

Driving Change, Making an Impact Reflections and Forward Look



#GCA2017



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Adjudicator

Delivered on 2016 survey

- Increased understanding of GCA's role and responsibilities ✓
- Rise in perception among suppliers of retailers complying with the Code ✓
- Improvements in retailer practice ✓
- More suppliers prepared to bring issues to GCA ✓
- More suppliers trained in the Code ✓

Reflections on 2017 survey

- Strong response from the sector
 - Direct suppliers: 381 in 2014 to 1220 = 320% increase
 - More international suppliers taking part (20%)
 - Now reaching more suppliers who may be less aware of the Code
- Retailer improvements having impact on suppliers
 - Morrisons – significant improvement after step change in year
 - Tesco – maintaining the improvement recorded in 2016
- Supplier awareness: UK/overseas; specific sectors
- Training improvement

How I use my survey

Code-related issues direct suppliers have experienced (1)

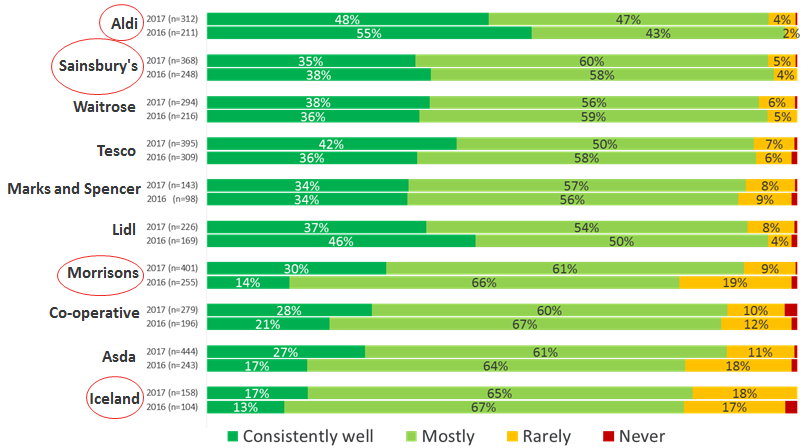
	Retailer1	Retailer2	Retailer3	Retailer4	Retailer5	Retailer6	Retailer7	Retailer8	Retailer9	Retailer10
Incorrect deductions from invoices with or without notice	3%	8%	2%	9%	6%	11%	6%	9%	10%	5%
Data input errors (e.g. pricing) not resolved promptly (e.g. 7 days)	1%	7%	2%	9%	5%	11%	5%	8%	9%	3%
Unfair, unreasonable or unexpected charges for: Artwork and design	9%	7%	2%	6%	6%	9%	4%	8%	5%	3%
De-listing without reasonable notice	4%	3%	3%	4%	4%	7%	1%	5%	7%	2%
No compensation/incurring penalty charges for inaccurate forecasting by the retailer	4%	5%	2%	6%	6%	8%	3%	4%	7%	3%
Drop and drive: delays in, or not receiving, payment when there are disputes over deliveries	1%	2%	2%	5%	2%	6%	3%	1%	6%	1%
Forensics: third party audits which have been abusive or excessive in nature	1%	2%	0%	3%	5%	6%	1%	2%	3%	0%



Direct suppliers commenting on the retailers they have supplied in the past 12 months

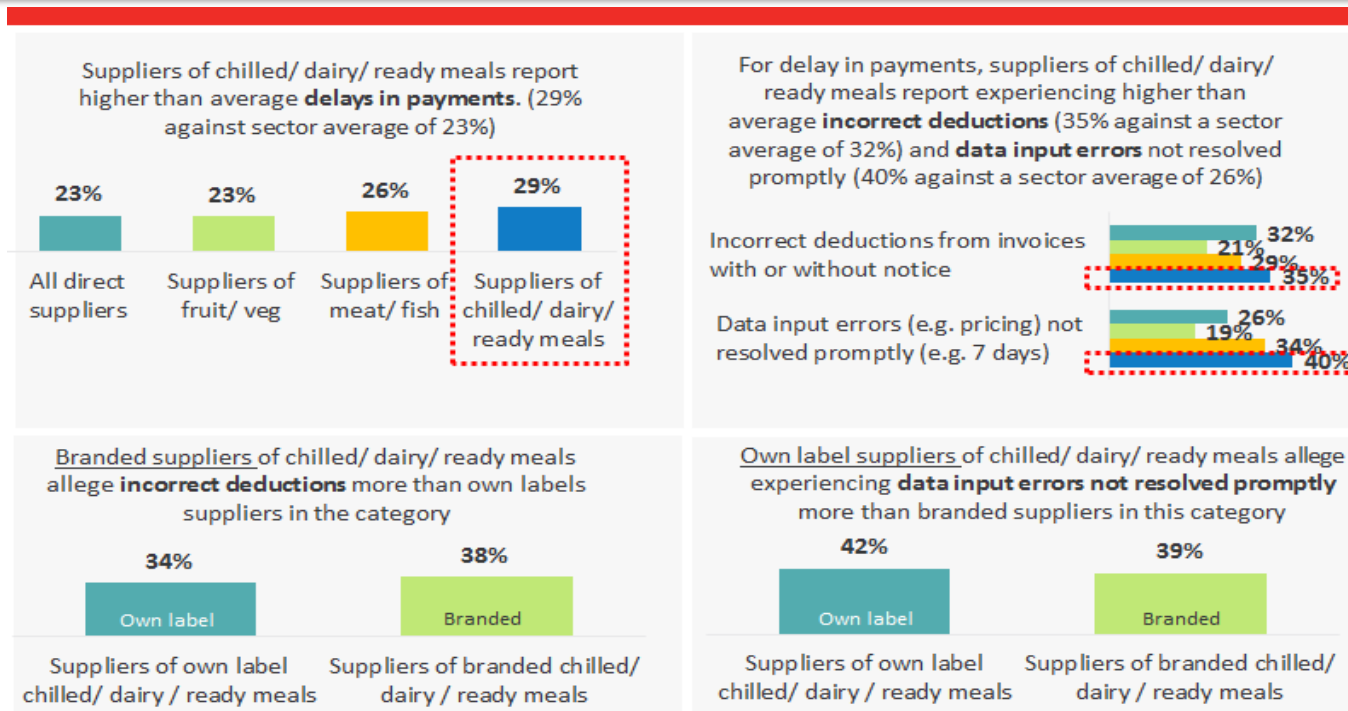
Overall assessment of compliance with the Code

Retailers ranked by net 'consistently well' and 'mostly'



- My 'killer slide' more important than compliance table
 - Shows retailers what their issues are
 - Shows me where to target engagement
- Iceland – suppliers report minimal issues but rank retailer last for overall compliance

How I use my survey (2)



- Survey results allow me to dig deep into issues
- I can identify what the most important issues are for each category of suppliers:
 - Allows me target engagement
 - Helps retailers reviewing their practices

Driving Change, Making an Impact Progress Year on Year



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Taking stock of the GCA's impact: 2013-2017

- Increased culture of compliance
 - Retailers alerting me to practice changes in advance
 - Retailers asking me for advice on dealing with issues and reviewing culture
- **Plus** continued falls in suppliers experiencing issues

Forensic auditing



45%

2014

30%

2015

13%

2016

12%

2017

March 2014:
Discussions
with CCOs.

June 2014:
GCA publishes
voluntary
commitment
by 8 retailers to
limit forensic
auditing to 2
years plus the
current year.

November
2014:
GCA requests all
retailers inform
suppliers of
policies and full
implementation
of commitment
by March 2015.

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

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

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.

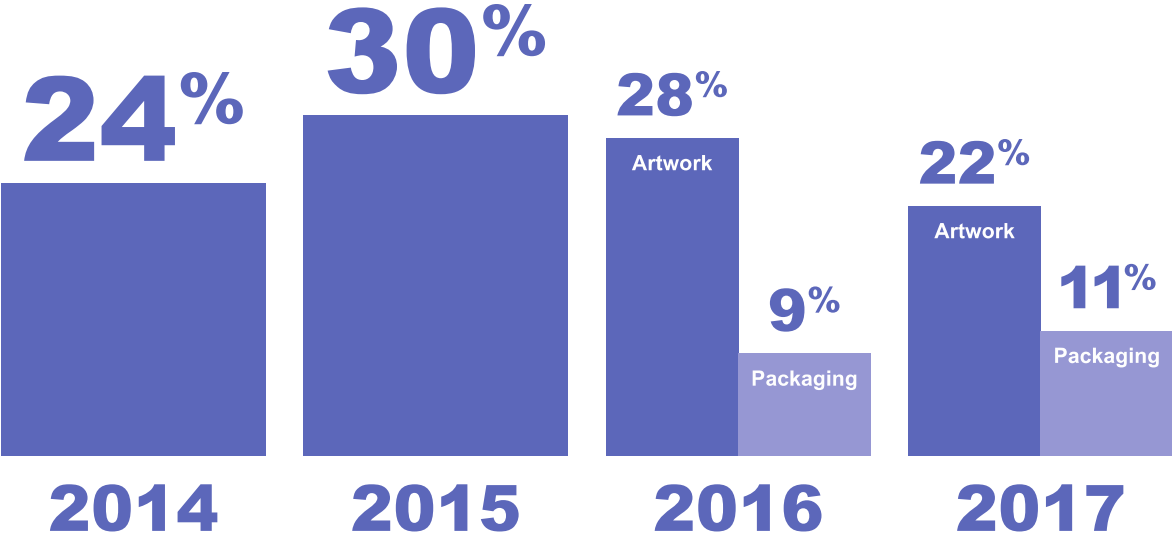
10%

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.

Packaging and 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

Delay in payments



46%

2014

March 2014:
Ongoing discussions with CCOs at quarterly meetings.

47%

2015

March/ April 2015:
Annual report highlights delay in payments as a Top 5 issue. Ongoing discussions with retailers.

30%

2016

January 2016:
GCA sets out position on delay in payments in report of the investigation into Tesco.

32%

2017

June 2017:
Still a major concern for suppliers. GCA escalates drop and drive issue with retailers

% direct suppliers reporting in annual survey they had experienced incorrect deductions from invoices.

Forward look

- Progressing the new Top 5 issues
- Ready to conduct further investigations if merited – already escalating drop and drive
- Continuing engagement to encourage supplier conversations

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New Top 5 issues



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New Top 5 revealed



Current



Monitored



Previous

Current: Delay in payments

PAYMENT
DUE

Delay in
payments

*Para 5: A retailer must pay a supplier for groceries delivered
..... in accordance with the relevant Supply Agreement*

- The number one concern highlighted by suppliers in 2017 survey
- What I hear from suppliers leads me to believe not all retailers have good enough systems and processes in place to ensure they are Code compliant
- Drop and drive firmly in my sights



Para 10: A retailer must fully compensate a supplier for any cost incurred...as a result of any forecasting error ... unless the retailer has prepared those forecasts in good faith and with due care

- I have moved forecasting back to the current category because
 - It is the 2nd highest issue reported in the survey
 - Raised as a problem in training courses
 - Recent GCA/supplier workshops identified specific issues



Para 13/14: A retailer must not directly or indirectly require a supplier to fund the costs of a promotion. A retailer must take all due care to ensurenot to over order

- Suppliers report forecasting in relation to promotions is poor
 - Leading to overbuying at promotional price, or
 - Leaving the suppliers mainly paying the cost of a promotion
- I need to understand this issue more fully

Monitored: Pay to stay



Para 9: A retailer must not directly or indirectly require a supplier to make a payment as a condition of stocking or listing that supplier's grocery products

- Sought views from retailers and suppliers on this issue - found no evidence of any Code breaches
- Requests for payments for a number of initiatives such as marketing – these are acceptable
- Made clear to retailers they have to be careful in their language when such payments are requested because suppliers may view them as the cost of doing business with them
- Will now monitor what suppliers tell me

Monitored: Payments for better positioning



Para 12: A retailer must not directly or indirectly require a supplier to make any payment in order to secure better positioning or an increase in allocation of shelf space....

- I will carry out formal monitoring in February 2018 to:
 - Identify whether retailers have decided to make any changes as a result of my published consultation response
 - Evaluate supplier information to see whether I need to consider the matter further

Previous: margin maintenance



- Since I issued my report of the investigation into Tesco I have been listening to suppliers on this issue
- Suppliers are not reporting this to be a continuing or current issue
- I have clarified the issue and how the Code will be interpreted; if I find the practice again it may appear the collaborative approach has been exhausted making further regulatory action likely

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Personal priorities



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Personal priorities in coming year

- Maintain supplier events and 1-to-1s
- Continue to reinforce training message
- Remain the engine for change
 - Intensifying the collaborative approach when and wherever necessary
 - Always ready to use investigative powers if merited

Suppliers: Keep bringing me information

- I am here to work for you
- The more information I receive the better
- Supplier session right after this conference to focus on forecasting, promotions and delay in payments
 - And your chance to tell me about issues of concern
 - Opportunities for 1-to-1s

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