

Groceries Code Adjudicator

Driving Change, Making an Impact

Chartered Institute of Marketing
March 2018



Groceries Code
Adjudicator

The Groceries Supply Code of Practice (the Code)

ASDA

TESCO

Waitrose

M&S

EST. 1884

- History of the Code
- Creation of the GCA
- Who is covered
- What issues are covered




Morrisons
Since 1899

Sainsbury's

Iceland

**co
op**

Role of the Groceries Code Adjudicator

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

GCA's 4 Years: Making Progress, Driving Change

- Culture change
 - Retailers asking me how to improve
- Suppliers opening up to me
 - Spread of training
 - Aware of the Code
 - Telling me about issues
- Progressing top issues

Investigation: Co-operative Group Ltd

8 March 2018 — News story

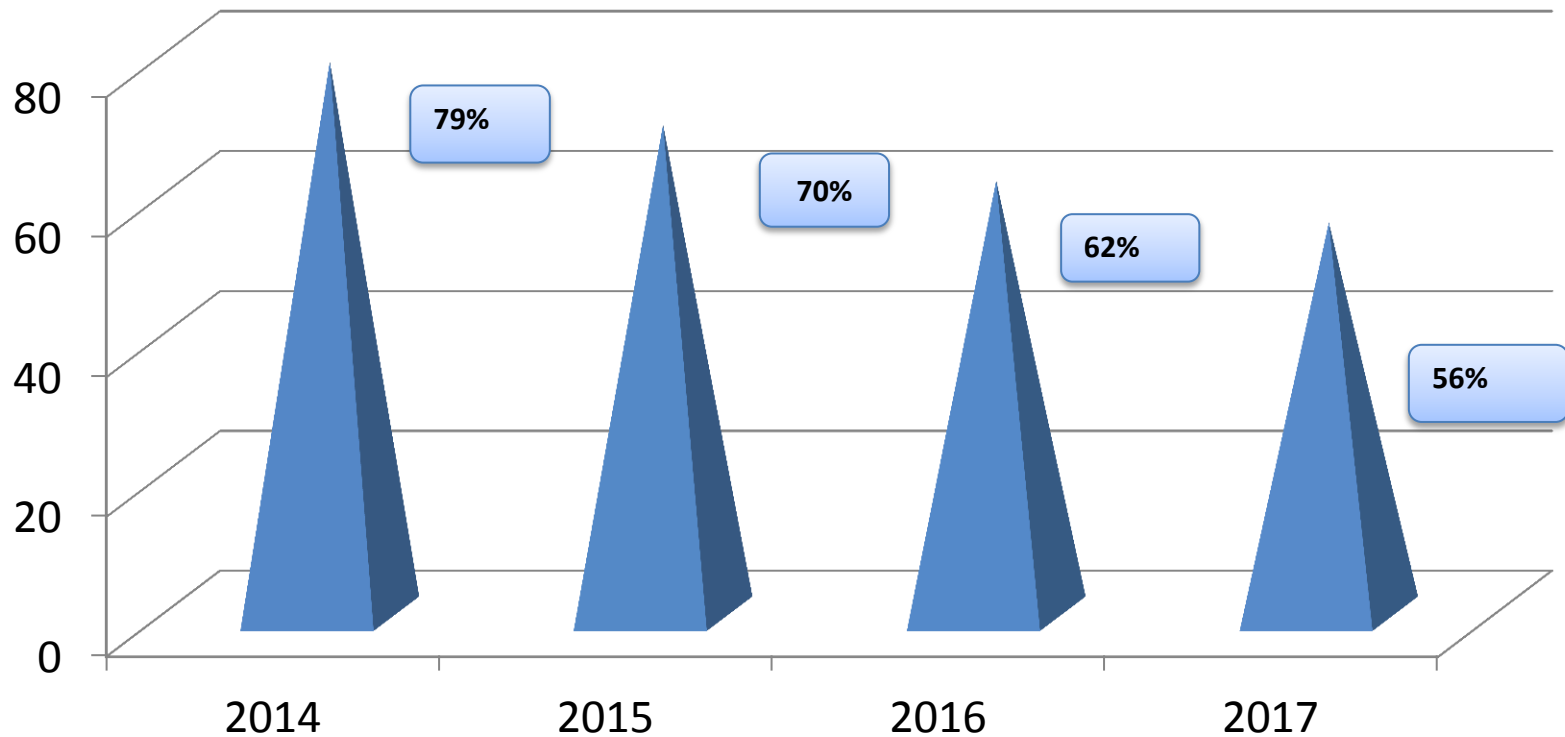
GCA launches investigation into Co-operative Group Limited

The GCA announces an investigation into Co-operative Group Limited

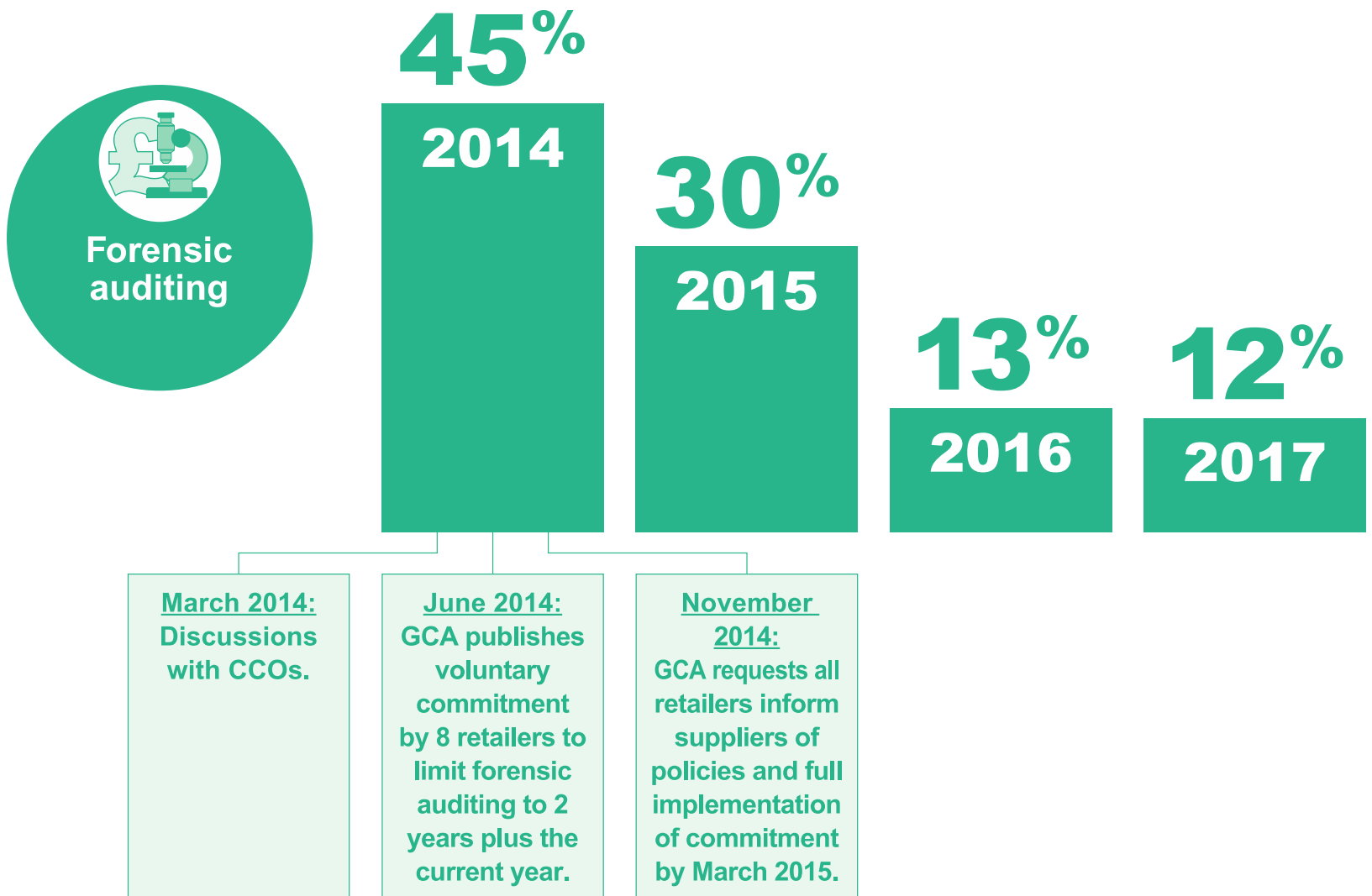
- 2 issues:
 - De-listing: in particular but not limited to range review activity
 - Variation of supply agreements: introduction of charges without reasonable notice
- Read with:
 - Principle of fair dealing: looking into retailer Code training; culture of Code compliance
- Call for evidence – submit by 3 May 2018. Complete confidentiality.

Seeing progress – year on year

% Suppliers experiencing Code-related issues



Previous - Forensic auditing



% direct suppliers reporting in annual survey having experienced 3rd party audits which have been abusive or excessive.

Previous - Consumer complaints



37%

2014

November 2014:
GCA requests information on issue from CCOs. Discussed in quarterly meetings.

30%

2015

June 2015:
GCA publishes a best practice statement.

22%

2016

September 2016:
GCA monitors progress by retailers.

12%

2017

% direct suppliers reporting in annual survey that they have experienced unjustified payments for consumer complaints.

Previous - Margin maintenance



36%

2014

March 2014:
Issue first raised. discussions with CCOs at quarterly meetings.

34%

2015

May 2015
GCA raises concerns about margin maintenance with CCOs

13%

2016

January 2016:
GCA makes position on margin maintenance clear in report of the investigation into Tesco.

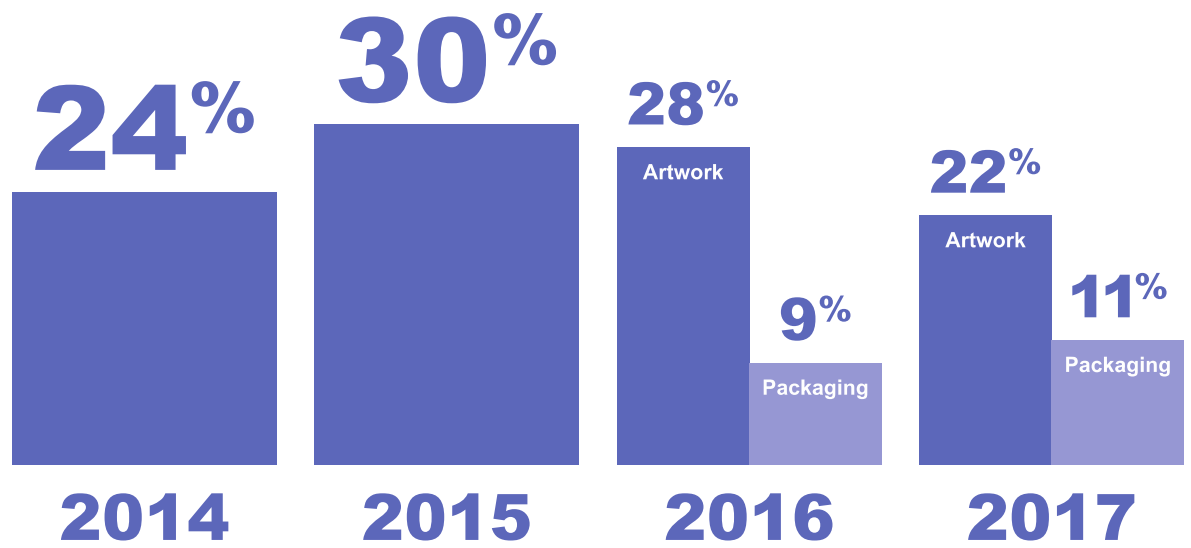
10%

2017

December 2016:
GCA discusses with CCOs scenarios in which requests for margin shortfall might arise.

% direct suppliers reporting in annual survey they have experienced requests for lump sum payments relating to retailer margin shortfall.

Previous - Packaging & artwork/design charges



- % direct suppliers reporting in 2014 survey a requirement to use a 3rd party packaging supplier more expensive than market price.
- % direct suppliers reporting in 2015 survey an issue with packaging and design charges.
- % direct suppliers reporting in 2016 survey excessive retailer charges for (a) artwork and design and (b) packaging.
- % direct suppliers reporting in 2017 survey unfair, unreasonable or unexpected charges for (a) artwork and design and (b) packaging.

2014

January 2014: GCA raises issue of packaging & design charges with CCOs; one of first Top 5 issues.

December 2014: GCA notes that supplier feedback on packaging is improving.

2015

September 2015: GCA hosts supplier workshop on issue; packaging charges now less of an issue than artwork/design charges.

2016

June 2016: Due to progress by retailers GCA amends Top 5 issue. Now: artwork/design charges.

Summer 2016: GCA assesses all retailer artwork/design rate cards and approaches; feeds back to retailers.

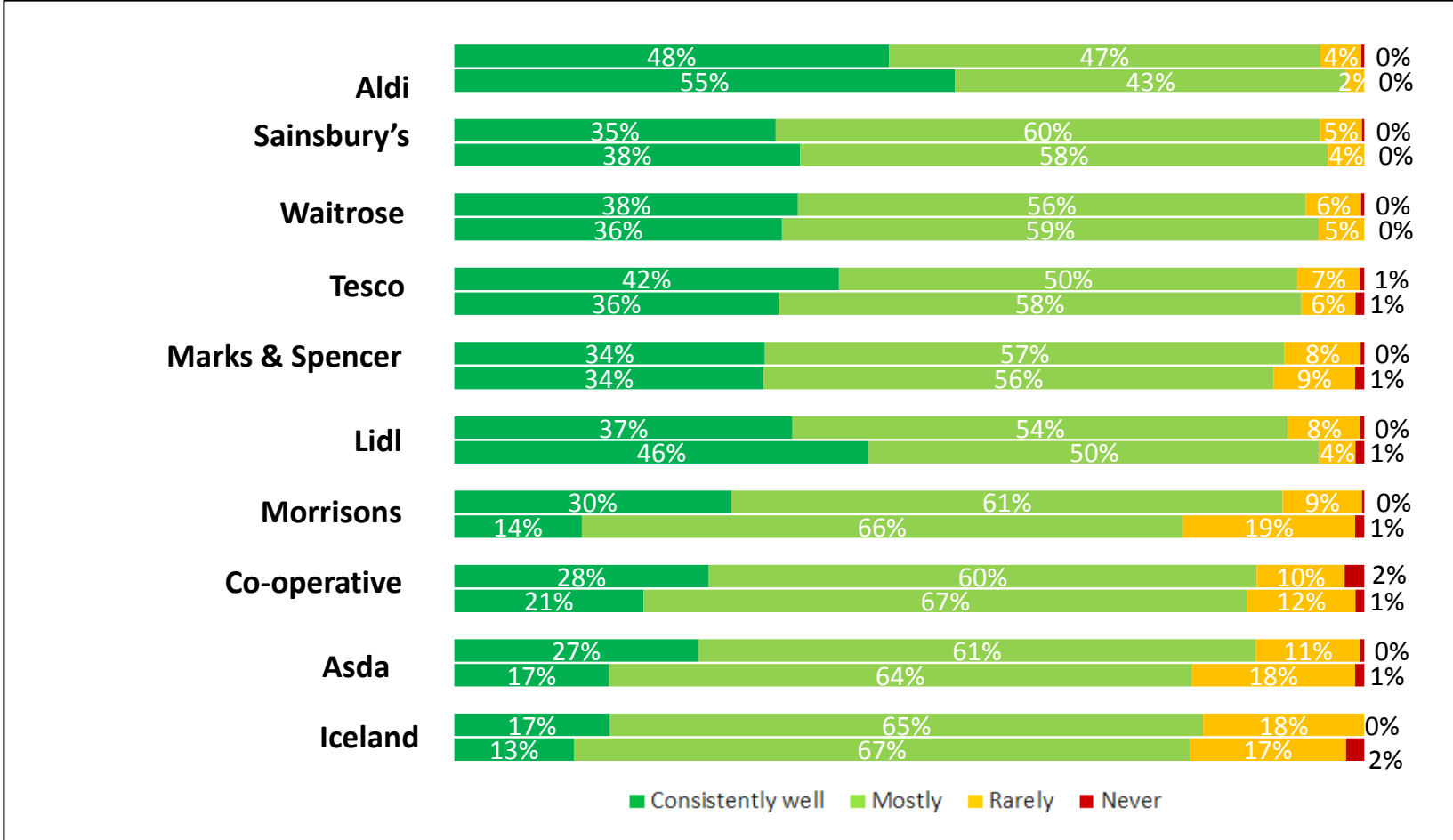
September 2016: Moves artwork/design charges to previous; urges retailers to base approach on principles of reasonable, predictable and transparent.

2017

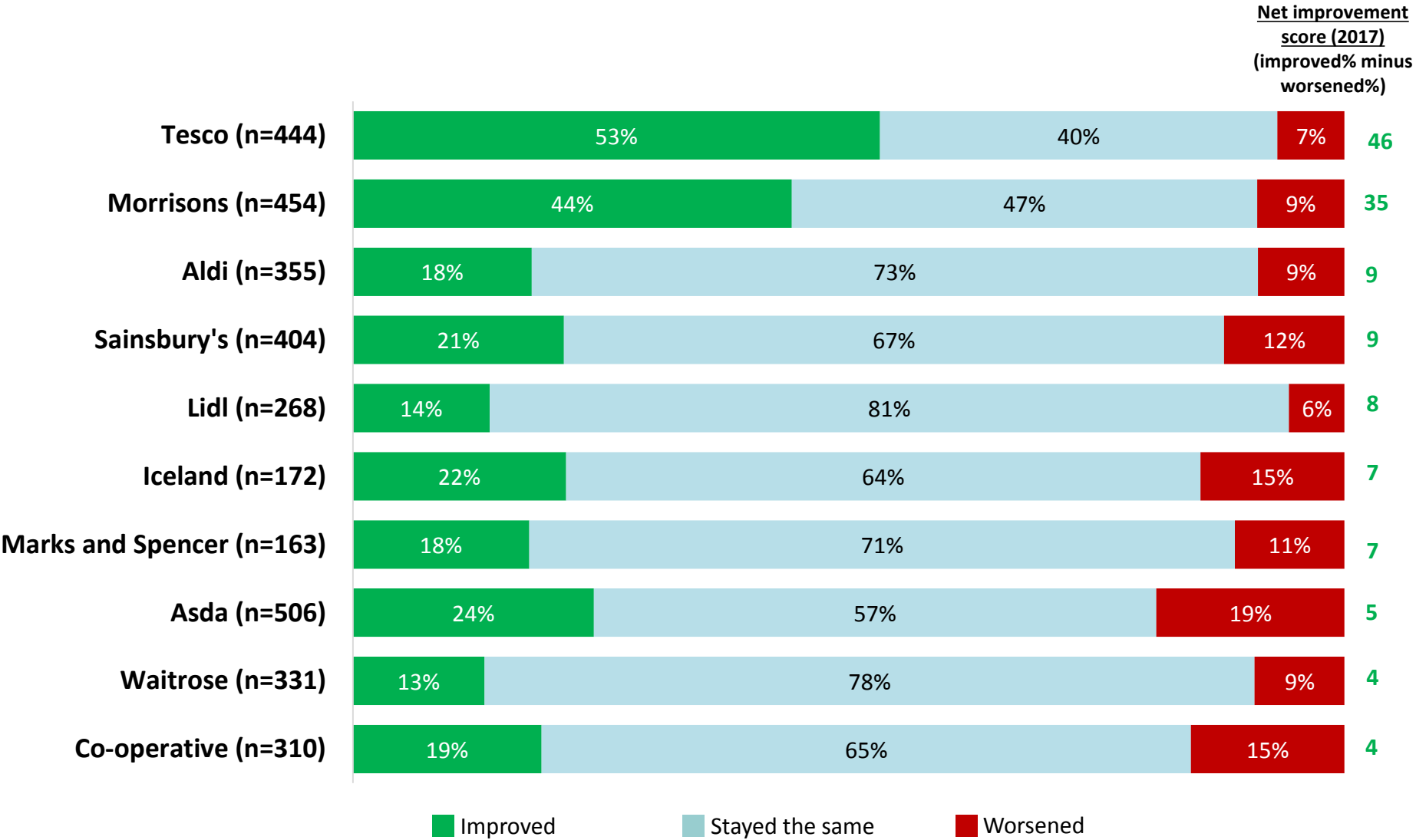
Suppliers: How retailers comply with the Code

Overall assessment of compliance with the Code

Retailers ranked by net 'consistently well' and 'mostly' (2017 compared to 2016)



Changes in retailer practice over past 12 months



Issues suppliers have experienced – by retailer

	Retailer 1	Retailer 2	Retailer 3	Retailer 4	Retailer 5	Retailer 6	Retailer 7	Retailer 8	Retailer 9	Retailer 10
Incorrect deductions from invoices	2%	3%	10%	11%	8%	6%	9%	6%	9%	5%
Data input errors not resolved promptly (e.g. 7 days)	2%	1%	9%	11%	7%	5%	9%	5%	8%	3%
Artwork and design: Unfair, unreasonable or unexpected charges	2%	9%	5%	9%	7%	6%	6%	4%	8%	3%
De-listing without giving reasonable notice	3%	4%	7%	7%	3%	4%	4%	1%	5%	2%
No compensation/incurring penalty charges for inaccurate forecasting by the retailer	2%	4%	7%	8%	5%	6%	6%	3%	4%	3%
Drop and drive: delays in, or not receiving, payment when there are disputes over deliveries	2%	1%	6%	6%	2%	2%	5%	3%	1%	1%
Forensics: third party audits which have been abusive or excessive in nature	0%	1%	3%	6%	2%	5%	3%	1%	2%	0%
Unjustified payments for consumer complaints	2%	1%	6%	4%	3%	7%	3%	1%	6%	5%
Unfair/unreasonable/unexpected charges for: Packaging	0%	3%	3%	5%	3%	3%	2%	2%	5%	1%
Requests for lump sum payments relating to: Retailer margin shortfall not agreed at the start of the contract period	2%	0%	3%	6%	1%	1%	3%	0%	2%	1%
Other requests for lump sum payment	1%	1%	1%	3%	1%	0%	2%	0%	3%	1%
Overbuying at promotional price and subsequently selling at full price	1%	0%	1%	2%	3%	1%	1%	0%	1%	1%
Requests for lump sum payments relating to: Listing fees for products already stocked (pay to stay)	0%	0%	1%	3%	2%	0%	2%	0%	0%	1%
Requests for lump sum payments relating to: Better positioning or increased shelf space or participation in category captaincy/category management/range reviews	0%	0%	1%	2%	1%	0%	1%	0%	1%	1%
Other	0%	1%	2%	1%	2%	1%	1%	1%	0%	1%

N.B. Retailers have

The Iceland question

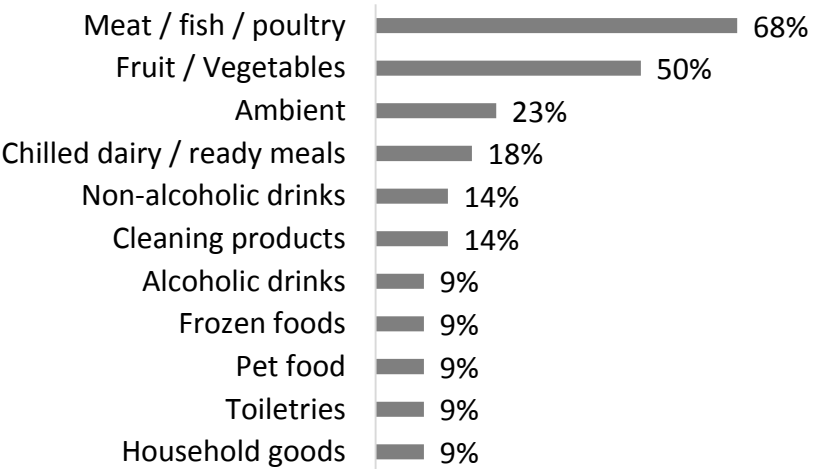
Worst performer in league table but Iceland's suppliers report no specific Code issues. Why?

"My belief would be that Iceland keep suppliers in a constant state of jeopardy. They adopt an aggressive style, and are quick to threaten to de-list.

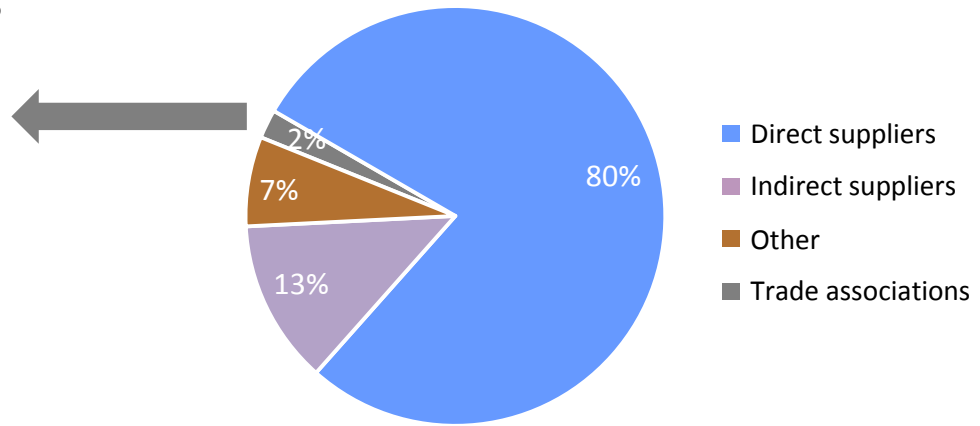
"Iceland reacts very quickly to new trends ... and they demand that suppliers react equally swiftly quite often ignoring the policies put in place to ease the process of getting a product to the point of sale. Suppliers do not complain for fear of losing future business."

Who took part?

Trade association categories

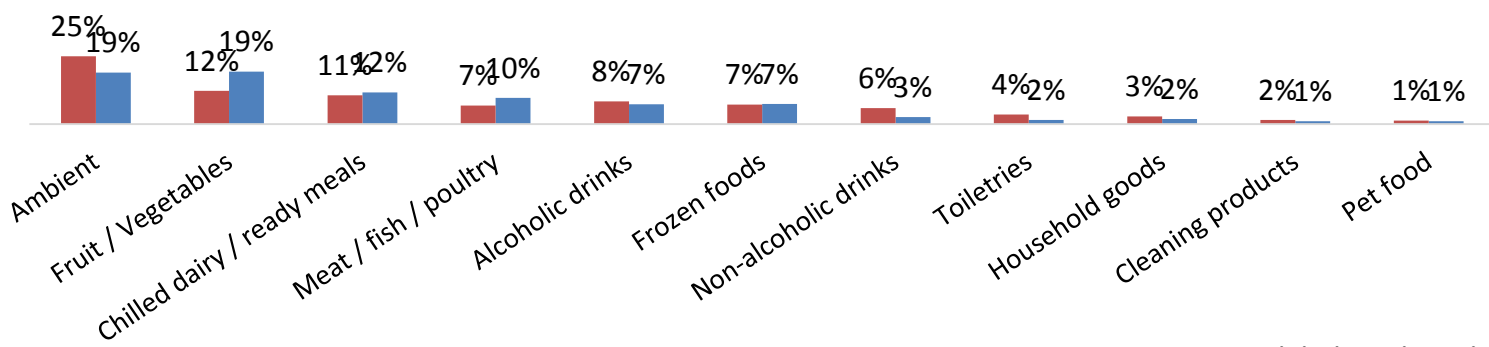


Respondent categories



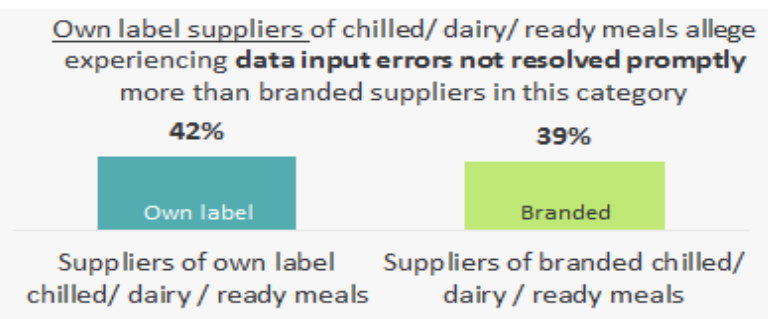
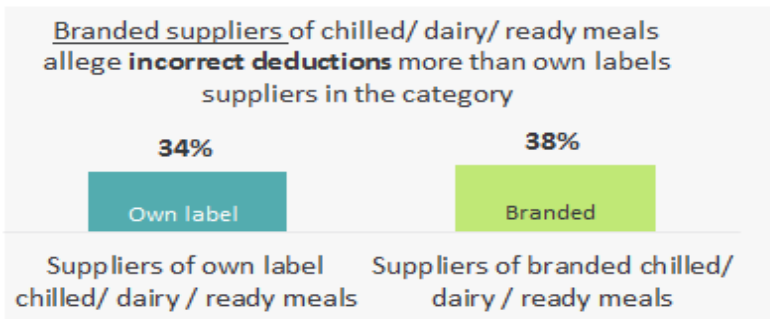
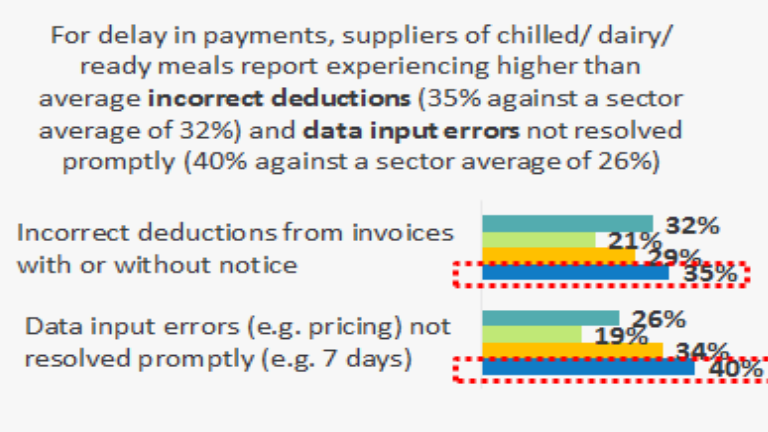
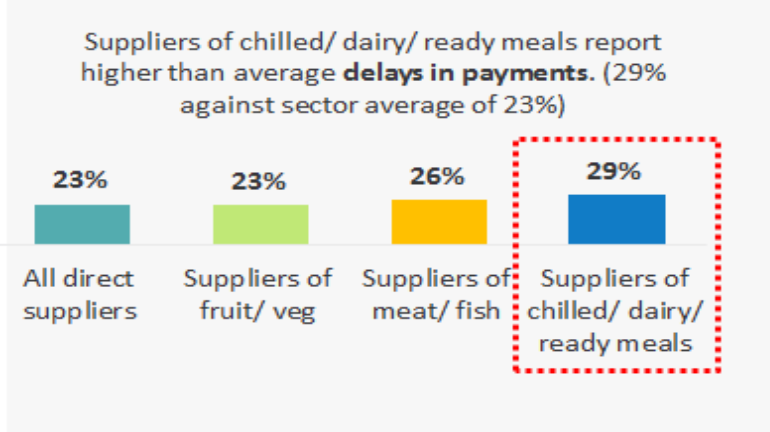
Direct supplier categories

70% supply own label products
68% supply branded products



■ own label ■ branded

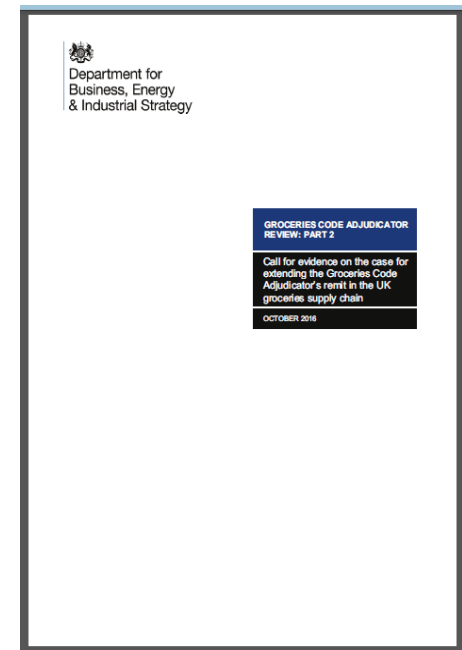
Identifying key sectors



- Survey results allow me to dig deep into issues
- I can identify what the most important issues are for each category of suppliers

GCA Remit

- Explored the case for extending the remit of the GCA
- Ran Oct 16 to Jan 17; 58 responses
- Response published Feb 18
- Look out for further news from the CMA



Current Priorities for the GCA

My Top Issues



Current



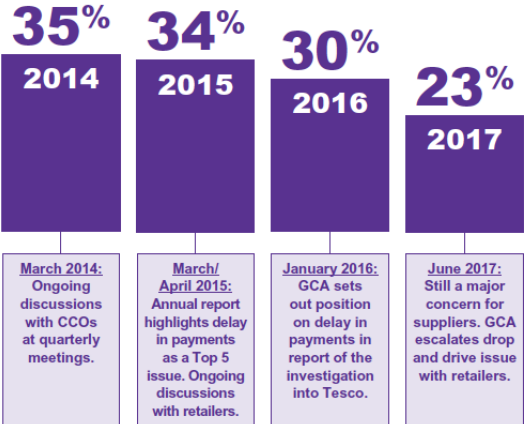
Monitored



Previous

Current issues: Delay in payments

Paragraph 5 of the Code



*% of direct suppliers reporting in annual survey that they had experienced a delay in payment.

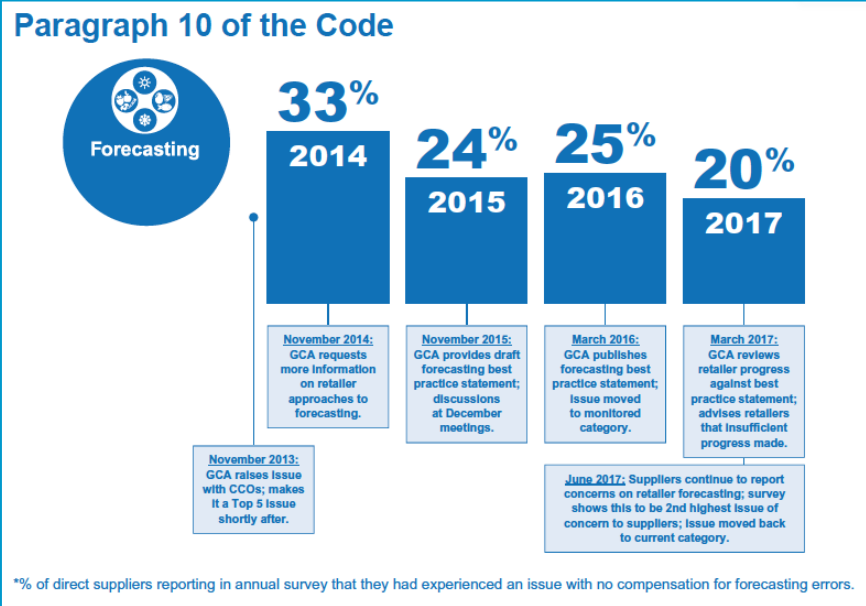
Remains the **number one** issue for suppliers in my annual survey

Data input errors (eg pricing) not resolved promptly (eg 7 days)



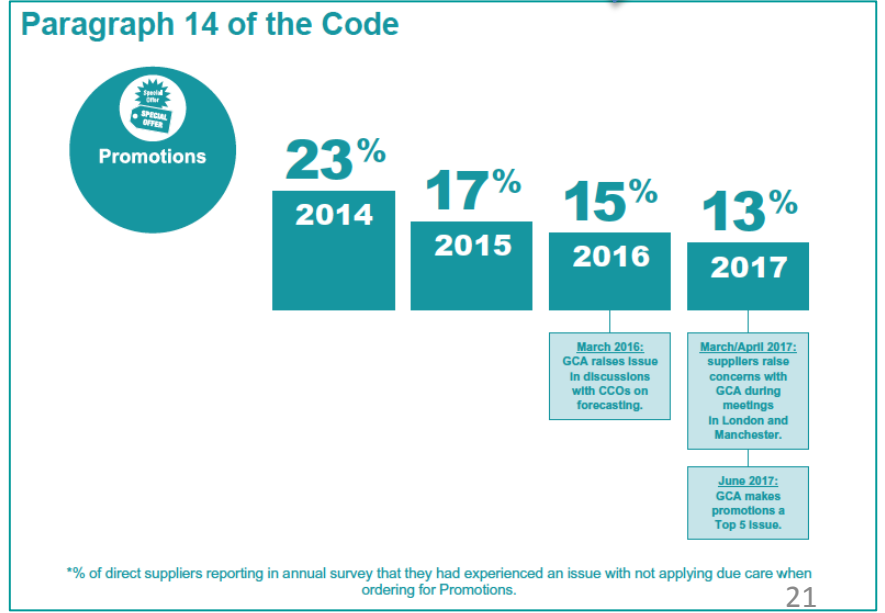
*% of direct suppliers reporting in annual survey they had experienced data input errors (eg pricing) not resolved promptly (eg 7 days).

Current issues: Forecasting & promotions



Overbuying at a promotional price and subsequently selling at full price reported by 6% of direct suppliers

“Retailer has a habit of overbuying on promotion meaning post-promotion we usually see 2 weeks of no sales before base resumes”



Time to be Code Confident



Code Confidential

- 100% of buyers trained - it's the law
- Still too many suppliers untrained
 - 57% of direct suppliers have not received training
- Key reasons:
 - not realising training is available
 - not knowing how to access it/who provides it
- GCA statutory duty to maintain confidentiality
- Directory of trainers on the GCA website

What I want from you

Suppliers:

- Get trained
- Speak to CCOs
- Bring me information
 - Always ready to meet
 - Take part in my survey
 - Respond to investigation call for evidence

Trade Associations:

- Publicise the Code
Confident campaign
- Organise and promote training
- Bring me information
 - Collate issues from your members

Annual Survey 2018



Groceries Code
Adjudicator

YouGov

GCA Groceries Sector Survey 2018 Open until 22 April

**Tell the Adjudicator in confidence how retailers are
complying with the Groceries Supply Code of Practice**

**Hear the results at GCA 2018 Conference, 25 June
Register on www.gov.uk/GCA**

Complete the survey at www.yougov.com/GCA



Upcoming events

- **Food & Drink Expo 16 – 18 April 2018**

- 17 April - Breakfast session for exhibitors
- 17 April - Presentation at Foodex
- 18 April - Food Manufacture panel 'Perfect your supply chain performance.'



- **Annual Conference 25 June 2018**

- Survey results
- Top issues for 2018/19
- Annual report
- External speaker



Sign up for the GCA newsletter



Groceries Code
Adjudicator



Christine Tacon

News from the Adjudicator

[Sign up here for our updates four times a year](#)

As Groceries Code Adjudicator my job is to ensure the UK's largest groceries retailers treat their direct suppliers lawfully and fairly across a range of supply chain practices.

We've come a long way since my appointment in 2013 but there is more to do. I am urging all groceries suppliers – large and small – to be Code Confident.

Time to be Code Confident

That means:

- Know the Code
- Get Trained
- Speak Up



My newsletter is a great way to keep up to date with my work and the progress I am making with the retailers. You'll get the latest information on the big issues affecting suppliers, actions I am taking and events you can attend.

To act I rely on information about how the regulated retailers are treating their direct suppliers. To influence retailers to change their practices I need to know what is happening. So speak up. I will treat your information in complete confidence.

Contact me at enquiries@gca.gsi.gov.uk

www.gov.uk/gca