

MARKET POWER IN THE GROCERY MARKET - WHAT YOU CAN DO WITH £3.4 BILLION

The last five years have seen the big 4 supermarket chains increase their stranglehold on retailing in Britain. As a society, we now need to draw a line. Government needs to tell the country how much market share these companies are to be allowed. Tesco have a third of the UK grocery market. Is it in the national interest for it to be allowed to grow still further?

The Competition Commission's Grocery Market investigation (final report: April 2008) showed just how much better buying terms the big 4 supermarkets obtain than their smaller competitors. The following figures are based on the table on page A5(3)-6 of the report. They compare average relative prices paid by customer groups over the previous 3 years with those paid by the four largest grocery retailers:

- Other fascias +7%
- Large wholesalers/symbol group +10%
- Small wholesaler/symbol group +16%

In other words, smaller symbol groups are paying on average 16% more for their supplies than the big 4 supermarkets. This is an enormous difference, far greater than can be justified by bulk buying efficiency.

It is therefore vital that better buying terms are earned fairly and not just boosted by the big chains' unfair use of their raw market power. Previous attempts to ensure that the big buyers do treat their suppliers fairly have floundered – suppliers have been too intimidated to use the systems to complain about their key customers.

The Competition Commission recommended the establishment of a Grocery Ombudsman to oversee a Grocery Supply Code Of Practice (GSCOP) to ensure fairness in the supply chain. There has recently been a public consultation on his precise role and powers and it is now time to act.

The RSA is convinced that the country needs a strengthened GSCOP with a determined Ombudsman to enforce it. The current proposals have been stalled for too long and we are calling on the new Government to appoint a strong Grocery Ombudsman with real powers as soon as possible.