

GCA Annual Survey 2023

28th September 2023

Gavin Ellison
Research Director – Public Sector
gavin.ellison@yougov.com

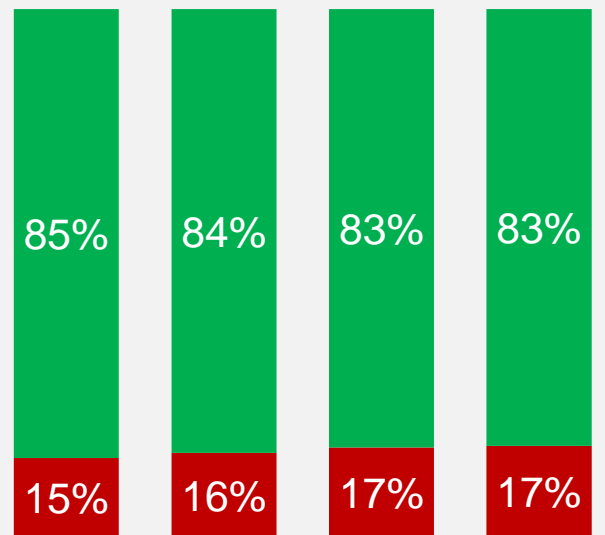


Groceries Code
Adjudicator

YouGov[®]

Awareness & understanding of the GCA

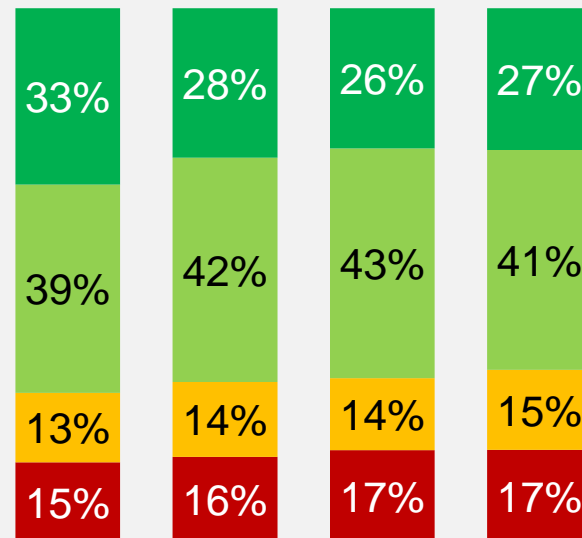
GCA awareness



2020 2021 2022 2023

■ Unaware ■ Aware

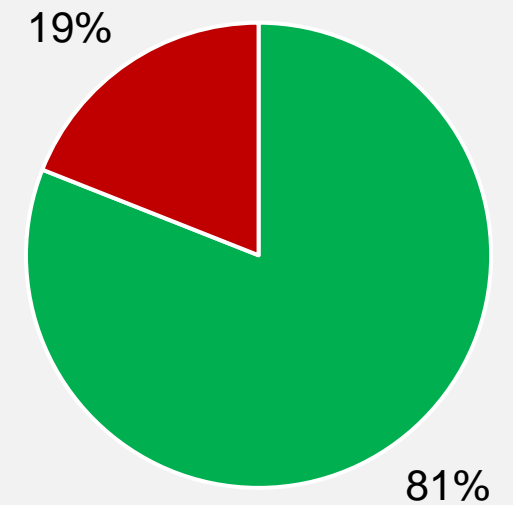
Understanding of the GCA's role



2020 2021 2022 2023

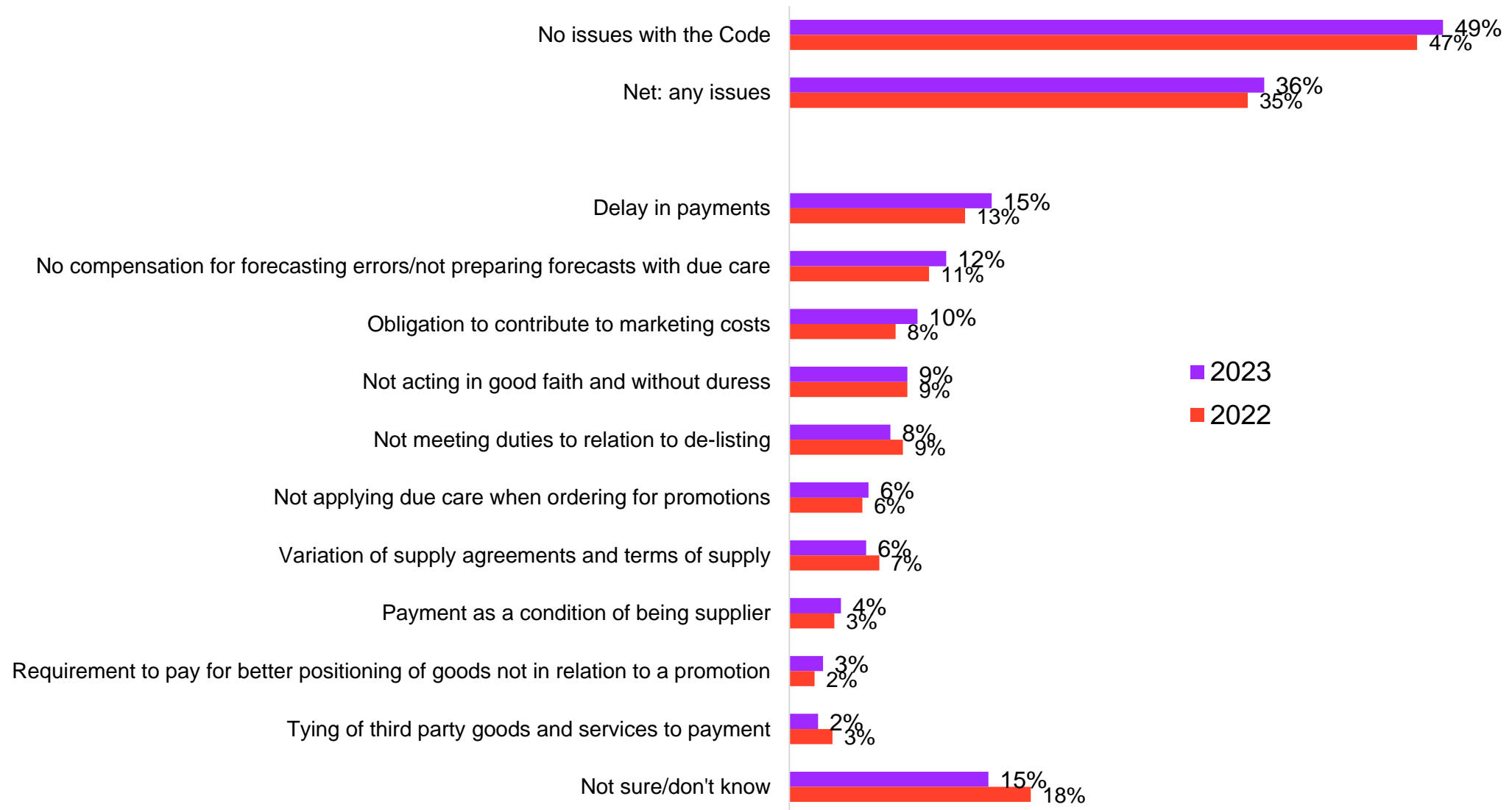
■ Unaware ■ Poor ■ Fair ■ Good

GCA confidentiality



■ Aware ■ Unaware

Issues experienced in the past 12 months (in Code language)

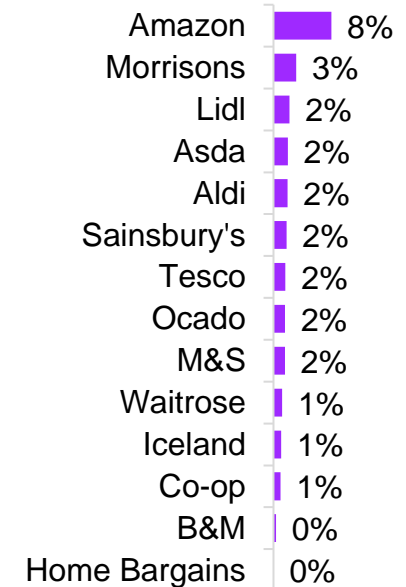


Issues experienced in the past 12 months (in supplier language)



8% have raised an issue with a retailer in the last year

About which Retailer? (as a % of their suppliers)



Code-related issues experienced by direct suppliers – by retailer

	Retailer 1	Retailer 2	Retailer 3	Retailer 4	Retailer 5	Retailer 6	Retailer 7	Retailer 8	Retailer 9	Retailer 10	Retailer 11	Retailer 12	Retailer 13	Retailer 14
Refusal to consider a cost price increase (CPI)/ unreasonable delay in agreeing or in implementing an agreed CPI	7%	11%	2%	8%	8%	7%	7%	7%	11%	10%	12%	13%	7%	16%
Inadequate processes and procedures in place to enable invoice discrepancies to be resolved promptly	4%	9%	1%	6%	1%	0%	4%	5%	10%	8%	16%	4%	4%	13%
Incurring significant costs because of inaccurate forecasting by Retailers	5%	5%	3%	5%	6%	2%	3%	3%	6%	7%	5%	6%	10%	7%
Data input errors (e.g. pricing) not resolved promptly (7 days)	3%	6%	2%	4%	0%	1%	2%	2%	3%	4%	7%	2%	3%	8%
Delays in or not receiving payment when there are disagreements about deliveries, including drop and drive	2%	4%	1%	3%	2%	0%	2%	3%	6%	4%	12%	3%	3%	6%
De-listing (including significant reduction in volume) without reasonable notice	2%	3%	1%	2%	4%	4%	1%	1%	2%	3%	8%	3%	3%	3%
Undisputed invoices not paid according to agreed terms	2%	3%	1%	3%	1%	1%	1%	3%	6%	1%	7%	1%	2%	6%
Not allowing time (30 days) to challenge proposed invoice deductions, or deducting even if challenged	2%	4%	1%	2%	1%	0%	2%	2%	4%	2%	10%	2%	3%	6%
Requirement to predominantly fund the cost of a promotion	6%	4%	1%	4%	1%	1%	3%	8%	0%	0%	8%	4%	0%	5%
Retrospective changes to supply agreements	1%	2%	1%	1%	2%	0%	1%	1%	1%	2%	6%	1%	2%	2%
Variation of supply chain procedures without reasonable notice	0%	1%	0%	0%	1%	1%	1%	1%	1%	1%	8%	1%	1%	2%
Difficulty in securing appropriate EPOS/warehouse data to validate timely payment from Retailer	1%	2%	1%	2%	0%	0%	1%	2%	3%	2%	4%	1%	1%	3%
Unilateral changes to supply agreements/terms of supply by Retailers without reasonable notice	0%	1%	0%	1%	0%	0%	0%	0%	1%	1%	5%	1%	2%	2%
Running a promotional activity at supplier's cost which varies from that agreed in length, positioning, distribution or type	1%	2%	0%	1%	1%	0%	1%	2%	0%	0%	2%	2%	0%	2%
Requests for payments to keep your existing business with a Retailer (pay to stay)	1%	1%	0%	2%	1%	0%	1%	1%	0%	0%	2%	1%	0%	2%
Requests for lump sum payments relating to Retailer margin shortfall not agreed at the start of the contract period	0%	2%	1%	1%	1%	1%	1%	0%	0%	0%	3%	0%	0%	2%
Unfair, unreasonable or unexpected charges for packaging	0%	0%	0%	0%	1%	0%	0%	0%	1%	1%	6%	1%	1%	1%

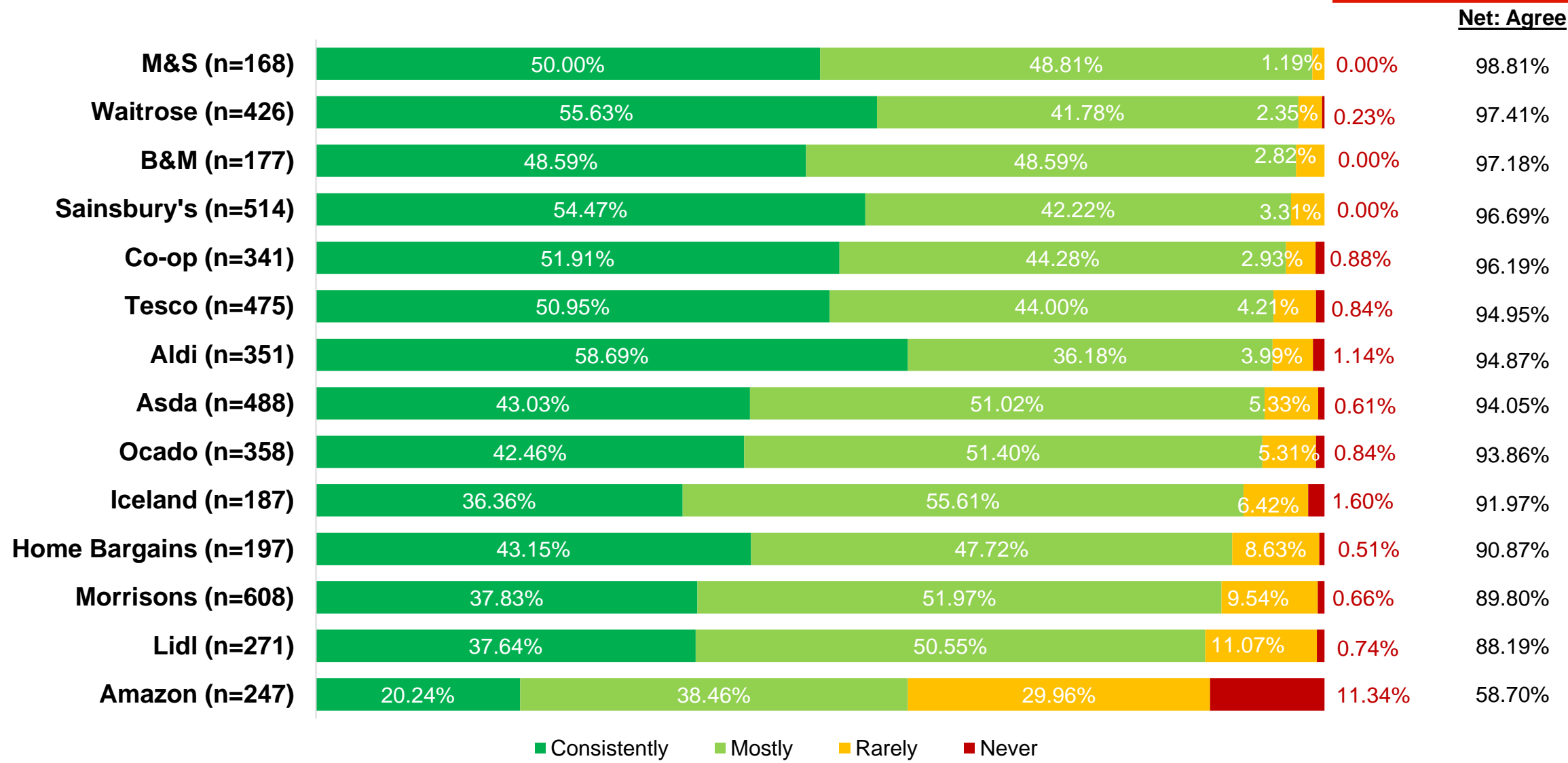
Example of how to read this table: for each issue:

- All issues that are 3% or lower are coloured green
- All issues that are between 4% and 6% are coloured amber
- All issues that are 7% or more are coloured red

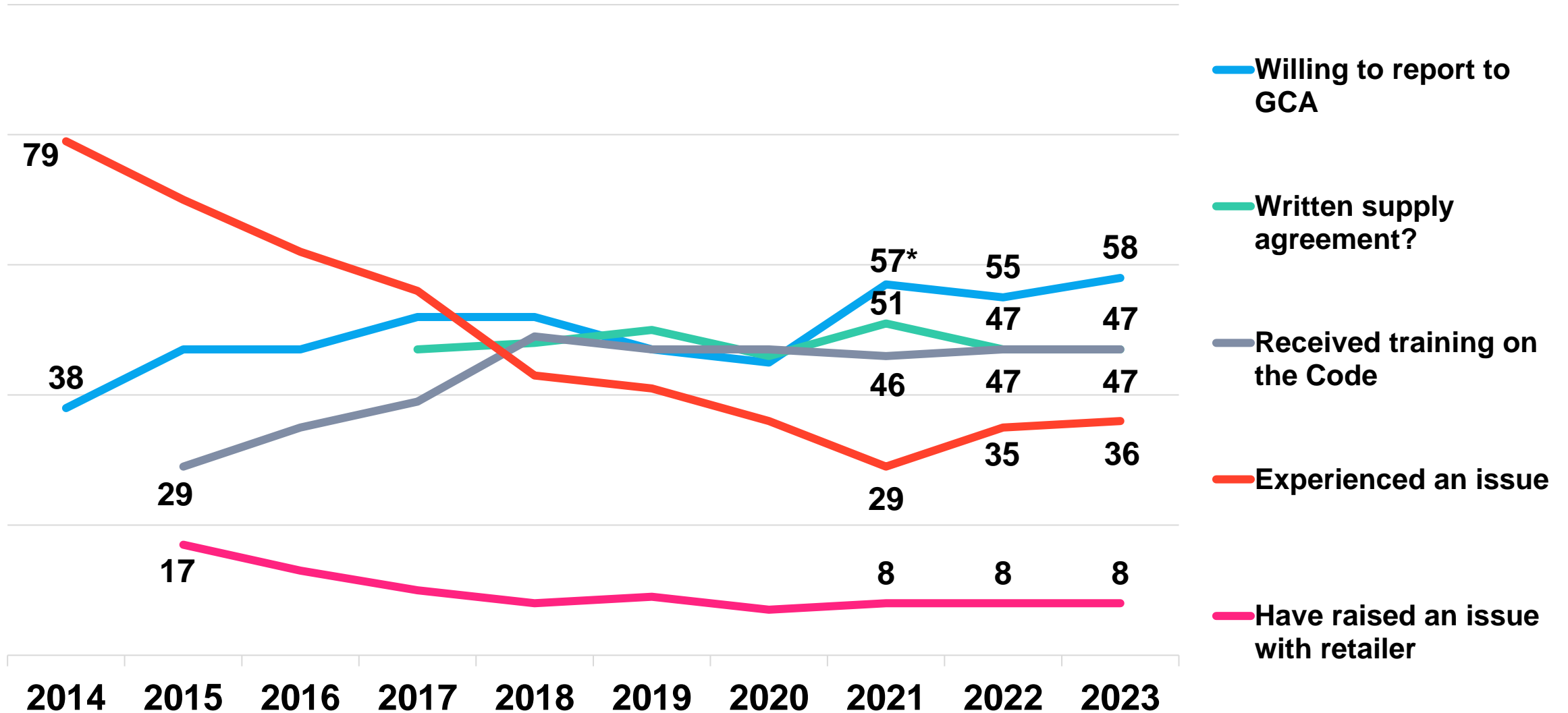
N.B. Retailers have been shuffled and are NOT shown in alphabetical order

Overall assessment of compliance with the Code

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

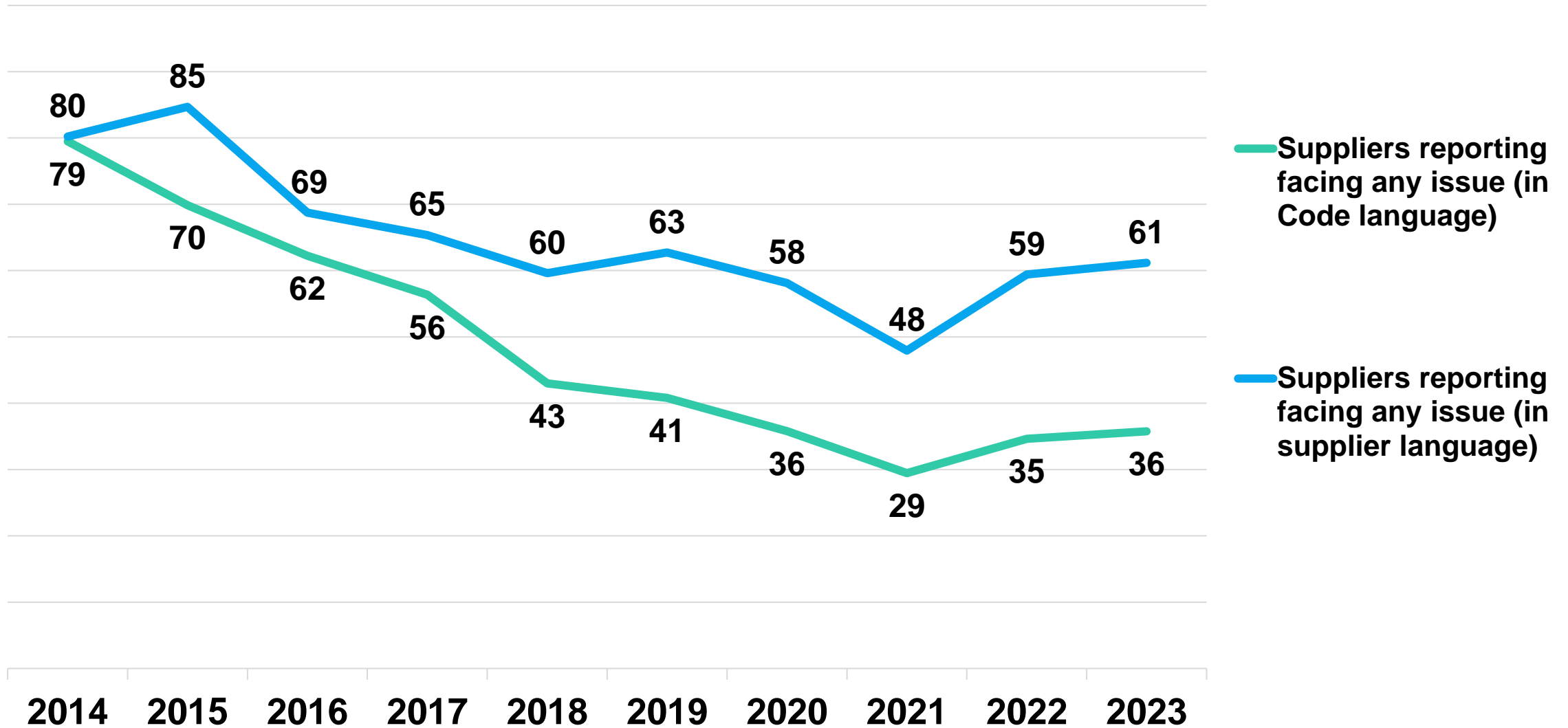


Selected key trends 2014 to 2023



*Question wording changed between 2020 and 2021

Suppliers with issues (in Code and Supplier language)



Perceived compliance with the Code from 2014 to 2023

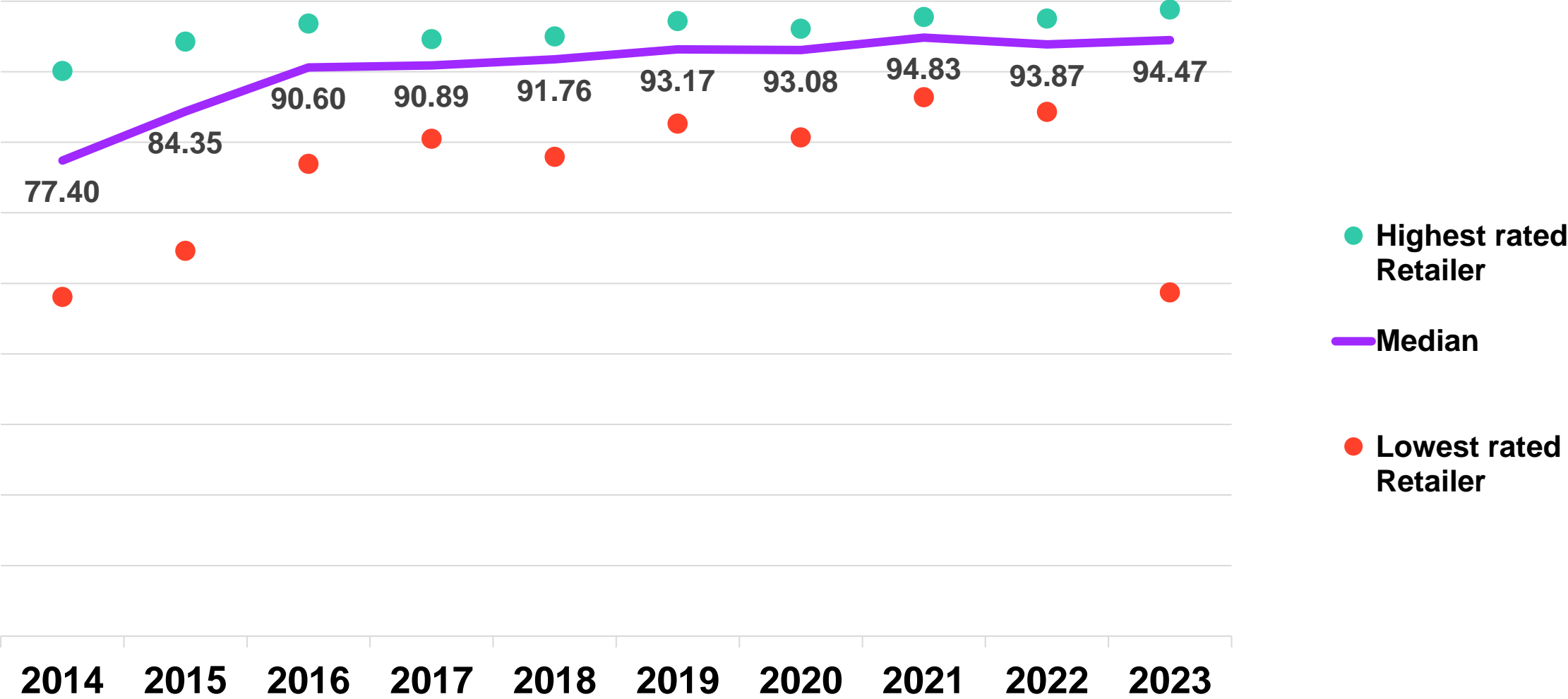


Chart shows the median retailer % for 'consistently' or 'mostly' follow the Code

Groceries Code Adjudicator – The Code and Supplier Experiences 2023

28th September 2023

Jerry Latter

Research Director – Qualitative

jerry.latter@yougov.com

business.yougov.com



Groceries Code
Adjudicator

YouGov[®]

Method

Overview

The YouGov qualitative team were commissioned to conduct 28x in-depth 30-45 minute Zoom/Telephone interviews with a range of direct suppliers, increasing from last year's sample of 26.

The research focused on the following areas:

- Communication, engagement and relationships with retailers and buyers
- Rising inflation and cost price increases (CPIs)
- Raising issues, and barriers to doing so
- Awareness and perceptions of the Code and the GCA

Experiences of compliance with Amazon were also specifically explored due to its recent designation (March 2022)

The aim of the research was to **better understand supplier experiences, identify pain points and examine how the landscape has changed** for suppliers during disruptive times.

Sample frame

- ✓ All suppliers interviewed were direct suppliers
- ✓ All 14 designated retailers were supplied, to include the newly designated Amazon (with a minimum of two supplier interviews each)
- ✓ All to have a fair/good understanding of the Code
- ✓ All to have a fair/good understanding of the GCA
- ✓ Half of the sample to consist of larger/macro businesses that supply several retailers, have high staff and turnover, and half of smaller/micro businesses
- ✓ A maximum of 10 of the 28 interviews who would not raise a Code-related issue with the GCA in the future, or who are unsure

2022/23 – The year that was...

“2022 was warfare. My hardest year in business. I became a counsellor for my national account managers. Some of the more mature buyers have moved on, but there are individuals who can't let it go, almost looking to punish us because we got price increases through - they saw it as winners and losers. As suppliers we held the cards - it makes no commercial or business sense to supply at a loss and we got to that point.” (Macro)

“The [xx]% increase they gave us was nowhere near the [xx]% that was requested. It was escalated to a senior buyer but reverted back to the original price. He then started kicking the can down the road, putting in diversions to prevent us getting the price increase. We appointed lawyers, but the parent company decided they didn't want to go through courts so backtracked.” (Macro)

“They eternally ask for information when you put a CPI through - and [xx] are bad for this. They asked questions that didn't even relate to the category...the most mature retailer was [xx] - they were streets ahead, we had the most mature conversations, they were the one that stood out. We got there without falling out and it getting personal.” (Macro)

“Everybody was very concerned about what the other retailers were doing so they didn't want to break rank on price first. A number of them put our business out to tender because we were looking for price increases, luckily there aren't a lot of people who do what we do, but every retailer threatened to take the business off of us.” (Macro)

▶ The current landscape –
relationships and CPIs

Supplier/retailer relationships, whilst still strong, have begun to suffer due to inflation

Positive aspects of relationships

- Retailers have generally continued to be **approachable, responsive** and **communicative**.
- More **face-to-face contact** appears to be taking place, this **differs according to supplier size** (micro suppliers finding response from retailers difficult).
- **Discounter retailers** were identified as being **proactive** and **collaborative** in their relationships and plans for suppliers' growth.



Negative aspects of relationships

- Relationships across the board are under **continued strain** due to pushing back on **CPIs** – regardless of supplier size.
- Whilst buyer turnover has continued to vary between retailer types, **poor handover processes** and **buyer ineducation** has continued to pose problems (particularly around CPI discussions).
- **Inflation, deflation** and **costs** have been top-of-mind, and consequently cooperation overall was felt to be **lower**, particularly around innovation and growth.
- Retailers appeared **less invested** in the continued relationships with their suppliers.

Securing CPIs has remained difficult in the past year

01

CPIs are now taking longer to push through

- 2022 findings demonstrated the prevalence of lengthy delays in CPI discussions due to tactics such as cost justification forms, open-book costing, and unclear communication around timelines.
- There is now less distinction made between the behaviour of the bigger retailers versus discount retailers.

“Timeframes are too long due to the lack of staff at retailers. The information is often incorrect and problematic...buyer will come back and say that prices are down by [xx]%. Their interpretation of the data is often wrong, they are not the experts.” (Micro)

02

The amount of CPIs getting through is falling

- Economic disruption and unprecedented times that the industry is operating in meant that difficult CPI discussions often resulted in securing a high proportion of the requested amount.
- However, in recent months suppliers have reported the increased absorption of costs due to more resistance from retailers.

“When the Ukraine war first started, we would probably recover [xx]% of a CPI. I would suggest now, it’s somewhere between [two thirds of that]%...they just don’t think it’s real.” (Macro)

03


Suppliers feel there is now less good faith shown by retailers in CPI negotiations

- There is now a greater expectation that CPIs will be reversed, or that no further CPIs will be put forward.
- A variety of suppliers felt that retailers’ patience with CPIs has now worn thin, and in 2023 retailers have attempted to avoid entering into CPI conversations entirely.

“Availability was used as a delay tactic, holidays were used as a delay tactic. Some of our buying managers must have had 15 weeks holiday last year.” (Micro)

Retailer discussions around deflation and decreasing costs have begun

Some suppliers have been approached by retailers with cost decrease requests, citing deflation. Suppliers that had not been asked to lower their prices anticipated retailers initiating deflation conversations in the near future.



“Retailers have started [asking for decreases] because a few things have gone down, but they never gave us the full increase. That’s the fight we’re having – if you only gave us 60% of it, we’re not going to give you the full decrease back.” (Micro)

“They are coming to us and only for deflation. Retailers want this now but we have not yet dealt with inflation. They want their cake and to eat it. There’s no point trying to be proactive, trust on both sides is being diminished.” (Macro)

Suppliers feel that a narrative of ‘deflation’ is emerging, and this was perhaps ‘priced in’ all along

- ✓ Suppliers feel the landscape has changed amidst the reduction in cost of some raw materials and some retailers are now declaring a period of ‘deflation’, that suppliers are yet to feel the benefits of.
- ✓ Some major retailers have begun asking for price decreases, accompanied by delist threats, forcing suppliers to operate at a loss, which they feel has created an unfair playing field and changed power dynamics.
- ✓ Some suppliers feel that current retailer attitudes towards CPIs and cost decrease requests indicate that retailers perceive CPIs as temporary, and increasingly expect old prices to emerge within the next few months.

Raising issues and the Code

Whilst GSCOP is an integral safeguard for suppliers, reluctance to raise issues has continued

01

In 2022 suppliers felt that raising an issue was too risky and left them vulnerable, the current economic climate has exacerbated these concerns.

Suppliers, irrespective of size, have been reluctant to raise issues, due to the potential business impact.

"A buyer at [xx] was very experienced but I did consider some of his actions quite reckless, not appropriate, and broke GSCOP rules, and if it wasn't for risk aversion we would have taken them all the way." (Macro)

02

Whilst suppliers felt that issues would be resolved quickly if they were to raise them with CCOs, there were few issues that felt irresolvable or that would justify any adverse impacts.

Overall, liaising directly with buyers alone is viewed to be more beneficial for the stability of their relationships in the longer term.

"The retailers say that confidentiality would be respected but I think it's a concern that somehow the buying team would find out...you could probably resolve most of the major issues yourselves without pressing the nuclear button." (Macro)

03

For those suppliers that have raised issues with CCOs, experience has taught some of them that relationships with the retailer would be impacted.

For some suppliers that have raised issues in the past, whilst this led to a resolution in the short-term, they found that in the long-term, the amount of business they did with the retailer in question was impacted.

"The Code Compliance Officer has come back to me and said 'please note that this will result in termination of your business relationships with us'...it's virtually impossible to review your terms and if you terminate them, it sounds like they delist you – and this is from the CCO." (Micro)

The Code and the GCA

- ✓ As with 2022, there were **overwhelmingly positive views of the GCA**, both in terms of the difference that it makes to empower suppliers and in terms of the information provided on training opportunities for suppliers.
- ✓ Many suppliers had met or formed relationships with Mark White and were **positive about the support that they had received**.
- ✓ But even when participants had no direct interaction with the organisation, they were **overwhelmingly grateful for the difference that it has made to retailer relationships**.
- ✓ However, **many are keen, as was the case in 2022, for training to reflect knowledge and interactions at all levels**, but particularly for those new to the trade – who may be less familiar with GSCOP.

“You mention GSCOP to an SME supplier and they haven't heard of it - they may have been knocking on the door of the big multiples - they are the ones at most risk of potential buyer bad practice, if it still exists. There is a facebook group called the food hub - maybe getting in touch with them and recommending a training course.” (Macro)

“There's always a bit of implication - we'll take it to GSCOP. I think they've brought an aura of fair play, having been around in the 2000s they would threaten all sorts of stuff. [XX] once said "unless you give us £2.5 million now we are going to delist you". We walked out of the meeting.” (Macro)

Key takeouts

Changes since the last wave of interviews

No significant reported issues with payments or payment processes, though automation is a concern

Participants overall reported no issues with payment processes. That said, there were minor issues relating to forecasting or computer 'glitches' that resulted in less money being received.

Some suppliers feel their customers have too much confidence in automated systems.

"The accounts dept say it is hard to contact someone, emails are ignored. Retailers think they can automate the business and it doesn't work. Generally they pay on the nail, but when there is a query it is more difficult."

(Micro)

Many suppliers feel tremendously emboldened by GSCOP, but as we saw to some extent in 2022, will 'wield' it with impunity, even during straightforward price negotiations.

Some of this may come down to a lack of understanding and a training deficit, but many are simply 'chancing their arm' here.

In 2023, we noticed more participants who were consultants employed by the suppliers to negotiate on their behalf.

Such consultants know GCSOP very well but also have no fear of threatening it (often without justification!)

Sense of confusion about what is a GSCOP issue and what is part of the 'rough and tumble' of negotiations. On the whole consultants know most and are most fearless!

Key learnings from 2023

01

The buyer is the relationship gatekeeper – many suppliers will judge the retailer based on their behaviour and performance – though this seems to vary dramatically within retailers

02

2022/23 seemed to be a particularly combative year, many suppliers feel like buyers see it as a defeat when they concede ground to the suppliers – this is perhaps not a helpful attitude

03

The GCA and partners can never do enough to encourage training in the Code – beneficial both to nervous small suppliers and bullish, headstrong young buyers

04

The avoidance techniques were out in force in 2022-23, and retailers seem to have found new ways to waste time and obfuscate whilst suppliers are potentially losing money....

“I think the standard of buying in the retail trade is at the lowest ebb I've seen in 40 years - the inexperienced buyers not returning calls, not replying to emails, the level of professionalism.” Macro

“Rotation means that you have people who don't understand the category [...] working on the category and when the category faces challenges relating to poor harvests affecting yield etc. - how well aware are they of the situation to respond to us?” Micro