

Submission by Eccelso Ltd:

Good morning

I would like to make the following representations to the CMA with regard to the proposed merger of Cérélia and Jus-Rol

Please bear in mind that I have dealt commercially with the founders of Jus-Rol in the 1970s, and on a rather small scale with Jus-Rol under General Mills ownership in the 2000s

CMA Investigation of Cérélia (BakeAway) acquisition of Jus-rol Brand

After spending circa 50 years in the food industry and in particular, with the UK Industrial Bakery Industry

Some notes:

- **BRC – Westminster**
 - The **British Retail Consortium** has offices in Westminster at the heart of UK Government. It is staffed with approx. 30 Lobbyists whose sole function is to lobby MPs, and Ministers, to ensure that no legislation is passed that might impact adversely on UK Retailers ability to generate increasing revenue and profits
 - It is extremely unlikely that they did not seek to influence the CMA towards their agenda during the investigation process of Cérélia acquisition of the Jus-rol brand in the UK
- **So, what is UK Retails' agenda?**
 - To imply that the acquisition will reduce competition thereby increasing sales prices and reducing innovation
- **Why?**
 - UK Retails view is that the only "Brands" that matter are their "Own Brands"
- **Let's take these assumptions separately**
 - Competition for Retail Shelf Space and Price Competition
 - UK Retail does not embrace Brand diversity – but, rather, favours their "Own Brands" which gives them leverage to demand POR (Profit on Return) of >40% which think about that for a moment, equals more than 70% Mark Up!
 - Which begs the question: ***Where is the real responsibility for "Sales Prices" – of Own Label?***
 - Are there any alternative competitors to produce Retailer Own Brands of chilled and frozen pastry?
 - UK Based (Scotland) own label manufacturer
 - Ireland
 - Quite a few "Branded" Pastry manufacturers in France, Belgium, and Germany
 - The problem for UK Retail is that the Continental producers are not easily tempted to produce Own Label for UK Retail, due to high investments required,

supply chain risks, for poor return and loss of Brand Identity

- Not to mention that Retailer Own Brand suppliers have a poor history of survival in the face of cost price pressures v Retailer demands for margin and price point.
 - Quite a few UK Food manufacturers produce, and supply both “Branded” and Retailer “Own Label” products
 - EG Samworth Bros. (Ginsters and Own Label). Northern Foods → 2 Sisters Food Group to name but two
 - So: We would maintain that the proposed Acquisition of the Jus-rol Brand by Cérélia has rather less impact on Retail Pricing of (Particularly Own Label) than the Price Positioning of the Retailers themselves and their desire to maintain high margins and play off suppliers against each other
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- INNOVATION in Home Baking particularly Ready made Chilled and Frozen Pastry
 - A point of Law : It is not possible to “Patent” a natural product i.e. A Product made from natural ingredients ergo A Food Product
 - However : It is possible to register a “Brand” name, and a “Strap Line” used exclusively to market the “Brand”
 - E.g. : “Mr Kipling”Brand. “Makes exceedingly good cakes”...strap line.
 - So, Retailers add a strap line to their House Name : “Taste the Difference” “Every little helps”
 - UK Retailers, as has already been said, are most reluctant to stock “Brands” except and only if, by not doing so, they lose foot fall
 - Where they must stock a “Primary Brand” in the face of loss of foot fall, they will give alternative Own Brand producers an opportunity for “volume”
 - So, after years, decades even of “Brand” building, they will look for someone to copy the established “Brand”
 - Indeed the “Jus-rol” Brand enjoyed pre-eminence for decades without either a secondary brand or Retailer own brand competitor
 - The Jus-rol brand grew to a volume circa 35,000 tonnes in early 21st C
 - Basically, no producer was willing to invest the Capital required in the face of low margin and price pressure
 - During that time, any innovation was introduced by the “Brand” owners, (Forsyth family, General Mills and now Cérélia)

- Retailers themselves have no NPD, R&D facilities, and do not themselves innovate, they copy.
 - Obviously stocking 000s of products to do that would require an immense amount of risk capital, and not at all guaranteed success
 - So, the development of Retailer Own Brands, and any innovation, is farmed out – in all respects – except one
 - The idea that this is done to reduce the Sales Price relative to the “Brand” is only half the story; Yes, they wish to price position against the Primary Brand – But, more importantly, we would maintain that the whole purpose of the Retailer Own Brand is persuade consumers away from the Brand Leader and by introducing a lower cost “copy” Own Brand enhance margin – significantly! In favour of the Retailer.
- CONCLUSION
 - The initial conclusion by the CMA has been unduly influenced by Retailer representation
 - It is skewed in favour of Retailer strategy to reduce brand diversity in favour of their Own Brands = enhanced profitability
 - It is skewed in favour of on-going competition between DOB Producers, at best minimal margins (survival) and Retailers maximum margins
 - It is Destructive of Capital
 - The investment by companies in production, nurturing and innovation of brands is reduced
 - The investment by companies in production of Retailer Own Brands is becoming more and more “risk averse” resulting in shorter factory life and displacement of employees