

# Working Together, Making A Difference

2nd Annual Report



Groceries Code  
Adjudicator

# A year of milestones

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- **Top 5 success**
  - Forensic auditing
  - Progress on all others
- **Using powers**
  - Investigation
  - Arbitrations
- **Given financial penalty power**
- **Improved compliance**
  - Supplier feedback

**Against challenging industry background**

# Statutory reporting requirements

**The GCA Act 2013 sets out the information we must report:**

Statutory report	
Disputes referred to arbitration under the Groceries Supply Order	Two cases progressing but no final decision in either case
Investigations carried out by the GCA	GCA launched first investigation on 5 February 2015, into Tesco plc
Cases in which the GCA has used enforcement measures	The investigation continues and therefore no enforcement measure imposed
Recommendations made to the OFT for changes to the Code	None

**But there is much more we have achieved...**

# Promoting the work of the GCA

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**55** 

**MEETINGS WITH  
SUPPLIERS/  
GOVERNMENT/  
MPS/EU**

**53** 

**MEETINGS WITH  
RETAILERS**

**1<sup>st</sup>** 

**ANNUAL  
CONFERENCE**

**3** 

**QUARTERLY  
NEWSLETTERS  
PUBLISHED**

# Providing advice and guidance

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- Appeals
- De-listing practice
- What is evidence?
- Continuing collaborative approach during an investigation



**SETS OF GUIDANCE  
PUBLISHED**

# Acting on supplier issues: working with CCOs

- **Regular meetings: quarterly with each CCO and 2 group meetings**
- **Each retailer required to report on progress against Top 5 issues at quarterly meetings**
- **Clarification of the Code through case study on multi-channel initiative**



# Acting on supplier issues: 2014 survey

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**One in eight  
suppliers felt  
they had  
experienced a  
breach of the  
Code**

**Only 38%  
would be  
prepared to  
raise a  
potential  
breach with me**

**Why?  
58% feared  
retribution; 41%  
didn't think the  
GCA could do  
anything**

**Deeper engagement to build confidence and  
describe how the GCA works**

# Acting on supplier issues: investigation

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- **Launched 5 February**
- **Focusing on two provisions of the Code**
  - Delay in payments
  - Payment for shelf positioning
- **Investigation underway**
- **Working to conclude within 9 months**

**INVESTIGATION**



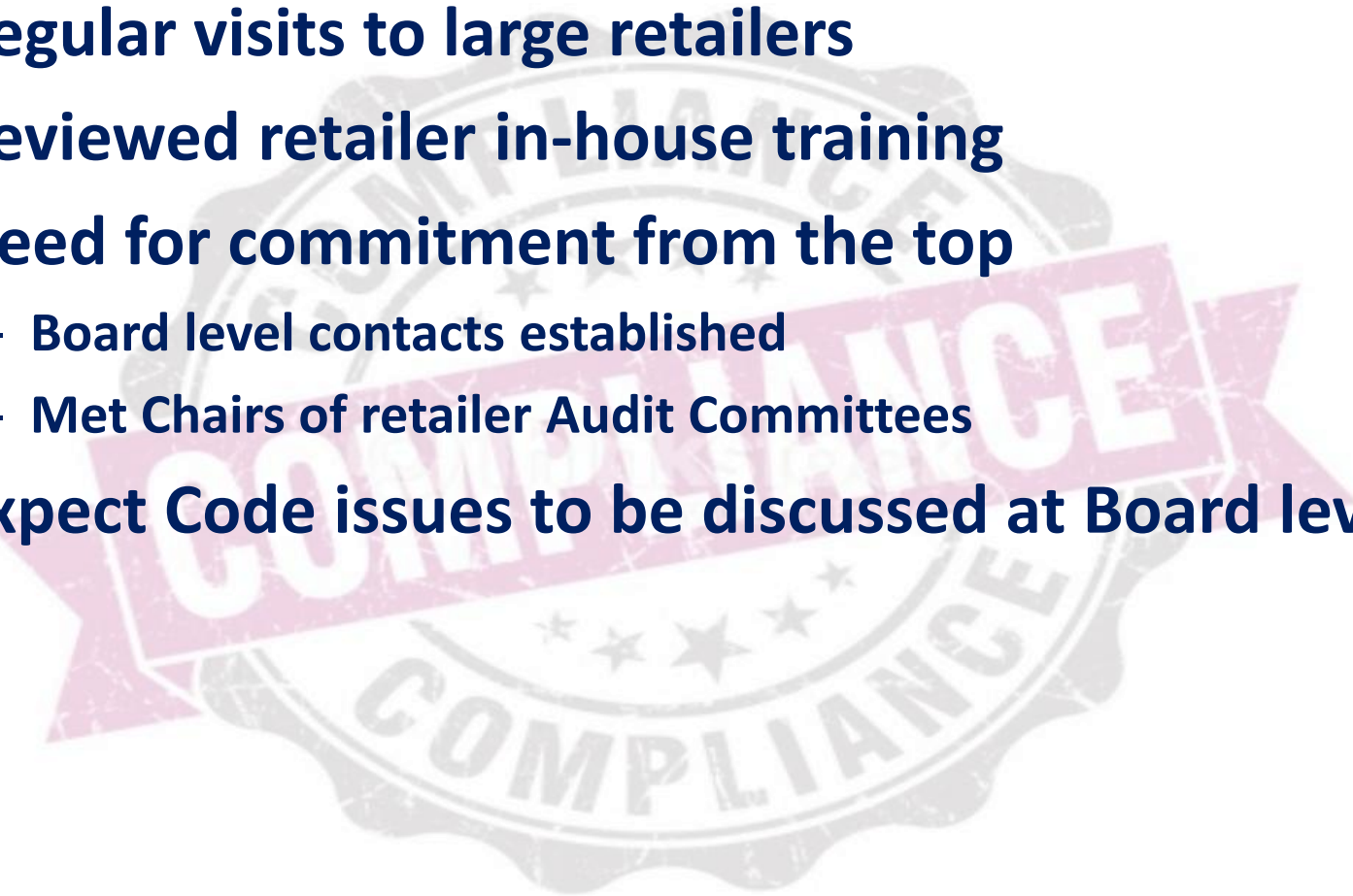


# Improving culture of compliance

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- **Regular visits to large retailers**
- **Reviewed retailer in-house training**
- **Need for commitment from the top**
  - Board level contacts established
  - Met Chairs of retailer Audit Committees
- **Expect Code issues to be discussed at Board level**



# **Working Together, Making A Difference**

## **Top 5 Issues**

# Top 5 issues

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**NEW**

Consumer complaints

**NEW**

Delays in payment

**CLOSED**

Forensics:  
third party  
audits

**CLOSED**

Drop and  
drive –  
delivery  
performance

**LIVE**

Forecasting/  
service  
levels

**LIVE**

Request for  
lump sums

**LIVE**

Packaging  
and design  
charges

# Forecasting and service levels

- **Why this is an issue**
  - Long-standing supplier view of inaccuracies in retailer forecasting
  - Orders can vary significantly from most recent forecast
  - Suppliers claim to bear all the risk from poor forecasts
- **Code**
  - Part 4 (10) Compensation for forecasting errors
- **Progress**
  - Retailers asked to review forecasting practice and accuracy

# Requests for lump sums

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- **Why this is an issue**
  - Requested without notice and can be retrospective
  - Retailer margin maintenance most frequently cited by suppliers
  - Included in joint business plans but not always agreed
- **Code**
  - Part 3 (3) Variation of supply agreements and terms of supply
- **Progress**
  - CMA reviewing supply agreements
  - Reinforcing culture change at retailers

# Packaging and design charges

- **Why this is an issue**

- Some progress – suppliers report it is easier to access different providers and frequency of charged redesigns decreased
- Concern remains that charges of retailer-approved providers considerably higher than open market

- **Code**

- Part 4 (6) No obligation to contribute to marketing costs
- Part 4 (11) No tying of 3rd party goods & services for payment

- **Progress**

- Retailers asked to review their approach
- Suppliers to give GCA more information

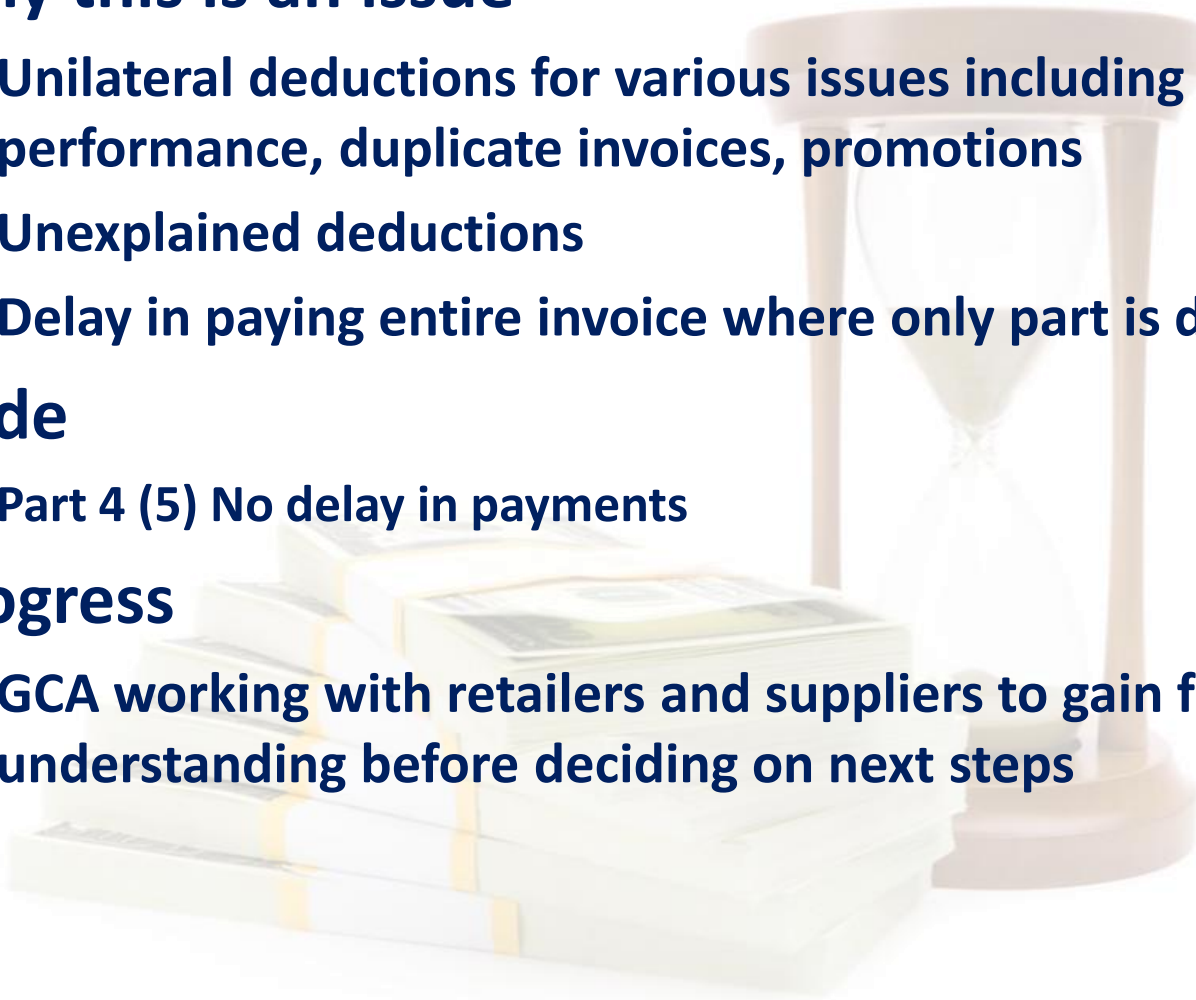
# Consumer complaints

- **Why this is an issue**
  - Concern that retailers may be over-charging suppliers for dealing with complaints and deriving profit from them
- **Code**
  - Part 6 (15) No unjustified payment for consumer complaints
- **Progress**
  - Retailers asked to provide details of their approach and charges

# Delays in payments

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- **Why this is an issue**
  - Unilateral deductions for various issues including delivery performance, duplicate invoices, promotions
  - Unexplained deductions
  - Delay in paying entire invoice where only part is disputed
- **Code**
  - Part 4 (5) No delay in payments
- **Progress**
  - GCA working with retailers and suppliers to gain further understanding before deciding on next steps





# Feedback received

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**The challenges are varied and vast but you are making a difference.**

**We too have our own part to play by being aware of the code of practice and acting more effectively in accordance with it.**

**Since the Grocery Code Adjudicator has been in place, she has achieved a significant amount of good work.**

**I am optimistic about certain trading practices that you are targeting will soon be viewed as culturally unacceptable... you have already made a difference.**

# Looking back over my year

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- **Built GCA profile with government and sector**
- **Created rigorous, efficient body - issued guidance where needed**
- **Legislation in place for financial penalties**
- **Established annual survey as measure of progress**

**Working together, making a difference**