2 Retail environment

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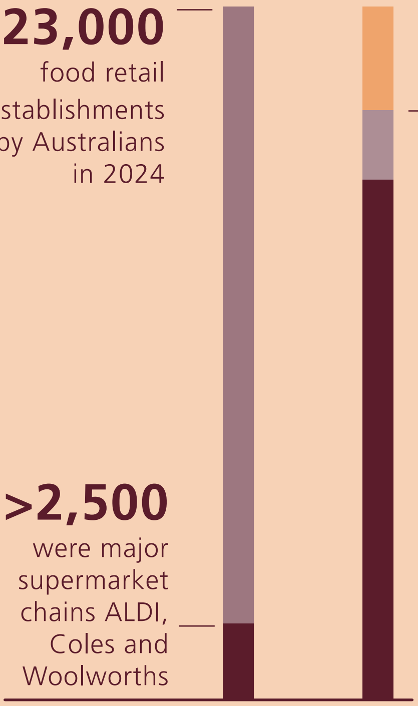
1 AUSTRALIA'S FOOD RETAIL ENVIRONMENT



~23,000 food retail establishments used by Australians in 2024

75–85% share of grocery market held by ALDI, Coles and Woolworths

>2,500 were major supermarket chains ALDI, Coles and Woolworths

48% of Australians shop online for groceries

6% regional residents | **34%** remote residents

have access to only a single food retail option

2 CHALLENGES

- **A lack of equitable access** to retail that enables healthy dietary choices
- **Convenience and familiarity** influence how and what Australians purchase
- **Balancing convenience, affordability, and healthy food choices** for all Australians

3 OPPORTUNITIES

- **Regular food environment monitoring** to show how food retail can better meet our needs
- **Develop a shared vision** for future food environments

KEY POINTS

- Convenience strongly shapes how Australians source their food – mostly from supermarkets.
- Economic and geographic disparities in food access mean that not all Australians are served equally well by existing food environments.
- Australians have low awareness of the impact that food environments have on dietary choices and health outcomes, and targeted reporting could help to address this.
- A coherent vision for the future of Australia's food environments will be a key part of achieving food system goals.

2.1 Australian food retail today

Australia's food retail environment involves a large number of businesses, highly concentrated around a small number of brands. In 2024, Australians purchased food and beverages from 22,987 food retail establishments (ABS, 2024a). Only 2556 of these were supermarkets run by ALDI, Coles or Woolworths (Coles, 2024b), yet about 85% of Australia's groceries were purchased from these major supermarket chains (ACCC, 2024).

A food environment describes all the factors affecting decisions to acquire, prepare and consume food, including what foods are made available, how those foods are marketed, how much different foods cost and their affordability, how far consumers need to travel to buy food and what other goods and services they can access when buying food (Figure 5).

Figure 5: Many influential drivers both shape and are shaped by Australia's food retail environment

Australians buy almost all the food they consume – rather than producing it themselves – so food environments are very influential. Consumers help to shape food environments through collective patterns of demand, while voters and community members influence governments and businesses.

Food environments in Australia are optimised for working-age people who live in cities or peri-urban areas, require convenience, receive a median household income, have access to a car and are not constrained by physical or mental health. Even members of this group have found sourcing food challenging through the recent ‘cost of living crisis’. While the major drivers of increasing cost of living are beyond the food system, the knock-on effects of reduced disposable income combined with food inflation have led to an increasing incidence of food stress (where more than 25% of disposable income is spent on food) (Landrigan et al. 2017; Pollard et al., 2021).

Convenience

Convenience seems to be the single greatest influence on where Australians source their food. It is at least as influential as low prices. In 2023, consumers reported that the most common reason for loyalty to one supermarket brand was it being the most convenient (71%), followed by another form of convenience – familiarity with store layout (61%). These reasons for loyalty ranked well above belief that these sources of food were the cheapest (37%) (Canstar Blue, 2023).

Convenience strongly shapes why Australians mostly source their food from supermarkets.

Healthy food is not close to home for everyone

The strong influence of convenience, and especially geographic proximity, on where Australians source their food has health implications (see Insight 1, Nutrition). For example, a higher ratio of unhealthy to healthy food outlets near home has been linked to a higher incidence of obesity in adults, while living closer to healthy food retailers has been linked with reducing the risk of children being overweight (Needham et al., 2022).

We trust our food

Australians trust in the safety of the food that Australia’s food system produces and distributes (FSANZ, 2023). This trust supports the sale of anonymous food – where the purchaser does not know the origins of the food they buy, such as vegetables on supermarket shelves. This trust and its role in food retail can be taken for granted, but international examples show that populations can lose trust in the quality and safety of their food, with implications for how they source food (Wu et al., 2021).

General trust in the food system is distinct from trust in particular food brands. Consumer trust in the brands of Coles and Woolworths dived from the highest to among the lowest in Australia in 2024 (Roy Morgan, 2024). Social licence difficulties for Coles and Woolworths seem to have been the cause because the two next largest supermarket chains, ALDI and IGA, retained the trust of consumers (Roy Morgan, 2024).

2.2 Overlooked issues and alternatives

Geographic inequality in food access

Australia has geographic inequalities in access to food environments, with remote and urban Australians experiencing very different proximity to retailers and cost of food (ABS 2018; Lee et al., 2021; Pollard et al., 2014). Among respondents to the 2024 Australian Competition and Consumer Commission (ACCC, 2024) survey, 34% of residents in remote areas reported that they had only one retail option, compared to 6% of residents in regional areas. The costs of running food distribution infrastructure, without economies of scale, in low-density populations can increase retail food costs. This can be particularly severe in rural and remote Indigenous communities (Spurway and Soldatic, 2015).

Food retailers are fundamental to Australia's food distribution system, but they are not legally responsible for ensuring food security. Public sector interventions are necessarily case-specific. For example, Health and Well-being Queensland (2023) developed the Gather + Grow strategy to enable resilient and affordable food supply chains in remote parts of Queensland.

Inequity in food retail

As well as geographic location, inequitable access to food can be linked to health, disability and poverty (Lee et al., 2021; Seivwright et al., 2020). Supermarkets already provide important services for people who experience some forms of vulnerability, particularly relating to physical and mental health (Pollard et al., 2014).

Food retail environments reflect Australia's car-oriented retail infrastructure, especially outside major urban centres (Bivoltsis et al., 2023). While convenient for many, car-centric infrastructure underserves non-drivers. In Australia's 21 largest cities, disability is more prevalent in less walkable areas with fewer amenities, including public transport and healthy food retail (Fortune et al., 2020). More walkable food retail environments would have co-benefits for both drivers and non-drivers (Summerhayes et al., 2024).

Economic and geographic disparities in food access mean that not all Australians are served equally well by food retail environments.

Shopping online

Online retail is growing as a way for Australians to source food. A 2024 survey found that 20% of consumers had recently purchased groceries both online and in-store, with 6% buying online only (ACRS, 2024). In 2022, only 52% of Australians reported buying groceries exclusively in-store, while 35% bought groceries mainly in-store and partly online, and 13% did so mainly or exclusively online (Appinio and Spryker, 2022).

Online shopping fits with a consumer trend to seek ways to minimise time and effort spent shopping. The value of online food purchases surged 157% between 2019 and 2024 (seasonally adjusted; ABS, 2025). The increase was partly due to COVID restrictions, but the upward trend has continued since then with 6.6% of all food sold in Australia purchased online in 2024, from 5.8% in 2022 (ABS, 2025). Coles (51%) and Woolworths (45%) dominated online grocery sales in 2024, followed by Amazon (23%) (Statista, 2025). Online food purchasing has also reshaped food environments by boosting niche ways of sourcing food, as in the case of takeaway food delivery and meal boxes.

Concentration, competition and market power

Large supermarkets in Australia have been the subject of several inquiries in recent decades, exploring whether market concentration is enabling the abuse of market power. Woolworths and Coles are estimated to hold 65% of the grocery market, with a further 10% held by ALDI and 7% by Metcash (IGA) (Treasury, 2023). Within Coles and Woolworths, concentration in the form of home-brand products as a share of sales is also increasing (Coles, 2024a; Woolworths, 2024). Home brands can increase profits by reducing costs and increasing bargaining power with ingredient suppliers and food manufacturers (ACCC, 2024; Pulker et al., 2018b).
The growth of other actors in the market has been pointed to as a sign of healthy competition (e.g. by Coles, 2024b). More recent entrants such as ALDI and Costco have leveraged the large size of their well-established overseas businesses to expand into Australia. Major barriers to entry for smaller players include rent and energy prices and labour (costs and shortages) needed to match the 'everything-all-the-time' convenience offered by large established retailers (ABS, 2024b; Meris, 2024). To manage these barriers, some smaller food retailers are focusing on specialised products and providing online ordering and delivery services (Meris, 2024). Others focus on value, quality or provenance of food and alternative ways of sourcing and distribution, such as through closer relationships between consumers and producers enabled by farmers' markets (ABC, 2024).

Food retail is community space

As well as providing access to food, food retail environments are social spaces in which people in local communities interact, building social cohesion and reducing social isolation (Williams et al., 2024). Smaller greengrocers, butchers and specialty shops can support community interaction for diverse ethnic groups (Voloder, 2015).

2.3 Priorities for improving reporting and management

Monitoring food retail environments

Australians currently have a low awareness of the influence that retail food environments have on dietary choices and health outcomes (see Insight 1, Nutrition). Consistent methodologies and data standards for analysing food environments have yet to be established for Australia, and data on food sales are held closely by food retailers. The AIHW has proposed monitoring food environments in Australia (AIHW, 2012). Australia's Food Environment Dashboard (Deakin University, 2025) offers access to the patchy data available (see Insight 1, Nutrition). Analyses of food environments, such as those conducted in Perth and Melbourne, could be extended (Bivoltsis et al., 2020; Needham et al., 2022). Supermarkets could work towards understanding the contribution of home brands to nutrition and health (Pulker et al., 2018a), following the example of Tesco in the United Kingdom (Tesco PLC, 2025).

Most Australians have low awareness of the impact that food environments have on dietary choices and health outcomes.

Reporting on competition-distorting trends

There is ongoing debate regarding whether consolidation in Australia's food retail system has created market power for supermarkets that is used to disadvantage consumers or producers of food and its ingredients (Merrett, 2020). Internationally, inquiries by public agencies such as the ACCC tend to infer market power and its abuse from pricing and procurement practices, but these inquiries are not always conclusive (Deconinck, 2021). One avenue for future research is the role of market power in shaping food retail environments through practices such as land banking.

Preferred retail food environments

Monitoring is a first step towards enabling governance processes to negotiate preferred future food environments. Processes are needed that bring communities, governments and industries together to balance ongoing economic goals with sustainability, equity and health goals for Australia's food system. It is likely that large supermarket chains will continue to play a significant role in Australia's food environments. Processes are needed to negotiate the mix of commercial and non-commercial goods and services that supermarkets are expected to provide, and to build public support for non-commercial obligations.