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Groceries Code Adjudicator Follow-up survey



Groceries Code Adjudicator

January 2015

Background and method

- This survey was a follow up to a larger survey conducted in April 2014. The GCA provided YouGov with a list of suppliers who were willing to be contacted for the follow-up survey.
- Fieldwork was carried out over 2 weeks from the 1st – 15th of December 2014.
- From a list of 128 suppliers, a total of 45 responses were collected

The survey aimed to delve more deeply into the issues surrounding supplier-retailer relationships and perceptions of the GCA itself. As it consisted of largely open-ended questions it therefore warranted a more qualitative approach to analysis.

Due to the low base size of these results, they should be taken as indicative only.



Executive Summary (1) – Retailer practice and collaborative measures

- Perceptions of retailer practice over the past six months appeared to be largely stable; over half of suppliers said that they felt practice had stayed the same.
- Key themes of a collaborative culture were said to be equality, working together and understanding. Several suppliers mentioned feeling that the balance of power was not currently in their favour with retailer interest in supplier issues limited, and their communication often poor. In order to achieve a collaborative culture, a more joint approach is desired by many, where retailers and suppliers work together for the good of both parties (rather than just for the retailer).

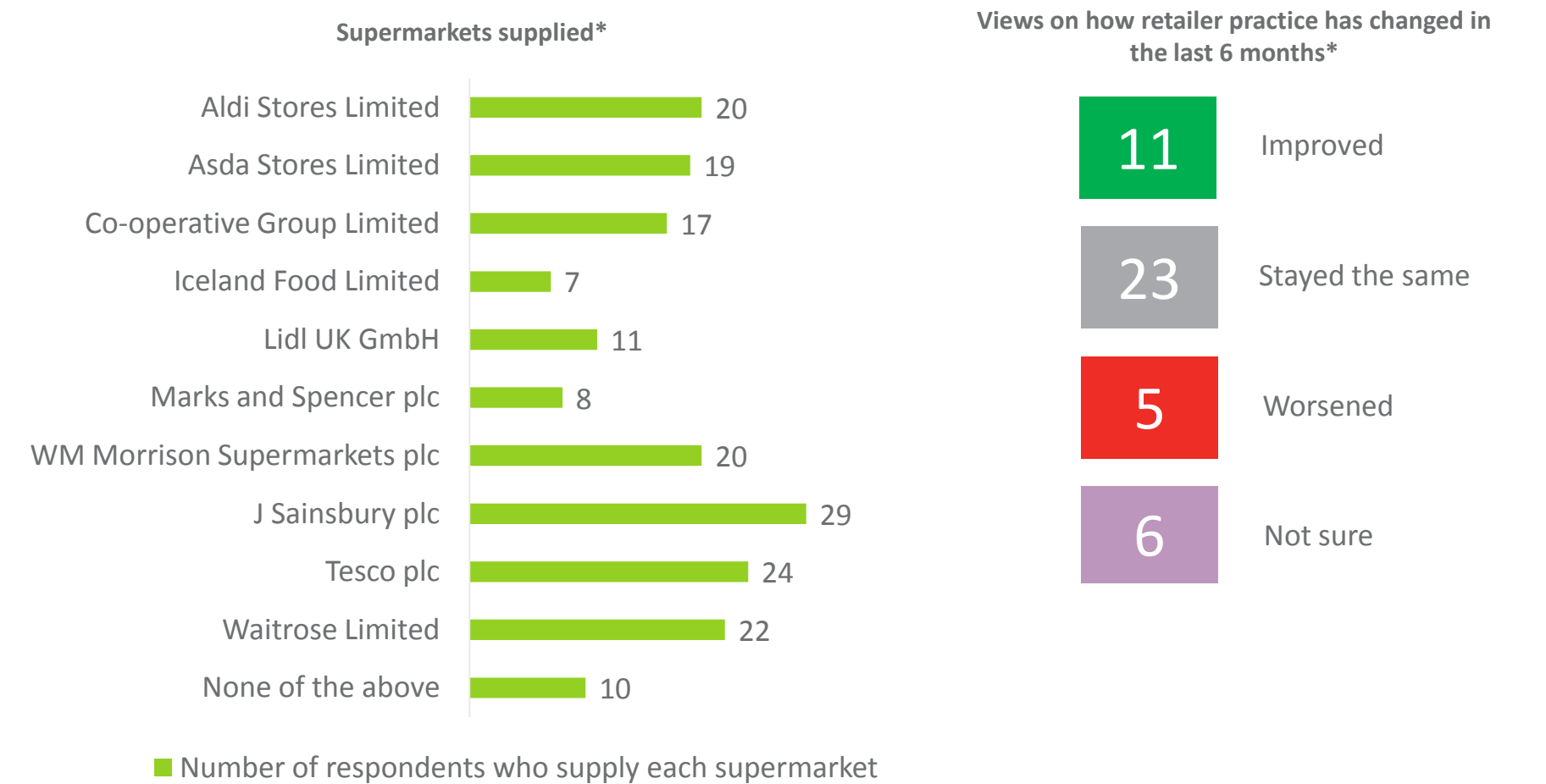
Executive Summary (2) – Supplier experiences

- The issues which had affected the largest number of suppliers in the past year were incorrect deductions from invoices with or without notice (16 out of 34 suppliers), incorrectly seeking payments and charges going back up to 6 years (or further) (15/ 34) and requirement for lump sum payments over and above those agreed at the start of the contract period (15/ 34).
- Looking at the top 5 issues from April 2014, in this survey:
 - Those who were de-listed without reasonable notice were most frustrated about the lack of notice and the difficulties it had left them in.
 - Suppliers who experienced incorrect deductions from invoices felt this was quite common, but in some cases was hard to prove with a lengthy resolution process.
 - Requirements to pay for margin shortfalls not agreed at the start of the contract period were also viewed as relatively common
 - Requirement for lump sum payments over and above those agreed at the start of the contract period - the most strongly highlighted reason for this was profit shortfalls. Suppliers mentioned a mix of resolutions, some did not pay, others paid what was demanded, some paid a negotiated amount.
 - Incorrectly seeking payments and charges going back up to 6 years (or further) – some suppliers mentioned the persistence and aggression of retailers in pursuing these payments. Many said they had paid something as a result of this issue.

Executive Summary (3) – Perceptions of the GCA

- Suppliers strongly felt that in order to reduce fear of retribution, the GCA needs to be able to guarantee the confidentiality of any suppliers who come to them with a breach of the code. This is something they would like to see evidence of through 'big wins' where the supplier does not face retailer retribution. They would also like to see a greater understanding of the code among relevant retailer staff (buyers for example), rather than just among Code Compliance Officers.
- Excluding fear of retribution, other reasons why suppliers would not contact the GCA with issues include preferring to try and solve disputes with the retailer directly and concerns about potential damage to retailer relationships.
- When asked what action they would expect to be taken if they were to raise an issue with the GCA, many were positive and key themes included the GCA being fair and proactive. However, it seemed that some suppliers had unrealistic expectations and lacked a clear understanding of what the GCA can and cannot do.
- Looking at reasons why some suppliers may feel the GCA could not help with supplier issues, many again cited the need for more proof that the GCA could 'bring retailers to justice'. This was also a key theme when asked what would encourage suppliers to bring appropriate issues to the GCA.
- A general point made by some suppliers during the survey was that they would feel more comfortable raising issues with the GCA if they could do so as a group as they felt it would offer protection from retribution.

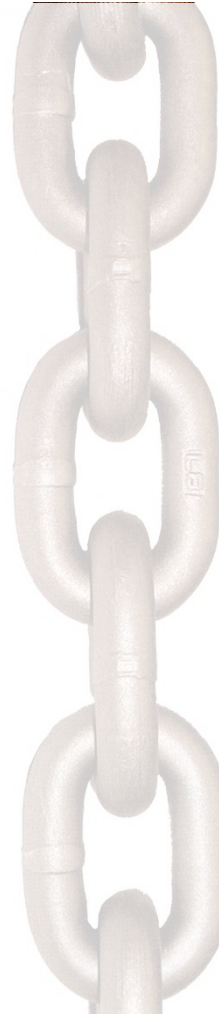
The majority of suppliers questioned think that retailer practice has not changed in the last 6 months



6 Q: To which of these retailers do you currently supply groceries? Please tick all that apply
Q: Thinking about the Code, how, if at all, do you feel retailer practice overall has changed in the last 6 months?
Base: All (45) *Questions reported in counts due to low base sizes

Equality, working together and understanding are important for a collaborative culture

- **Key themes included equality, working together and understanding, specifically:**
- Equality- several suppliers mentioned wanting a more equal relationship with retailers, where suppliers have more negotiating power, where responsibility is shared and respect is mutual.
- Working together- retailers and suppliers planning together in the long-term in order to grow together and make money on both sides. Achieve this through collaborative working, information sharing and stronger communication from retailers.
- Understanding- Understand supplier needs and situations, for example, when the price of their ingredients increases. There should also be fair notice for order changes and agreements should be honoured where possible.



‘Working together when agreeing an annual plan. Not just asking for money on day 1 and then ignoring the retailer’s commitments agreed in the joint business plan.’

‘The retailer’s understanding and responding to suppliers’ concerns.’

‘Rather than punitive charges for issues, working with us on improvements.’

Many highlighted redressing an imbalance of power and improving communication/ co-operation from retailers to create a collaborative culture

Respondents cited the following points as important changes for creating a 'collaborative culture' between retailers and suppliers:

- Working for the good of both the retailer and supplier (not seeing suppliers as just a source of revenue), looking at supplier needs and objectives rather than just retailer's, and working with suppliers on prevention of future problems. Less punitive attitude towards issues.
- Fairness; more contracts, honouring agreements, retailer honesty and openness, reasonable expectations, no double standards
- Greater openness and transparency with suppliers to forge closer ties and understanding, suggestions for sharing more data, forecasts, KPIs
- Better communication- responding promptly to supplier queries and issues and taking them seriously, informing them of decisions which affect them in a timely fashion
- Buyers- need to understand supplier issues and focus more on developing communication and relationships with them
- Greater understanding of what retailer decisions, changes in agreements etc. mean for suppliers

'Buyer mentality - not just focusing day to day and the main part being taking ownership of the trading relationship.'

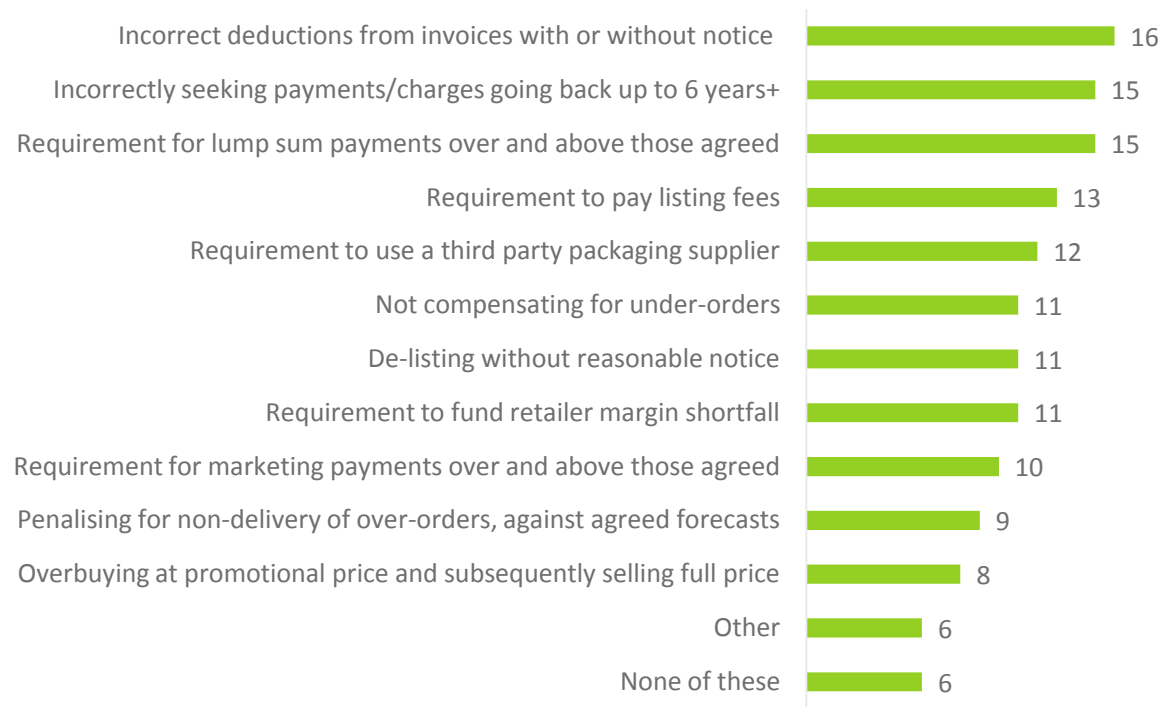
'A change in perspective, where suppliers are seen as important joint business partners, not a source of funds / revenue with no reciprocal benefit delivered by the retailer.'

'Removal of "fines" - can the supplier fine the retailer every time they go in store and find something that isn't implemented to the agreed plan!'

'Retailers need to understand the importance of trading fairly and how their purchasing practices affect the supplier and the rest of the supply chain.'

Over the past year the issue more often experienced by the suppliers surveyed was incorrect deductions from invoices

Issues experienced by suppliers over the past year



■ Number of suppliers who say they have experienced these issues in the past year

Comments were made about de-listing and its impact on businesses, while profit shortfalls seem to be a key reason for retailer demands for lump sum payments over and above what was agreed

De-listing without giving reasonable notice -
Summary of issue experienced:

- Of the suppliers willing to discuss this issue, it seemed their main frustration was the insufficient notice given for de-lists and the lack of retailer consideration regarding the impact this had on suppliers
- Some cases resolved, some not, some still in negotiation

Requirement for lump sum payments above those agreed - Summary of issue experienced and resolutions:

- Demand for payment due to profit shortfall was the most mentioned reason, others included: for marketing support; retailer stocking the suppliers products in more stores
- Mix of resolutions among suppliers discussing this issue; some say the issue is still being discussed, others say it is resolved with mentions of: negotiating the sum down, refusing to pay anything, paying full amount



Incorrect deductions from invoices and requests to fund retailer margin shortfalls are a source of frustration for some suppliers

Incorrect deductions from invoices with or without notice –

Summary of issue experienced and resolutions:

- Suppliers who stated they had experienced incorrect deductions imply this is relatively common practice, but one which can have significant consequences. Also mentions of it being difficult to prove, and taking a long time to refund.
- Some specifically mentioned ‘drop and drive’ practice as a reason for incorrect deductions, others mention being charged for ‘missing’ stock they believed to have been delivered.
- Dealing with customer complaints- mentions of deductions for complaints on products which are not the suppliers’, lack of communication regarding what the complaints are about and excessive admin charges for dealing with these.

Requirement to fund retailer margin shortfall -

Summary of issue experienced and resolutions:

- Specific mentions of buyers reducing prices and expecting supplier to make up shortfall; retailers treating ‘targets’ as a contract and expecting suppliers to compensate them if they do not meet these; generally chasing money owing to margin shortfalls
- Mix of responses on resolutions, some solved, some not, some still ongoing. Mention threats of de-listing etc. from retailers if they did not pay something. One supplier mentioned taking this up with the GCA

Evidence that despite the code, incorrectly seeking payments and charges going back up to 6 years (or further) is still going on

Incorrectly seeking payments and charges going back up to 6 years plus - Summary of issue experienced and resolutions:

- Detail of aggressive pursuit of payments by retailers in some cases → suppliers having to fight hard against them, or just accept it
- Suppliers say that some retailers are still seeking payments/ charges for over 2 years ago, despite the code
- Mention of retailers claiming for promotional payments
- Comments on retailers attempting to change agreements on payments/ chasing payments already settled
- In some cases suppliers are trying to resolve issue by finding correspondence from previous years, but this can prove difficult. Other suppliers say they have simply 'paid up' in response
- Some claims have been rejected with 'proof', others have taken the deduction, many disputes still in discussion



Proof of GCA power and the protection/ confidentiality of those who complain are paramount for reducing fear of retribution for many

‘By making the trading environment more simple and removing opportunities for retribution....’



‘Clear reassurance of protection’



‘Proven cases. Retailers publicly thanking suppliers for raising the issue and committing to put right...’



‘Buyers being trained effectively and understanding their role in following the code....’



‘Proof that the GCA has "teeth" and evidence it can act against retailers without suppliers being implicated’



‘Prosecution of retailers with massive fines if they exercise such behaviour’



Factors that may help reduce fear of retribution:

- Assurances of confidentiality and protection from retailers
- More suppliers coming forward with issues and seeing ‘big wins’, want proof that the GCA ‘has teeth’- proven cases where retailers face retribution (e.g. heavy fines) and suppliers aren’t punished
- An understanding of the code among buyers rather than just code compliance officers
- Reduction in retailer powers of retribution (e.g. cannot fine suppliers)
- Evidence of changing attitudes to suppliers and their issues among retailers

Confidentiality concerns are again important when looking at why suppliers may not raise issues with the GCA

Other reasons why suppliers may not raise issues with the GCA:

Concerns over confidentiality prominent- fears that contacting the GCA may damage relationship with suppliers who might find out they have complained, especially if the nature of the complaint makes them easily identifiable

They'd prefer to discuss issues directly with retailers, see the GCA as a last resort

Some still mentioned **retribution** and how they believe it comes in many forms, many of which the GCA could not police

A couple felt there would be little point raising an issue as their complaint would get lost among others or GCA couldn't act on their case

One supplier mentioned that poor retailer behaviour may be considered 'normal' by some and therefore nothing to complain about

'Would only raise issues with GCA if the business was in danger of failing. I am not confident GCA would be confidential'

'Because it may get lost in with all the others - why bother'

'If we thought the retailer was going to find out ! if we thought they would find out then we would much prefer to deal with it directly'

'...retribution can come in many ways and ways in which it would be very difficult for the GCA to identify....'Buyers can kill you and make it look like an accident' (David Sables for The Grocer)'

'Some suppliers might think that having to put up with these tactics is just part of 'normal trading practice' with the big retailers...'

'When we did you said you couldn't act on individual cases (re giving our commercial information to 3rd parties)'

Many suppliers would expect a fair and proactive response from the GCA if they were to report an issue

How suppliers would expect the GCA to respond if they raised an issue

- Listen, take the issue seriously, react appropriately- talk to retailers, mediate, pressure them for a resolution
- A fair investigation into the issue with punitive action taken if necessary and/ or compensation for supplier(s) involved.
- Mentions of protection from retribution
- Work to prevent the issue reoccurring in the future
- Contact from GCA staff looking into issues raised- informing suppliers of their view on whether they think they have a case for action and the expected outcomes

While most had positive expectations of GCA action if they raised an issue, as with the April 2014 survey some said they expected little to happen or they would not get the outcome they would like

'I do believe they would press robustly for action. I have quite a lot of faith in you!'

'I would expect the matter to be taken up with the retailer only. I would also expect a resolution that did not lead to us being penalised. I would, however, probably be disappointed!'

Expectations vs. reality

Some suppliers also appeared to have unrealistic expectations of what action the GCA would likely take if they were to report an issue. Advice on their situation, legal action, penalising retailers and refunds were all mentioned more than once

The perceived power and resources of retailers makes some suppliers feel the GCA would not be much help

Reasons why suppliers don't think the GCA could help with retailer issues

- **Retailers have the means to 'get out' of any cases brought against them and find ways around the code**
 - **GCA need to prove they can make a real difference- more evidence of 'big wins'**
 - GCA lacks power and resources
 - GCA will not take on all cases- e.g. 'small' cases or those outside their remit
- !! **Some stated that they did feel the GCA would be able to help**

'The scope of the remit is probably too narrow. So issues regarding the practices of the packers and processors towards the growers are excluded but should be included as this is a huge problem area at the moment, but outside the GCA remit'

'The retailers still have too much power over suppliers but GCA is helping and making a difference'

'Because retailers would paper over the cracks but not change actual practice'

'Because by the time the GCA intervene they supplier would not have a customer'

'The GCA has yet to demonstrate it has real teeth and understands the issues'

'the GCA needs more big wins'

'We have an opposite view on this. We have full trust in GCA'

‘Big wins’, assurances of confidentiality and full code compliance from retailers would encourage suppliers to raise issues with the GCA

‘It is obvious from the issue of forensic auditing that even when signing up to a policy, [some] retailers do it on their terms!’

‘High profile examples where the GCA has been seen to punish supermarkets for wrongdoing’

‘Seeing that when an issue is dealt with by the GCA that the supplier is not negatively impacted’

‘Having a GCA that is considerably more active and aggressively championing fairness in trading’

‘Real belief that confidentiality would be maintained’

‘The GCA should hold annual sessions with suppliers to get face to face feedback. I think that more will come out over a coffee than waiting for a formal letter...’

What would encourage you to raise appropriate issues with GCA

- **Again, a strong desire for more ‘big wins’ (where suppliers haven’t faced retailer retribution) and demonstrations of GCA power**
- **Assurances of confidentiality if they were to raise a case**
- Getting full and absolute code compliance from retailers (some said they felt retailers sign up to it on their own terms or find ways to ‘sidestep’ it)
- A few mentioned more interaction with suppliers. Group feedback appears to be preferred as it seems safer
- It was also suggested that the GCA should give more feedback on what they’re doing