have improved quality and efficiency. This has enabled Bunnings to offer its building customers a better product with competitive pricing. Our investments in frame and truss follow our usual capital expenditure guidelines requiring that the investments generate returns. To that end, we operate our frame and truss, and broader Bunnings Trade business, on a commercial basis.

The Dahlsen-Asher submission also claims Bunnings should have a volume-based pricing schedule.¹⁷ This would not be practicable as it oversimplifies the frame and truss jobs we provide quotations for, which include bespoke building plans featuring different specifications and requirements.

1.3 Bunnings-Dahlsens transaction

The Dahlsen-Asher submission claims that Dahlsens sold two sites to Bunnings, and closed another, because Bunnings advised Dahlsens that Bunnings wanted to put stores into those locations.¹⁸ Bunnings notes that these transactions were commercial negotiations between legally and commercially represented parties about the divestiture of Dahlsens' assets. We note that these transactions occurred over 10 years ago and that any decision by Dahlsens to divest its assets, or indeed retain a presence in competition with Bunnings (as it does in many regional locations), is ultimately a commercial matter for that business.

¹⁶ Dahlsen-Asher submission, page 65

¹⁷ Dahlsen-Asher submission, page 65

¹⁸ Dahlsen-Asher submission, page 62