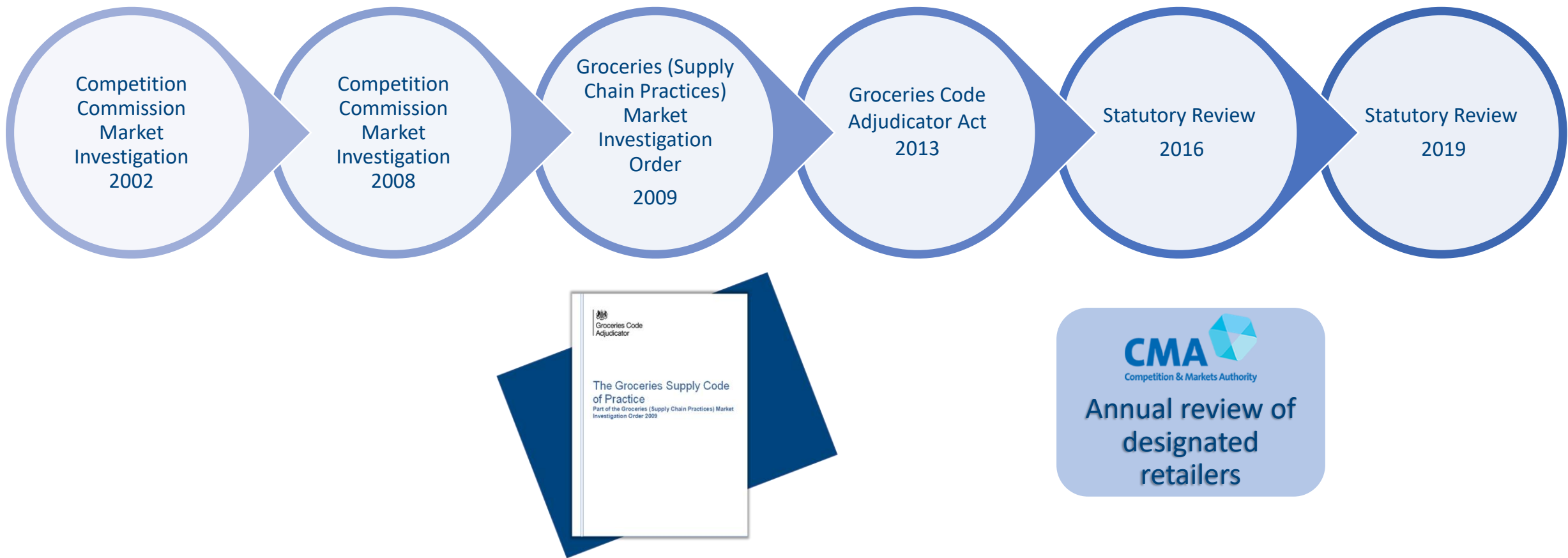


The Impact of Groceries Regulation in the UK

New Zealand briefing

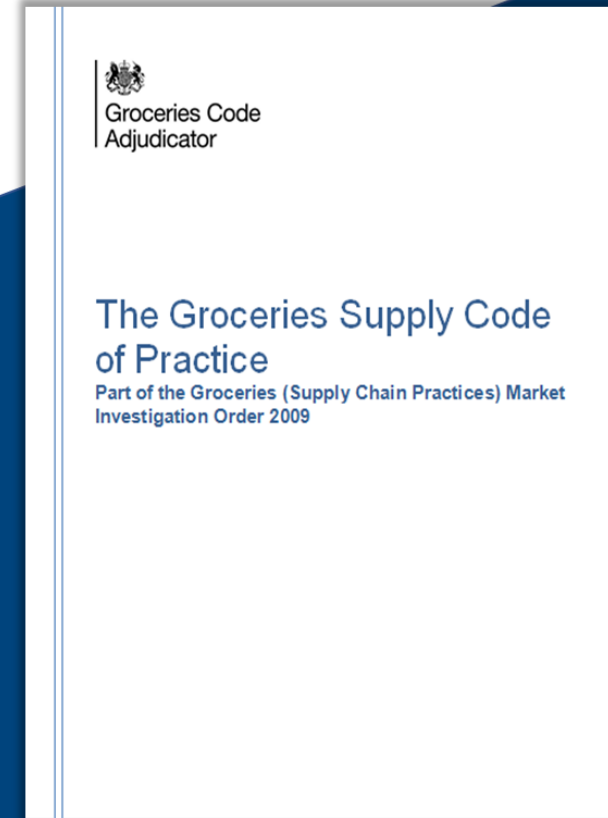
Christine Tacon
GCA 2013- Oct 2020

A brief history



Role of the Adjudicator

- Monitor, encourage compliance with and enforce the Code
- Help strengthen the supply chain and bring further innovation to the groceries sector benefiting suppliers, retailers and customers



Designated retailers

ASDA

Sainsbury's



home bargains

ocado

co
op


Morrisons
Since 1899



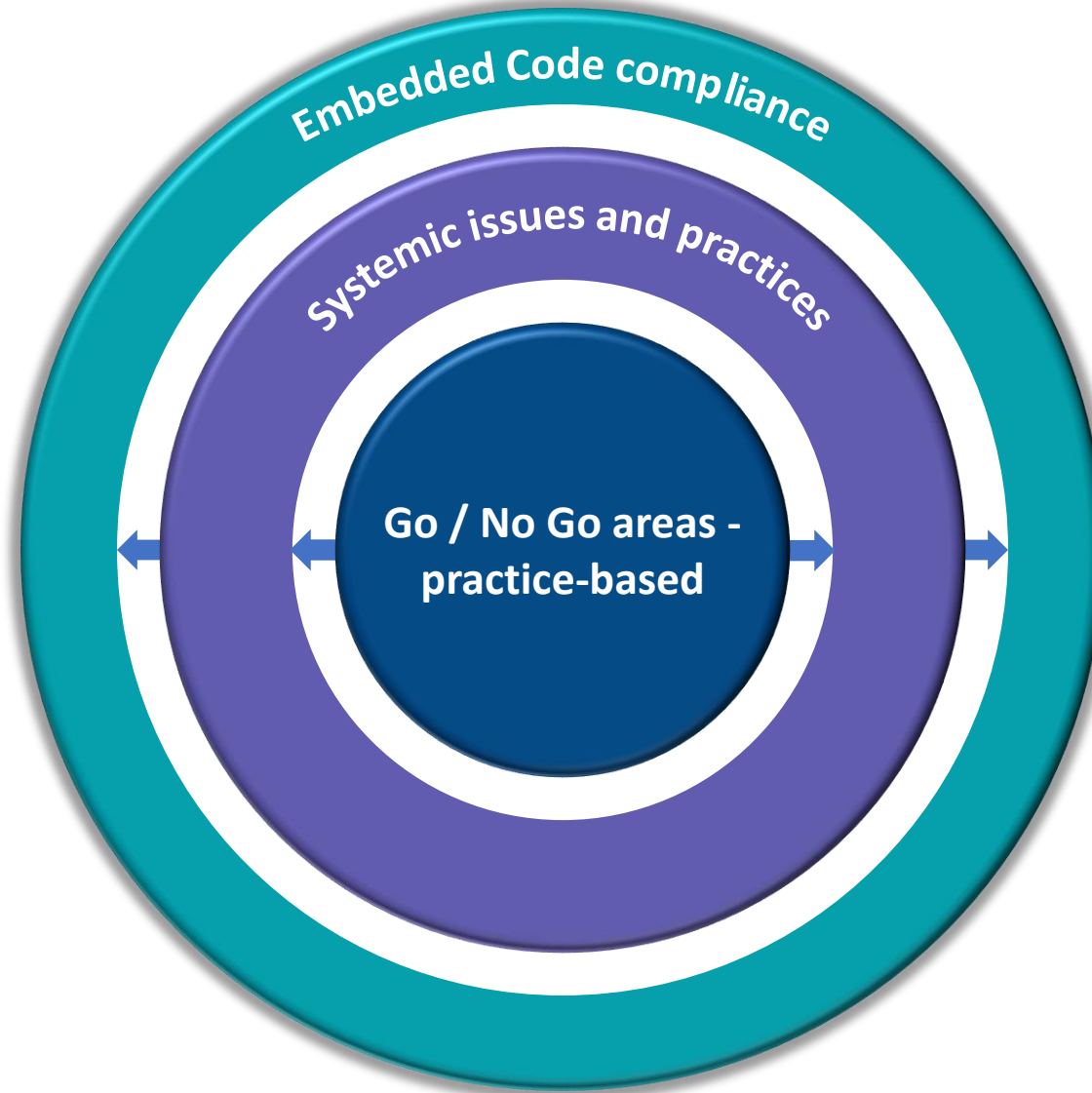
TESCO

Iceland

Waitrose

M&S
EST. 1884

Development of regulatory approach



Overview of 7 years of activity



502
SUPPLIER EVENTS
& MEETINGS



385
RETAILER
MEETINGS

2

INVESTIGATIONS

5

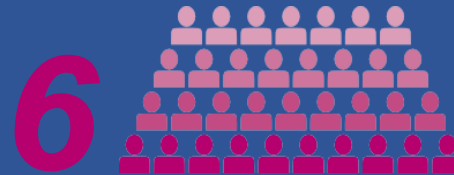
CASE STUDIES



INTERNATIONAL
ENGAGEMENTS



22
NEWSLETTERS PUBLISHED



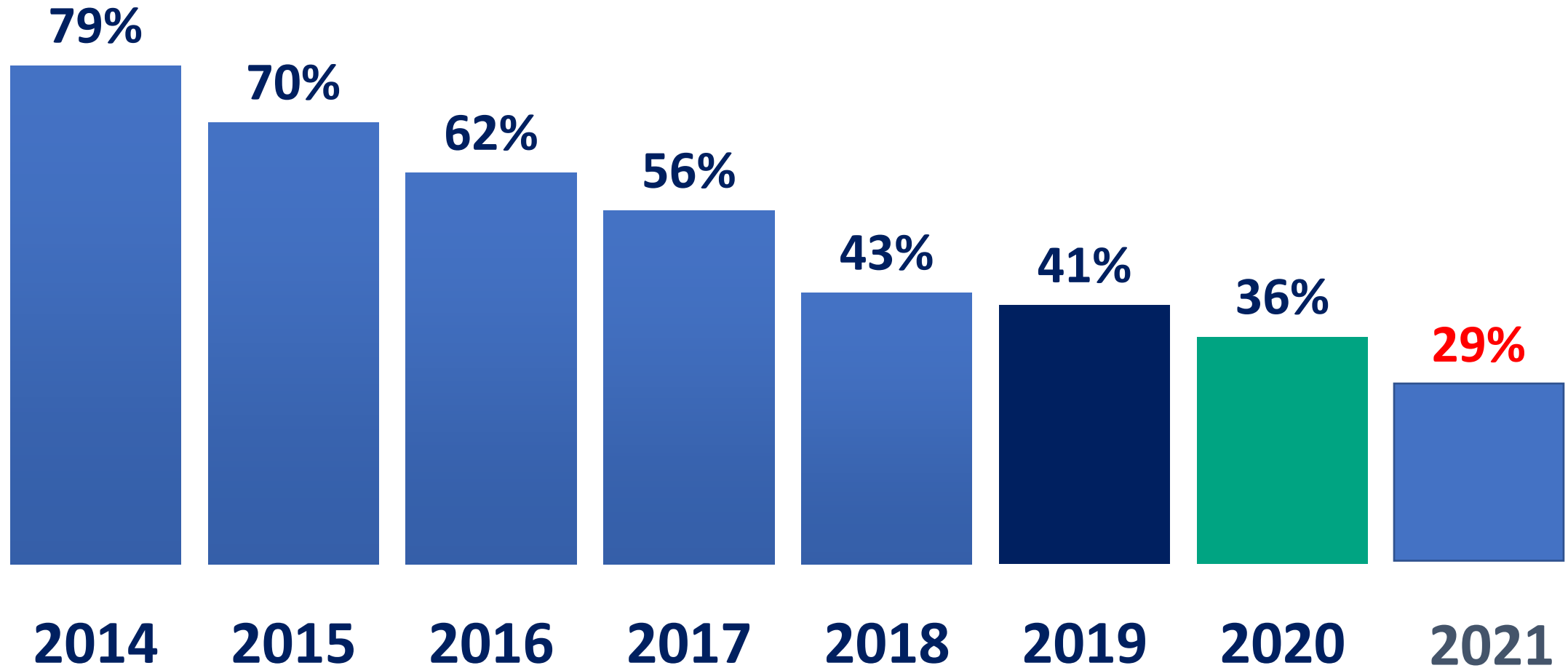
6
ANNUAL CONFERENCES

9

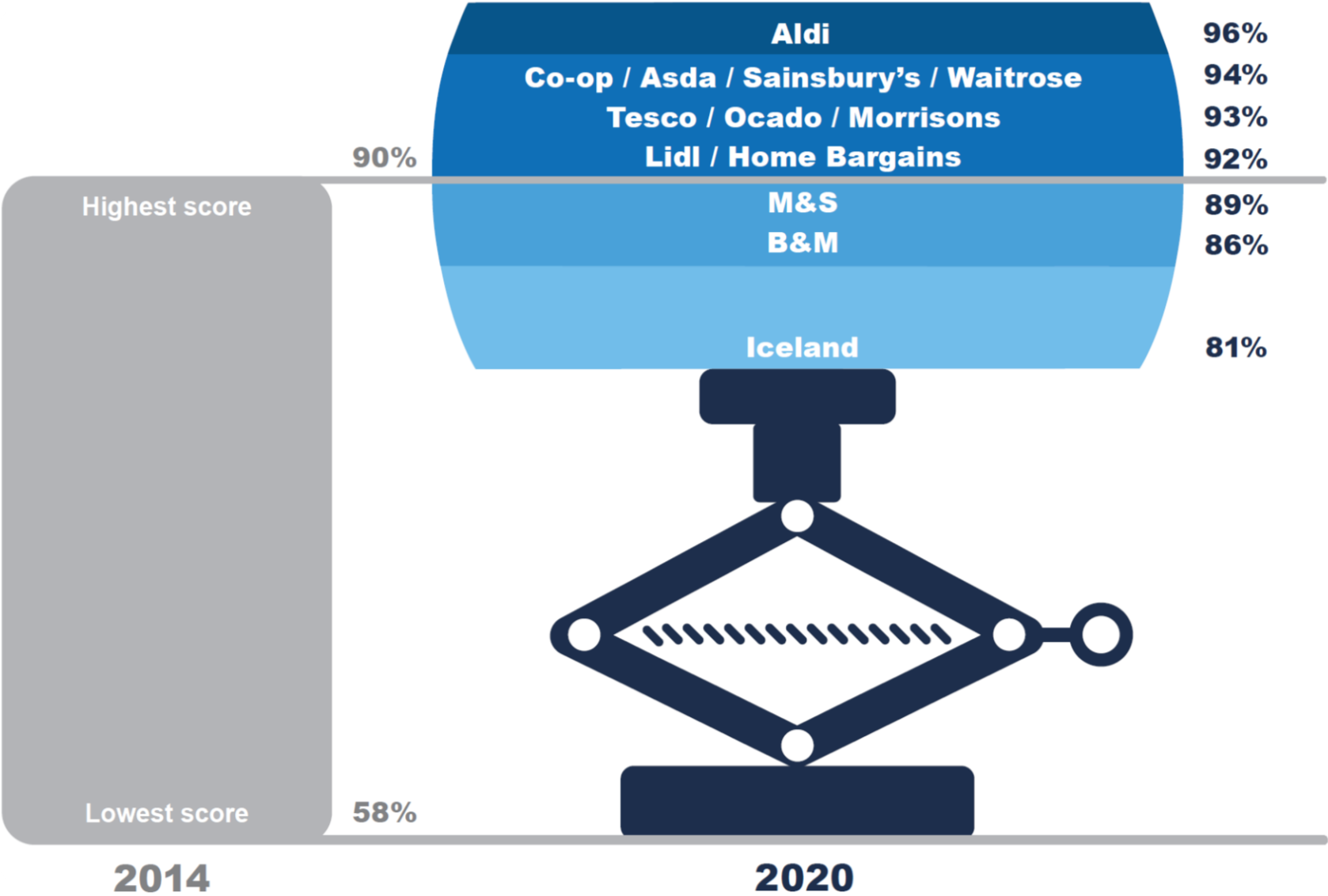
ARBITRATIONS

Impact of the GCA

Suppliers experiencing Code-related issues

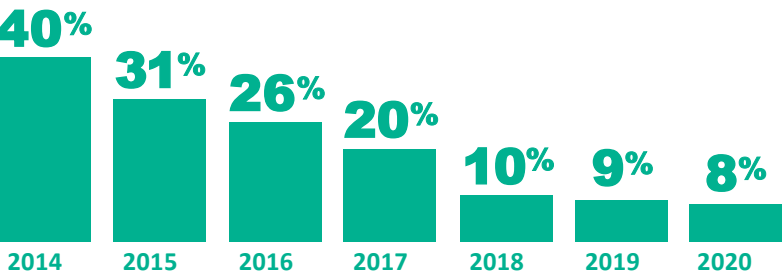


Compliance with the Code

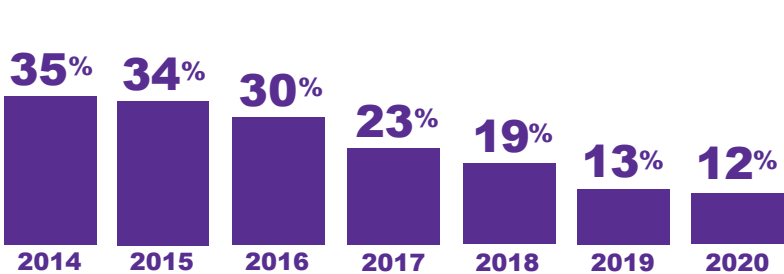


Progress on Code-related issues since 2014

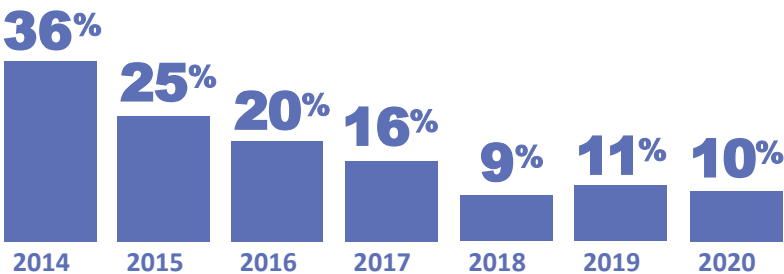
Paragraph 3 Variation of supply agreements



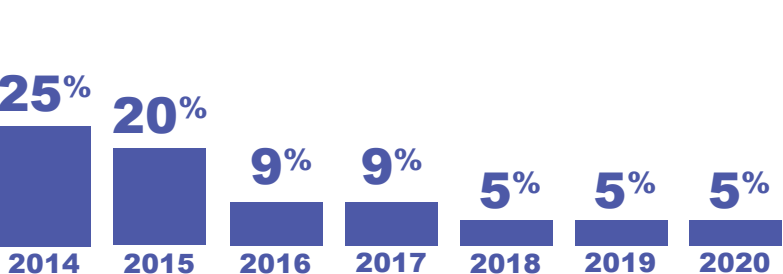
Paragraph 5 Delay in payments



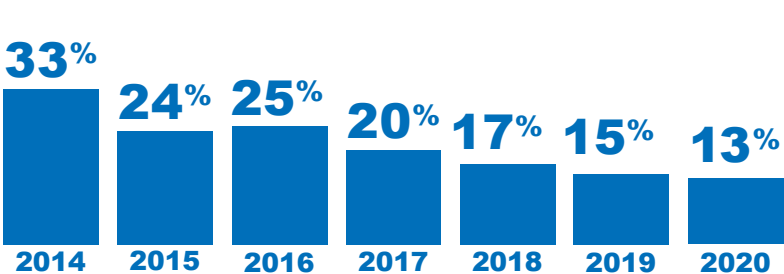
Paragraph 6 Contribution to marketing costs



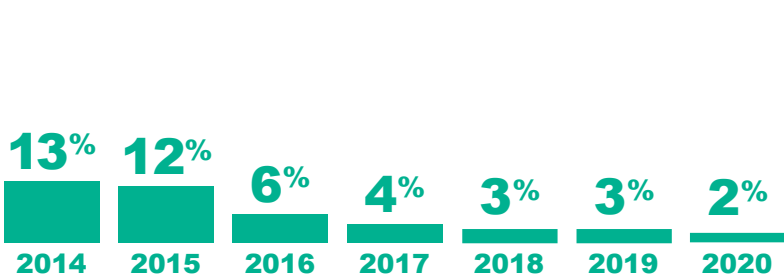
Paragraph 9 Pay to stay



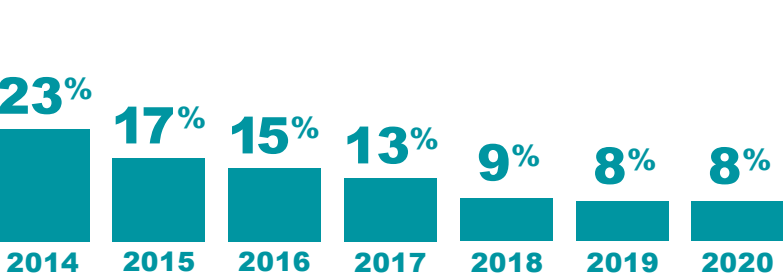
Paragraph 10 Forecasting



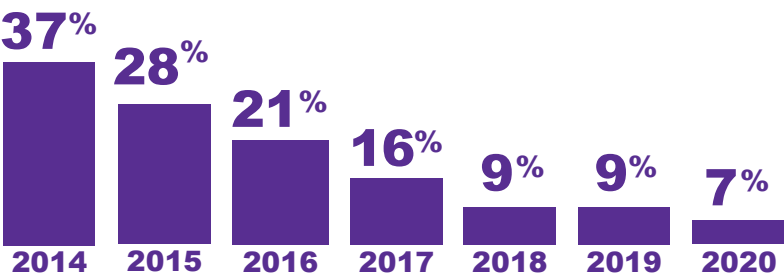
Paragraph 12 Payments for better positioning



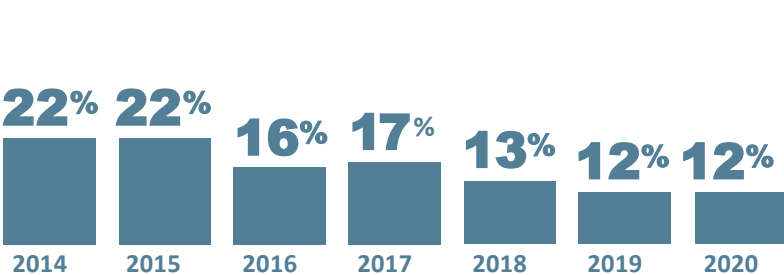
Paragraph 14 Promotions



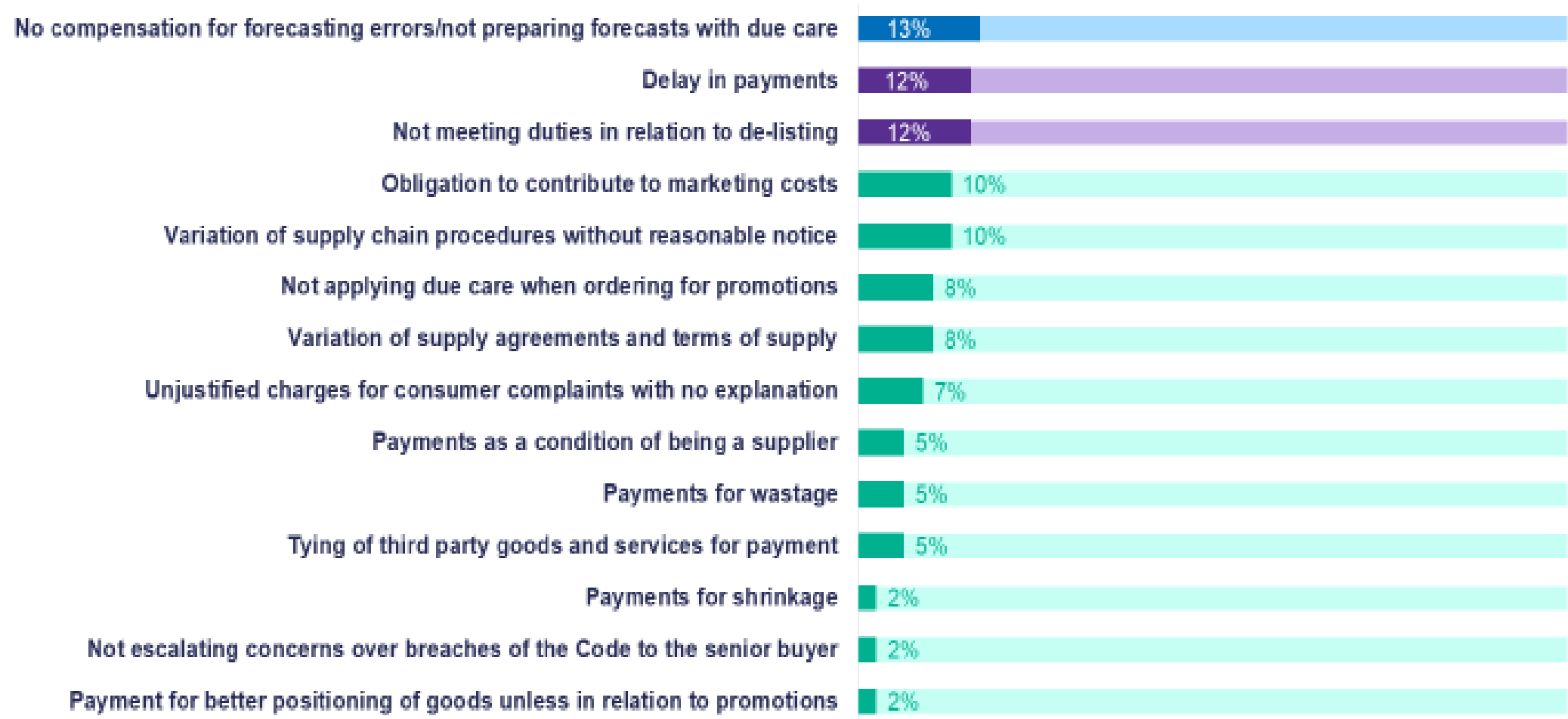
Paragraph 15 Consumer complaints



Paragraph 16 De-listing



Issues suppliers say have affected them in the past 12 months

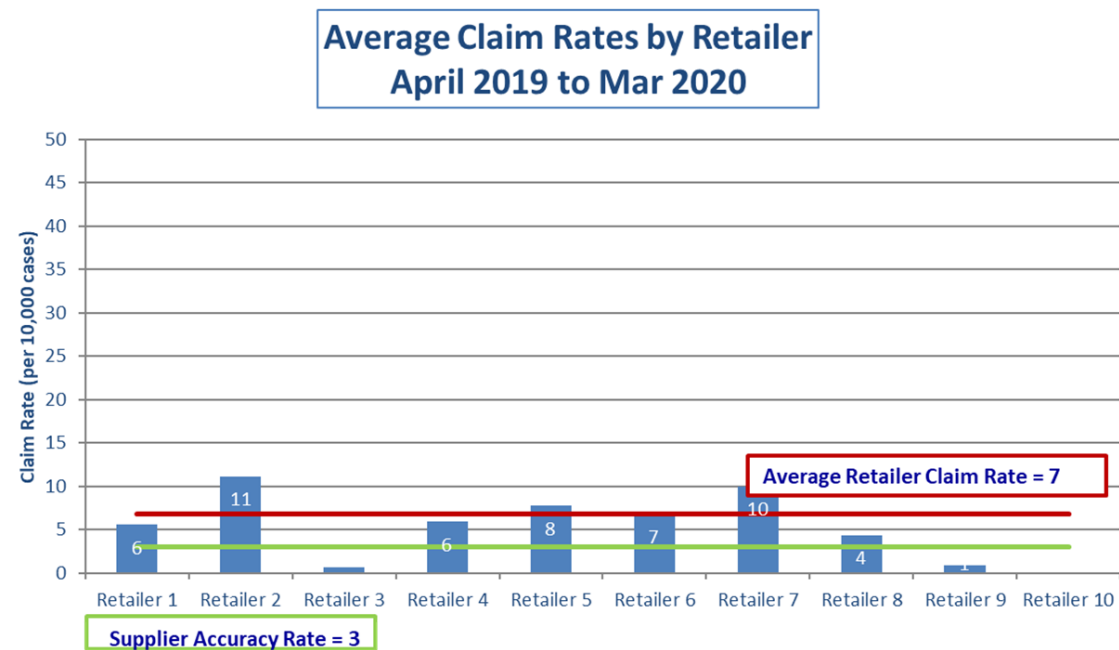
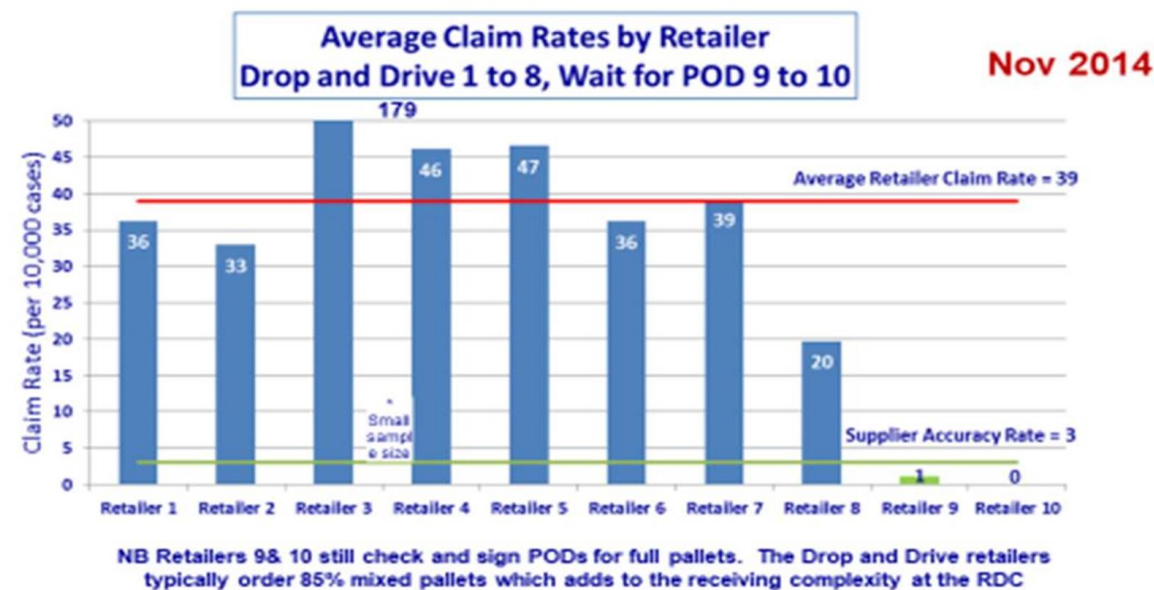


Code-related issues by retailer reported by suppliers in 2020

Issue	Retailer												
	1	2	3	4	5	6	7	8	9	10	11	12	13
Incurring significant costs when cause is inaccurate forecasting by the retailer	Red	Red	Yellow	Red	Yellow	Red	Red	Red	Red	Yellow	Yellow	Green	Green
De-listing, including significant reduction in volume without giving reasonable notice	Yellow	Green	Green	Yellow	Green	Yellow	Red	Red	Yellow	Green	Green	Yellow	Red
Inadequate processes and procedures in place to enable invoice discrepancies to be resolved promptly	Yellow	Green	Green	Red	Yellow	Yellow	Yellow	Red	Green	Red	Green	Green	Green
Requirement to predominantly fund the cost of a promotion	Yellow	Green	Yellow	Yellow	Red	Yellow	Red	Yellow	Green	Green	Red	Green	Green
Not allowing time (30 days) to challenge proposed invoice deductions, or deducting even if challenged	Green	Green	Green	Yellow	Green	Green	Yellow	Yellow	Green	Yellow	Green	Green	Green
Data input errors (e.g. pricing) not resolved promptly (7 days)	Green	Green	Green	Yellow	Green	Green	Yellow	Yellow	Green	Yellow	Green	Green	Green
Retrospective changes to supply agreements	Green	Green	Green	Green	Green	Yellow	Green	Yellow	Yellow	Green	Green	Green	Green
Undisputed invoices not paid according to agreed terms	Green	Green	Green	Green	Yellow	Green	Green	Green	Green	Yellow	Green	Green	Green
Variation of supply chain procedures without reasonable notice	Green	Green	Green	Green	Green	Green	Green	Yellow	Yellow	Yellow	Green	Green	Green
Drop and drive: delays in, or not receiving, payment when there are reements about deliveries	Green	Green	Green	Green	Green	Yellow	Green	Yellow	Green	Yellow	Green	Green	Green

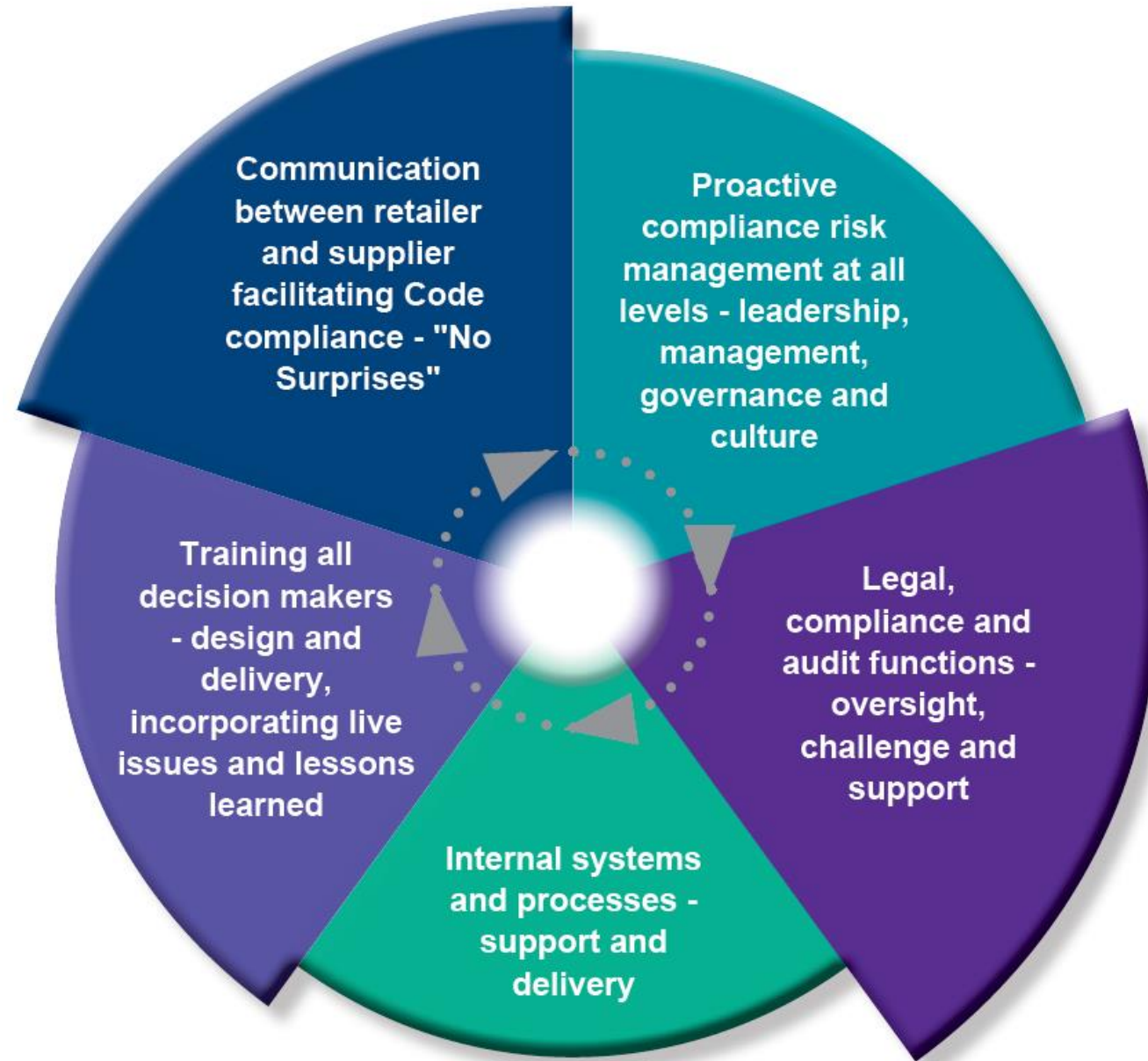


Drop and drive



Embedding Code compliance

A whole organisation approach to Code compliance



Supplier awareness

Know the Code: resources available

Online at www.gov.uk/gca

- Code provisions and related GCA action
- Case studies and reports of investigations
- Retailer commitment to limit forensic audit activity

Guidance

Code provisions and related GCA action

Published 21 November 2019

Contents

Paragraph 3 - Variation of Supply Agreements

Paragraph 5 - No delay in Payments

Paragraph 9 - Limited circumstances for Payments as a condition of being a Supplier (pay to stay)

Paragraph 10 - Compensation for forecasting errors

Paragraph 12 - No Payments for better positioning of goods unless in relation to Promotions

Paragraph 13 - Promotions

Paragraph 15 - No unjustified payment for consumer complaints

Paragraph 16 - Duties in relation to De-listing

Drop and drive

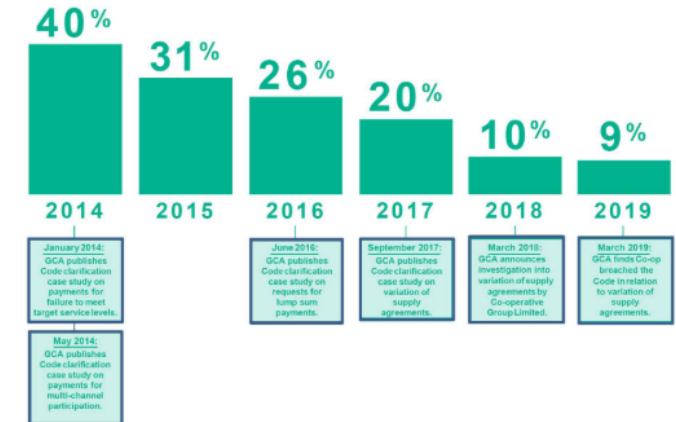
Forensic auditing

Margin maintenance

The links below set out relevant publications by the Groceries Code Adjudicator (GCA) in relation to eight practice-specific paragraphs of the Groceries Supply Code of Practice (the Code). The page also highlights relevant reading on issues raised by suppliers as areas of concern in the GCA annual survey.

[You can read a full copy of the Code here.](#)

Paragraph 3 - Variation of Supply Agreements



- [Code clarification case study on payments for failure to meet target service levels](#)
- [Code clarification case study on payments for multi-channel participation](#)
- [Code clarification case study on requests for lump sum payments](#)
- [Code clarification case study on variation of supply agreements](#)
- [Notice of investigation into Co-operative Group Limited](#)
- [Report of the Investigation into Co-operative Group Limited](#)

Questions you might ask me....

Why a principles-based rather than detailed code?

Evidence from UK

- Principles-based UK Code allows the adjudicator to interpret it in light of retailer practices as they appear or evolve (e.g. delay in payments)
- Promotes a culture of compliance rather than finding ways around the Code

Consider

- Whether to expand regulatory requirements from the UK Code to include recommendations following the Tesco investigation

Did it cover below cost selling or fair share of retail price?

Evidence from UK

- Price was not considered by the UK competition authorities being a contractual matter.
 - Consumers benefit from low prices
 - Price fixing is of course anti-competitive
 - Buyer negotiating tactics to get the best cost price are normal commercial behaviour
- There has been significant lobbying for the UK Code to be extended back to the farmgate and include price but it was helpful to have a discrete code to address a problem and not get drawn into other areas

Key considerations

- The UK Code aims to create better certainty and stabilises relations between retailer and supplier by calling for fair and efficient handling of all negotiations and commercial agreements

What did it cost?

Evidence from UK

- Annual cost of UK GCA office never exceeded £650k
 - levy on regulated retailers (with power to vary)
 - part-time adjudicator, part-time legal adviser and up to five FTE seconded civil servants
- Investigations each cost about £1m, with external legal support
- Arbitrations cost the parties >£100k if didn't settle, incl GCA costs
- GCA investigation and arbitration costs recovered from relevant retailers

Communication and training

- Included GCA spend on conferences, workshops and industry events
- Supplier training provided independently by third parties

Was there a consumer benefit?

Evidence from UK

- Increased competition: additional three retailers designated 2013-2019
- Regulated retailers became business exemplars for paying on time: 93%-100% of all invoices, compared to 13% of their suppliers
- More effective communication and efficient working between retailers and suppliers
- Suppliers more able to challenge retailers to get the best joint solutions
- Fresh produce suppliers growing, confident under the protection of the Code to work closely and on longer contracts with retailers
- Consumers benefitted from an increase in innovative products on supermarket shelves, created by a growing number of specialty suppliers

How to find out more about the GCA

www.gov.uk/GCA

GCA is now Mark White
enquiries@groceriescode.gov.uk

Christine Tacon
mail@christinetacon.com
www.christinetacon.com
[TEDx talk](#)