

Dear [REDACTED]

I am writing as an independent expert in the Grocery retailing arena, with a specific interest and expertise in how GSCOP regulations should work and be applied. With almost 30 years industry experience including 15 years at one of the UK's largest Grocery Retailers I have a level of insight & experience that is unparalleled. I have worked instore, in supply chain & as a Senior Buyer with categories that have an annual turnover of over £500m.

As an ex-Buyer I know what is important to a Retailer / Buyer. It matters that the Suppliers a Buyer is working with has access to investment, that they are able to bring innovation to the market, that they understand the category & that they are looking for growth. It does not matter if they supply both Retailer own brand and branded products to a Buyer, the two do not need to be mutually exclusive to deliver the previous points. Over the past 20 years I have seen behaviours from some Retailers & Buyers which are designed to keep the Supplier on the back foot, they are designed to drain the Supplier of all investment & to ensure that the Retailer always has the upper hand. This is not a positive outcome for the most important part of the supply chain & the person that the CMA are there to protect, the Consumer.

I have learned that in Cérélia you have a Supplier who has invested very significantly into a new production facility. This production facility has brought jobs back to the UK after production had been in Europe. It has brought more innovation into the Category & most importantly for the Retailers it has brought a level of stability that is rarely seen. For many a year the Category that Cérélia operate in was lacking in opportunities, for the Retailer, Supplier & the Consumer. Under investment in a Category is a sign that the Retailers have too much power, it means that the Supplier is just existing, that production facilities are not being updated, that innovation is not forthcoming. In short, the Retailer is not focused on the Consumer, instead they are solely focused on how much profit they can extract from the Supply base. This is why GSCOP became law in 2010. Part 2 of the Code, Fair Dealing is a core principle, it says Fair Dealing is 'understood as requiring the Retailer to conduct it's trading relationships with Suppliers in good faith..., without duress & in recognition of the Supplier's needs for certainty as regards the risks and costs of trading, particularly in relation to production...' It is therefore shocking to read some of the responses from a couple of Retailers that they when they are not happy with a Supplier they will simply delist them. Are these the same Retailers who have objected to the Cérélia deal? Where do these Retailers sit in the GCA's Annual Survey? Are these the actions of a Retailer who places any value on a Supplier who has invested made a very serious investment in a UK production facility?

Some of the key arguments from Buyers seem to focus on their ability to negotiate & suggest that if a Supplier produces both private label & brand that the Retailer has no options. One Retailer even suggested that the merger 'would probably be to the detriment of customers and that this is a growing category, and that they would not want to dampen that growth.' To be clear, Cérélia have made an unprecedented investment in this site, why on earth would they want to dampen growth? If a business invests significantly they want to accelerate growth, they want to create more jobs & more innovation for customers. It is not in their interest to increase prices, reduce quality & remove innovation. In preventing the merger this is precisely what the CMA will be doing, not in the interest of the Consumer at all. Some of the Retailers suggest that the merger will remove a competitive tension. When a Buyer gets a better price from a Supplier what happens with that price? Is it passed directly on to the shelf edge with the Consumer getting a better deal or is it kept by the Buyer to improve their own margins & financial performance? What has happened to the margins of the UK's two largest Grocery Retailers in the past two years? Tesco made £2.2bn in their 2021 financial year,

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Sainsbury's made £830m. Tesco's own forecast for 2022 is £2.4bn, the highest profit they have made in over 10 years. Sainsbury's forecast is £670m, the second highest in 10 years, after 2021. Retailers focus on their own profits first, the Customer second & at best the Supplier comes third. Every action that a Retailer takes is focused on ensuring that they are able to contain Suppliers & not allow them any leverage at all. This is why two of the Retailers responses have suggested that they are concerned about the merger. It is because they are concerned about their own profits, not that the Customer will get a worse deal.

I read in the public response that an average spend by a Consumer on DTB products is £7.80 & yet Cérélia have invested substantially in the Corby site. They have invested because they are in the Category for the long term. This level of investment in a food manufacturing site in the UK is extremely rare. The reason why it is rare is the UK Grocery Retailers. They refuse to give certainty & long-term contracts to their Suppliers. In a category the size of DTB then long-term agreements never exist & yet Cérélia have made a very serious investment & brought jobs back to the UK. The Jus Rol brand was started in Coldstream in 1954 & until 2016 was produced in the UK, then (due to costs) it was moved to Europe. Cérélia brought back the only widely recognised DTB brand to the UK & now this is at risk once again.

In my current role I work with Suppliers, manufacturers & producers to help them work better with Grocery Retailers. The reason they need this support is because of behaviour by the Retailers. They are determined to keep Suppliers, Producers, farmers on the back foot, to limit investment in anything other than the Retailer themselves. They do not have any interest in a Manufacturer investing in a brand-new facility that ensures that the Customer gets a better quality, more consistent product, made in the UK.

The CMA must think of the Consumer, it is not their job to protect a Retailers ability to negotiate. As we have seen from the profits that they are making, their ability to negotiate is unsurpassed by any of their Suppliers. Cérélia have invested in the UK because they see a long-term opportunity to work with Retailers, despite some of these Retailers demonstrating that they want the opposite. Such a positive approach by a Supplier is unheard of when dealing with UK Retailers. Suppliers have been bled of all investment by UK Grocery Retailers for over 20 years, I have been inside a Retailer & seen this happen.

For the reasons set out above I felt the urge to write you, because from your provisional findings I'm extremely concerned that your intended decision is wrong and protecting powerful retailers, killing investment of a good willing supplier in a very tough trading environment and as such in no way enhancing competition or protecting consumers but exactly the opposite. You will deprive this market from investment which is clearly not in the interest of a healthy competitive industry and ultimately the consumer you would like to protect. As an independent expert with a particular interest in GSCOP regulations I'm also extremely concerned that you are giving weight in your report to retailers' behaviour that goes against everything that GSCOP stands for. I therefore really hope that you will reconsider your intended decision because it will be detrimental to this particular industry and send a very bad signal to any other company that wants to make a genuine well intended investment in this market segment

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