

30 April 2024

Grocery Code Review Secretariat
Market Conduct and Digital Division Treasury
Langton Cres
Parkes ACT 2600

Via email: GroceryCodeReview@treasury.gov.au

Re: Independent Review of the Food and Grocery Code of Conduct

To Whom It May Concern:

The Association of Digital Service Providers Australia New Zealand (DSPANZ) welcomes the opportunity to submit this on behalf of our members and the business software industry.

About DSPANZ

Digital Service Providers Australia New Zealand is the government's gateway into the dynamic, world-class business software sector in Australia and Aotearoa New Zealand. Our members range from large, well-established companies to new and nimble innovators working at the cutting edge of business software and app development on both sides of the Tasman.

DSPANZ supports the review of the Food and Grocery Code of Conduct (the Code) and the intent to better protect suppliers. In particular, we support the recommendation that the Code should be made mandatory and prescribed under the *Competition and Consumer Act 2010*.

DSPANZ believes there is an opportunity to introduce e-invoicing capability into the Code to protect suppliers, especially smaller suppliers, and meet several of the Code's objectives, such as enhancing transparency, reducing disputes and reducing administrative overhead.

Within the food and grocery sector, e-invoicing-enabled suppliers should be able to readily supply the major supermarkets and be paid promptly, enabling appropriate cash flow management without the current burden and expenses involved in this process.

DSPANZ has been vital in progressing e-invoicing in Australia and Aotearoa New Zealand since 2015. We work alongside the agencies responsible for e-invoicing—the Australian Taxation Office and New Zealand's Ministry of Business, Innovation and Employment—to support this community. A number of our members are e-invoicing enabled or provide e-invoicing services.

This submission covers an introduction to eInvoicing and how it, as a tool, aligns with the Code's objectives of enhancing transparency, reducing disputes, reducing administrative overhead and enabling a payment arrangement system that will reduce payment times, particularly for small suppliers. One large food and grocery retailer, Woolworths, has already successfully implemented eInvoicing, which significantly benefits payments to small suppliers. This example demonstrates that eInvoicing is a viable option for all other large players in the grocery chain as a component of the proposed mandatory Code.

DSPANZ welcomes the opportunity to provide further feedback on our submission. For more information, please contact Maggie Leese at maggie@dspanz.org | +61 487 641 702.

Yours faithfully,

Signed by:

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**Matthew Prouse,
President & Director
DSPANZ.**



DSPANZ believes that eInvoicing capability should be introduced into the Code as this will further protect suppliers, especially smaller suppliers, and meet several of the Code's objectives, such as enhancing transparency, reducing disputes, lowering administrative overhead, and enabling a payment arrangement system that will reduce payment times.

We recommend requiring supermarkets, especially the larger retailers, to be capable of receiving eInvoices from their enabled suppliers as the best approach to introducing eInvoicing within the Code.

What is eInvoicing?

eInvoicing is the automated, electronic exchange of invoice data between a supplier's and buyer's accounting systems. Unlike email or PDF invoices, eInvoices are structured in a standardised format, ensuring compatibility across enabled platforms. Australia has adopted the Peppol eInvoicing standard, which is a globally recognised framework, and the Australian Taxation Office (ATO) is responsible for managing the framework locally.¹

eInvoicing and the Food and Grocery Code of Conduct

Introducing eInvoicing capability within the Code would help address several challenges raised through this review, such as delayed payments, complex payment terms, invoicing errors and power imbalances between suppliers and retailers.

Further, eInvoicing would help supermarkets and suppliers meet the Code's objectives and build a more robust, fair and efficient grocery supply chain, benefiting all parties involved.

Standardising Procurement Processes

A mid-market grocery wholesaler with state-wide supply contracts to two major supermarkets that use the retailer-supplied online portals to manage its orders and invoices requires one full-time employee to manage these processes, with additional staff required during peak periods. If this wholesaler were to invest in an Electronic Data Interchange (EDI) integration, it would cost approximately \$100,000 per retailer to implement.

eInvoicing relies on an interoperable network, so it is compatible across enabled platforms. Suppliers and buyers invest once in becoming enabled and can then eInvoice with any of their enabled trading partners. Introducing an eInvoicing capability requirement within the Code allows eInvoicing-enabled small businesses an equal opportunity to supply the 4 major supermarkets, as they use the same processes.

Enhancing Transparency and Accuracy

eInvoicing in the food and grocery sector will ensure that all transactions between supermarkets and suppliers are documented in a consistent, standardised electronic format. eInvoicing enhances the accuracy of transaction data, minimises human error, and facilitates immediate and clear communication on transaction specifics such as prices, quantities and payment terms.

¹ <https://www.ato.gov.au/businesses-and-organisations/einvoicing/peppol>

Through these benefits, eInvoicing can increase transparency in the grocery supply chain, making it easier for both parties to access and review transaction histories, supporting fair dealing and compliance with agreed terms.

Reducing Disputes

One of the primary sources of disputes in the grocery supply chain arises from discrepancies in invoices and payment terms. These discrepancies disproportionately affect smaller suppliers, leading to power imbalances within retailer relationships. With eInvoicing, invoices are generated and transmitted electronically, significantly reducing the likelihood of inconsistencies and misunderstandings. There may be opportunities for supermarkets and suppliers to automatically cross-verify invoice details against contractual terms and deal with any discrepancies before they escalate into disputes.

With the invoice details more readily available to both parties, it can reduce the number of invoice-related issues and quicken the resolution process. For example, the Woolworths Group has reduced their supplier queries by 70 per cent and increased response times from 14 days to less than 24 hours through eInvoicing.²

Improving Efficiency and Reducing Administrative Burden

eInvoicing streamlines the entire invoicing and payment process, eliminating the need for manual data entry and the physical handling of paper invoices. This automation speeds up the processing of transactions and reduces the administrative burden on supermarkets and suppliers. Faster processing leads to quicker payment cycles, improving cash flow for suppliers, particularly for small to medium businesses.

This efficiency gain aligns with the Code's objectives by supporting suppliers' economic viability through more reliable and timely payments.

Business Payment Practices

Small businesses, including those that supply large food and grocery retailers, can struggle to get hold of the money they are owed. Adequate cash flow and reserves are crucial for having a viable and sustainable business. Elongated payment timeframes and late payments, as a business practice, undermine small business suppliers.

Statistics from the Australian Government's Payment Times Reporting Register demonstrate that large retail food businesses still pay between 5 and 8 per cent of their invoices after 30 days. Extended payment times are likely to create financial stress for several small businesses, given that some of these supermarket retailers get up to 19 per cent of their procurement from small businesses.

eInvoicing will assist with decreasing payment timeframes through its accuracy and efficiency benefits.

² <https://www.einvoicing.govt.nz/case-studies/woolworths-group-steps-up-for-small-business/>

Implementing eInvoicing in the Australian Food and Grocery Sector

Introducing eInvoicing capability within the Code and, therefore, across the Australian food and grocery sector will require a considered implementation approach. DSPANZ is willing to work with the government and industry players to ensure a robust plan for implementing eInvoicing across the sector in a way that meets the Code's objectives.

The government can draw on the Woolworths Group's experience in becoming eInvoicing enabled, among other large businesses such as Bunnings and BOC Gas, and provide the associated benefits to their suppliers. It is worth recognising that in an interview with the ATO, Woolworths noted, "The great thing about the Peppol network is it really allowed us an easy, efficient, and cost-effective model for our small to medium suppliers that weren't able to move on to an EDI or fully integrated EDI solution."³ Further, in their response to the *Statutory Review of the Payment Times Reporting Act 2020*, the Woolworths Group recognised that "Woolworths' multi-year investment in eInvoicing has materially improved its payment performance to suppliers."⁴

As Woolworths noted in their recent submission for the six months ending 31 December 2022, Woolworths paid 98 per cent of small supplier invoices (by volume) on time - a 25 per cent improvement from the numbers first reported to the Payment Times Reporting Scheme in the first half of 2021. Woolworths attributed this level of performance to their investment and implementation of eInvoicing.⁵

DSPANZ believes that by introducing an eInvoicing capability requirement to the Code, eInvoicing-enabled suppliers can more easily trade with large supermarkets and avoid many challenges and costs associated with meeting complex procurement processes and EDI system requirements. Various eInvoicing solutions are currently available in Australia that can be integrated with suppliers' existing systems, or eInvoicing capabilities may already be offered within their accounting systems.

Given Woolworths' recent successful implementation of eInvoicing as a procurement platform and with the proper support and implementation timeframes for suppliers, we believe that implementing eInvoicing is a viable option for all players in the grocery supply chain.

As noted previously, DSPANZ is prepared to provide more detailed insights on eInvoicing and how introducing eInvoicing capability into the Food and Grocery Code of Conduct could work in practice.

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<https://www.ato.gov.au/businesses-and-organisations/business-bulletins-newsroom/einvoicing-making-things-better-for-businesses>

⁴ https://treasury.gov.au/sites/default/files/2023-08/c2023-360147_woolworths-group.pdf

⁵ https://treasury.gov.au/sites/default/files/2023-08/c2023-360147_woolworths-group.pdf