

Supermarket watchdog welcome, but more is needed to help small shops and suppliers

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Small suppliers are finally being given protection from supermarkets in the form of an ombudsman, but the Forum of Private Business (FPB) is calling for further measures to help both suppliers and shops.

The FPB is welcoming today's news that the Government has accepted a recommendation for a body to enforce the Groceries Supply Code of Practice (GSCOP). It was made by the Competition Commission in 2008 after a two-year inquiry into alleged abuses in the groceries market.

In February, the Government will begin a consultation on how best to enforce the GSCOP, including identifying the nature and powers of the ombudsman.

However, the FPB is concerned that many suppliers will not come forward to complain about poor treatment at the hands of supermarkets out of fears they will cease to do business with them. A guarantee of anonymity in the complaints process could address this problem.

Research carried out by the FPB shortly after the inquiry was launched found that 76% of respondents wanted a watchdog to oversee the GSCOP, which covers supplier issues such as late payment and retrospective pricing as well as consumer complaints.

However, another survey revealed that 74% of business owners believed they should be guaranteed anonymity when giving evidence to both the Competition Commission and the Office of Fair Trading (OFT).

Further, the FPB believes that the Competition Commission's recommendations for a 'competition test', which has yet to be implemented, designed to prevent individual retail giants from dominating local markets, would simply allow other big supermarkets to compete and offers little to struggling high street shops.

In its preliminary findings, the Competition Commission said that, between 1999 and 2006, the entry of a supermarket into a town centre had caused more existing independent grocers and local markets to seek alternative locations than it had encouraged new retailers to move in.

As long ago as 2006, the All-Party Small Shops Group warned that, with around 2,000 small shops closing every year, the majority of the UK's independent retailers could disappear by 2015.

Now, with the recession driving more and more shoppers to discounted supermarkets, the FPB is concerned that the situation is even worse for shop owners.

The Competition Commission's investigation has called into question some other alleged business practices of supermarkets, such as below-cost pricing, where large retailers significantly undercut market prices on the high street by selling certain products at a loss in order to soak up trade, making up these losses on other product lines.

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The FPB has been critical of previous investigations into the practices of large retailers, including the £116 million in total fines imposed in 2007 following the OFT's probe into the dairy market price fixing scandal – a drop in the ocean compared to the supermarkets' vast profits.

"Small suppliers and retailers continue to suffer as a result of supermarkets' anti-competitive practices. One of the main problems is that many suppliers feel intimidated into silence and do not speak out; a situation we need to change," said the FPB's Chief Executive, Phil Orford.

"While a dedicated watchdog for these businesses is welcome, it does not go far enough to hold large retailers to account or to address the need to reinvigorate small shops on our high streets and the communities they serve."