

Economic and social impact of independent grocers

October 2022





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Executive summary

This report covers the direct and indirect economic impact of independent grocers that operate under a Metcash brand (including IGA and Foodland) and/or use Metcash as a grocer wholesaler. The economic impacts were estimated using Metcash provided data and a survey of IGA and Foodland store owners.



Across the **1,427 stores** analysed, the national activity of all independent grocers **directly contributed \$3.1 billion** to gross domestic product (GDP).



Independent grocers **directly support 65,400 jobs** (by headcount) and **28,600 FTE** (full time equivalents) in stores and direct store operations.



Independent grocers **indirectly support 41,700 jobs** (by headcount) in their supply chains and **indirectly contributed \$5.1 billion** to GDP.



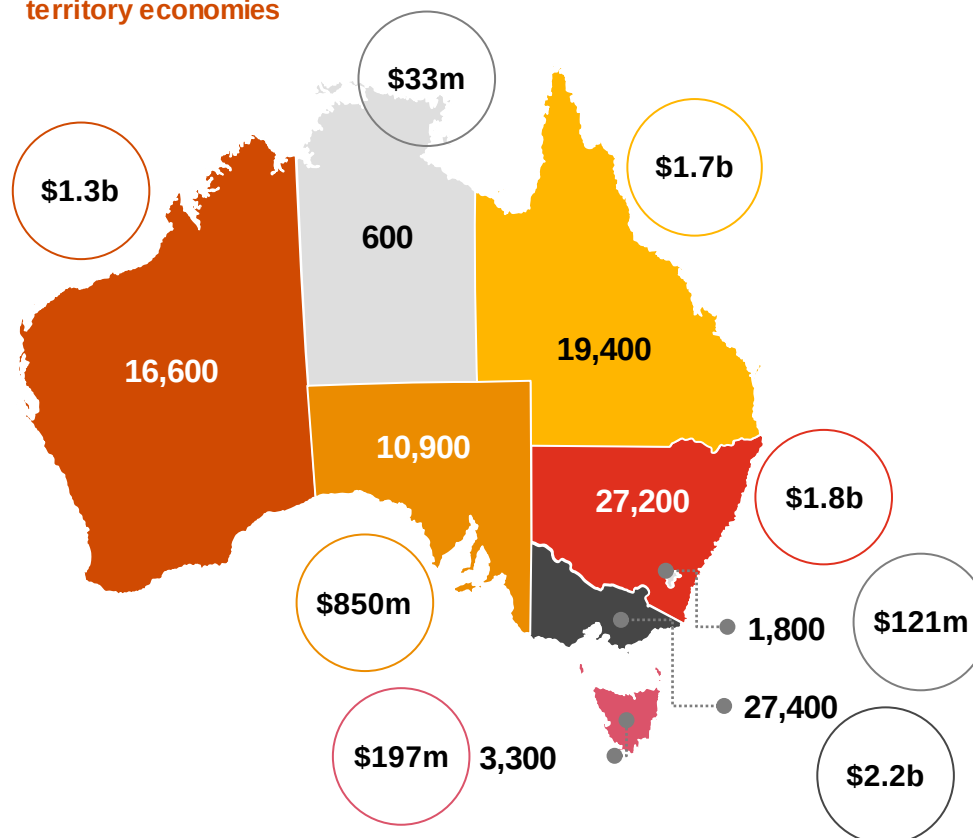
Indirect jobs are supported in up to **38,600 businesses** that supply to either Metcash or directly to independent grocers across all states and territories.



Many of the independent grocers are involved with their communities, with independent grocers supporting an estimated **34,000 local organisations** with **\$194 million** of financial, time and in kind support.

A state-by-state breakdown of the total (direct and indirect) jobs and gross state product (GSP) supported by independent grocers is shown on the right.

Total (direct and indirect) contribution of independent grocers to state and territory economies



Key:



Total contribution to GSP



Total jobs supported (by headcount)

Source: PwC analysis of using Metcash, survey and ABS data. Jobs rounded to the nearest 100
Note: GSP contribution per job supported will depend on the mix of direct and indirect activity in a state, as well as the ratio of headcount to full time equivalent employment



1

Introduction

Purpose and scope of this report

Australia's supermarket and grocery sector

Australia has a concentrated supermarket and grocery sector (generally defined as stores selling groceries and food products excluding specialist retailers and convenience stores). The major supermarket chains account for a significant proportion of industry revenue (see Figure 1).

However, independent and small grocers play an important role in the market providing competition, choice and localised service. The proportion of revenue that is outside the major supermarket groups is just over a quarter of the grocery sector.

To help understand and articulate the impact that independent grocers have in the Australian economy, Metcash engaged PwC to conduct an economic impact assessment of independent grocers both directly and indirectly in every state and territory.

Metcash's role in the grocery sector

Metcash has two key roles it plays in the grocery and supermarket sector:

- As a wholesaler providing a range of goods to independent grocery retailers.
- As a custodian of brands used by independent grocers. While independent owners run the day to day operations of stores, Metcash is responsible for the marketing and management of the brands they operate under. These brands include IGA, Supa IGA, IGA, Xpress, Foodland and Friendly Grocer.

In recognition of this dual role, the scope of the analysis in this report is to examine the economic impact of independent grocers that interact with Metcash as their wholesaler and/or use Metcash associated branding.

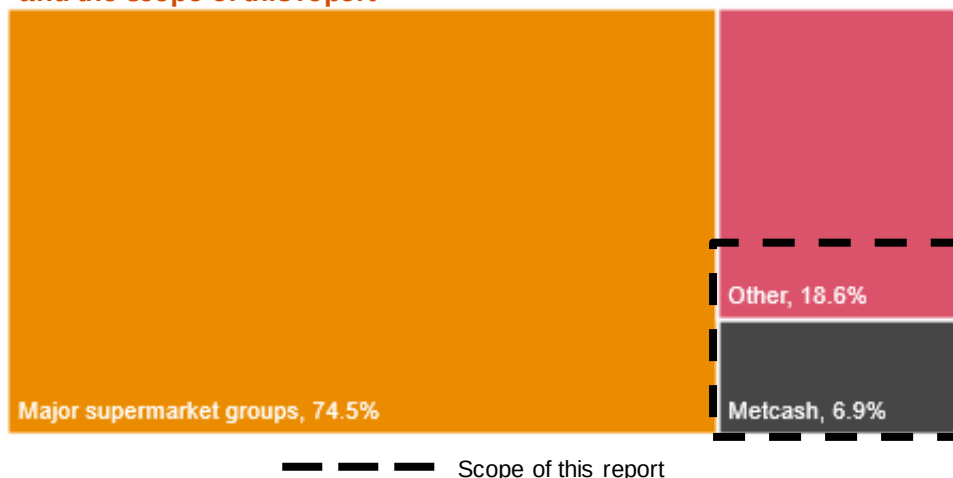
Scope of this report

For the remainder of this report, an 'independent grocer' is defined as a store that operates under a Metcash brand and/or uses Metcash as a grocer wholesaler. This includes IGAs in Tasmania that do not use Metcash as a wholesaler.

To show the scope of this report in the context of whole sector, Figure 1 shows grocery sector revenue across the major players. The dotted line shows the portion of the industry this report deals with. This shows the Metcash supplied component as well as a proportion of other (branded but not supplied stores).

The remainder of the pink 'other' are also likely 'independent grocers' in that they operate outside the three main chains but do not engage with Metcash in any way and are outside the scope of this report.

Figure 1: Market share of major players in the Australian grocery sector and the scope of this report



Source: PwC analysis of IBISWorld (2022) *Supermarkets and Grocery Stores in Australia*

Purpose and approach

Measures of economic impact included in this report

We have considered the economic impacts in terms of jobs and economic output associated with independent grocers and their supply chain. This report examines the following metrics of economic contribution of independent grocers:

- direct jobs supported in independent grocery retailers
- indirect (supply chain) jobs supported in the region
- contribution to gross state product (GSP) and gross domestic product (GDP), both directly and indirectly
- the number of local businesses that supply independent grocers
- other socio-economic benefits supported by the sector such as support for charities and other community organisations.

Employment estimates are provided by both headcount and in full time equivalent (FTE) terms throughout this report. While in most industries these two measures have a relatively set relationship and headcount will not be significantly greater than FTE, in retail industries with significant casual and part time workforces, the two measures can be significantly different. This is explored further in Section 2.

Approach for analysis

We modelled the core economic impacts according to a total factor income approach, using data provided by:

- Metcash
- independent grocer stores owners through a survey
- Australian Bureau of Statistics and other secondary public data.

We developed the survey for owner's with input from Metcash and it was distributed through Metcash state wide networks. The survey collected information on:

- total number of staff as headcount and FTE
- percentage of turnover on wages
- where goods are sourced from (within state, interstate and internationally)
- questions on environmental measures and community contribution.

Information was provided by Metcash on the number of independent grocers they supply by brand, size, and state and territory location. This was used to scale the survey data to all relevant independent grocers across Australia.

Detail of the modelling approach and survey is set out in the appendix.

We have supported our economic modelling with qualitative analysis to ensure the economic impacts of the network are represented in context. This qualitative analysis covers community engagement and provisions taken to reduce environmental impacts of running a grocery store.

Structure of this report

This remainder of this report is structured as follows:

- Section 2 sets out the direct economic impact of independent grocers in the jobs and economic activity that is supported within stores
- Section 3 sets out the indirect economic impact of independent grocers in the jobs and economic activity that is supported in the supply chain of stores
- Section 4 sets out the survey results of social and environmental impacts
- Section 5 sets out individual state economic impact results
- Appendix sets out detailed approach and assumptions.



2

Direct economic impact

Understanding the direct economic impact of independent grocers

Direct economic impact is defined as the employment and economic activity supported within the operations of independent grocers (including in store, head office and support functions). The magnitude and location of this direct economic impact can be understood by looking at the:

- number and location of independent grocery stores
- scale and location of direct jobs
- direct contribution to GSP.

The simplest way to understand the magnitude of direct activity is the location and size of stores. Figure 2 shows a breakdown of stores by size and state. Store size is defined internally by Metcash. This shows, unsurprisingly, that the largest numbers of stores are in the states with the largest populations and economies - New South Wales, Victoria, Western Australia and Queensland.

However, comparing the number of stores to the population of a state can show the relative importance of independent grocers in some states:

- Western Australia, while being home to only 11% of Australians, has 17% of the independent grocers, showing the reliance of Western Australians on their local independent grocers
- South Australia is home to 7% of Australians and has 11% of the independent grocers
- Tasmania has only 2% of the Australian population but 6% of the independent grocers.

Inversely, New South Wales and Queensland have proportionally fewer independent grocers than their populations would suggest (31% of population to 25% of independent grocers and 20% of population to 15% of independent grocers respectively). Victoria and the two territories have proportion of independent grocers aligned to their share of population.

The spread of store size is similar across all states and territories, with 10-20% of stores being large, 50-60% medium and the remaining small. The exception to this is Tasmania, where the majority of independent grocers are disproportionately small (based on survey responses).

Figure 2: Metcash supplied and branded stores by location and size

Jurisdiction	Number of stores	Proportion of stores in jurisdiction by size		
		Large	Medium	Small
New South Wales	364	20%	60%	20%
Victoria	321	20%	50%	30%
Queensland	217	10%	60%	20%
South Australia	164	10%	60%	30%
Western Australia	236	10%	70%	20%
Tasmania*	87	10%	30%	60%
Northern Territory	11	0%**	60%	40%
Australian Capital Territory	27	20%	60%	20%
National	1,427	15%	60%	25%

Source: PwC analysis of store data provided by Metcash and survey data for Tasmanian store size
Store percentage rounded to the nearest 10

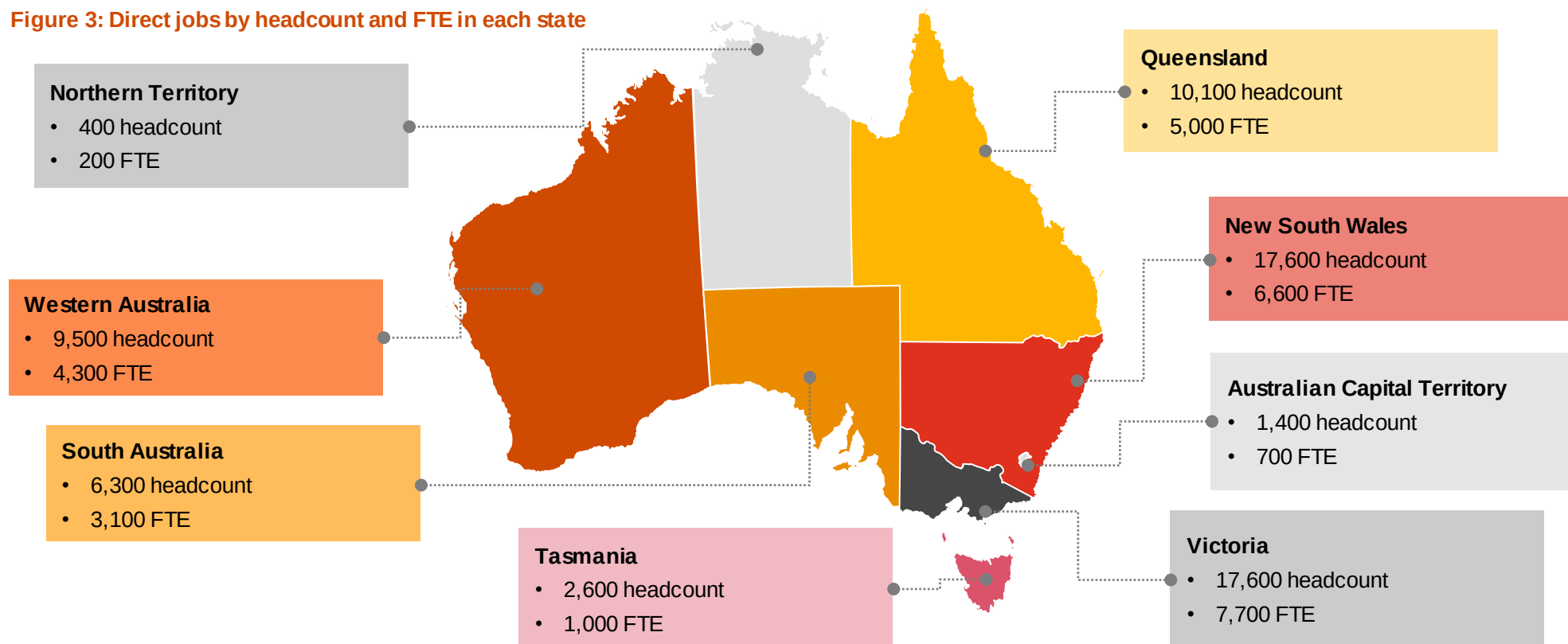
*Tasmanian stores by size are estimated using survey data

**No large stores were identified by Metcash in Northern Territory

Direct jobs supported by independent grocers

Independent grocers support approximately 65,400 jobs (by headcount) and 28,600 FTE in stores and direct store operations. The state and territory breakdown of these estimates is shown in Figure 3. Independent grocers and the larger grocery and retail employment market relies heavily on casuals and part time workers. This can be clearly seen in the difference between the headcount and FTE estimates of direct employment. The ratio of headcount to FTE remains relatively stable across states at around 2-3 headcount to a single FTE.

Figure 3: Direct jobs by headcount and FTE in each state



Source: PwC analysis of using Metcash, survey and ABS data

Jobs rounded to the nearest 100

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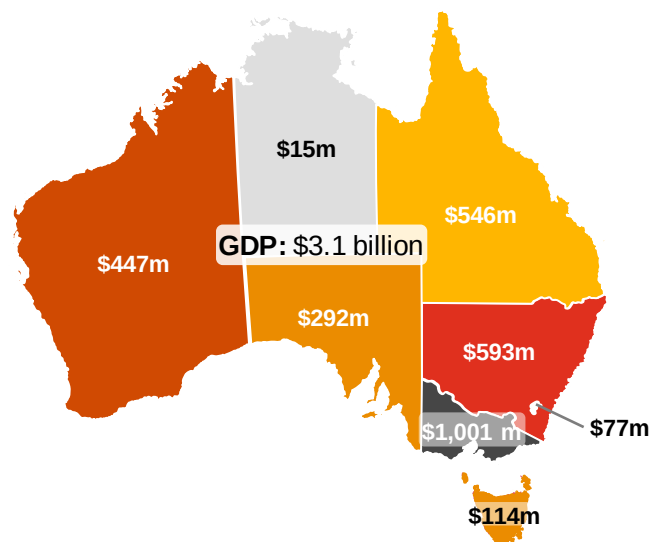
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Direct economic activity supported by independent grocers

Contribution to GDP and GSP are valued added measures of the final products produced in an economy. The national activity of independent grocers in Australia contributed to GDP by \$3.1 billion in 2022. The spread of GSP is shown by state in the figure 4 below.

Figure 4: Independent grocer direct contribution to GDP and GSP



Source: PwC analysis using Metcash, survey and ABS data

Why is a dollar of retail turnover not equal an additional dollar in GDP?

GDP is a value-added measure it does not include the value of intermediate inputs (raw materials) inherent in the price paid by at the counter in stores. In a retail sector such as grocery, a significant proportion of turnover relates to the merchandise that is traded to customers, which is an intermediate input. The 'value added' captured in measures of GSP or GDP shows the value produced by retailers by connecting that merchandise with the customer.



Understanding the direct impact of independent grocers in the context of the whole grocery sector

The direct impact of independent grocers is important to understand in the context of the whole grocery sector. In terms of number of stores, independent grocers represent a significant proportion of the sector (as shown in Figure 5). This reflects that independent grocers are more likely to have smaller stores that are embedded within communities, rather than larger stores with broader catchments.

In terms of financials, according to IBISWorld estimates, the Australian supermarket and grocery store sector in financial year 2021-22:

- had revenue of \$124.9 billion
- paid \$14 billion in wages to employees
- contributed \$21.6 billion in industry value added to the Australian economy.

As shown in Figure 5, the estimates of those measures for independent grocers presented in this report make up approximately 14-17% of the sector based on those metrics.

It is important to note that this is not the proportion of turnover of the sector that is attributed to Metcash (which IBISWorld estimates as 7% as presented earlier in this report). The difference between Metcash share of turnover and that of independent grocers represents three factors:

- not all independent grocers captured in this report are supplied by Metcash (i.e. Tasmanian stores use IGA branding but are not supplied by Metcash)
- of stores that are supplied by Metcash, they buy merchandise from other sources as well (approximately 30%)
- Metcash turnover represents wholesale prices, whereas total sector turnover will be in retail prices.

The number of direct employees presented in Figure 5 shows different measurements from sources as the exact number of employees can be difficult to assess. However, independent grocers account for approximately 16-17% of the sector in terms of employment.

Figure 5: Broad comparison of the direct impact of independent grocers to whole grocery sector

Measure	Whole grocery sector	Independent grocers	Percentage contributed by independent grocers
Stores*	~7,000	1,427	20%
Revenue**	\$125 billion	\$15 billion	12-17%
Wages	\$14 billion	\$2 billion	15%
Industry value added***	\$22 billion	\$3 billion	14%
Direct employees (headcount)****	393,000 – 414,000	65,400	16-17%

Sources: PwC analysis of IBISWorld (2022) *Supermarkets and Grocery Stores in Australia*, ABS (2022) *Detailed Labour Force*, public statements from major supermarket chains and analysis of independent grocers as presented in this report based on Metcash data and survey of stores

* Store count is representative only, estimated as number of 'enterprises' in IBISWorld data. Approximately half of that store count is in the four largest supermarket chains, 20% in independent grocers captured in this report and 30% in other food retailers.

** Revenue was not a core result estimated in this report (and therefore detailed questions were not asked in the survey), but for comparison this is presented as a range based on Metcash's understanding of their sector and high level questions from the survey. It is rounded to the nearest \$5 billion and should be seen as indicative only

*** Industry value add is compared to the contribution to GSP/GDP presented in this report as broad comparisons of value added measures.

**** Range in direct employees for the whole sector reflects uncertainty in this measure, using the IBISWorld estimate as the lower estimate and an average of four quarters of ABS Labour Force for the food retailing sub-division for the upper estimate.

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Indirect economic impact



Understanding the indirect economic impact of independent grocers

Grocery stores rely on a complex supply chain made up of farming, food processing, transportation, manufacturing, and supporting services. The jobs and economic activity in these industries that is relied on by independent grocers to operate is referred to as indirect economic impact. These indirect jobs and economic activity are supported by the operations of independent grocers without being directly employed by independent grocers.

In relation to independent grocers, there are two main ways that indirect economic activity is supported:

- The trade supply chain, defining trade goods as goods that are sold to independent grocers with the intention being sold onto customers. This includes things like canned vegetables, meats and kitchenware.
- The non-trade supply chain, in goods and services that are used to support the operation of stores and are not for sale to customers. This includes equipment, consumables used in store, and services such as transport, cleaning, security or professional advice.

The indirect economic impact in these two supply chains are presented separately in the following pages because they represent activity in quite different industries.

Independent grocers (as defined in this report) source the majority (though not an overwhelming one) of their Australian trade supply chain through Metcash, with a smaller proportion directly sourced by retailers.

Independent grocers source the majority (an estimated 97%) of their non-trade supply chain themselves. Figure 6 shows the components of our analysis, with each of the four categories of trade goods sourced through Metcash, trade goods sourced by the retailer and non-trade supply chain sourced through Metcash and by the retailer each analysed separately. Further detail is shown in the Appendix.

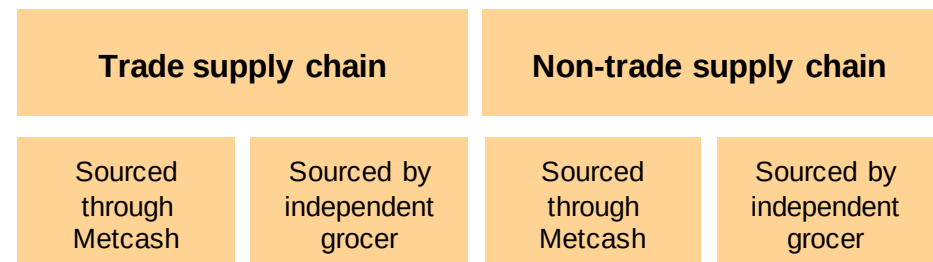
The magnitude and location of this indirect economic impact can be understood by looking at:

- the scale and location of indirect jobs
- the indirect contribution to GSP
- the number of organisations in the supply chain.

With regards to the number of organisations, it is important to note that it is likely that not all the activity in any supply chain organisation is supported just by sales to independent grocers – they may supply a range of food (and other) retailers. While jobs are the most accurate way of presenting impact (as can be proportion of a business), it can also help be articulated by number of organisations in the supply chain. Number of businesses has been included in this report to better articulate the wide reaching impact of the supply chain of independent grocers.

A notable example of this is Metcash themselves. As a wholesaler, Metcash is inherently part of the trade supply chain of independent grocers and as such some of the trade supply chain indirect jobs may be within Metcash. However, Metcash also has significant non-food business and not all the employment within Metcash will be captured as indirect jobs of independent grocers.

Figure 6: The categories used to analyse the indirect supply chain



Independent grocers' trade supply chain

Trade goods are made up of mostly food produce but also accounted for other consumables like pharmaceuticals and cleaning products sold to customers.

For the Metcash supplied stores examined in this report (all independent grocers except those in Tasmania), 73% of the trade supply chain is sourced through Metcash. For the Tasmanian stores, an estimated 67% is sourced through their main wholesaler.

Of the independent grocer sourced trade supply chain, most survey respondents reported that they have suppliers in the same state or territory of their store, as shown in Figure 8. This was especially true for perishable product categories like meat and dairy, where upwards of 90% of survey respondents source products within the same jurisdiction.

Figure 7 shows the number of organisations in independent grocers trade supply chain. In addition to the producers supplying to Metcash, the average survey respondent said they used around 30 trade suppliers from within Australia. This scaled to 28,900 businesses being involved with the independent grocer sourced trade supply chain at a national level.

Figure 7: Amount of businesses in the trade supply chain

	Number of businesses
Producers of trade goods nationally supplying to Metcash	1,600
Producers of trade goods supplying directly to independent grocers in their state or territory*	15,800
Producers of trade goods supplying directly to independent grocers in the rest of Australia*	11,500
Total number of businesses in the trade supply chain	28,900

Source: PwC estimates using Metcash and survey data. Businesses rounded to the nearest 100

*Note: because these business estimates use survey data that do not identify business names there is potential for overlap between survey respondents (i.e. a supplier provides to different independent grocers) so we have been conservative in our estimate but there is still potential for double counting – see Appendix for detail.

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Figure 8: Location of retailer sourced trade suppliers by product

Product category	Proportion of retailers that source the product category ...	
	within state	in the rest of Australia
Fresh meat	91%	19%
Fresh poultry	93%	11%
Fresh fruit and vegetables	94%	22%
Fresh seafood	58%	12%
Processed meat and meat products	81%	32%
Processed seafood	53%	25%
Dairy products	91%	30%
Processed fruit and vegetable products	68%	28%
Oils and fats	63%	30%
Grain mill and cereal products	66%	33%
Bakery products	78%	31%
Sugar and confectionery	70%	38%
Other food products	58%	44%
Soft drinks, cordials and syrup	66%	33%
Pharmaceutical and medicinal products	50%	34%
Cleaning compounds and toiletries	58%	38%

Source: PwC analysis of survey data

Note: As survey respondents could select all that apply, rows may sum to more than 100% where they source from within their state and rest of Australia, or less than 100% if survey respondents do not source that product themselves

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Economic activity supported through independent grocers' trade supply chain

The supply chain of trade goods to independent grocers supports 36,500 jobs by headcount and 32,900 by FTE. This indirect activity has a contribution to GSP of \$4.5 billion. Figure 9 shows the state and territory spread of those employment and GSP impacts supported by the indirect trade supply chain.

This indirect economic activity in trade supply chain occurs across states broadly in line with store locations. As such, the largest economic impacts in the trade supply chain are in New South Wales, Victoria, Queensland and Western Australia.

At the national level, the trade supply chain through Metcash makes up approximately 60% of the indirect economic impacts, as shown in Figure 10, with the other 40% supported in organisations that provide trade goods directly to independent grocers. This is a lower proportion than total dollar sales of Metcash supplied trade goods compared to retailer sourced because there is comparatively more imported content in the Metcash supplied proportion of the supply chain (though both are less than 1%) and there is a different mix of products in each.

Compared to indirect economic impacts supported in the non-trade supply chain (explored on the following pages), the vast majority of indirect jobs supported are in the trade supply chain. This is because this is the core business for independent grocers, whereas non-trade supply chain is ancillary to their operations. As well as being larger in scale, indirect jobs in the trade supply chain are more important because the independent grocer is the critical link between the producer and their final customer. These supply chain procurers need a retailer to reach their market.

Figure 9: Economic impacts by headcount, FTE and GSP in each state supported by independent grocers' trade supply chain

Jurisdiction	Headcount*	FTE*	GSP (\$m)
New South Wales	8,400	7,600	1,020
Victoria	8,800	7,900	1,099
Queensland	8,100	7,300	985
South Australia	4,100	3,700	489
Western Australia	6,200	5,600	758
Tasmania	600	500	67
Northern Territory	>200	>200	15
Australian Capital Territory	>200	>200	25
National	36,500	32,900	4,459

Source: PwC analysis of using Metcash, survey and ABS data
*Jobs rounded to the nearest 100

Figure 10: Economic impacts supported by independent grocers' trade supply chain, by Metcash or retailer sourced supply chain

Jobs in	Headcount*	FTE*	GSP (\$m)
Businesses that supply to retailers through Metcash	22,600	20,400	2,700
Businesses that supply directly to independent grocers	13,900	12,500	1,757
All trade suppliers	36,500	32,900	4,459

Source: PwC analysis of using Metcash, survey and ABS data
*Jobs rounded to the nearest 100

Independent grocers' non-trade supply chain

Non-trade goods and services are purchased by independent grocers and are not sold in stores. The non-trade supply chain provides goods and services that feed into the operation of grocery stores rather than the produce sold. A full list of the non-trade goods and services asked about in the survey is included in Figure 12.

Non-trade goods and services are more varied and as such have a wider range of inputs. The main inputs into these are professional services, transport and construction.

Of the retailer sourced non-trade supply chain, most survey respondents reported that they have suppliers in the same state or territory of their store, as shown in Figure 11.

On average, store owners reported using 10 non-trade suppliers per store. This accounted for 9,700 businesses being counted in the non-trade supply chain sourced through retailers, as seen in Figure 11.

Figure 11: Amount of businesses in the non-trade supply chain

	Number of businesses
Non-trade suppliers nationally supplying to Metcash	100
Non-trade suppliers supplying directly to independent retailers in their state or territory*	6,200
Non-trade suppliers supplying directly to independent retailers in the rest of Australia*	3,400
Total number of businesses in the non-trade supply chain	9,700

Source: PwC estimates using Metcash and survey data. Businesses rounded to the nearest 100

*Note: because these business estimates use survey data that do not identify business names there is potential for overlap between survey respondents (i.e. a supplier provides to different independent grocers) so we have been conservative in our estimate but there is still potential for double counting – see Appendix for detail.

Figure 12: Location of retailer sourced non-trade suppliers by product

Product and service category	Proportion of retailers that source the product category ...	
	within state	in the rest of Australia
Equipment	70%	44%
Construction services	95%	8%
Banking and insurance services	91%	13%
Security services	84%	8%
Building cleaning, pest control and other support services	95%	7%
Professional advice	91%	12%
Transport support services and storage	88%	10%
Other services	44%	8%

Source: PwC analysis of survey data

Note: As survey respondents could select all that apply, rows may sum to more than 100% where they source from within their state and rest of Australia, or less than 100% if survey respondents do not source that product themselves

Economic activity supported through independent grocers' non-trade supply chain

The non-trade supply chain used by independent grocers supported 5,200 jobs by headcount and 4,500 FTE, which contributed \$653 million to GDP. As shown in Figure 13, the majority of the indirect impacts supported in the non-trade supply chain were in the largest five states. Notably, Western Australia had a high non-trade supply chain indirect impact, based on survey respondents reporting the highest sourcing of non-trade goods and services within their state.

While Metcash supplies a notional amount of non-trade goods to independent retailers, the vast majority of jobs in non-trade supply chain are supported in organisations that have direct relationships with individual independent grocers.

Although small, indirect activity supported in the non-trade supply chain are included in this analysis to give a complete understanding of the jobs generated by the operations of independent grocers. While not significant levels of activity, being a supporting service to a local independent grocer can be important for a small business such as an electrician or cleaning business.

Figure 13: Economic impacts by headcount, FTE and GSP in each state supported by independent grocers' non-trade supply chain

	Headcount*	FTE*	GSP (\$m)
New South Wales	1,200	1,000	152
Victoria	1,100	900	136
Queensland	1,200	1,000	146
South Australia	500	500	69
Western Australia	900	800	112
Tasmania	100	100	16
Northern Territory	0	0	4
Australian Capital Territory	200	100	19
National	5,200	4,500	653

Source: PwC analysis of using Metcash, survey and ABS data

*Jobs rounded to the nearest 100

Economic and social impact of independent grocers

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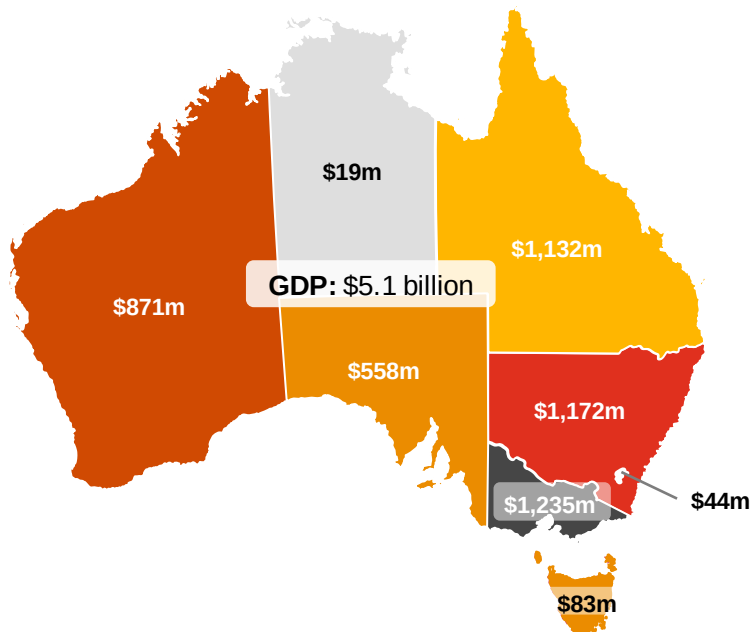


Total indirect economic impact of independent grocers

Independent grocers support 41,700 jobs (by headcount) in their trade and non-trade supply chains. This equates to 37,400 FTE and a contribution to GDP of \$5.1 billion. The state and territory split of total indirect jobs is shown in Figure 14 and of total indirect contribution to GSP in Figure 15.

These indirect jobs are supported in up to an estimated 59,000 businesses that supply to either Metcash or direct to independent grocers across all states and territories.

Figure 14: GDP and GSP created by all indirect activity (in trade and non-trade supply chains)



Source: PwC analysis of using Metcash, survey and ABS data

Figure 15: Total indirect (trade and non-trade) jobs by headcount and FTE

Jurisdiction	Headcount*	FTE*
New South Wales	9,600	8,600
Victoria	9,800	8,800
Queensland	9,300	8,400
South Australia	4,700	4,200
Western Australia	7,100	6,400
Tasmania	700	600
Northern Territory	100	100
Australian Capital Territory	300	300
National	41,700	37,400

Source: PwC analysis of using Metcash, survey and ABS data

*Jobs rounded to the nearest 100



4

Social impact

Social contributions

Most independent grocers are owned and run by local shopkeepers as such they are often members of the local community in which their store operates. Many of the independent grocers that responded to the survey provided were involved with their communities especially in regards to donations. A majority of the respondents to the survey were engaged in at least one local community event or organisation. Respondents were given the option of selecting charities they donate to these included:

- education - local schools and program
- local sporting teams and activities
- other local social organisations
- charitable organisations.

In the free text response to the survey with communities several stores mentioned supporting flood victims through free food or vouchers. Other free text responses made mention of donations to local sporting clubs, support for events in the community, community groups, and school programs and upgrades.

IGAs not only support local charities but are also engaged with charities at a national level through the IGA Community Chest Program. Independent grocers are also partnered with national charities like the McGrath Foundation, Special Olympics Australia, and St. Vincent DePaul.

On average, each survey respondent supported over 60 local organisations. If that is scaled to all stores, that would be almost 34,000 organisations supported across the country.

Survey respondents reported that their total estimated level of support for those organisations (across financial, time and in kind support) was almost \$56 million. If this was scaled to all stores it would be \$194 million of support each year that independent grocers donate to local organisations.



65% of survey respondents supported local schools or programs (with schools being the most commonly organisation type supported)



Even though local social organisations are the least likely named organisation supported 53% of respondents still supported at least one



When survey respondents supported schools they gave larger monetary donations compared to other listed organisations



Survey respondents supported over 4,700 local charitable organisations the most of any listed organisation in the survey



Survey respondents donated to over 9,700 organisations meaning on average a respondent supported over 60 organisations

Environmental contributions

Of the 149 respondents to the survey over half were engaged in at least one activity that was dedicated to reducing their impact on the environment. Respondents were given the option selecting:

- food waste reduction/food donations
- packaging reduction or sustainable packaging
- energy efficiency and reduction of energy use
- recycling.

The most popular environmental activity was recycling followed closely by energy efficiency.

In the free text description stores provided more information on their efforts to be more green. Three themes were raised by respondents:

- solar panels
- LED lighting
- battery recycling/collection.

Several other respondents highlighted their use of cardboarded boxes to reduce the use of plastics bags, the use of a chef to reduce food waste, better/more efficient refrigerators, and vertical farming innovation.



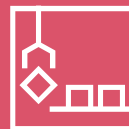
68% of respondents engage in recycling



57% of respondents engage in food waste reduction



67% of respondents engage in energy efficiency and reduction of energy use activities



58% of respondents engage in packaging reduction or sustainable packaging



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State impacts

Independent grocers' contribution to state and territory economies

New South Wales



NSW has 364 independent grocers including IGAs, Fresh Pantry, Village Grocer, SUPA, Local Grocer and a single Foodland in Broken Hill.



Contribution to GSP

Independent grocers contributed \$1,765 million to NSW GSP, \$593 million directly and \$1,172 million indirectly.



Contribution to employment

Independent grocers supported 27,200 jobs (in headcount) in NSW directly and indirectly. The majority (65% or 17,600) of the jobs created were directly supported by independent grocers' operations. The remainder, 9,600 jobs, were supported in the supply chain of independent grocers.



Environmental and social impacts

The majority, 60% of survey respondents with stores in NSW are engaged in good waste reduction and over 50% engaged in packaging reduction and sustainable packaging.

Over 60% of respondents in NSW reported supporting education programs while over 50% supported local charitable organisations.

Victoria



Victoria has 321 independent grocers including IGAs, SUPA, and the Local Grocer.



Contribution to GSP

Independent grocers contributed \$2,236 million to Victorian GSP, \$1,001 million directly and \$1,235 million indirectly.



Contribution to employment

Independent grocers supported 27,400 jobs (in headcount) in Victoria directly and indirectly. The majority (64% or 17,600) of the jobs created were directly supported by independent grocers' operations. The remainder, 9,800 jobs, were supported in the supply chain of independent grocers.



Environmental and social impacts

Over 80% of survey respondents with stores in Victoria are engaged in energy efficiency and reduction of energy use and 75% were engaged in recycling.

Victorian stores were the most likely across the board to support local community activities with over 70% of respondents supporting educational, social groups and charitable organisations and over 80% supported local sporting groups.

Independent grocers contribution to state economies

Queensland



Queensland has 217 independent grocers including IGAs, SUPA, and the Local Grocer.



Contribution to GSP

Independent grocers contributed \$1,678 million to Queensland GSP, \$546 million directly and \$1,132 million indirectly.



Contribution to employment

Independent grocers supported 19,400 jobs (in headcount) in Queensland directly and indirectly. The majority (10,100 or 52%) of the jobs created were directly supported by independent grocers' operations. The remainder, 9,300 jobs, were supported in the supply chain of independent grocers.



Environmental and social impacts

Over 50% of survey respondents from Queensland reported engaging in recycling and energy efficiency and the reduction of energy use.

Over 50% survey respondents in Queensland supported local sporting teams.

South Australia



South Australia has 164 independent grocers including IGAs, SUPA, the Local Grocer and Foodland.



Contribution to GSP

Independent grocers contributed \$850 million to South Australian GSP, \$292 million directly and \$558 million indirectly.



Contribution to employment

Independent grocers supported 10,900 jobs (in headcount) in South Australia directly and indirectly. The majority (58% or 6,300) of the jobs created were directly supported by independent grocers' operations. The remainder, 4,700 jobs, were supported in the supply chain of independent grocers.



Environmental and social impacts

Survey respondents from South Australia had the highest level of engagement with environmental activities with over 85% of respondents engaging in food waste reduction, packaging reduction or sustainable packaging, and recycling.

Over 75% of South Australian survey respondents supported educational or school programs and over 65% supported local charitable and social organisations.

Independent grocers contribution to state economies

Western Australia



Western Australia has 236 independent grocers including IGAs, SUPA, Local Grocer.



Contribution to GSP

Independent grocers contributed \$1,317 million to Western Australian GSP, \$447 million directly and \$871 million indirectly.



Contribution to employment

Independent grocers supported 16,600 jobs (in headcount) in Western Australia directly and indirectly. The majority (9,500 or 57%) of the jobs created were directly supported by independent grocers' operations. The remainder, 7,100 jobs, were supported in the supply chain of independent grocers.



Environmental and social impacts

Over 60% of survey respondents in Western Australia engaged in packaging reduction or sustainable packaging and energy and efficiency or the reduction of energy use.

Over 70% of survey respondents in Western Australia supported education or school programs and, local sporting teams and over 65% supported local social organisations and charitable organisations.

Tasmania



Tasmania has 87 independent grocers including largely consisting of IGAs which are licenced to use the brand from Metcash but source their trade goods through different wholesalers or independently.



Contribution to GSP

Independent grocers contributed \$197 million to Tasmanian GSP, \$114 million directly and \$83 million indirectly.



Contribution to employment

Independent grocers supported 3,300 jobs (in headcount) in Tasmania directly and indirectly. The majority (2,600 or 79%) of the jobs created were directly supported by independent grocers' operations. The remainder, 700 jobs, were supported in the supply chain of independent grocers.



Environmental and social impacts

Over 90% of Tasmanian survey respondents were engaged with food waste reduction and recycling. Over 80% reported engaging in packaging reduction or sustainable packaging.

Over 80% of Tasmanian survey respondents supported education or school programs and social organisations. Over 70% supported local sporting teams and charitable organisations.

Independent grocers contribution to state economies

Northern Territory



The Northern Territory has 11 independent grocers.



Contribution to GSP

Independent grocers contributed \$33 million to Northern Territory GSP, \$15 million directly and \$19 million indirectly.



Contribution to employment

Independent grocers supported 600 jobs (in headcount) in The Northern Territory directly and indirectly. The majority (400 or 67%) of the jobs created were directly supported by independent grocers' operations. The remainder were supported in the supply chain of independent grocers.



Environmental and social impacts

Due to limited information from the territories in the survey it's difficult to their social and environmental impacts of independent grocers. At the national level the most common environmental acts for store owners that responded to the survey said they were engaged in was recycling followed by energy efficiency. Education and school programs and sporting groups where to most commonly supported groups.

Australian Capital Territory



The Australian Capital Territory has 27 independent grocers.



Contribution to GSP

Independent grocers contributed \$121 million to Australian Capital Territory GSP, \$77 million directly and \$44 million indirectly.



Contribution to employment

Independent grocers supported 1,800 jobs (in headcount) in The Australian Capital Territory directly and indirectly. The majority (1,400 or 78%) of the jobs created were directly supported by independent grocers' operations. The remainder were supported in the supply chain of independent grocers.



Environmental and social impacts

Due to limited information from the territories in the survey it's difficult to their social and environmental impacts of independent grocers. At the national level the most common environmental acts for store owners that responded to the survey said they were engaged in was recycling followed by energy efficiency. Education and school programs and sporting groups where to most commonly supported groups.



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Appendix

Overall approach and data sources

Overall approach

This appendix sets out our approach to estimating the economic impact of independent grocers that either operate under a Metcash brand (including IGA and Foodland) or use Metcash as a wholesaler.

Our analysis used data provided from Metcash and a survey of IGA and Foodland stores owners (each explored below). In terms of timing, Metcash data was provided as at 1 May 2022 (and for the full year leading in to that date) and the survey asked for information as at 30 June 2022. As such, estimates throughout the report were made for the 2021-22 financial year.

Use of survey

Metcash licences its custodian brands to locally owned stores across Australia. Because they are locally owned stores Metcash has limited oversight of operational data. The use of a survey offers us the ability to gather data on employment numbers, turnover, and engagement with the local community.

The survey was written by PwC with input and review of questions from Metcash. The survey was then hosted by PwC and the link to respond was distributed through Metcash channels and relationship with stores. The survey was open from 8 July 2022 to 7 August 2022. Individual survey responses were not provided to Metcash and presented in aggregate in this report. The survey asked respondents:

- their number of stores and employees (headcount and FTE) by state
- dollar value of wages for employees
- approximate percentage of turnover to wages
- where they sourced non-Metcash supplies from
- information on their engagement with communities and environmental initiatives.

As an optional survey, the responses do not cover all stores. The level of responses (after data cleaning to leave only quality and sufficiently complete responses remain) is shown in Figure 16.

Figure 16: Summary of survey responses

Jurisdiction	Survey responses	Stores captured in survey responses	Total stores	Response rate of survey (percentage of stores captured)
New South Wales	23	67	364	18%
Victoria	33	105	321	33%
Queensland	62	144	217	66%
South Australia	9	38	164	23%
Western Australia	27	40	236	17%
Tasmania	11	14	87	16%
Northern Territory	0	0	11	0%
Australian Capital Territory	2	2	27	7%
National	149*	410	1,427	29%

Source: PwC analysis of survey data

*Note: Total number of responses is less than sum of states as some responses reported for stores in multiple states

As such, survey data was extrapolated to create an complete understanding of the direct and indirect impacts of independent grocers on Australia's economy, as covered in the following pages.

For all the states the survey responses were of sufficient detail that allowed us to use state specific survey results for the modelling. For the two territories, national average survey responses were used due to low response rate.

Overall approach and data sources

Data from Metcash

The following information was provided by Metcash:

- Store numbers (based on store snapshot as at 1 May 2022), by address state (physical location) and admin state (defined by Metcash including relationship to distribution centres). Information on branding and size of stores was also provided.
- Food teamscore, by department, which shows the percentage of retail sales that are Metcash supplied goods.
- Metcash sales to independent grocers, including pillar state, name of supplier, product department and category and wholesale value.

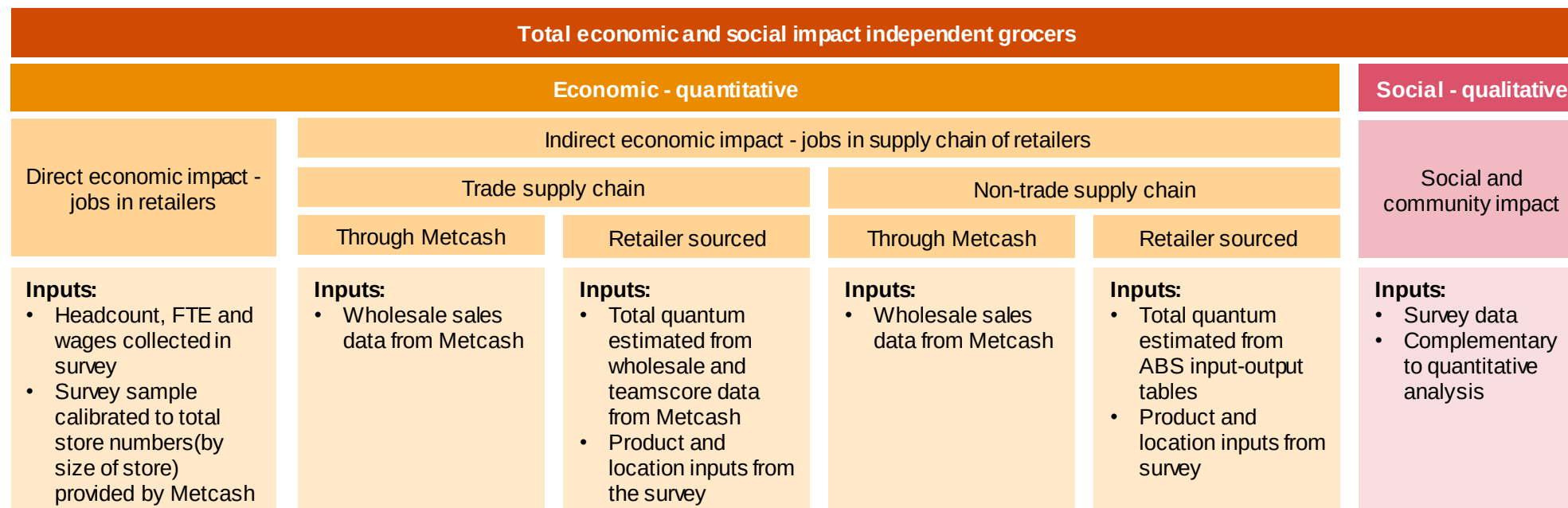
This data was used alongside the survey as the core inputs to our analysis.

Bringing sources together

The diagram below shows the individual components of our analysis and how the sources were brought together. Specific assumptions and approaches for each component is covered in the following pages.

Broadly:

- Direct impacts were mostly estimated from survey inputs, with Metcash data used only to calibrate to total
- Indirect impacts for trade supply chain mostly used Metcash data inputs, with some survey data for the retail sourced estimated
- Indirect impacts for non-trade supply chain and social impacts mostly used survey inputs.



Approach for direct and indirect impacts

Approach to gross value added measures

Total contribution to the economy in this report are gross value added (GVA) figures that are analogous to a measure of gross domestic or state product (GDP and GSP) supported by independent grocers. GVA is a standard measure of economic impact, and is generally less than an expenditure or output measure as the true economic value created (excluding the costs of intermediate inputs to production).

Throughout the calculations in this report (and approaches in sections below), GVA measures are calculated through a total factor income approach, which combines total compensation of employees (COE) with gross operating surplus (GOS) to provide a measure of value add of an activity.

Approach for estimating direct impacts

The key input for estimating direct impacts was employment data was supplied by store owners in the survey. In particular, this used responses to the survey questions on the number of stores owned, employees (by headcount and FTE), dollar value spend on wages, and percentage of turnover spend on wages.

As store numbers were provided by store size and state, we also analysed survey data grouped by store size. For analysis of the survey data we assumed that stores with up to \$5 million turnover are 'small', those with \$5 million to \$22 million turnover are 'medium' and those with over \$22 million turnover are 'large'. These assumptions were set based on clusters in the survey data and were sense checked against operational understanding from Metcash. We also separated out survey responses that were representative of large ownership 'groups' of stores that therefore could not put in to a single size of store.

We then used this to estimate the average number of employees by store size in each state (and for indicative 'groups') which helped created a more accurate assessment of the number of stores in each state.

This was then scaled to total number of stores by size in each state as estimated for Metcash data to estimate total direct jobs supported by state. As above, for the two territories, national average survey responses were used to avoid relying on small sample sizes.

To estimate GVA measures to correspond to direct jobs we used estimated wages per store by state and store size, which was then scaled to total wages using store numbers. This was used as an estimate of COE and ratios from Australian Bureau of Statistics (ABS) Australian National Accounts: Input-Output Tables (IO tables) was then used to scale COE to total GVA.

Approach for estimating indirect impacts

As per the diagram on the previous page, indirect impacts were estimated in four components, defined by if the supply chain was for trade goods or non-trade goods and services and if the supply chain was facilitated through Metcash or through the retailer.

While the overall analysis approach was similar between trade and non-trade supply chains, the analysis was examined and communicated separately because the two types of suppliers:

- have different industry profiles – trade suppliers are mostly agricultural or manufacturing, as inputs to production, whereas non-trade suppliers come from almost every industry
- different regional profiles – not only are different goods and services produced in different places, they also likely have different local connections to stores. For example, trade supply through Metcash might be sourced nationally but through retailer is from closer by. Some non-trade goods (such as equipment) are likely sourced nationally, services like cleaning and tradespeople are likely sourced locally.

Therefore, they can have significant different economic returns in different locations.

The approach for each of the four types of supply chain impacts is discussed in turn below, as they have varying inputs.

Approach for trade supply chain impacts

Estimating impact of trade supply chain facilitated through Metcash

The main input for this estimate was wholesale sales data supplied by Metcash. The following assumptions were made to use that data:

- It was assumed that the Metcash identified 'pillar state' was the state that the goods were produced in. This is imperfect, as goods may be shipped interstate to a Metcash pillar state distribution centre. However, in absence of supplier specific information it was deemed to be reasonable, as the national spread of Metcash distribution centres means the goods are likely to go to the closest one.
- Any wholesale items marked as import by Metcash are assumed to not be locally produced and have no Australian economic impact.
- Goods marked 'other' category are assumed to be non-trade goods on advice from Metcash.
- All data was mapped to a detailed industry in the IO tables by PwC based on the department and category descriptions provided by Metcash.
- Wholesale values were converted to producer sales values based on data from the IO tables.

The assumptions above resulted in producer sales data by state and detailed industry. ABS IO tables were then used to calculate weight from the GVA to total expenditure in each of the detailed industry categories in each state. These individual GVAs were then summed across products to give a total GVA for each state.

Headcount and FTE estimates were calculated using ABS IO data on ratio of jobs to GVA in each detailed industry.

Estimating impact of trade supply chain facilitated through individual retailers

The first step in this approach was to estimate the total value of the trade supply chain not facilitated through Metcash:

- For all stores except those in Tasmania, they were estimated using the team score and wholesale sales data from Metcash. As the dollar value of supply chain facilitated through Metcash and the proportion of total sales that makes up is known, this can be used to solve for the remainder.
- For Tasmania, this was estimated using turnover data from the survey and average trade supply chain to turnover from stores in other states.

That trade supply sales data was mapped to location of selling store using store numbers provided by Metcash. Total sales was split by relevant industry using survey data and data from ABS IO tables.

Survey data was then used to estimate the proportion of that value that was sourced in state, from the rest of Australia and internationally. The following assumptions were then used:

- Where survey respondents reporting sourcing the good in the same state as store, that activity was assigned to location based on store numbers.
- Where the survey respondents reporting sourcing the good in the rest of Australia, the values were spread across the other states using intensity of production from ABS Australian Industry data. For example, if a NSW store reported sourcing manufactured goods from the rest of Australia, that was spread across the other seven states and territories depending on their national share (excluding NSW) of current manufacturing industry.
- Where the survey respondent reporting sourcing the good internationally that was assumed to have no Australian economic impact.

That sales value was then converted to GVA and employment estimates in the same way as Metcash trade supply chain above.

Approach for non-trade supply chain impacts

Estimating impact of non-trade supply chain facilitated through Metcash

The main input for this estimate was wholesale sales data supplied by Metcash. The following assumptions were made to use that data, consistent with the trade supply chain analysis:

- Only goods marked as 'other' were assumed to be non-trade goods on advice from Metcash.
- It was assumed that the Metcash identified 'pillar state' was the state that the goods were produced in. This is imperfect, as goods may be shipped interstate to a Metcash pillar state distribution centre. However, in absence of supplier specific information it was deemed to be reasonable, as the national spread of Metcash distribution centres means the goods are likely to go to the closest one.
- Any wholesale items marked as import by Metcash are assumed to not be locally produced and have no Australian economic impact.
- All data was mapped to a detailed industry in the IO tables by PwC based on the department and category descriptions provided by Metcash.
- Wholesale values were converted to producer sales values based on data from the IO tables.

The assumptions above resulted in producer sales data by state and detailed industry. ABS IO tables were then used to calculate weight from the GVA to total expenditure in each of the detailed industry categories in each state. These individual GVAs were then summed across products to give a total GVA for each state.

Headcount and FTE estimates were calculated using ABS IO data on ratio of jobs to GVA in each detailed industry.

Estimating impact of non-trade supply chain facilitated through individual retailers

The first step in this approach was to estimate the total value of the non-trade supply chain not facilitated through Metcash. This was estimated using industry ratios of expenses to estimate the suppliers not already captured in the other three components.

That non-trade supply sales data was mapped to location of selling store using store numbers provided by Metcash. Total sales was split by relevant industry using survey data and data from ABS IO tables.

Survey data was then used to estimate the proportion of that value that was sourced in state, from the rest of Australia and internationally. The following assumptions were then used consistent with the trade supply chain analysis:

- Where survey respondents reporting sourcing the good in the same state as store, that activity was assigned to location based on store numbers.
- Where the survey respondents reporting sourcing the good in the rest of Australia, the values were spread across the other states using intensity of production from ABS Australian Industry data. For example, if a NSW store reported sourcing manufactured goods from the rest of Australia, that was spread across the other seven states and territories depending on their national share (excluding NSW) of current manufacturing industry.
- Where the survey respondent reporting sourcing the good internationally that was assumed to have no Australian economic impact.

That sales value was then converted to GVA and employment estimates in the same way as trade supply chain above.

Understanding supplier results

Estimating supplier numbers

Total number of organisations in the trade and non-trade supply chains was estimated as complementary analysis to employment and GSP supported. Number of supplying organisations is complementary only, as not all activity in those organisations may be supplying independent grocers and it is subject to potential double counting (explored below). As such, supported employment and GSP should be seen as the more accurate measures.

The number of organisations in the supply chain facilitated through Metcash was estimated from the wholesales sales data provided by Metcash. As that data did not have unique supplier identifiers (such as an ABN) used consistently throughout, we estimated the number of suppliers based upon a few assumptions, as follows:

- We separated trade suppliers (all categories except 'other') and non-trade suppliers ('other' category).
- For each of those lists, we filtered out duplicate names of suppliers, where either the name was identical, or could be reasonably assumed to be same organisation (i.e. two entries, one with organisation full name and one with shortened version were assumed to be one organisation only).

As this had to be a somewhat manual process, it does have the potential to overcount where one organisation was referred to in multiple ways.

For the number of organisations in the retailer sourced supply chain, we estimated by taking survey responses to the question 'approximately how many local and regional suppliers do you source trade and non-trade goods and services from?' for all surveyed stores and scaling to total number of stores. There is potential for overcounting in this approach (if several survey respondents all counted 'Organisation X' in their count of suppliers), or if retailers directly source goods from an organisation that also supplies to Metcash. As such, this should be seen as a high level estimate only.

Understanding indirect estimates

The job impact (measured as a headcount of people employed) associated with the trade and non-trade supply chain was calculated from sales and/or dollar value inputs, as explored on previous pages.

As such, indirect job estimates are a modelled result based on the supplier information from Metcash and survey data together with assumptions from ABS economic data. It is important to note that this is not the total employment of all independent grocers' suppliers, but that is just that employment that is related to contracts with Metcash and independent grocers. Some suppliers may only have contracts with Metcash and independent grocers, so this is likely their full employment, but most suppliers may only sell a proportion of their products to Metcash and independent grocers so this is only a proportion of their employment.

The GVA and jobs supported through both types of suppliers are referred to as being 'indirectly' created by independent grocers, in economic terms. This means they are not created within the store or organisation of store owners, but reflect what is supported in other organisations due to that interaction with independent grocers.

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