

Groceries Code Adjudicator

Record of GCA Quarterly Meetings with Code Compliance Officers	
Location	Purpose of meeting
GCA, Victoria House, Southampton Row, London	Quarterly progress meetings
Attendees	
GCA Christine Tacon Helen Gordon-Lee Angela Latta Jenny Hendricks	<p><u>12th November 2013</u></p> <ul style="list-style-type: none"> Aldi Stores Limited – Jonathan Ward <p><u>13th November 2013</u></p> <ul style="list-style-type: none"> Marks & Spencer plc – Max Gillibrand and Robert Steadman Asda Stores Limited – Alex Simpson and Amy Travis J Sainsbury plc – Susannah Hall <p><u>20th November 2013</u></p> <ul style="list-style-type: none"> Tesco plc – David Ward and Kay Majid Wm Morrison Supermarkets plc – Steven Butts Waitrose Limited – David Roberts and Damen Bennion Co-operative Group Limited – Phil Willsmer and Bridget Groarke <p><u>27th November 2013</u></p> <ul style="list-style-type: none"> Lidl UK GmbH – Patrik Bures <p><u>Scheduled: 4th March 2014</u></p> <ul style="list-style-type: none"> Iceland Foods Limited – Jayne Burrell
Key Points Raised	
<p>GCA progress update</p> <p><i>Scene Setter:</i> The Adjudicator provided an update on the work of the GCA to date, and confirmed that the quarterly Code Compliance Officer (CCO) meetings would each have the same agenda and format, ensuring a consistent approach.</p> <p><i>Statutory Guidance consultation progress:</i> It was confirmed that the consultation had closed and responses are in the process of being analysed. There will be two elements to the response: (i) The Statutory Guidance will be published by the 18th December 2013; and (ii) Separately, the GCA will make a submission to the Secretary of State on recommendations for financial penalties. It will be for the Secretary of State to lay the Order and we are expecting the Order to come into force in Spring 2014. Other material for publication on the GCA website by 18th December 2013 is expected to include: GCA Consultation Response summary; a Press Release and Q&A document.</p> <p><i>Levy Payment:</i> Almost all Levy payments have now been received and those not yet received are expected soon.</p>	

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The GCA discussed the following areas with all Code Compliance Officers. The issues raised are generic and should not be interpreted as attributable to any particular retailer or all retailers, unless specified.

Emerging Code Themes:

The Adjudicator is building up trust with the retail supply chain, as suppliers still appear reluctant to approach the GCA or the CCO, and the level of information filtering through is low at this stage. Many suppliers are still concerned with protecting their anonymity and it will take time to build their trust to allow them to come forward where there are issues. It would be appreciated if retailers also raised any Code issue that they become aware of with the GCA.

Late Payments:

The Adjudicator raised two current issues from suppliers. These are not retailer specific;

- Deductions from payments to suppliers appear to have been made, with retailers citing various historic issues for the deduction, such as a previous sampling campaign not invoiced, or deduction for incomplete or missing pallets. Suppliers had not been given advance notice that these deductions would be made which could make cash flow management difficult. Some of these deductions could date back anything from 12 months to 6 years. The retailer's internal process for challenging these deductions is not clear, and in some instances resolving the query has taken up to 6 months with the query being passed from person to person within the retailer. The Code states that suppliers should be paid on time, and this practice could appear to be in conflict with that.
- Invoice payments appear to have been missed or delayed when they are delivered as part of a batch. Suppliers chase payment when other payments within the same batch have already been made and it becomes apparent that invoices had been missed, at which point the invoice is located and the payment made.

Forecasting:

The Adjudicator has been made aware of last minute changes being made from forecasts to orders, which result in orders being placed which are significantly higher than originally forecast and the supplier being penalised if they are unable to fulfil the new order requirements. This also has consequences when orders are lower than forecast levels, potentially leaving the supplier with surplus stock, which may go to waste.

Lump Sum fees:

The Adjudicator has become aware of a retailer allegedly taking lump sum fees as supplier contributions to sales performance targets.

De-listing:

Supplier notice policy seems to be unclear. In some cases suppliers appear to be unsure of the length of the term of their supply agreement and therefore this makes it difficult to assess whether reasonable notice has been given for any changes and whether it is part of any renewal or renegotiation process.

Payments from suppliers for shelf positioning:

The Adjudicator noted the recent article in the Grocer regarding shelf-positioning and indicated that clarification would be issued shortly.

Supplier delivery performance:

Some suppliers have alleged that routine deductions are being made by some retailers for under-delivery of orders. The Adjudicator asked if it would be possible for retailers to review under-deliveries recorded perhaps at one distribution centre over a period of 3 months, as

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an example, or by another method which would assess delivery performance.

Helping The GCA to better understand retailers

Feedback on first GCA review of Annual Compliance Report:

Retailer compliance reports were reviewed, when received. The retailers' Terms and Conditions (T&Cs) were requested to help the GCA better understand how each retailer operates and become familiar with how the T&Cs refer to the Code. The GCA's views on possible content of the compliance reports will be on the agenda for the CCO group meeting of 22nd January 2014, as requested by several CCOs.

Notification to suppliers of the GCA and CCO details:

Assurance was sought that suppliers have been made aware of the GCA in line with the Groceries Supply Code of Practice Order (section 6(6e)). Overseas suppliers appear to be less aware of the existence and remit of the GCA.

Retailer engagement with suppliers on Code:

The Adjudicator discussed the need for CCOs to actively try to be more aware of potential breaches of the Code within their own organisations and discussed how feedback was obtained from suppliers.

Introductory meeting with CEOs of all retailers:

The Adjudicator has recently been invited to meet with some retailer CEOs by way of introduction and noted she was happy to meet other CEOs.

Specific retailer issues

Tesco plc

The issue of charging for shelf-positioning was raised and the Adjudicator's subsequent letter requesting more detail.

Tesco reported that a letter issued seeking payment for shelf-positioning had been an error. It was issued for one product category. Tesco emailed all suppliers affected to advise that this is an error.

The Adjudicator noted that there is a difference between a *request* and a *requirement* from retailers. In this instance the supplier would have taken this as a requirement because they would have understood from the way it was presented that there could be adverse consequences of not accepting the request.

This was raised with the GCA through a letter from the British Brands Group (BBG) and the Adjudicator would reply to the BBG and publish the letter which will serve as clarification on the Code on shelf positioning. Tesco will have the opportunity to comment on the draft letter.

Post meeting GCA Comment: Advice has now been published on the GCA website stating the Adjudicator's view that charging fees for shelf positioning is not consistent with the Code. This was initially done as a letter to BBG and subsequently as a case study.

Co-operative Group Limited

The issue of requests to suppliers for payments related to service levels not being met was raised and the Adjudicator's subsequent letter requesting more detail.

Co-operative Group stated that this appeared to relate to one particular category and a commitment to meet service performance levels. The Co-operative Group agreed to look into the issue with the buying department and advise the GCA of its findings.

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The Adjudicator stated in discussions with both retailers that it would be useful, in future, if the Adjudicator were to be informed of such strategies which relate to the Code, in advance of implementation.