



Competition Bureau  
Canada

Bureau de la concurrence  
Canada

Canada



# CANADA NEEDS MORE GROCERY COMPETITION

COMPETITION BUREAU RETAIL  
GROCERY MARKET STUDY REPORT

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Cat. No. Iu54-124/2023E-PDF  
ISSN 978-0-660-49075-5

Date: 2023-06-27

**Aussi offert en français sous le titre** *Le Canada a besoin de plus de concurrence dans le secteur de l'épicerie : Rapport de l'étude de marché sur l'épicerie de détail du Bureau de la concurrence*

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# EXECUTIVE SUMMARY

Canada's grocery industry is concentrated. Most Canadians buy groceries in stores owned by a handful of grocery giants. In 2022, Canada's three largest grocers—Loblaws, Sobeys, and Metro—collectively reported more than \$100 billion in sales and earned more than \$3.6 billion in profits.

For new players and regional independents, the Canadian grocery industry is tough to break into. Canada is a big country and opening new grocery stores<sup>1</sup> is expensive and difficult. The industry's big players operate thousands of stores and are well entrenched in the shopping habits of Canadians.

In recent years, industry concentration has increased, and it has become more difficult than ever for businesses to enter, expand, and compete effectively. Furthermore, the price Canadians pay for groceries has been rising fast. Factors such as higher input costs, Russia's invasion of Ukraine, and supply chain disruptions have contributed to recent increases in the price of food. But we have also seen a longer-term trend that pre-dates those events, of Canada's largest grocers increasing the amount they make on food sales.

Canada needs solutions to help bring grocery prices in check. More competition is a key part of the answer.

## ON OUR USE OF PLAIN LANGUAGE

This report uses language that is different from the Bureau's previous market study reports. Communicating clearly and accessibly with the public promotes transparency and accountability in the Bureau's work. It also encourages compliance with the law and promotes awareness of important issues which may impact consumers and businesses. The Bureau is committed to using plain and accessible language wherever possible.

<sup>1</sup> Throughout this report, the terms "grocer", "grocery store", "retailer", and "supermarket" are used interchangeably to describe large domestic grocery chains, independent grocery retailers, as well as international grocery retailers.

## OUR RECOMMENDATIONS

Competitive markets empower consumers and drive businesses to lower prices, improve product quality, innovate, and bring valuable new products to market. In this report, we make four recommendations to governments to improve competition in the grocery industry. They are designed to be flexible and provide principles-based guidance on actions that federal, provincial, and territorial governments across Canada can take. The Bureau recognizes that governments will need to consider and weigh other factors in deciding whether, and if so, how to implement these recommendations. However, the Bureau is committed to collaborating with decision-makers to help advance our recommendations in the most pro-competitive way possible.

Our recommendations are as follows:

- 1. Canada needs a Grocery Innovation Strategy aimed at supporting the emergence of new types of grocery businesses and expanding consumer choice.** There are new businesses that want to disrupt how the industry works, including by selling groceries to Canadians online. Governments at all levels should work together to encourage the emergence of new types of grocery businesses that are willing to take risks to shake things up.
- 2. Federal, provincial, and territorial support for the Canadian grocery industry should encourage the growth of independent grocers and the entry of international grocers into the Canadian market.** There are a number of important independent grocers across Canada who already compete against Canada's grocery giants. However, given their relative scale, they face real challenges growing into national competitors. To encourage more competition in the industry, governments should implement policies that support the growth of independents, as well as the entry of international and discount grocers. The entry of new competitors and growth of existing independents would increase competition, empower consumers, and drive businesses to lower prices, improve product quality, and innovate.
- 3. Provincial and territorial governments should consider introducing accessible and harmonized unit pricing requirements.** It is difficult to compare prices on even a few items between different grocery stores. Canadians need tools to help them compare grocery prices and empower them to make informed purchasing decisions. This information is key to shop better and shop smarter, and to encourage more competition in the industry. To achieve these goals, provincial and territorial governments should consider working together to develop and implement accessible and harmonized unit pricing requirements.
- 4. Provincial and territorial governments should take measures to limit property controls in the grocery industry, which could include banning their use.** Property controls limit how real estate can be used by competing grocers. They make it difficult, or even impossible, for new grocery stores to open, which reduces competition in communities.

The Bureau also needs to approach its work in the grocery industry with heightened vigilance and scrutiny to ensure that Canadians benefit from greater choice and more affordable groceries. We need to thoroughly and quickly investigate allegations of wrongdoing, and [we need the power to act](#) when issues arise. Therefore, in addition to the above recommendations for governments across Canada, the Bureau commits to taking the following three steps to better promote competition in the Canadian grocery industry:

- 1. Approach our work in the Canadian grocery industry with heightened vigilance and scrutiny.**
- 2. Provide a pro-competitive perspective to support the implementation of Canada's grocery code of conduct.**
- 3. Revisit the findings of this study in three years to assess progress on recommendations made to government.**

Change will take time. These solutions will not bring Canadians' grocery bills down immediately. But by acting now, governments at all levels can take steps toward creating a more competitive grocery industry in Canada.



# MAKING THE CASE FOR MORE GROCERY COMPETITION

Why does competition matter? In a nutshell, [competition is the driver of Canada's economy](#). When our economy is more competitive, Canadian businesses and consumers benefit in meaningful ways.

Competition pushes businesses to innovate, to improve the products and services they offer, and to enhance the efficiency of their operations. When these things happen, consumers benefit from increased choice, higher quality goods and services, and lower prices.

Competition matters in all industries and sectors of our economy, but why is it so important in the grocery industry?

Canada's grocery industry is [concentrated](#). It can be difficult for small and medium-sized businesses to compete effectively against Canada's grocery giants. It is also challenging for new businesses to enter the industry successfully.

Without changes in the competitive landscape, Canadians will not be able to fully benefit from competitive prices and product choices.

So what is the solution? In our view, **Canada needs more grocery competition**.

Governments at all levels need to take steps to encourage and support more grocery competition in Canada. We have laid out a path to do so in this report.



# ABOUT THE COMPETITION BUREAU

The [Competition Bureau](#) is an independent law enforcement agency that protects and promotes competition for the benefit of Canadian consumers and businesses.

The Bureau's activities are focused on those two key terms: protect and promote. To protect competition, we investigate potential breaches of the [Competition Act](#) and take appropriate action to remedy any harm. To [promote competition](#), we work with businesses and governments across Canada to champion the key role of competition in the Canadian economy.

Market studies, like this one, are one way that the Bureau works to promote competition. Through this study, we have not investigated any specific allegations of wrongdoing. Instead, we have studied the grocery industry to understand its competitive dynamics and to explore ways that governments across Canada can act to promote greater grocery competition.



## THE BUREAU'S LAW ENFORCEMENT MANDATE

In the law enforcement context, the Bureau is an investigative body, much like the police. Our job is to collect evidence and investigate potential breaches of the *Competition Act*.<sup>2</sup> Proving that a person or business has violated the law requires solid evidence that can stand up to scrutiny.

The *Competition Act* sets out specific conduct—or anti-competitive behaviour—that we investigate. In general terms, this conduct can include:

- ❑ [Price fixing and bid rigging](#)—when competitors agree to avoid competing by agreeing to set the same prices for goods or services or agreeing that a specific supplier will win a contract.
- ❑ [Deceptive marketing](#)—when businesses deceive consumers by advertising or marketing products and services in ways that are false or misleading.
- ❑ [Mergers](#)—when one business buys another and harms competition in the marketplace.
- ❑ [Abuse of Dominance](#)—when dominant businesses engage in conduct that hurts competition in the marketplace.

Of course, these are just quick summaries of what we look for. The *Competition Act* is very specific about the type of conduct that may raise concern. We take action when we have sufficient evidence that a person or business has violated the law.

## COMPETITION PROMOTION: HELPING GOVERNMENTS CREATE MORE COMPETITION

It's not just businesses that take actions that affect competition. Different levels of government can pass laws, policies, and regulations that sometimes make it harder for businesses to compete. As an example, laws that require Canadian ownership of businesses might stop foreign competitors from entering a market, which would reduce the choices available to Canadians and the competitiveness of the market.

There may be good reasons to pass such laws—such as ensuring Canadian control of our supply of an important product. But they also come at a cost, as less choice for consumers and competition can lead to higher prices.

Our retail grocery market study falls under our efforts to promote competition. When we do market studies, we examine an industry to see whether there are ways to improve competition. We do this so that we can suggest ways that governments can work to make competition better for Canada.

<sup>2</sup> In addition to the *Competition Act*, the Bureau also enforces the [Consumer Packaging and Labelling Act](#), the [Textile Labelling Act](#), and the [Precious Metals Marking Act](#).





# HOW WE COLLECTED INFORMATION

## For This Study

Market studies allow the Bureau to examine the competitive dynamics of an industry in an in-depth, holistic way. However, market studies are a bit different than other Bureau activities. When conducting law enforcement investigations, the Bureau can get court orders that compel businesses and people to give us information. For market studies, we do not have this ability. Instead, we generally have to rely on information that is publicly available or provided voluntarily.

In this study, we wanted to hear from consumers, given the impact of rising grocery prices on all Canadians. We used the Privy Council Office (PCO) Survey on Current Issues to assess Canadians' attitudes and behaviours toward grocery shopping and solicited consumer perspectives on our website. The feedback received informed how we conducted the study and the issues we focused on.

Of course, in conducting this study, we also spoke to a variety of grocers, both in Canada and internationally. Many grocers were happy to speak with us, and we appreciate their candour and assistance with our study. Others were more reluctant to share information with the Bureau. This did limit our ability to fully answer some questions that are top of mind for Canadians, in ways that we discuss later in this report. Nevertheless, the absence of this information did not prevent us from identifying important ways in which grocery competition could be increased.

In addition to consumers and grocers, we benefited from speaking with a number of governments and agencies across Canada and internationally. We spoke with governments in Canada to understand how our current laws, policies, and regulations affect grocery competition. We also spoke to a number of international competition agencies to understand the steps that they have taken to increase grocery competition in their jurisdictions, and how these could be applied to Canada.

We also worked with independent financial and retail experts. These experts helped the Bureau to better understand how certain industry-specific practices affect competition in the grocery industry.

It's important to note that our focus in this study was on retail grocery competition. We did not focus on issues relating to the purchase of groceries from suppliers, unless they had an impact on retail competition. Although the Bureau recognizes that the relationship between retailers and suppliers can affect the competitive dynamics of the industry, competition law in Canada does not regulate imbalances in bargaining power, and this aspect of the industry is subject to the establishment of a code of conduct that is currently being negotiated among key stakeholders. The Bureau has previously [investigated](#) the business practices of certain grocers in their dealings with suppliers, and will not hesitate to take appropriate action should there be evidence of any conduct that could violate the *Competition Act*.



# PUBLIC OPINION:

## Survey Results and What We Learned

## KEY TAKEAWAYS

- ❑ **As part of this study, we used the PCO Survey on Current Issues to assess Canadians' attitudes and behaviours toward grocery shopping.**
- ❑ **From this survey, we learned some key facts:**
  - Proximity matters: most Canadians buy groceries from stores located near their home.
  - Consumers living in urban areas have significantly more options than those located in rural and remote areas of Canada.
  - Supermarkets are still the main option for consumers, but more Canadians are buying groceries online.
  - Loyalty programs are an important driver of consumer choice.

To inform this study, the Bureau used the PCO Survey on Current Issues. We asked the PCO to include eight questions on their questionnaire to assess Canadians' attitudes and behaviours toward grocery shopping. This survey was conducted by telephone with a random sample of 1,000 Canadians through two waves from January 23 to January 29 and from January 30 to February 5, 2023.<sup>3</sup>

The Bureau was interested in learning about how and where Canadians shop for their groceries. Responses to the PCO's survey helped us focus our analysis on what is most important to Canadians. Below, we have presented the survey results. We examine what they tell us about certain identity factors and how they may impact the ways in which Canadians buy their groceries. We then interpret these results and consider how they may affect our thinking about grocery competition in Canada.

<sup>3</sup> A sample of this size has a margin of error of 3.1 percentage points ( $\pm 3.1\%$ ) 19 times out of 20. All data have been weighted to ensure that the sample distribution reflects the actual Canadian adult population according to Statistics Canada census data.

## PUBLIC OPINION SURVEY RESULTS

### HOW OFTEN DO YOU BUY GROCERIES?

|                        |     |
|------------------------|-----|
| Everyday               | 3%  |
| 2-3 times per week     | 37% |
| Once a week            | 44% |
| Once every two weeks   | 11% |
| Once a month           | 2%  |
| Less than once a month | 1%  |
| I do not buy groceries | 2%  |

### WHAT STORES DO YOU TYPICALLY GO TO WHEN BUYING GROCERIES?

|                                     |     |
|-------------------------------------|-----|
| Loblaws and the stores they operate | 49% |
| Sobeys and the stores they operate  | 28% |
| Walmart                             | 25% |
| Metro and the stores they operate   | 22% |
| Costco                              | 18% |
| Other grocery stores                | 28% |

### IN THE PAST 3 MONTHS, HAVE YOU BOUGHT GROCERIES USING THE FOLLOWING?<sup>4</sup>

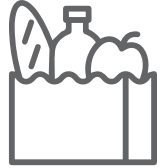
|  |     |
|--|-----|
| Third-party grocery delivery service (e.g. Instacart)          | 17% |
| Order online with curbside pickup                              | 12% |
| Online order with home delivery service from the grocery store | 9%  |
| Meal prep delivery services (e.g. GoodFood)                    | 8%  |
| Dark stores or online-only retailers (e.g. Buggy, SPUD)        | 2%  |

### HOW OFTEN DO YOU VISIT MULTIPLE GROCERY STORES IN ORDER TO FIND THE BEST PRICE?

|            |     |
|------------|-----|
| Never      | 21% |
| Sometimes  | 41% |
| Often      | 21% |
| Very often | 17% |

## THE VAST MAJORITY (81%)

of Canadians said they buy groceries one to three times per week.



## ABOUT HALF (49%) OF CANADIANS

said they shop at Loblaws or a store they operate.



## 30%

of Canadians said that they have used at least one online option in the past three months.



## MOST CANADIANS (79%)

said that they visit multiple grocery stores to find the best price at least sometimes.



<sup>4</sup> Figures represent the percentage of respondents who said "yes" to the options presented.



**HOW DO YOU USUALLY GET TO THE GROCERY STORE?**

|                    |     |
|--------------------|-----|
| By car             | 83% |
| On foot            | 10% |
| By public transit  | 5%  |
| By bike or scooter | 1%  |
| Other              | 1%  |

**BASED ON THE MODE OF TRANSPORTATION YOU USUALLY USE TO GET TO THE GROCERY STORE, HOW MANY GROCERY STORES ARE LOCATED WITHIN 15 MINUTES OF YOUR HOME?**

|      |     |
|------|-----|
| None | 5%  |
| 1-2  | 24% |
| 3-5  | 40% |
| 6-10 | 22% |
| 11+  | 5%  |

**DO YOU HAVE A LOYALTY CARD OR POINTS CARD FROM A GROCERY STORE?**

|     |     |
|-----|-----|
| Yes | 75% |
| No  | 25% |

**ARE YOU MORE LIKELY TO BUY YOUR GROCERIES AT A GROCERY STORE TO WHICH YOU POSSESS A LOYALTY OR POINTS CARD?**

|                           |     |
|---------------------------|-----|
| Yes, much more likely     | 34% |
| Yes, somewhat more likely | 28% |
| No, not more likely       | 38% |

# HOW DO SOCIAL, ECONOMIC AND CULTURAL FACTORS SHAPE THE WAY CANADIANS BUY GROCERIES?

To be truly effective, competition policy needs to consider how different social, economic, and cultural factors interact and affect diverse groups of Canadians. Like other organizations around the world, including the [Organisation for Economic Co-operation and Development](#), the Bureau is moving toward [more inclusive competition law enforcement and promotion](#). By considering these factors in our work, we can protect and promote competition for consumers and businesses more effectively, while also helping build a more inclusive economy. The tools we used are founded on Gender-Based Analysis Plus (GBA Plus).<sup>5</sup>

The Bureau has taken steps to become more inclusive in its information gathering and analysis because this can affect how we think about competition. For example, more comprehensive information can better inform us about how diverse groups of consumers make purchasing decisions. Likewise, it can contribute to the Bureau's understanding of how competition can benefit and harm diverse groups of consumers. This helps inform our decision-making, including how we prioritize our work.

A key part of this work is gathering information—consulting and engaging diverse groups of Canadians, and where possible, seeking rich, disaggregated data to inform our competition enforcement and promotion activities. Our engagement with Canadian consumers as part of this study is just one example of our efforts in this area.

## SURVEY FINDINGS FROM A GENDER-BASED ANALYSIS PLUS LENS

The Bureau applied a GBA Plus lens to the PCO's survey results.<sup>6</sup> This analysis presented some interesting findings:

- ❑ When it comes to **shopping for groceries**, Canadians living in urban areas said they are less likely to visit multiple grocery stores in order to find the best price. Younger Canadians (aged 18-34 years) also said they are more likely than others to have used a third-party service or a grocery store's online service to shop for groceries.
- ❑ In terms of **grocery store proximity**, lower-income Canadians (earning less than \$40,000 a year) and those living in rural areas said that they are more likely to have fewer than three grocery stores within 15 minutes of their home.<sup>7</sup>
- ❑ Survey results also show that **mode of transportation** varies based on certain socio-economic characteristics. Lower-income Canadians and those aged 18-34 years are more likely to walk or use public transit to get to the grocery store.
- ❑ **Loyalty or points cards** are more popular among women. Lower income (earning less than \$40,000 a year) and younger Canadians (18-34 years) are less likely to have a loyalty or points card from a grocery store. However, of the 75% of Canadians that said they have such a card, immigrants (72%) and those aged 18-34 years (79%) said they were at least somewhat more likely to buy their groceries at a store where they have a loyalty or points card.

<sup>5</sup> GBA Plus is a process that helps us assess how diverse groups may experience government policies, programs and initiatives. GBA Plus considers a wide range of intersecting identity factors like race, ethnicity, religion, age, income, geography, and much more. By using GBA Plus, we can be more inclusive and thorough in our approach. For more information, please consult Women and Gender Equality Canada (2022), [What is Gender-based Analysis Plus](#).

<sup>6</sup> The data collected from this survey was segmented in eight sociodemographic categories: by region, rural or urban area, gender, age group, level of education, household income, family situation, and immigration status. Only statistically significant results (confidence interval above 95%) are presented in this report.

<sup>7</sup> To determine grocery store proximity, survey respondents were asked, "Based on the mode of transportation you usually use to get to the grocery store, how many grocery stores are located within 15 minutes of your home?" Mode of transportation will vary by respondent, and is based on responses to the question, "How do you usually get to the grocery store?"

# WHAT WE LEARNED ABOUT GROCERY COMPETITION FROM CANADIANS

We learned a lot from this survey. The responses from Canadians have helped us better understand the factors that drive consumer decision-making when it comes to grocery purchases.

Ultimately, the Bureau drew five conclusions about consumer behaviour in the grocery industry from these results.<sup>8</sup> Each is discussed in greater detail below:

## 1. PROXIMITY MATTERS

Consumers tend to stay close to home when thinking about grocery options. This makes a lot of sense, as the extra time, effort, and expense of travelling farther will tend to offset any cash savings they get.

A simple example is a staple item, like a bag of potatoes. How far would a person travel to save even \$1 on a 5 lb bag of potatoes? Would they drive to the next town over? If the answer is no, then that store probably isn't actually a competitive option for them.

Things are a bit more complicated when we consider decision-making around buying a week's worth of groceries. Some items may be cheaper at a local store, and others more expensive relative to a store that is further away. Does the average Canadian sit down and price compare dozens of items across a number of stores? Or will they simply limit their shopping to a smaller number of local options?

It is important that we get these answers right. If individuals only ever shop within 20 minutes of their home, it would be wrong for us to consider a store 30 minutes away as being a meaningful competitor. Doing so would leave us with the conclusion that there was more competition than there really is.

## 2. THE DEGREE OF GROCERY COMPETITION IN URBAN AND RURAL COMMUNITIES VARIES IN MEANINGFUL WAYS

When looking at the availability of grocery products, we often see very different results when comparing cities to smaller towns or rural communities. In a city, residents might easily have five or more grocery stores within 20 minutes of their house. Those who live in a small town or a rural community said that they have much fewer options.

## 3. SUPERMARKETS ARE STILL THE MAIN OPTION FOR CONSUMERS ...

The vast majority of Canadians said that, when it comes to buying groceries, they primarily shop at grocery stores. That might seem obvious, but it's important to test our preconceived notions to see if they are supported by evidence.

A simple example comes from buying a box of cereal. Of course, you can find options in any grocery store. But you could also get cereal from a number of convenience stores or pharmacies. If we only looked at cereal, we would think that there are many more options available than if we considered a broader basket of groceries.

## REMOTE, NORTHERN, AND INDIGENOUS COMMUNITIES

These differences also exist when we look at remote, northern, and Indigenous communities. Grocery prices are typically [much higher in these areas](#) than in urban areas. Higher transportation costs are a contributing factor, but the [lack of competitive options](#) also plays a role.

Most of Canada's grocery giants are either not present or have limited operations in these areas. Many residents [have access](#) to only one grocery store, or none at all. Although more competition, including from [online options](#), is unlikely to bring these communities the same prices that Canadians see elsewhere, it can help.

<sup>8</sup> Certain survey results reinforce findings from previous Bureau investigations and merger reviews in the industry. For example, following a review of [Sobeys' acquisition of Safeway](#) in 2013, the Bureau found that "[c]onsumers choose where to do their full-line grocery shopping based on a number of factors, including convenience and the proximity of the grocery store to their home."

This helps us focus our analysis. It tells us that there is something unique about supermarkets that consumers value when doing their weekly shopping. This could be how they price products, or the range of products they offer. Either way, it helps us focus on the competitive options that are most important to Canadians. And Canadians said that they prefer buying groceries in a supermarket format.<sup>9</sup>

#### 4. ... BUT ONLINE OPTIONS ARE BECOMING MORE IMPORTANT

About a third of Canadians said that they have used at least one online option to buy groceries in the past three months. This could represent a change in how some Canadians buy their groceries. In the past—prior to the pandemic—a much [smaller percentage of Canadians bought groceries online](#). Stakeholders told us they expect this number to keep growing.

Accordingly, in this study, we focused on the competitive role of online options, and how it might change in the near future. For now, supermarkets are still where most Canadians buy their groceries, but that might change.

#### 5. LOYALTY PROGRAMS DRIVE CONSUMER DECISIONS

Most of the major grocery retailers have [loyalty programs](#) that allow customers to earn points or rewards that can be used to purchase groceries and other products.

Consumers are encouraged to regularly shop at the same grocery store to earn points faster and benefit from special or targeted offers. In some cases, they may also be able to earn points by shopping at partner stores. As an example, Loblaw's [PC Optimum](#) program applies across a large network of stores, including both its supermarkets and Shoppers Drug Mart (or Pharmaprix in Quebec).

Loyalty programs can bring about lower prices for consumers—either through special offers or by redeeming points for cheaper groceries. They may also drive grocery stores to compete harder to lure customers away from another store that has a particularly strong loyalty program.

Based on the survey responses, we found that these programs have an important influence on consumer behaviour. Roughly three in five Canadians (61%) reported that they are more likely to shop at a grocery store where they can earn rewards points. We also found that loyalty programs were more popular with women, and more likely to affect the purchasing decisions of



immigrants. However, lower-income Canadians (earning less than \$40,000 a year) were less likely to have loyalty or points cards.

## HERE'S WHAT FOLLOWS

What we learned from this survey drives the rest of this report. We analyze competition between supermarkets, as that is where most Canadians do their grocery shopping. We look at online grocery options, as Canadians said that they are becoming more relevant for their shopping habits. And finally, we focus on the steps that can be taken to improve competition—be it by supporting the entry of new competitive supermarkets, or by empowering consumers with more and better information to help them find the most competitive deals.

<sup>9</sup> During its review of [Sobeys' acquisition of Safeway](#), the Bureau concluded that both companies competed for "the retail sale of a full-line of grocery products that allows consumers to purchase the complete range of their grocery needs in a single location." The Bureau characterized "full-line grocery stores" as those that "carry a wide variety of food items, such as bread and dairy products, refrigerated and frozen food and beverage products, fresh and prepared meats and poultry, produce (including fresh fruits and vegetables), shelf-stable food and beverage products (including canned and other types of packaged products), and staple foodstuffs. [These stores] typically also carry non-food items, such as household products." The idea of "one-stop shopping" appeals to many consumers, and can help explain why they may prefer to shop for groceries at supermarkets.



# THE STATE OF THE SUPERMARKET:

## Grocery Competition In Canada

### KEY TAKEAWAYS

- ❑ Canada's grocery industry is concentrated. Most Canadians buy groceries from one of five companies: Loblaws, Sobeys, Metro, Costco, and Walmart.
- ❑ Some Canadians have access to stores operated by independent grocers. However, this varies a lot depending on where they live.
- ❑ Independents face significant barriers in growing to become a competitive threat to the grocery giants.
- ❑ Without government support, we should not expect independent grocers to significantly expand in Canada in the near future.
- ❑ There is no quick fix to improve the state of competition in the Canadian grocery industry, but there are steps that all levels of government can take to improve the status quo.

The size of Canada's grocery giants is concerning to Canadians. A number of Canadians wrote to us saying they feel they lack choice in the grocery industry. They feel they are paying higher grocery prices than they should be.

Depending on where Canadians live, they may have access to more options. For example, in some parts of the country, there are competitive independent grocery stores. But this is very community-specific. Most independents operate on a local or regional basis. It can be very difficult for them to expand nationally, or for a new competitor to open grocery stores across Canada. It would take huge investments for a new competitor to catch up to the grocery giants.

There is no quick fix to improve the state of competition in the Canadian grocery industry. But more competition leads to lower prices for consumers. There are steps that all levels of government can take to help.



# CANADA'S GROCERY GIANTS

The largest grocery chains tower over Canada's grocery industry. In 2022, Loblaws, Sobeys, and Metro together reported more than \$100 billion in sales. Unlike Loblaws and Sobeys, which have stores across the country, Metro operates only in Ontario and Quebec. But all three companies have over 1,000 stores each, including franchised locations.<sup>10</sup> And, even if you don't shop at a store called Loblaws, Sobeys, or Metro, you may be shopping at another store that they own or are affiliated with.

Figure 1: Stores owned by or affiliated with Loblaws, Sobeys, or Metro



Costco and Walmart are the [next largest grocers](#) in Canada. While both companies have different business models and sell more than just food, they compete with Loblaws, Sobeys, and Metro for grocery sales. The success of Costco and Walmart across Canada has brought more choice to the grocery industry. But with only about 500 stores between them,<sup>11</sup> they are not an option in every community.

<sup>10</sup> For additional information regarding sales figures, store locations, etc., refer to the most recent annual documents for [Loblaws](#), [Sobeys](#) and [Metro](#).

<sup>11</sup> For additional information on the operations of Costco and Walmart see Costco Wholesale (2022), [Costco Wholesale 2022 Annual Report](#) and Walmart (2022), [Walmart 2022 Annual Report](#).

Loblaws, Sobeys, and Metro face less competition from standalone [discount grocery chains](#) than we see in some other countries. That's because in Canada, the large grocers also own many of the biggest discount stores: Loblaws owns No Frills and Maxi, Sobeys owns FreshCo, and Metro owns Food Basics and Super C (see Figure 1). This is different from other countries where large grocers compete against lower-priced options like [ALDI](#) or [Lidl](#).

Instead, Canadians looking for more choice may turn to independent grocery stores.

## INDEPENDENT GROCERS IN CANADA

According to the [Canadian Federation of Independent Grocers](#), there are about 6,900 independent grocery stores in Canada. Many of them are single-store, family-run operations with limited space and less variety than stores operated by the grocery giants. But there are also

independent chains with dozens of stores that compete head-to-head with the grocery giants. All of them play an important role in communities across Canada.

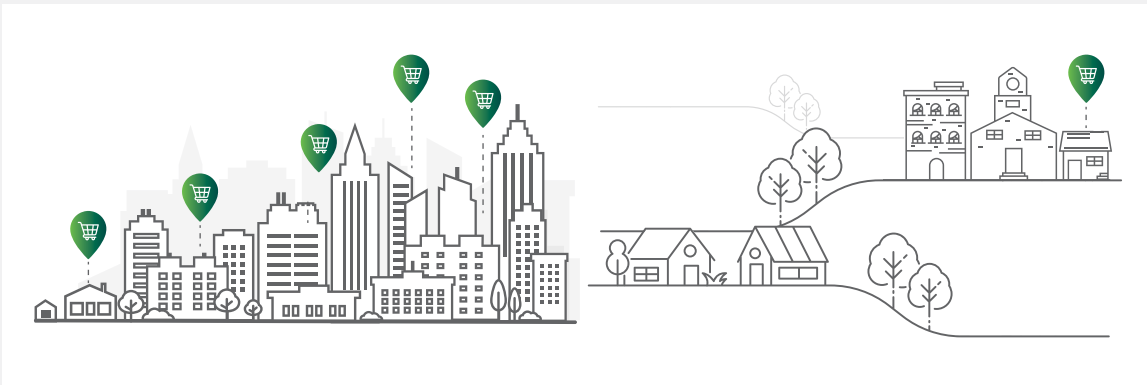
Independent grocers may compete by selling different products than the large retailers. For example, independent grocers focusing on the [sale of international foods](#) and other specialty products have found success in many parts of Canada. But they usually don't offer the same breadth of products available in supermarkets owned by the grocery giants.

Many independents may not be big enough to directly compete with the grocery giants on a national level. But some of the larger independent chains do so on a regional basis. For example, according to the PCO's survey, 23% of British Columbia residents do their shopping at Save-On-Foods, which operates [more than 175 stores](#) in Western Canada. However, even the biggest independents face challenges trying to compete against the grocery giants.



## DIFFERENCES BETWEEN RURAL AND URBAN COMMUNITIES

In some rural and remote areas of Canada, an independent grocery store may be the only local option. Canadians who live in urban areas typically have access to a larger number of grocery stores. But generally the further away from a city, the less choice Canadians have. This aligns with what we heard from Canadians through the PCO's survey.



## BARRIERS FACED BY INDEPENDENT GROCERS

We spoke to several independent grocers across the country. Most of them told us the same thing: it is difficult being an independent in Canada today. Here are just some of their concerns:

- ❑ **Consolidation makes it tougher for independents and new stores to stay in business.** Many independents are worried that large grocers keep buying up smaller chains like theirs, and that there won't be a future for small stores.
- ❑ **Many independents have to buy groceries from their competitors.** Unlike the grocery giants, most independents are not big enough to have their own warehouses or to buy directly from suppliers. Instead, many of them buy the grocery products they sell from the likes of Loblaws and Sobeys, which in addition to their retail stores, also have large wholesale businesses. According to independents, this dependency makes it more difficult for them to compete on price.

- ❑ **Large grocers are paid by suppliers to put their products on shelves.** Independent stores generally aren't, and that can put them at a disadvantage.
- ❑ **Finding access to real estate is challenging.** Grocery stores generally require a large, accessible space with lots of parking. Many of the locations that could support a new grocery store are already controlled by the grocery giants.

## CONCLUSION

For many Canadians, their main grocery options are supermarkets operated by Canada's grocery giants: Loblaws, Sobeys, Metro, Costco, and Walmart. Some Canadians may have independent options, depending on where they live, but many of these options are limited in their product selection, store locations, and other important competitive aspects. Independents play an important role in communities across Canada, but without government support, we should not expect them to significantly expand in the near future.



# CONSOLIDATION

## Among Canada's Grocers

Canadians are concerned that grocers keep getting bought out by their competitors, leading to fewer choices in their communities. We heard from some Canadians that Canada's laws do not do enough to stop deals that are bad for competition. Others feel the Bureau has just not done a good enough job enforcing those laws.

Over the past few decades, the Bureau has reviewed dozens of grocery mergers. We look at [merger review](#) as the first line of defence in the effort to protect competition. These reviews often involve a detailed analysis of how a merger may affect competition in local communities across Canada where stores are being acquired. This can involve reviewing hundreds of local areas to identify potential competition issues, and the analysis of data (e.g. postal code information) to determine where grocery stores' customers are coming from and the extent to which two or more stores compete against one another for the same customers. The Bureau typically seeks to identify whether there are other businesses that will continue to compete for grocery sales after a merger. The Bureau also tries to determine whether it is likely that new grocery stores will open in a community, and what challenges a competitor may face in doing so.

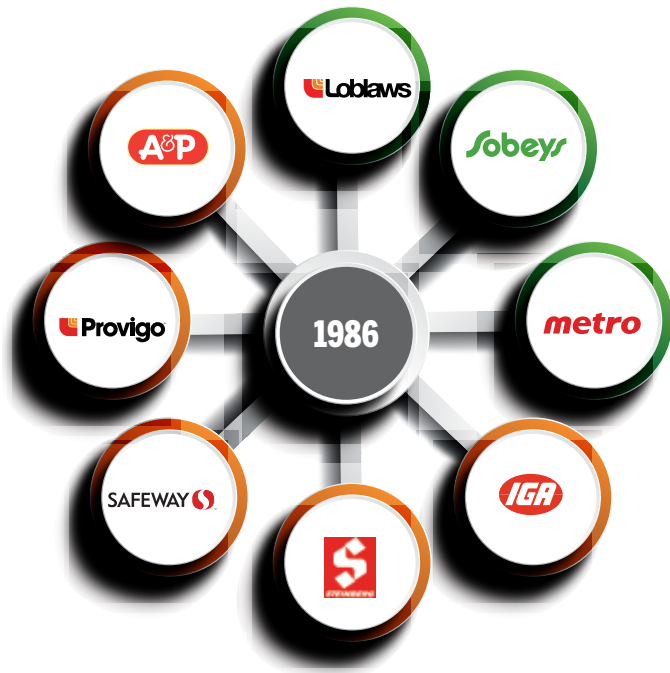
In addition to analyzing the effects of grocery mergers on local retail areas across Canada, the Bureau is also increasingly mindful of the growing bargaining power of retailers with their suppliers, and of the role of some retailers as suppliers to their competitors. This has been a focus in [previous reviews](#) and will continue to be.

It is our job to take action where we have solid evidence that a merger will significantly harm competition. For example, if we think a merger could make it easier for a grocery chain to charge significantly higher prices in certain areas, we would typically look to preserve competition by ensuring the sale of certain stores to other competitors.

# A HISTORY OF GROCERY MERGERS IN CANADA

When the *Competition Act* was introduced in 1986, there were at least eight large grocery chains across Canada. Each was owned by a different company.

**Figure 2:** Comparison of Canada’s retail grocery landscape in 1986 and 2023



Today, we are down to five large chains that operate in Canada:

- Loblaws;
- Sobey's;
- Metro;
- Costco; and
- Walmart.

Five of the large chains that were around in 1986 were bought by their competitors (see Figure 3):

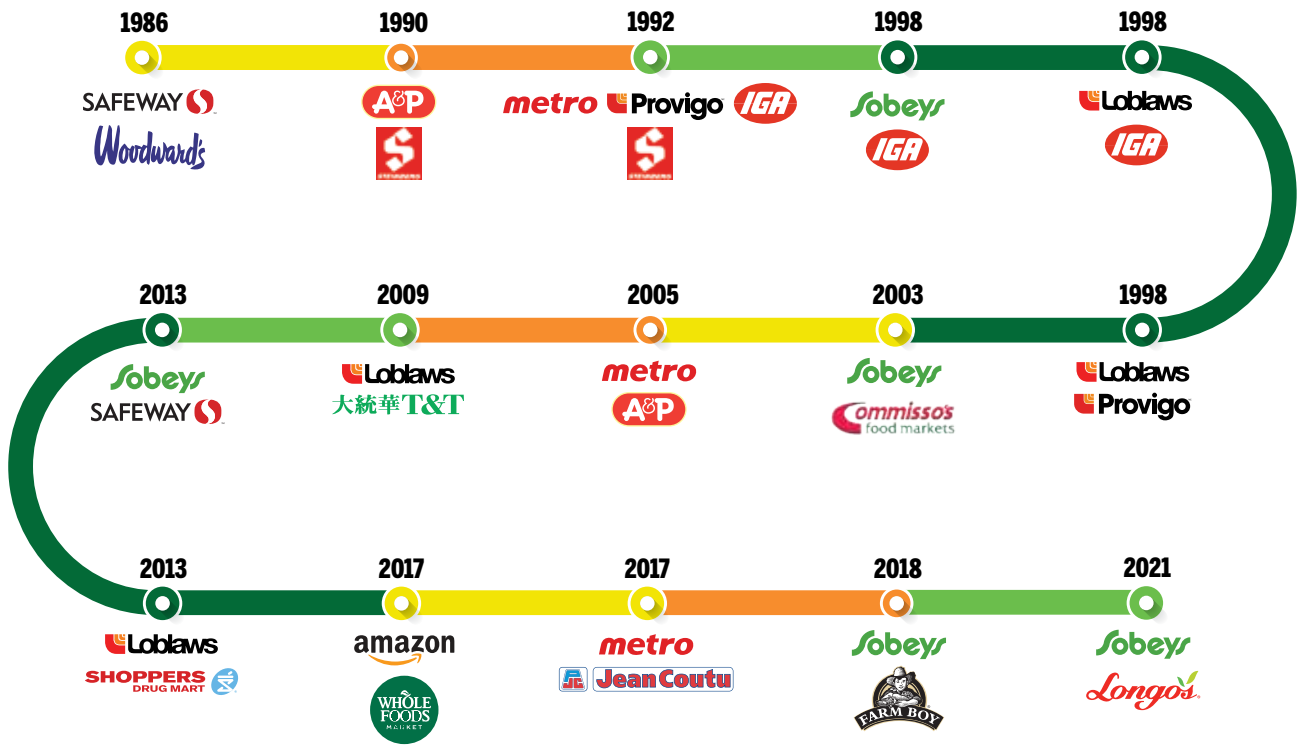
- Steinberg’s stores were sold to A&P, Metro, Provigo, and IGA;
- Provigo’s stores were sold to Loblaws;
- IGA’s stores were sold to Sobey's and Loblaws;
- A&P’s stores were sold to Metro; and
- Safeway’s stores were sold to Sobey's.

Two new large chains, Costco and Walmart, have entered or expanded during that time. But generally, there are fewer grocers today than there used to be.

# SO, HOW DID WE GET HERE?

Figure 3 shows some of the more notable grocery mergers that the Bureau has reviewed since 1986.

Figure 3: Timeline of notable grocery mergers reviewed by the Competition Bureau, 1986-present



## STEPS TAKEN BY THE BUREAU TO PROTECT GROCERY COMPETITION DURING MERGER REVIEWS

When the Bureau finds that a grocery merger is likely to harm competition in certain local areas, it will generally require the buyer to sell stores in those areas to ensure harm does not occur:

- For example, when Sobey's purchased Safeway in 2013, it agreed to sell 23 stores in British Columbia, Alberta, Saskatchewan, and Manitoba, pursuant to a legally binding [consent agreement](#). All of the stores were sold to independents, including Federated Co-operatives Limited, and Save-On-Foods.

- Similarly, when Loblaw's purchased Provigo in 1998, it was [required](#) to sell stores in 32 local areas in Ontario and Quebec, as well as two warehouses and Provigo's Loeb brand.

In some cases, the Bureau has also required grocers to agree to other remedies to protect competition. For example, when Loblaw's purchased Shoppers Drug Mart in 2013, it [agreed](#) to not enter into certain types of agreements with suppliers for up to five years after the transaction. This was in addition to the required sale of 18 stores and nine pharmacies.



## DO CANADA'S MERGER LAWS DO ENOUGH TO PROTECT COMPETITION?

Critics would note that the Bureau's focus on local grocery competition has allowed for a slow reduction in the number of grocers across Canada as the industry has consolidated. There is some truth to that.

As an example, when a big grocer buys up a small number of stores in urban areas, it is often difficult for the Bureau to stop them. Despite concerns often being raised when a big company buys a smaller competitor, the reality is that consumers typically only lose one of many alternative stores. [The law](#) in Canada typically will not allow the Bureau to intervene in these deals, as they are generally seen as unlikely to have a significant impact on prices and other dimensions of competition.

The Bureau can only stop a deal when it has solid evidence that it will significantly hurt competition.

In the case of a major city or suburb, with five or six different grocery stores nearby, it can be hard to prove that removing one option will cause prices to go up significantly.

The Bureau has [recently made recommendations](#) to the government to modernize and improve Canada's competition laws. Our laws need to address harm to consumers from increasing concentration. The Bureau needs to have the tools required to safeguard competition in the industry to protect consumers and allow both new and existing businesses to grow and compete.

Our recommendations would make significant improvements to the state of competition in Canada. However, until the law is modernized, and recognizing that there are relatively few independent grocers in Canada, the Bureau will apply extra vigilance moving forward whenever actions are taken that could hurt competition in the grocery industry.<sup>12</sup> Canada needs more, not less grocery competition.

<sup>12</sup> Specific Bureau commitments are discussed in the Recommendations section of this report.

# DOMESTIC GROCER MARGINS

## KEY TAKEAWAYS

- ❑ The Canadian grocery industry is concentrated. Many wonder whether a lack of competition is the reason why grocery prices are increasing at the fastest rate in more than 40 years.
- ❑ Recently, food prices have increased rapidly. However, increasing prices are not always indicative of a competition problem. Prices might go up, for example, when it costs grocers more to buy the food that they sell. And we heard that grocers' costs have gone up.
- ❑ Instead of looking at prices, gross profit margins can provide a clearer signal. These margins subtract the costs that grocers incur to buy products, and show how much a grocer makes on each dollar of sales.
- ❑ We saw Canada's largest grocers' food gross margins generally increase by a modest yet meaningful amount over the last five years. This longer-term trend pre-dates the supply chain disruptions faced during the pandemic and the current inflationary period.
- ❑ The fact that Canada's largest grocers have generally been able to increase these margins—however modestly—is a sign that there is room for more competition in Canada's grocery industry.

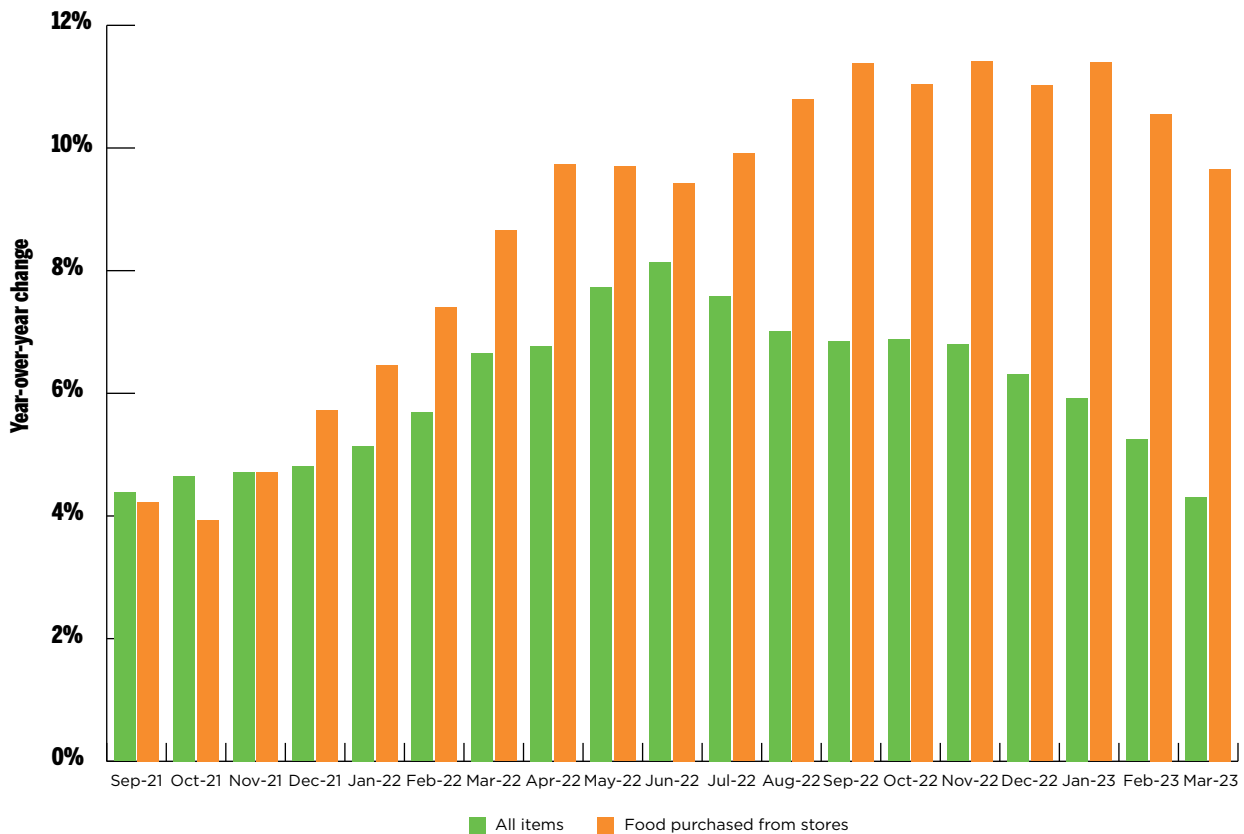
The Canadian grocery industry is concentrated, with [most sales](#) happening in stores owned by the five grocery giants. The Bureau launched this study to determine whether high grocery prices are the result of changing competitive dynamics in the industry.

Canadians are seeing grocery prices increase at the fastest rate in [more than 40 years](#). Many wonder whether a lack of competition is the reason why.



Figure 4 shows that food prices in Canada have increased faster than general inflation between December 2021 and March 2023.

**Figure 4:** Change in Food Prices vs. Consumer Price Index, monthly from September 2021 to March 2023



Source: Statistics Canada. [Table 18-10-0004-01 Consumer Price Index, monthly, not seasonally adjusted.](#)

## ARE INCREASING PRICES AN INDICATOR OF COMPETITION PROBLEMS?

Prices going up is not always indicative of a competition problem. Food prices will generally be higher when there is less competition, but they can also go up when it costs grocers more to buy the food that they sell. [Some experts](#) cite increasing costs brought about by pandemic-related supply chain problems, as well as the Russian invasion of Ukraine, as significant drivers of rising food prices [around the world](#).

Instead of looking at prices, gross profit margins can provide a clearer signal. These margins subtract the costs that grocers incur to buy products, and show how much a grocer makes on each dollar of sales.

Margins are an important indicator of industry competitiveness.<sup>13</sup> Some companies can earn high gross margins for other reasons—such as needing to contribute to large fixed costs—so there is often a contextual element to interpreting margins. But generally, gross margins can play an important part in understanding competition.

Accordingly, when prices rise, it is often illustrative to see whether margins have grown as well. If margins stay the same, then higher prices may simply reflect increased input costs. If margins increase, then they can indicate that a business is successfully raising its prices over and above any increase in costs.

<sup>13</sup> [Canada \(Director of Investigation and Research\) v Tele-Direct \(Publications\) Inc.](#), [1997] CCTD No 8 (Competition Trib.) at paras 286 and 297.



## WHY DOESN'T THE BUREAU STOP COMPANIES FROM CHARGING HIGH PRICES?

Well functioning markets are generally the best way to determine the price and variety of products for sale. Hundreds of years of economic growth and prosperity have shown that competitive markets are the best drivers of efficiency and innovation.

It is not illegal in Canada for a business to have a monopoly or charge high prices.

Only when they engage in specific anti-competitive behaviours do those outcomes potentially raise concern under the *Competition Act*.

The Bureau's role is to act when a business does something that reduces competition in a way that breaks the law.



## CANADIAN GROCERS SELL MORE THAN JUST GROCERIES

Before looking at margins, it is important to recognize that Canadian grocers sell more than just food. For example, Loblaws owns Shoppers Drug Mart, and Metro owns Jean Coutu—both of which operate hundreds of pharmacies across Canada (see Figure 1).

This means that the margin and profit data publicly reported by Canada's big grocers include the sales of other products, such as [pharmaceutical and beauty products](#). In many [cases](#), grocers have [pointed](#) to increased sales of these non-food products as the reason for their higher profits. Accordingly, if we are focused on understanding the possible links between grocery competition and food inflation, then sales of non-food products should be removed before evaluating financial data from the big grocers' public reports.

However, grocers do not publish food-only financial results. That's why, in this study, the Bureau sent information requests to each of Canada's five major grocers asking them to provide their food gross margins and other relevant information.

## DID CANADA'S GROCERY GIANTS COOPERATE WITH THE BUREAU'S STUDY?

There have been questions concerning the amount of cooperation and financial information shared with the Bureau by Canada's grocery giants during this study. This topic was frequently raised during the parliamentary Standing Committee on Agriculture and Agri-Food's meetings in respect of their study on [Food Price Inflation](#), where executives of all five of Canada's major grocery chains appeared.

The Bureau is not able to disclose the specific information it was provided, owing to the [confidentiality requirements](#) of the *Competition Act*. However, in general, the Bureau can say that the level of cooperation

varied significantly, and was not fulsome. In many instances, the Bureau was not able to obtain complete and precise financial data, despite its repeated requests.

The Bureau's inability to compel information as part of this study has further highlighted the need for formal information-gathering powers. That is why the Bureau continues to advocate for [legislative changes](#) to improve the *Competition Act* in this area. Such changes would improve our ability to conduct market studies, and to protect and promote competition for Canadians in all sectors of the economy, including the agri-food sector.

# CANADIAN GROCERS' FOOD GROSS MARGINS INCREASED BY A MODEST YET MEANINGFUL AMOUNT

Based on the information that we were provided by Canada's grocery giants, we found that Canadian grocers' food gross margins have generally increased over the last five years by a **modest yet meaningful** amount. This longer-term trend pre-dates the supply chain disruptions faced during the pandemic and the current inflationary period.

Breaking that down, we have found that grocers have increased the percentage of profit they earned on food products in a way that is:

❑ **Modest:**

- Margins generally increased by one or two percentage points since 2017.
- This is roughly equivalent to \$1-2 on each \$100 that Canadians spend on groceries.

❑ **Meaningful:**

- The Canadian grocery industry is a low-margin business. Grocers make relatively little on each item, but make their profits in volume.
- That means that even small changes in margins can be meaningful.<sup>14</sup>



## WHAT DOES MODEST BUT MEANINGFUL MEAN FOR CANADIANS?

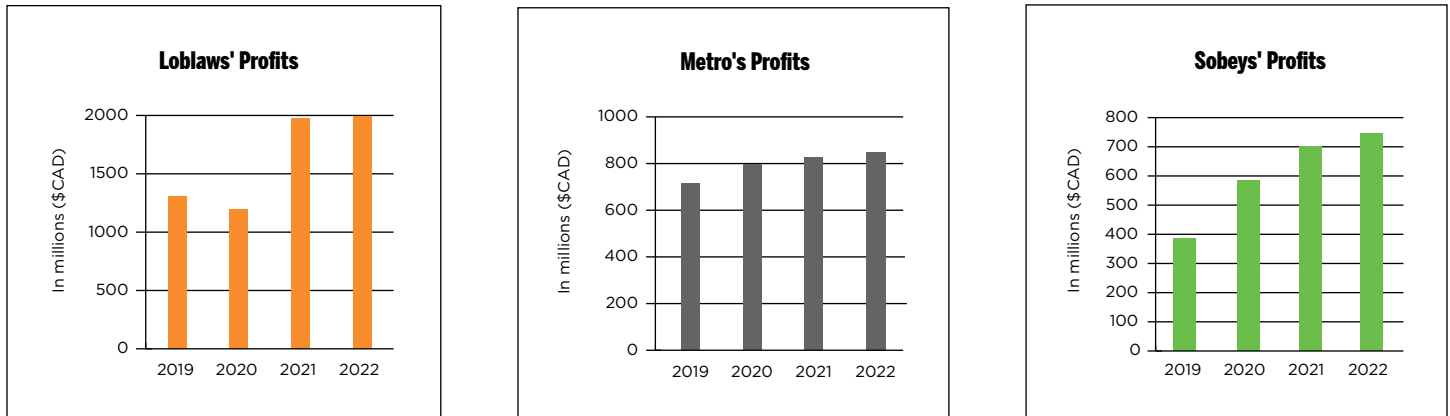
According to the [most recent Statistics Canada data](#), Canadian households, on average, spent \$7,536 on food in 2019. This data pre-dates the latest period of food inflation in Canada, so it almost certainly understates current spending. But with just under [15 million Canadian households](#) as of 2021, this means that Canadians likely spend over \$110 billion on groceries per year, so even modest increases can add up fast. A one percentage point increase in gross margins at grocery stores could add over \$1 billion to Canadians' food bills each year.

<sup>14</sup> [Canada \(Commissioner of Competition\) v Parrish & Heimbecker, Limited](#), 2022 Comp Trib 18 at para 495.

# MODEST BUT MEANINGFUL MARGIN CHANGES CAN CAUSE BIG CHANGES IN PROFITS WHEN FOOD INFLATION IS HIGH

As grocery prices have increased, so have grocers' profits. The profits of Canada's three largest grocers have risen appreciably over the past four years. Figure 5 shows that these profits have collectively grown from \$2.4 billion in 2019 to \$3.6 billion in 2022.

**Figure 5:** Profits of Canada's three largest grocers, annually from 2019-2022



**Source:** Annual Reports of [Loblaw Companies Limited](#), [Empire Company Limited](#), and [METRO INC.](#) for 2019-2022.

**Note:** Annual profits are based on the companies' fiscal years, which differ from company to company, and do not necessarily align with the calendar year (January-December).

Higher profits result from higher revenues relative to costs. Revenues can increase because of higher prices, higher volumes, or both. Margins help show whether changes in the difference between prices and costs are contributing to higher profits.

Grocers are earning only modestly more in food gross margin, but even small increases can matter for Canadians. Usually, when we talk about margins, we express them as the percent of each dollar spent that ends up available for the grocers to keep. But thinking of margins this way can create a bit of an illusion. Table 1 shows how, even when a grocer's margin stays the same, an increase in the cost they incur to buy food products can increase profits.

Consider a grocer selling a can of soup. If a grocer is paying \$1 for that can, and selling it to you for \$1.20, they are making a 20% margin. They earn \$0.20 per can of soup sold.

Now, what happens if the grocer's cost for that can of soup goes up to \$1.10, and they apply that same 20% margin? The price of that can of soup now goes up to \$1.32. The grocer still makes a 20% margin, but now they get \$0.22 cents to put toward their profit.

**Table 1:** Higher costs generate higher profits when margins remain constant

|                 | LOWER COST    | HIGHER COST   |
|-----------------|---------------|---------------|
| Grocer's Cost   | \$1.00        | \$1.10        |
| Grocer's Margin | <b>20%</b>    | <b>20%</b>    |
| Retail Price    | \$1.20        | \$1.32        |
| Grocer's Profit | <b>\$0.20</b> | <b>\$0.22</b> |

When its costs rise, a business does not need to increase its margin in order to increase its profit. High rates of food inflation can significantly increase grocers' profits even if their gross margins remain constant or increase only modestly.

## ADDITIONAL ANALYSIS WOULD HELP US BETTER UNDERSTAND GROCER PROFITABILITY

This analysis focuses only on food gross margins. These margins are an important indicator of grocer profitability in Canada. But they are blunt, as they boil down the operations of very large businesses to a single number. Based on the data and information provided to the Bureau by the grocery giants, we are limited in the inferences that we can draw from these findings.

More granular analysis would have been preferable and could have helped us better understand how grocers have priced specific products. It could also have allowed us to paint a more comprehensive picture of how Canadians' consumption patterns have changed in response to food price inflation. As an example, increasing food gross margins could be explained, in part, by consumers switching some of their purchases to [higher margin](#) private-label products. However, we did not receive the data necessary to make such an assessment.

Those type of analyses could have provided us with a richer understanding of grocery competition in Canada.

## WHAT DO MODESTLY INCREASING MARGINS TELL US ABOUT COMPETITIVE DYNAMICS?

When an industry is very competitive, businesses will not usually be able to increase their margins. The fact that Canada's largest grocers have generally been able to do so over the last five years—however modestly—is a sign that there is room for more competition in Canada's grocery industry. Additional grocery competition would help cap grocery price inflation.





# PROPERTY CONTROLS

## KEY TAKEAWAYS

- ❑ Property controls limit how real estate can be used by competing grocers.
- ❑ Such controls can harm competition by making it difficult—or even impossible—for businesses to open up new grocery stores.

A property control limits how a person can use a property. They are clauses typically found in a legal agreement like a lease or a deed that transfers title. For example, in the case of a shopping centre, property controls often limit the kind of store that can open there. These controls are also sometimes called restrictive covenants.

## HOW DO PROPERTY CONTROLS AFFECT GROCERY COMPETITION?

Property controls reduce competition from other food retailers and make it harder for new grocery stores to open. They do this in two ways:

### WHEN A STORE IS SOLD:

- ❑ When a grocery store is being sold, the seller of that store may want to stop a new owner from using that location to operate a competing grocery store.
- ❑ The grocer may want to do this if they are relocating to another location nearby, as doing so would limit the number of other grocers they have to compete against.
- ❑ Property controls typically apply not just to new owners of a property, but to future owners as well. They can stay in place for a very long time, stopping new grocery stores from opening in communities.

### WHEN A GROCER SIGNS A LEASE:

- ❑ When a grocery store is opening in a location with other tenants, like a mall, it may ask the landlord to limit other stores from selling similar products.
- ❑ This ensures that the grocer will not face competition from other tenants and may provide it with the certainty it is looking for prior to making an investment in a new store.
- ❑ A landlord may agree to this kind of property control because grocery stores attract significant numbers of customers, and because they may be unsure whether the grocer will agree to sign a lease otherwise.

## WHAT EFFECT DO PROPERTY CONTROLS HAVE ON GROCERY COMPETITION?

- ❑ **Property controls reduce consumer choice.** Some Canadian businesses told the Bureau that they have been unable to open stores because of property controls.
- ❑ **Property controls can be very broad.** The Bureau heard that they can exclude businesses even if they don't compete directly with a grocery store, like bakeries and other specialty food stores.
- ❑ **Property controls have the biggest effect on Canadians who have the fewest options.** 24% of Canadians said that there are only one or two grocery stores within 15 minutes of their home. For those who walk, the proportion is 39%. We also heard that lower-income Canadians (earning less than \$40,000 a year) are more likely than others to have fewer stores in proximity to their home. For these Canadians, if a local grocery store is closed and property controls prevent new ones from opening in their community, it may leave them without easy access to a supermarket. This is not a theoretical problem—[examples of “food deserts”](#) have been documented [across Canada](#).
- ❑ **Other countries have recognized the harmful effects of property controls.** [Australia](#), [New Zealand](#), and the [United Kingdom](#) are just three examples of countries that have taken action against property controls due to their limitations on competition in the grocery industry.

## CONCLUSION ON PROPERTY CONTROLS

Location, location, location. It's the golden rule of real estate. While it may seem simple enough to suggest that a retailer look for other locations, there is often only a certain amount of prime real estate in a given area. When that prime real estate is restricted through a property control, new grocers may not be able to open. This limits competition from new grocers, and can deny consumers the benefits that competition brings about: lower prices, greater choice, and increased levels of innovation.







# ONLINE GROCERY: The New Supermarket?

## KEY TAKEAWAYS

- ❑ A growing number of Canadians are turning to online sources to buy food.
- ❑ Sometimes, these online services are operated or controlled by Canada's grocery giants. When that is true, these services may increase convenience, but do not necessarily increase competition.
- ❑ The online grocery segment is still developing, and new options are emerging. Truly independent online grocers could positively increase grocery competition in Canada.

The way Canadians buy their groceries is changing. Shopping at a local supermarket used to be the only way to get groceries, but this is no longer the case.

[More and more](#) Canadians now purchase their groceries online. Though online grocery options are still relatively new, they are gaining traction. The COVID-19 pandemic saw the rise of alternatives to in-store shopping.

Online shopping is still only a relatively [small portion](#) of Canada's total grocery sales. But this is likely to change. The nation's grocery giants, as well as other companies, are [investing](#) significant amounts of money into their online business models. And Canadians seem to enjoy the online shopping experience: based on results from the PCO's survey, nearly 30% of Canadians have recently bought groceries online. Stakeholders interviewed by the Bureau also said that they expect online sales to continue to grow in the future.

Online options may not entirely replace in-store shopping anytime soon. But if Canadians are looking for more choice, they may find it online.

# CANADA'S ONLINE GROCERY OPTIONS

Ordering groceries online can replace the need to shop in-store. When an order is placed, the items are either made available at a retail location for pick-up (otherwise known as “click-and-collect”) or delivered to a customer’s home. As [delivery and pick-up charges](#) may apply, the overall cost of an online order can be greater than what would be charged in-store.

Online grocery is dynamic and includes companies both big and small. To date, there are three broad categories of businesses that operate in Canada’s online grocery segment:

**GROCERY STORES:** From large chains to small independents, many are now also selling groceries online:

- ❑ Online shopping, including delivery and click-and-collect, is not yet available at every grocery store or in every community. For example, the discount banners owned by Loblaws (such as No Frills), Sobeys (such as FreshCo), and Metro (such as Food Basics) do not currently offer delivery.
- ❑ Delivery from traditional grocers is usually only available near an existing store’s physical location. And orders may not be delivered on the same day.

**DELIVERY SERVICES:** Some new businesses offer to purchase customers’ groceries at a grocery store and deliver them to their home:

- ❑ Many delivery services have [partnered with grocers](#) to fulfill their online orders.
- ❑ Importantly, these companies—although they operate at arm’s length to grocers—do not control the prices that consumers pay. Instead, they just buy products from grocers on a consumer’s behalf.
- ❑ Delivery is usually only available to homes that are close to an existing grocery store.

**ONLINE STORES:** These are businesses that sell groceries only through an app or website:

- ❑ This includes meal kit providers, dark stores, mass merchandisers that sell groceries, and online-only grocers.
- ❑ These businesses generally buy groceries on a wholesale basis, and control the ultimate price that consumers pay.
- ❑ Deliveries from these stores may be restricted to urban areas only, and the delivery speed can range from an hour to a day or more.

## WHAT ARE MEAL KIT SERVICES, DARK STORES, AND FULFILLMENT CENTRES?






**MEAL KIT SERVICES:** A meal kit provider sells pre-portioned ingredients for meals that are prepared at a customer’s home. Some may offer a selection of grocery items as well.

**DARK STORES:** A dark store is a small store used solely to fulfill online grocery orders. Products offered are often limited and more convenience focused.

**FULFILLMENT CENTRES:** A fulfillment centre is a warehouse used to fulfill customers’ online orders.

**Table 2:** Comparing online grocery options

|  | <br><b>GROCERY STORES</b>   | <br><b>DELIVERY SERVICES</b>   | <br><b>ONLINE STORES</b>  |
|--|--|--|--|
| How are groceries received?                      | Pick-up or delivery  | Delivery   | Delivery   |
| How are orders prepared?                         | Grocery store employees pick groceries from store shelves or a warehouse   | Groceries are bought by a delivery service worker at a store selected by the customer  | Groceries are delivered from fulfillment centres   |
| What are some possible differentiating features? | <p><b>PRICE:</b> Similar to in-store prices</p> <p><b>PRODUCT AVAILABILITY:</b> Same inventory as in-store</p>   | <p><b>SPEED:</b> Same-day delivery</p>   | <p><b>PRICE:</b> Similar to in-store prices</p> <p><b>SPEED:</b> Same-day delivery (*business model dependent)</p>   |
| What are some business examples?                 | <p>Widely available options:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Voilà (Sobeys)</li> <li><input type="checkbox"/> PC Express (Loblaws)</li> <li><input type="checkbox"/> Walmart Grocery</li> <li><input type="checkbox"/> Costco Grocery</li> </ul> <p>Regional options:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Metro Online Grocery</li> <li><input type="checkbox"/> Save-On-Foods</li> <li><input type="checkbox"/> Longo's / Grocery Gateway</li> <li><input type="checkbox"/> + many other grocers</li> </ul> | <p>Widely available options:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Instacart</li> <li><input type="checkbox"/> Cornershop by Uber</li> <li><input type="checkbox"/> SkipTheDishes</li> <li><input type="checkbox"/> DoorDash</li> </ul> <p>Regional options:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Épipresto</li> <li><input type="checkbox"/> Couryah</li> <li><input type="checkbox"/> Deliverr</li> <li><input type="checkbox"/> Big Feed Club</li> </ul> | <p>Widely available options:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Amazon</li> <li><input type="checkbox"/> HelloFresh</li> <li><input type="checkbox"/> Goodfood</li> <li><input type="checkbox"/> LiveFit Foods</li> </ul> <p>Regional options:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> SPUD</li> <li><input type="checkbox"/> Arctic Fresh</li> <li><input type="checkbox"/> Buggy</li> <li><input type="checkbox"/> FreshPrep</li> </ul> |

The online grocery segment is still developing, and new options are emerging. Table 2 provides a broad overview of existing business models. However, as companies adapt their businesses, the lines that separate the three online models can become blurred. For example:

- Grocery stores may look more like online stores.** Many grocery stores fulfill online orders from their retail locations, but some of the larger chains are building or have built separate warehouses for online orders.
- Delivery services may look more like online stores.** Most delivery services do not sell their own groceries, but some are building or have built warehouses and have started selling groceries directly to customers.

## COMPETITION IN ONLINE GROCERY

Online grocery shopping has brought more choice and innovation to the grocery industry for consumers. But some online services—like those operated by existing grocers or delivery services—may simply create a new way to access existing options. Here's why:

- ❑ **Grocery stores with online shopping options do not necessarily increase competition.** An online platform can sometimes just be a new way to source products from a pre-existing retailer.
- ❑ **Delivery services are more like grocery store partners than independent competitors.** Unless they've developed their own fulfillment centres, delivery services simply purchase products off the shelves of existing grocers. They can't charge lower prices than the store they buy from without taking a loss.

On the other hand, online stores are like new grocers, except that they only sell their products online. If they don't rely on existing grocery stores for product supply, they are better positioned to compete with them.

The introduction of new online options from existing grocers, including those offered through delivery services, has increased competition between them. All of Canada's large grocers are [investing](#) millions of dollars into their online platforms to ensure they remain competitive. Some have even partnered with [online grocery technology companies](#) to try to get ahead of their competitors.



These changes have benefited Canadians, including by expanding available grocery options for some consumers, and generally making groceries more accessible through delivery and pick-up. They answer the demand for convenience and alternatives to in-store shopping.

## WHAT ABOUT AMAZON?

Amazon is one of the world's largest online retailers. Some businesses consider it to be a significant potential competitive threat in Canada's grocery industry. But, right now, its grocery selection in Canada is limited.

In some countries, like the United States, Amazon offers a wider assortment of groceries online through its website and retail stores (such as Amazon Fresh and Whole Foods).

But, in Canada, Amazon only sells [non-perishable food items](#) through its website and Whole Foods does not operate online.

Amazon has not announced whether it plans to introduce additional online grocery offerings in Canada.

## CHALLENGES FOR NEW, ONLINE GROCERY BUSINESSES

The reality, as of today, is that independent online options remain pretty limited. Though there are companies that only sell groceries online (see Table 2), we heard that they face challenges growing into the kind of big competitive threat that could take on Canada's large grocers:

- ❑ **Capital requirements.** The costs to build warehouses and distribution centres are high. And finding investors who are willing to support entry and expansion can be difficult.
- ❑ **Product supply.** New businesses typically do not have the scale or relationships required to deal directly with manufacturers. Instead, they often have to rely upon the grocery giants—who are their competitors—for product supply. According to online grocers, this dependency makes it more difficult for them to compete on price.
- ❑ **Regulatory requirements.** Online grocers can face challenges that a traditional grocery retailer may not. For instance, some municipalities are uncertain as to whether dark stores should be licensed as retail or wholesale companies. In addition, regulations for certain products vary greatly by province, making it difficult for a business to operate nationally.

- ❑ **Consumer hesitancy.** A lot of Canadians are used to shopping for groceries in-person. Many like to see and touch their groceries before buying them. That isn't possible online, so perceptions about freshness and quality may be a concern. Some may also worry about receiving the right items and cost. There are others who just like going to the grocery store or who find online shopping overwhelming.
- ❑ **Geography.** Canada is a large country with few densely populated city centres. For online grocers, serving customers who don't live in urban areas is very costly. As such, they may be less likely to operate in rural communities.

## CONCLUSION ON ONLINE GROCERY COMPETITION

Currently, grocery competition is mostly centred on grocery stores being the main place for Canadians to do their grocery shopping. However, grocery business models are adapting to the online world and, with that, comes the opportunity for new competitive alternatives to emerge. Truly independent online grocers could meaningfully increase grocery competition in Canada.





# BRINGING INTERNATIONAL GROCERY PLAYERS TO CANADA

## KEY TAKEAWAYS

- ❑ Two of the most significant entrants into Canada's grocery industry have come from abroad: Costco and Walmart.
- ❑ We reached out to a number of international grocers to better understand what is preventing them from coming to Canada.
- ❑ Some international grocers are studying, or have studied entering Canada, but none have publicly announced plans to do so soon.

Two of Canada's grocery giants—[Costco](#) and [Walmart](#)—are international businesses that have come from outside of the country and currently sell groceries in Canada.

The Bureau reached out to a number of international grocers, who are not currently operating in Canada, to hear from them about their impressions of the Canadian grocery industry. What would make Canada a place they might want to bring their business? Alternatively, what sorts of things might keep them away?

Not all of their answers focused on elements that can be changed or influenced. As an example, Canada's physical geography and low population density make it hard for new grocers to set up operations in Canada. However, there may be other factors that can be changed to make Canada a more attractive destination for expansion. Knowing how these companies see Canada's grocery industry can help us better understand the competitive landscape within it.



These are the highlights of what we heard:

- ❑ **Canada's grocery giants are daunting competitors.** All of the international grocers we spoke to said that they would face tough competition from Canadian grocers if they entered Canada. Although one international grocer said they believed they would be able to price competitively despite tough competition from Canadian grocers, another told us that it could be difficult to compete on price if they entered Canada.
- ❑ **Private label groceries are popular in Canada.** The international grocers we spoke to all commented on the strength of private label grocery products in Canada. They believe these are high-quality products at good prices. We heard that Canadians' willingness to purchase private label products can make Canada an attractive country, particularly for grocers that sell a high proportion of these products.
- ❑ **Canada's unique multicultural grocery experience.** We heard that the retail grocery segment in Canada is quite unique in how it serves its multicultural population. A number of Canadian grocers have a vast selection of ethnic products, and in order to compete effectively, any grocer trying to enter the industry will need to establish a similar product selection. As a result, entry into Canada's grocery industry could be challenging and costly.
- ❑ **The Target experience.** The international grocers we spoke to acknowledged that while some companies, such as Costco and Walmart, had been successful in entering Canada, others like Target, had not. These grocers explained that there are different ways to enter a new country, and that those possibilities are expanding because of consumers' increasing interest in shopping in ways other than in person at a traditional grocery store.

- ❑ **Entering a new country takes a concerted effort.** International grocers noted that, for a number of reasons, it is easier for them to continue to expand in their current regions than to come to Canada. They also told us that establishing distribution networks, relationships with Canadian suppliers, and brand recognition would be important steps they would have to take to successfully enter Canada.
- ❑ **Canada's labelling laws.** We heard that laws requiring bilingual labels on packaged foods can be a difficult additional cost for international grocers to take on. However, we also heard that some international grocers are already used to doing this in other countries and do not see it as a problem.

## CONCLUSION ON COMPETITION FROM INTERNATIONAL GROCERS

The international grocers we spoke with said Canada's grocery giants would be tough competition. However, if any were to enter Canada, their presence would likely increase competition, lower prices, increase choice, and bring about higher levels of innovation. Through discussions with international grocers, the Bureau heard that some of these businesses are studying, or have studied, entering Canada but none have publicly announced plans to do so soon.



# How Other Countries Have **INCREASED GROCERY COMPETITION**

## **KEY TAKEAWAYS**

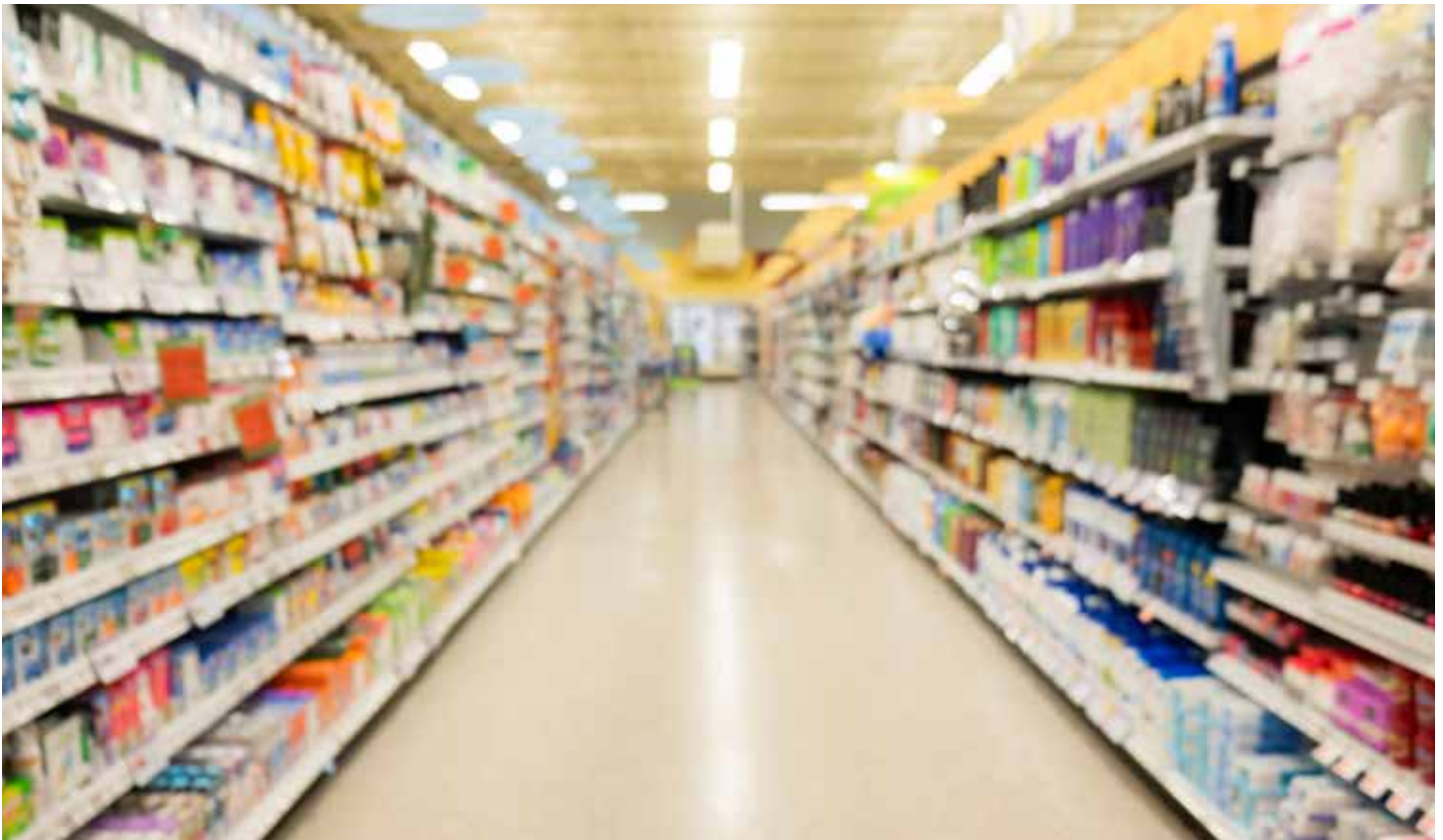
- ❑ Canada is not alone. Many other countries are also struggling with concentration and high prices in their grocery industries.
- ❑ We spoke with a number of international competition agencies to better understand what they have tried to increase competition in their countries.
- ❑ These conversations generated a number of interesting ideas for Canada, and touched on key topics, including grocery codes of conduct, property controls, buying groups, unit pricing rules, and the competitive role of discount grocers.

High grocery prices aren't just a Canadian issue. A number of countries around the world are grappling with increasing grocery prices.

Many of the Bureau's international counterparts have done studies of the state of competition in their domestic grocery industries in recent years. We have looked to their work to see what lessons might apply to the Canadian context.

As part of this study, the Bureau spoke with competition authorities in Australia, New Zealand, the United States, Mexico, the United Kingdom, Germany, Norway, Austria, and the European Union.





There were a number of reoccurring themes that came up in these conversations. Here are the highlights of what we heard:

### 1. GROCERY CODES OF CONDUCT

The grocery industry is concentrated in a lot of countries, and when an industry is concentrated, suppliers can be put in a tough position. Just like consumers, grocery suppliers have limited options other than to deal with the largest grocery retailers to sell their products.

This imbalance has been noted in many countries. Each of [New Zealand](#), the [United Kingdom](#), [Australia](#) and [Mexico](#) has taken steps to balance out the relative power of suppliers and grocers through grocery codes of conduct. These codes have set out the ways in which grocers and suppliers must behave when buying and selling.

For example, in New Zealand, one of the recommendations of the New Zealand Commerce Commission's (NZCC) [market study](#) was to introduce a mandatory grocery code of conduct to govern relationships between the major grocery retailers and suppliers. After their report was published, the government began work on creating a grocery code of conduct. That work is [ongoing](#).

In Canada, the idea of a grocery code of conduct pre-dates this study. In July 2021, federal, provincial,

and territorial Ministers called for a grocery code of conduct that would develop a fairer relationship between suppliers and retailers. Canadians can expect this code of conduct to be implemented by the end of [2023](#).

Competition law in Canada does not regulate imbalances in bargaining power and the Bureau [does not have the ability to enforce a code of conduct](#). However, a code that improves predictability and suppliers' willingness to invest or innovate within the industry can be a good thing for consumers. The Bureau is committed to working with the relevant parties to support the implementation of the code in the most pro-competitive way possible.

### 2. PROPERTY CONTROLS

A number of our international counterparts identified real estate restrictive covenants as being harmful to competition. These sorts of property controls came up as an issue, for example, in [New Zealand](#), the [United Kingdom](#), and [Australia](#).

The Australian Competition and Consumer Commission's (ACCC) [market study](#) found property controls to be a major issue. They found that the restrictive covenants in real estate leases did not allow new grocery chains to expand their business. As a result, the ACCC reached [a court-enforceable agreement](#) with big grocers in Australia. Under this agreement, the big grocers have to phase out all existing property controls, and are forbidden from entering into any new ones.

### 3. BUYING GROUPS

In some other countries, we heard that independent grocers have worked together, or with a large grocery chain, to form buying groups. They joined together so that they could get access to lower prices from suppliers than they would be able to individually.

These buying groups—particularly those made up of [smaller players—can be pro-competitive](#). And, in fact, the European Union’s competition authority supported the idea that [these buying groups can lower prices for the end consumer](#).

On the other hand, buying groups can also raise competition concerns. In Canada, certain agreements between competitors can violate the law. They can also lead to businesses sharing information when they should not, and working in other ways that can hurt competition. So, while buying groups can facilitate competition in certain situations, they should always be approached with caution. The Bureau’s approach to buying groups is set out in our [Competitor Collaboration Guidelines](#).

### 4. UNIT PRICING

Competition doesn’t work well unless consumers know where to find the best deals. Unit pricing helps consumers compare grocery prices and find the best value by showing the price of a product based on a standard unit, alongside the total price. We talk more about unit pricing later in this report.

[New Zealand](#), [Australia](#) and the [United Kingdom](#) all found that unit pricing is a helpful tool for consumers. The NZCC recommended mandatory and consistent use of unit pricing across the country, while the ACCC recommended the introduction of a unit pricing code of conduct to allow consumers to make informed choices.

### 5. THE COMPETITIVE IMPORTANCE OF DISCOUNT GROCERS

When a new foreign grocer comes into a country, it puts pressure on existing grocers to reduce their prices. For example, the ACCC studied what happened to grocery prices when a major, international discount grocer came into Australia. That grocer, ALDI, was found to cause a significant reduction in grocery prices when they opened new stores. Similarly, we heard from our European counterparts that the expansion of discount grocers like ALDI and Lidl has created significant benefits for consumers through lower prices and greater choice. This is not just something that could happen, or happens in other countries: a [Canadian example](#) of this was [Walmart’s expansion into grocery](#).

## CONCLUSION FROM INTERNATIONAL ATTEMPTS TO INCREASE GROCERY COMPETITION

Conversations with the Bureau’s international counterparts yielded a number of helpful ideas to improve grocery competition in Canada. Some of these ideas are otherwise covered in our report—e.g. property controls and unit pricing. Work in other areas is ongoing in Canada—e.g. the grocery code of conduct. Perhaps most interesting is the idea of attracting new businesses to come to Canada and compete. The successful entry of international grocers into the Canadian industry may be the best option to bring about lower prices, greater choice, and increased levels of innovation for the benefit of all Canadians.



## THE “ALDI EFFECT”

“...ALDI has been a significant influence on Australian grocery retailing. ALDI has forced Coles and Woolworths to react by reducing prices—specifically in states and localities where ALDI is present. Even if a customer does not shop at ALDI, they obtain significant benefits from having an ALDI in their local area or state, as the Coles and Woolworths stores price more keenly.”

[Report of the ACCC inquiry into the competitiveness of retail prices for standard groceries](#), July 2008



# INFORMING CONSUMERS

## KEY TAKEAWAYS

- ❑ Consumers need accurate, timely, and complete information in order to make informed purchasing decisions.
- ❑ Accessible and harmonized unit pricing requirements and price comparison tools have the potential to empower consumers and improve grocery competition in Canada.

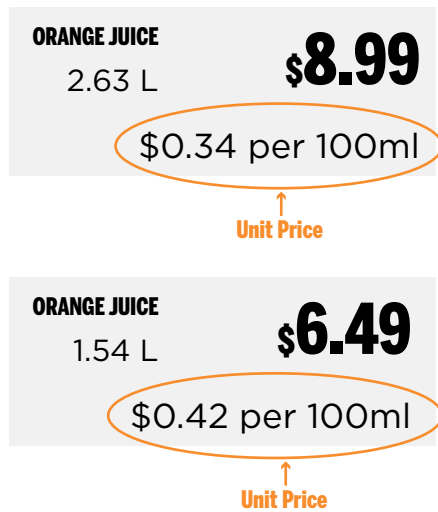
Information helps consumers make the right choices. Without accurate, timely, and complete information, competition suffers and markets fail. Honest competitors lose sales, and consumers end up with goods and services that are not the best choice for them.

To make good choices, consumers must be informed. It's hard to take advantage of competition if you don't know where to get the best deal. Grocers send out flyers to households across Canada to convince shoppers to visit their store. But modern technology allows so much more.

Ensuring that Canadians have access to useful information is an easy way to promote competition. We heard that accessible and harmonized unit pricing requirements and price comparison tools can help to empower consumers. We discuss each below.

## UNIT PRICING

**Figure 6:** Unit pricing for different sized containers of orange juice



Unit pricing helps consumers compare grocery prices and find the best value. It does this by showing the price of a product based on a standard package size, alongside the total price. Figure 6 shows an example of how unit pricing works for two different sized containers of orange juice.

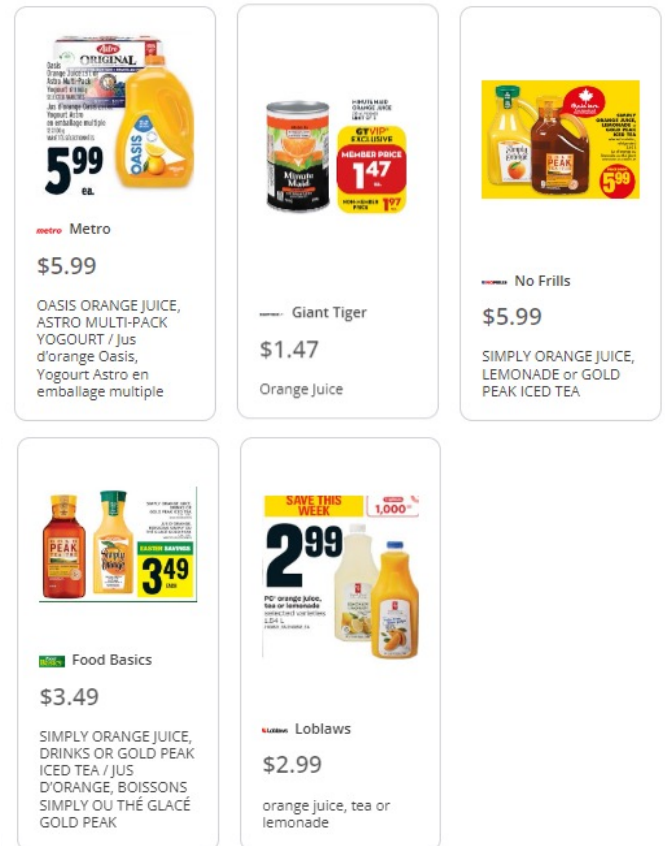
Knowing the unit price helps consumers compare similar products that come in different package sizes. It serves as a quick and easy way to know if a consumer is getting the best deal—without resorting to a calculator or mental math.

Many grocery stores across the country already display unit pricing, including online. But it is currently only required by law in [Quebec](#). That means there are no standards that grocers have to follow in the rest of the country. An additional issue facing consumers looking to compare unit pricing in its current form is that many of the formats used may not be accessible for people with sight loss.

Provincial and territorial governments may wish to consider working together to support the development and implementation of accessible and harmonized unit pricing requirements for grocery retailers in the country. As part of this process, consideration as to whether any such requirements should be imposed on all grocers, or only large chains may be appropriate due to the potential burden on smaller independents. Accessible and harmonized unit pricing requirements could promote competition among grocery retailers and further empower consumers to make informed purchasing decisions.

## PRICE COMPARISON TOOLS

**Figure 7:** Comparison of orange juice prices at select Canadian grocers, April 2, 2023



Source: [Save.ca](#).

A price comparison tool is a service that consumers can use to compare prices between grocery stores. Current examples include [Flipp](#), [Save.ca](#), and [reebee](#), among others.

If you search for 'orange juice', most of these services can show you flyer clippings from multiple grocers for that product. They can do that because most flyers are available for anyone to view. However, this only allows you to compare prices if they're in a flyer, and comparisons may not necessarily be between the same brand or size of product (see Figure 7).

Some of these services can also search online listings for grocery items. But this information is only available from retailers that have agreed for their products to be displayed.

If all grocers provided their data to these services, it would allow consumers to more easily search and compare prices between grocery stores. However, further study would be required to determine how government could best support consumers in this regard.



# Canadians' Ideas For **INCREASING GROCERY COMPETITION**

## **KEY TAKEAWAYS**

- ❑ During this study, we asked Canadians to share their perspectives on grocery competition in Canada.
- ❑ This section of the report responds to some of the more prevalent ideas that we heard.

When the Bureau launched this study, it asked Canadians to share what they thought about the current state of grocery competition in Canada. More than 500 Canadians answered the call. This is a summary of what we heard from Canadians:

### **IDEA #1: CANADA NEEDS MORE GROCERY COMPETITION**

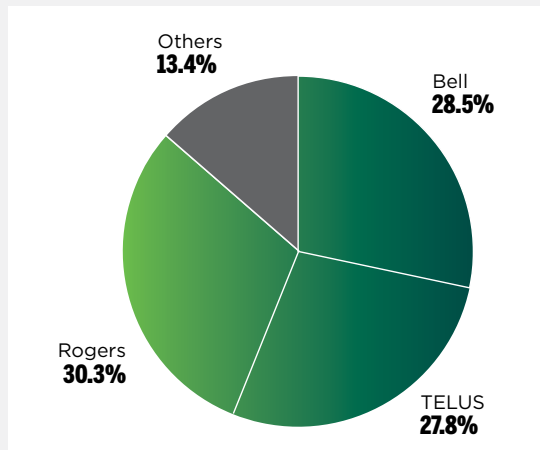
- ❑ The Bureau agrees that Canada needs more grocery competition. The Canadian grocery industry is concentrated. While this is [not the sole reason](#) grocery prices are high, more competition in the industry could drive down prices.
- ❑ Based on the findings of this study, the Bureau has made a number of recommendations on steps governments can take to increase competition in Canada's grocery industry.
- ❑ This is not a situation unique to the grocery industry. A lot of other Canadian industries are highly concentrated, with a small number of businesses controlling a majority of the sales. Canada needs more competition, both in groceries and across the entire economy.

# CANADA NEEDS MORE COMPETITION

Grocery is not the only Canadian industry that is concentrated.

According to estimates from the Canadian Wireless Telecommunications Association, in the wireless sector, the top three players account for around 87% of total wireless subscribers nationally.

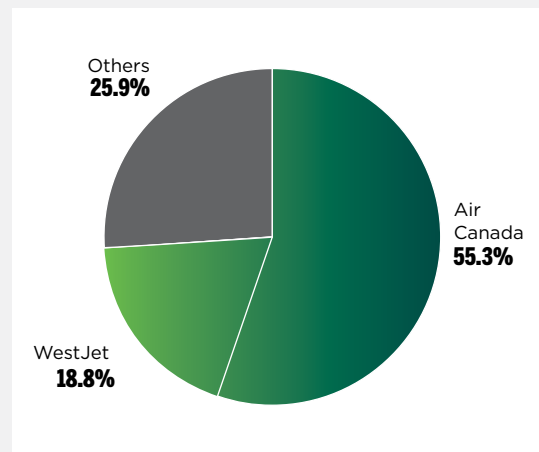
**Figure 8:** National share of total wireless subscribers by company, Q3 2022



**Source:** [Canadian Wireless Telecommunications Association, Company Reports](#).  
**Note:** Shares are based on total subscribers (as defined by the Canadian Wireless Telecommunications Association, now the [Canadian Telecommunications Association](#)) at the end of Q3 2022 and only include Canadian wireless providers who publish subscriber data.

Similarly, based on information in a recent report, IBISWorld estimates Air Canada and WestJet's share of Canada's scheduled air transportation industry to be 74.1%.

**Figure 9:** National shares of key players in Canada's scheduled air transportation industry, 2022



**Source:** Shawn McGrath, IBISWorld (2022), Industry Report 48111CA: Scheduled Air Transportation in Canada.

## IDEA #2: LARGE GROCERS SHOULD BE BROKEN UP

- ❑ A lot of Canadians argued that Canada's largest grocers are too big. They wanted these grocers split up into smaller companies to improve competition.
- ❑ The Bureau's goal is to encourage competition so that businesses innovate and create better products. Companies can have legitimate reasons for getting big—for example, they can outperform rivals and bring a valuable product to market. The Bureau does not want to eliminate the incentives for companies to do so.
- ❑ What the Bureau can do is make sure that Canada's biggest grocers face more competition. The government is currently considering how our competition laws can be updated to better protect and promote competition. The Bureau has made an [in-depth submission](#) with a number of ideas on how to improve Canada's competition laws.
- ❑ Modernizing and strengthening these laws is key to making sure that big companies are forced to compete. This will benefit consumers by driving down prices, increasing choice, and encouraging innovation.

## IDEA #3: GROCERY PRICES SHOULD BE REGULATED

- ❑ Grocers are allowed to charge the price the market can bear. There are no laws in Canada that stop grocers from charging the prices of their choosing.
- ❑ The *Competition Act* does not give the Bureau the power to regulate grocery prices.
- ❑ Even in a competitive market, prices will often increase when products are in a period of short supply.
- ❑ It is important to note that regulations, such as price controls, can often have negative consequences.
- ❑ Price controls and regulations are blunt tools. It is hard to determine the “right” price for any product, and it is hard to adjust regulated prices quickly when situations change. A free and competitive market is the best way to determine prices for goods.

## IDEA #4: BIG GROCERS SHOULDN'T BE ALLOWED TO BUY SMALLER COMPETITORS

- ❑ Canadians are concerned when a grocer buys one of its competitors. Canada needs more grocery competition, not less.
- ❑ The *Competition Act* only allows the Bureau to stop a merger when it can prove, in court, that a deal is likely to significantly harm competition. This can be a hard thing to prove.
- ❑ The Bureau has [made recommendations to the government](#) to make it easier to stop problematic mergers. Canada's competition laws must be improved to allow the Bureau to be more effective in protecting competition.



## IDEA #5: THE GOVERNMENT SHOULD STOP BIG GROCERS FROM COLLUDING WITH ONE ANOTHER

- ❑ Collusion happens when competitors agree to work together in a way that can harm competition. For example, agreeing with a competitor to raise prices is a [criminal offence](#) that can result in large fines and jail time for those involved.
- ❑ However, it is not illegal when competitors independently take similar actions, without colluding or communicating with one another.
- ❑ This means that, even if two grocers raise the price of a product at the same time, they are not necessarily doing anything illegal. They might be doing it because the cost of buying that product has gone up, or because of another innocuous reason.
- ❑ Anyone who has evidence of two or more businesses entering into an agreement to fix prices or to otherwise collude should [contact the Bureau immediately](#).

## IDEA #6: SUPPLY MANAGEMENT RAISES GROCERY PRICES AND SHOULD BE ABOLISHED

- ❑ Some studies have suggested that supply management—a form of price regulation—[results in higher prices](#).
- ❑ Canadian supply management affects a number of grocery staples, like milk, dairy, and some poultry. Although [supply management policies](#) were introduced in the 1960s to deal with issues, such as price instability in the agricultural sector, they [control the quantity of products available](#) for sale as well as the prices at which they are sold.
- ❑ Where such supply limits exist, we can expect that prices for these products will continue to be higher than they would otherwise be in a free market.

## IDEA #7: GROCER PROFITS ARE INCREASING, AND THE GOVERNMENT SHOULD IMPOSE WINDFALL TAXES TO RECOUP SOME OF THESE PROFITS

- ❑ Grocer profits are increasing. The profits of Canada's three largest grocers increased from \$2.4 billion in 2019 to \$3.6 billion in 2022. That's a 50% increase in four years (see Figure 5).
- ❑ Taxation rules are generally outside of the Bureau's mandate. They are part of a broader societal and policy discussion.

## IDEA #8: THE GOVERNMENT SHOULD ENCOURAGE INTERNATIONAL GROCERS TO ENTER CANADA

- ❑ This study has found that the entry of international and discount grocers could be one way to help lower grocery costs for Canadians.
- ❑ In our view, governments should take steps to encourage international grocers to enter the Canadian industry in an effort to help reduce prices and increase competition.

## IDEA #9: THE GOVERNMENT NEEDS TO TAKE ACTION TO STOP THE BIG GROCERS' BUSINESS PRACTICES THAT HURT SUPPLIERS AND RESULT IN HIGHER PRICES FOR CONSUMERS

- ❑ Large retailers that are able to obtain more favourable terms from their suppliers are better positioned to compete for customers.
- ❑ Where business practices make it more difficult for other retailers to compete (for example, by increasing their costs), they can raise concern.



- ❑ As an example, we [previously investigated](#) Loblaw's practices in dealing with its suppliers. During that investigation, Loblaw's ended many of the negative business practices that it had historically engaged in. Based on that, and all of the other evidence in front of us, we concluded our investigation.
- ❑ As stated earlier in this report as well as in the Bureau's [market study notice](#), we did not focus on issues relating to the purchase of groceries from suppliers by retailers in this study.

## IDEA #10: "SHRINKFLATION" SHOULD BE BANNED

- ❑ Shrinkflation is a term used to describe when manufacturers reduce the amount of a product in a package, but keep the price basically the same. This means that consumers get less value for their dollar.
- ❑ It can be hard for consumers to recognize when this happens. As an example, if a package is reduced from 450 grams to 430 grams it might not get noticed at a glance.
- ❑ A lot of Canadians expressed concerns about this practice.
- ❑ However, shrinkflation, in and of itself, is not illegal. Manufacturers and retailers are allowed to sell their products in the quantities they want at whatever price they choose as long as they do not use false or misleading advertising to deceive consumers.
- ❑ Accessible and harmonized unit pricing requirements may be one way to help combat shrinkflation, and to improve consumer information.





# RECOMMENDATIONS

## To Increase Grocery Competition In Canada

Canada needs more grocery competition. When businesses compete, all Canadians benefit from lower prices, greater choice, and increased levels of innovation. Competition can be a key part of the solution to help keep grocery prices in check.

Over the past eight months, the Bureau has studied Canada's grocery industry. We have four big ideas, and three commitments of our own, that we believe will make Canada's grocery industry more competitive.

### IDEAS FOR GOVERNMENTS ACROSS CANADA

Our ideas for governments across Canada are principles-based, and are designed to be flexible and provide decision-makers with guidance on how to encourage more grocery competition in Canada. The Bureau recognizes that governments will need to consider and weigh other factors in deciding whether, and if so, how to implement these recommendations. However, the Bureau is willing to offer its support and work with decision-makers to advance these recommendations in the most pro-competitive way possible.

#### 1. CANADA NEEDS A GROCERY INNOVATION STRATEGY AIMED AT SUPPORTING THE EMERGENCE OF NEW TYPES OF GROCERY BUSINESSES AND EXPANDING CONSUMER CHOICE.

- ❑ Current grocery competition is focused on grocery stores being the main place for Canadians to buy food.
- ❑ But it is difficult for new grocers to emerge and compete with Canada's grocery giants. We shouldn't expect market forces alone to solve this any time soon.
- ❑ Governments in Canada at the federal, provincial, and territorial levels, should consider working together to develop a Grocery Innovation Strategy aimed at supporting the emergence of new types of grocery businesses—whether online businesses or other industry disruptors.
- ❑ This could include financial support to incentivize competition and innovation in the industry, including, for example, support for entrepreneurs that want to launch online grocery businesses, as well as measures to simplify or modernize regulatory requirements that can make it difficult for new types of grocery businesses to operate.

## **2. FEDERAL, PROVINCIAL AND TERRITORIAL SUPPORT FOR THE CANADIAN GROCERY INDUSTRY SHOULD ENCOURAGE THE GROWTH OF INDEPENDENT GROCERS AND THE ENTRY OF INTERNATIONAL GROCERS.**

- ❑ Grants and incentive programs should be directed towards independents, not the grocery giants.
- ❑ The growth of Canadian independent grocers into stronger regional and potentially national players would meaningfully increase competition in the industry.
- ❑ Additionally, governments should do all that they can to attract international grocers to Canada, including the easing of any barriers that make industry entry challenging.
- ❑ The experiences of other countries, such as Australia, have shown that the entrance of major international grocers have driven down prices and improved choice for consumers.

## **3. PROVINCIAL AND TERRITORIAL GOVERNMENTS SHOULD CONSIDER INTRODUCING ACCESSIBLE AND HARMONIZED UNIT PRICING REQUIREMENTS.**

- ❑ Competition works best when consumers know where to get the best deals.
- ❑ Right now, consumers have to compare many different products and package sizes to choose what is best for them.
- ❑ This is a daunting challenge to even the most informed consumer, and out of reach for too many.
- ❑ The development and implementation of accessible and harmonized unit pricing requirements across Canada would help consumers more easily compare similar products that come in different package sizes.

## **4. PROVINCIAL AND TERRITORIAL GOVERNMENTS SHOULD TAKE MEASURES TO LIMIT PROPERTY CONTROLS IN THE GROCERY INDUSTRY, WHICH COULD INCLUDE BANNING THEIR USE.**

- ❑ These restrictive clauses reduce competition and make it harder for new grocery stores to open.

# **COMMITMENTS FROM THE BUREAU**

In addition to our recommendations for governments across Canada, the Bureau will take three steps, inside of its own mandate, to better promote competition in the Canadian grocery industry. We will:

## **1. APPROACH OUR WORK IN THE CANADIAN GROCERY INDUSTRY WITH HEIGHTENED VIGILANCE AND SCRUTINY.**

- ❑ We need to be increasingly vigilant in investigating and enforcing allegations of wrongdoing.
- ❑ The Bureau has [recently committed](#) to “operate with heightened vigilance in areas that will have the greatest impact on the affordability of daily life for Canadians”.
- ❑ This means that investigations in the grocery industry will be at the front and centre of the Bureau’s work.

## **2. PROVIDE A PRO-COMPETITIVE PERSPECTIVE TO SUPPORT THE IMPLEMENTATION OF CANADA’S GROCERY CODE OF CONDUCT.**

- ❑ The Bureau does not have the ability to enforce a code of conduct.
- ❑ However, we will work with any resulting governing bodies to effectively promote competition in its decision-making.
- ❑ A code that improves predictability and suppliers’ willingness to invest or innovate within the grocery industry can be a good thing for consumers.

## **3. REVISIT THE FINDINGS OF OUR STUDY IN THREE YEARS TO ASSESS PROGRESS ON THESE RECOMMENDATIONS.**

- ❑ The Bureau stands ready to take further action if competition in the grocery industry hasn’t improved.

## HOW TO CONTACT THE COMPETITION BUREAU

Anyone wishing to obtain additional information about the *Competition Act*, the *Consumer Packaging and Labelling Act* (except as it relates to food), the *Textile Labelling Act*, the *Precious Metals Marking Act* or the program of written opinions, or to file a complaint under any of these acts, should contact the Competition Bureau's Information Centre:

### WEBSITE

[www.competitionbureau.gc.ca](http://www.competitionbureau.gc.ca)

### ADDRESS

Information Centre  
Competition Bureau  
50 Victoria Street  
Gatineau, Quebec  
K1A 0C9

### TELEPHONE

Toll free: 1-800-348-5358  
National Capital Region: 819-997-4282  
TTY (for hearing impaired) 1-866-694-8389

### FACSIMILE

819-997-0324

