



To **Mr Damien Kelly**
Inquiry Secretary
Grocery Market Investigation
Competition Commission

22nd August 2006

SPAR (U.K.) LIMITED
Hygeia Building
66-68 College Road
Harrow
Middlesex HA1 1BE

Tel: 020 8426 3700
Fax: 020 8426 3701/2

SPAR UK Main Submission to the Competition Commission's Market Investigation: The supply of groceries by retailers in the UK.

Introduction

SPAR UK on behalf of its retail and wholesale membership makes the following submission based on the proposition that the Big 4 supermarket groups have acquired market power, are acquiring more, and are using it anti-competitively to the detriment of consumers, smaller retail rivals and suppliers. The anti-competitive elements of supermarket trading practices need to be prohibited without damaging consumer interests, but the market by itself will not find suitable remedies (in other words there is a market failure) so intervention by the competition authorities is necessary.

We have set out five specific areas that we believe the Competition Commission should investigate further.

1. Market definition as one market

The economic drivers for growth are predicated on the ability of a business to buy goods for re-sale at an advantageous price. Therefore the fact that consumers use different channels to buy the same products is not the driving force behind the definition of a market. So although retailers might have different shop fronts for their businesses as long as their supplier relationships are common the market should be defined as one.

2. Limiting individual business size

There will always be bigger businesses and smaller ones. However there is a point where a business gets so much bigger that their peers that this generates anti-competitive behaviour. For instance:

- When supplier relationships are dictated by one of the companies it supplies to the detriment of the others.

- When the largest company can invest so much more of its revenue in negative tactics such as land-banking which are designed to harm competitors' ability to grow.
- When the revenue generated by the largest business is so much greater than its peer group that the peer group cannot compete for strategic acquisitions (the Chelsea effect)

3. Banning below cost selling

Below cost selling is being used to grab market share to the detriment of a competitor. This is normally short term and uses profit generated in one part of a business to subsidise another, whether geographic or departmental

This practice should be banned as it effectively requires one set of consumers to subsidise another.

4. Common price structure – one trunker one price

As already indicated it is possible that a large retailer could influence to the detriment of another retailer the prices a supplier might charge

We would propose that a common pricing structure be implemented across the highest saleable unit (a trunker load of the same product)

5. Lightening of regulations in small businesses in order to facilitate varied landscape

Creating a totally level playing field for retailers is all but impossible if at the same time we want to encourage competitiveness for the benefit of consumers. In addition there has been a massive change in the method and scale of regulating businesses which has had a disproportionate impact on small businesses

At the same time it's clear that some small businesses who have the least ability to compete are delivering vital infrastructures to many communities and many individuals within communities that are unable to access large businesses. For instance;

- Post offices
- Retailing local fresh produce
- Utilities
- Etc

We therefore believe that as well as the introduction of balanced market management initiatives, Government should positively discriminate toward businesses that support local communities.

These rewards could be based on the lightening of regulation or they could be rewards for implementing regulation

ACS Involvement

SPAR UK is a member of the ACS and is actively working with the organisation in the development of its separate submission to the Commission.

Further Submission

SPAR UK will deliver the completed Retail questionnaire inline with what was agreed with the CC. We will also ensure that the Wholesale questionnaire is completed and delivered to the CC for each of the six SPAR wholesalers as per the agreed timetable.

SPAR UK will also submit further case studies for both Retail and Wholesale where we believe this adds benefit to the enquiry.

Steve Blackmore
Supply Chain and Management Information Director
22nd August 2006.