HD **ACCC ‘must put Woolies on short leash’**

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THE backlash against the market power of the big supermarket chains has spread to their liquor operations.

Dean Taylor, chief executive of crackawines.com.au, claimed Dan Murphy’s was “playing dirty” by pressuring cracka’s suppliers and trying to “destabilise our relationships and partnerships with other corporates”, including a content-for-**equity** deal terminated by Fairfax Media in 2013.

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“As a challenger **brand** disrupting a large and established market, we always knew we’d get some pressure from Woolworths, but I guess we never realised just how dirty they would play,” Mr Taylor told The Australian.

“I think Woolworths Liquor **Group** has become too powerful and needs to be broken up or at the very least put on a damn short leash. An Australian Competition & Consumer Commission inquiry into their behaviour is well overdue.”

A Dan Murphy’s spokeswoman rejected Mr Taylor’s assertions, pointing to principles in an agreement struck on Wednesday last week with the Winemakers Federation of Australia as evidence of its commitment to “doing the right thing”.

“Cracka is a competitor of Dan Murphy’s,” the spokeswoman said. “We reject Mr Taylor’s unevidenced statements.”

Grocery giants Woolies and Coles are under intense regulatory scrutiny over supplier allegations that they have misused their market power.

As the consumer watchdog continues to investigate, the retailers have tried to seize the initiative by concluding agreements that require them to act fairly in commercial negotiations with suppliers.

Earlier this month, Coles unveiled a new supplier charter on the same day that a long-awaited industry code of conduct edged closer to fruition with the release of a Treasury consultation paper.

Woolies also signed a code for fairness and transparency last week with the WFA.

While Woolies is the dominant player in the domestic liquor market, the online **wine** segment, worth about 10 per cent of the $5 **billion** domestic **wine** market, is increasingly competitive.

New entrants are attracted to a substitution play from bricks-and-mortar to online retailing that’s driving a 50 per cent annual growth rate, compared to an overall **wine** market in decline.

As for cracka, which is considering an initial pubic offering in the next 12-18 months to raise capital for offshore expansion, Mr Taylor said the **business** was growing at “triple-digit numbers” and setting revenue records on a weekly basis.

The cracka chief was critical last week of aspects of Dan Murphy’s renewed assault on the online liquor retailing space in the context of some of the terms of the WFA deal.

He extended his attack yesterday to a dust-up between Woolies and Fairfax in 2013 over the publishing **group** taking a **stake** in cracka.

Fairfax at the time was seeking to grow its online transactional revenue, taking a stake in cracka in return for content and multimedia promotion of the online retailer's website.

The deal was struck in the second half of 2012, with Fairfax's then-metro chief executive Jack Matthews appointed to the cracka board.

By June last year, however, the deal had been terminated by Fairfax, which this month announced a content deal between its Good Food brand and Dan Murphy's.

While Fairfax declined to comment, a Woolies spokeswoman confirmed that the retailer had "raised concerns about the future direction of the commercial relationship with Fairfax following their decision to take an equity stake in a direct competitor (cracka)".

Contrary to speculation, the spokeswoman said Woolies' advertising spend with Fairfax had been maintained throughout the period. Woolies said in a statement that it had only "raised concerns" with Fairfax.

However, Mr Taylor went a step further, saying he was not surprised to hear about the "pressure" exerted by Woolies on Fairfax.

"It's just a shame, as I think Fairfax has missed out on another great opportunity to get in on a successful dot.com as an early stage investor," he said.

The controversy over Fairfax's cracka investment has emerged as Woolies prepares to launch Dan Murphy's Connections, a development revealed in The Australian last week.

Connections, which will compete with cracka, is a consignment selling model where fulfilment is undertaken by the winemaker. Effectively, Dan Murphy's will broaden its in-store range in a digital offering, without the need to hold costly inventory.

It will charge winemakers 25 per cent of the full retail price, plus GST — a broadly similar margin to cracka — and a vendor-hosting fee of $49 a month after the first year.

In a presentation to winemakers, Dan Murphy's says its lowest price guarantee applies to its entire range, including Connections.

While vendors would provide a "reasonable" recommended retail price to Dan Murphy's, the presentation says their stock would be price-checked against competitors and the price adjusted if required, with the vendor to receive notification of any change through the vendor portal.

Mr Taylor said that, unlike the cracka model where winemakers had control over the price, Dan Murphy's kept control through its lowest price guarantee, contrary to the principles in the WFA code.

"This effectively allows them to undercut any price in the market," he said.

"No other retailer in the country can command terms like that, including Coles."

Dan Murphy's terms, according to the cracka chief, enabled the chain to avoid any cost to its business when it undercut a competitor's price.

But the Dan Murphy's spokeswoman said that, in keeping with the principles in the Winemakers Federation of Australia agreement, Dan Murphy's Connections would have no exposure to the supplier's wholesale price or their margin, as the supplier "only advises us of their suggested retail price, allowing for a much simplified process".

"In the event of the retail price being beaten due to competitor activity, both the supplier and Dan Murphy's will receive a lower than expected return," she said.

"The burden of the discount to the customer is shared between the supplier and Dan Murphy's."

Mr Taylor said cracka was now profitable in Australia and was looking to expand into other key markets for Australian wines, such as New Zealand, the US, Britain and China.

"Our intention is to raise capital in the next 12-18 months, potentially through an initial public offering, to fund that expansion," he said.

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