

8 Suppliers

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Introduction

8.1. In this chapter we describe the main suppliers of the four reference brown goods, indicating as far as possible their manufacturing sources. We also briefly identify the other suppliers defined as such for the purposes of our inquiries. These include any enterprise from which a dealer or retailer obtains or may obtain supplies. We go on to set out various practices of suppliers which are characteristic of, and important in understanding, aspects of the UK brown goods business relevant to our inquiries and which are not covered in Chapters 10 and 12. The products and markets have been described in Chapter 7. We conclude with a brief account of suppliers' actions to ensure that their staff comply with current competition law.

8.2. The most striking feature of the supply of reference goods to the UK market is the extent to which it is dominated by Japanese and Korean companies. We identify below as main suppliers those which in 1995 held a market share of 1 per cent or more (by value) for any one of the four reference goods. Of these 21 leading suppliers 17 were Japanese-owned or Korean-owned companies, which between them accounted for 66 per cent of televisions sold in the UK, 71 per cent of VCRs, 74 per cent of hi-fi systems and 97 per cent of camcorders. Eight of these suppliers have UK-registered subsidiaries manufacturing in the UK: the Sony Corporation group (Sony and Aiwa), making televisions and hi-fi systems; the Matsushita group (Panasonic and JVC), making televisions and hi-fi systems; Toshiba, making televisions; Hitachi, making televisions and VCRs; Sanyo, making televisions; Mitsubishi, making televisions and VCRs; Samsung, making televisions; Sharp, making VCRs; LG Electronics (Goldstar), making televisions; and Pioneer, making hi-fi systems. Each of these suppliers supplements the ranges of reference brown goods it supplies in the UK by importing, chiefly from factories controlled by its parent, or the parent's subsidiary companies in the Far East, but also from factories elsewhere in Europe, notably Germany and Spain. Decon (hi-fi systems) and Orion (VCRs) are UK-registered companies, all of whose capital is owned by Japanese companies which do not otherwise supply the UK market. There is no production of camcorders in the UK, almost all of these being imported from the Far East.

8.3. There are only four European-owned suppliers with more than 1 per cent by value of the UK market in the goods attributed to them: Philips, of the Netherlands (televisions, VCRs and hi-fi systems), Thomson, of France (televisions and VCRs), B&O, of Denmark (mostly hi-fi systems); and two UK companies: Alba (televisions, VCRs and hi-fi systems) and Amstrad (televisions and VCRs).

8.4. The suppliers with less than 1 per cent of the UK market in any of the reference goods are either independent importers from manufacturing sources not otherwise represented in the UK, or small UK manufacturers.

8.5. Other suppliers of the reference goods to the UK market within the definition we have adopted include retailer buying groups (principally CIH) and wholesalers.

8.6. We have not attempted to include financial information about any of these suppliers. Some financial data are available on all of them, since they are registered in the UK and are required to produce accounts of their operations in accordance with the Companies Acts. But such information would be of little value in the case of any subsidiary of an overseas-based company from which, or from whose subsidiaries, it obtained all or some of its products: the accounts would not identify the profitability of supply in the UK of any of the reference goods. That would not be so in the case of the small UK-based companies from which we could obtain comprehensive financial information. But we think it would be invidious to impose this burden and most unlikely to yield information that would relate usefully to the non-UK firms responsible for 97 per cent of the UK market in reference goods.

Main suppliers

8.7. The following were the suppliers in 1995 of more than 1 per cent by value of the UK market in the reference brown goods attributed to them. (For each good the percentage share of the UK market by value is shown first, followed by the retail sales value.)

Sony Corporation

Sony United Kingdom Limited

8.8. Sony is wholly owned by the Sony Corporation of Japan. (The Sony Corporation is also the majority shareholder of Aiwa's parent company, but Sony told us that it operated entirely independently of Aiwa in the UK.) In 1995 Sony supplied the UK market with televisions (15.9 per cent, £144 million); VCRs (8.9 per cent, £54 million); hi-fi systems (11.4 per cent, £58 million); and camcorders (24.6 per cent, £48 million). Sony supplies only under the Sony brand name.

8.9. Sony manufactures televisions at its factories in Bridgend, Mid-Glamorgan, and also imports them from Spain and Germany; it imports VCRs from Japan, Germany, France, Malaysia and Indonesia; hi-fi systems from Japan, Malaysia, Indonesia, France and Germany; and camcorders from Japan and France.

8.10. In 1995 Sony supplied 35 models of television, including two combined television/VCR models, 18 models of VCR (including four 8mm models), 36 models of hi-fi system and 28 models of camcorder.

8.11. Sony supplies retailers and mail order companies. It also supplies some independent retailers, known as Sony Centres, which sell Sony products only. It supplies wholesalers and Makro.

Aiwa (UK) Ltd

8.12. Aiwa is wholly-owned by the Aiwa Co Ltd, of Japan, which in turn is 52 per cent owned by the Sony Corporation, but Aiwa said that it operated entirely independently of Sony in the UK. Aiwa manufactures hi-fi systems at its factory in Newbridge, Gwent, and imports them from subsidiaries of Aiwa Co Ltd in Singapore and Malaysia. In 1995 Aiwa supplied the UK market with hi-fi systems (21.7 per cent, £110 million), VCRs (1.6 per cent, £10 million) and small quantities of combined televisions/VCRs. Aiwa supplies only under the Aiwa brand name.

8.13. In 1995 Aiwa supplied 1 combined television/VCR model, 3 models of VCR and 22 models of hi-fi system.

8.14. Aiwa supplies retailers, mail order companies, wholesalers, retailer buying groups and warehouse clubs.

Matsushita Electric Industrial Co Ltd

Panasonic UK Ltd

8.15. Panasonic is wholly owned by Matsushita of Japan. (Matsushita is the majority shareholder in Victor, which owns JVC, but Panasonic told us that it operated entirely independently of JVC in the UK.) In 1995 Panasonic supplied the UK market with televisions (11.0 per cent, £100 million); VCRs (13.7 per cent, £82 million); camcorders (14.1 per cent, £28 million) under the Panasonic brand name; and hi-fi systems (8.1 per cent, £41 million) under both the Panasonic and the Technics brand names.

8.16. Matsushita Electric (UK) Ltd, a subsidiary of Matsushita, manufactures televisions for Panasonic at its factory in Cardiff, South Glamorgan. Panasonic imports hi-fi systems from Matsushita subsidiaries in Singapore; televisions and VCRs from Matsushita subsidiaries in Germany and Japan; and hi-fi systems and camcorders from Matsushita in Japan.

8.17. In 1995 Panasonic supplied 11 models of television, 8 models of VCR, 5 models of hi-fi system and 9 models of camcorder.

8.18. Panasonic supplies retailers and mail order companies. It also supplies a wholesaler which sells its camcorders to photographic shops.

JVC (UK) Limited

8.19. JVC is wholly owned by Victor, in which Matsushita is the majority shareholder. JVC told us that in the UK it operated entirely independently of Panasonic, which is wholly-owned by Matsushita. Victor wholly owns JVC Manufacturing (UK) Ltd, which makes televisions and hi-fi systems at its factory in East Kilbride, Strathclyde.

8.20. In 1995 JVC supplied the UK market with televisions (3.3 per cent, £30 million); VCRs (7.1 per cent, £42 million); hi-fi systems (9.9 per cent, £50 million); and camcorders (13.1 per cent, £26 million). JVC supplies only under the JVC brand name.

8.21. In 1995 JVC supplied 17 models of television, 13 models of VCR, 20 models of hi-fi system and ten models of camcorder.

8.22. JVC supplies retailers and mail order companies. It also supplies Chip Shop (Business to Business) Ltd, the consumer electronics concession operating within Makro Stores, and Savacentre.

Toshiba (UK) Limited

8.23. Toshiba is a wholly-owned subsidiary of the Toshiba Corporation of Japan. Toshiba's subsidiary, Toshiba Consumer Products (UK) Ltd, manufactures televisions and VCRs at its factory in Plymouth, Devon. Toshiba imports VCRs from a Toshiba Corporation subsidiary in Singapore and until 1995 imported VCRs from another subsidiary in Germany. In 1995 Toshiba supplied the UK market with televisions (13.5 per cent, £122 million) and VCRs (7.7 per cent, £46 million). Toshiba also supplied small numbers of hi-fi systems and camcorders. It sells only under the Toshiba brand name.

8.24. In 1995 Toshiba supplied 21 models of television and 8 models of VCR.

8.25. Toshiba supplies retailers, mail order companies and a warehouse club.

Philips Electronics NV

Philips Electronics UK Ltd

8.26. Philips is a wholly-owned subsidiary of Philips Electronics NV, of the Netherlands. Philips supplies televisions, VCRs and hi-fi systems under the Philips brand, and televisions and hi-fi systems under the Pye label. Marantz Hi-fi UK Ltd, supplies of hi-fi systems under the Marantz brand, is owned by Philips, but the business is managed from Japan. Philips no longer manufactures televisions, VCRs or hi-fi systems in the UK, but imports televisions from Belgium, Italy and France; VCRs from Austria, Germany, Hungary and Malaysia; and hi-fi systems from Austria, Hungary, Malaysia and Singapore.

8.27. In 1995 Philips supplied the UK market with televisions (7.0 per cent, £65 million); VCRs (5.8 per cent, £26 million); and hi-fi systems (1.6 per cent, £8 million).

8.28. In 1995 Philips supplied 39 models of television, including one combined television/VCR model, 8 models of VCR and 8 models of hi-fi system.

8.29. Philips supplies retailers, mail order companies, wholesalers and buying groups.

Grundig International Ltd

8.30. Grundig International Ltd (Grundig) is wholly owned by Grundig AG, of Germany, 31.6 per cent of the capital of which is owned by Philips Electronics NV, of the Netherlands. Until 31 December 1996, when the arrangement was terminated, Philips Electronics NV owned 100 per cent of Grundig Verwaltungs GmbH, the managing partner of Grundig AG, and Grundig AG's accounts were consolidated with those of Philips Electronics NV. Grundig supplies televisions, VCRs and hi-fi systems.

8.31. In 1995 Grundig supplied the UK market with televisions (1.7 per cent, £16.10 million) and small quantities of VCRs and hi-fi systems.

Hitachi Home Electronics (Europe) Ltd

8.32. Hitachi is wholly owned by Hitachi Ltd, of Japan. Before April 1995 supplies of reference goods to the UK market were the responsibility of Hitachi Sales (UK) Ltd. Hitachi supplies televisions, VCRs, hi-fi systems and camcorders. Its factory at Aberdare, Mid-Glamorgan, supplies a range of televisions, while VCRs and some televisions are sourced from continental Europe. The remaining VCRs and all hi-fi systems are bought in from Hitachi associated companies in Malaysia and Singapore respectively, and camcorders from the parent company in Japan.

8.33. In 1995 Hitachi supplied the UK market with televisions (7.1 per cent, £64 million); VCRs (6.3 per cent, £38 million); and camcorders (2.7 per cent, £5 million). It also supplied small numbers of hi-fi systems. Hitachi supplies only under the Hitachi brand name.

8.34. In 1995 Hitachi supplied 15 models of television, eight models of VCR, four models of hi-fi system and two models of camcorder.

8.35. Hitachi supplies retailers and mail order companies.

Sanyo UK Sales Ltd

8.36. Sanyo is wholly owned by the Sanyo Electric Trading Co Ltd, of Japan (50 per cent directly and 50 per cent through Sanyo España SA, of Spain). Sanyo Electric Trading Co Ltd is a subsidiary of Sanyo Electric Co Ltd, of Japan. Sanyo makes televisions at its factory in Lowestoft, Suffolk. It imports VCRs from Germany; hi-fi systems from Malaysia and China; and camcorders from Japan, but since 1996 imports them only from Indonesia. All the reference goods it sells are manufactured by various Sanyo Electric Co Ltd Group companies.

8.37. In 1995 Sanyo supplied the UK with Sanyo-branded products as follows: televisions (3.2 per cent, £29 million); VCRs (4.3 per cent, £26 million); hi-fi systems (2.6 per cent, £13 million); and camcorders (15.7 per cent, £31 million).

8.38. Sanyo supplies under the Sanyo brand name, and also supplies products to some retailers for sale under their own brand names.

8.39. In 1995 Sanyo supplied 8 Sanyo-branded models of television, 6 models of VCR, 19 models of hi-fi system and 6 models of camcorder.

8.40. Sanyo supplies retailers and mail order companies with all four reference goods. It is also a substantial supplier of televisions to the rental companies.

Mitsubishi Electric Europe BV

8.41. Mitsubishi is registered in the Netherlands, its UK operations being operated as a branch of the Netherlands company. Mitsubishi is ultimately wholly owned by the Mitsubishi Electric Corporation,

Japan. Mitsubishi sells televisions made at the Mitsubishi Electric factory in Haddington, Lothian, and VCRs made at the Mitsubishi Electric factory in Livingston, Lothian. In 1995 Mitsubishi supplied the UK market with televisions (4.7 per cent, £43 million); VCRs (6.5 per cent, £39 million); and small numbers of hi-fi systems. During our inquiries Mitsubishi withdrew from the camcorder and hi-fi system markets.

8.42. Mitsubishi supplies only under the Mitsubishi brand name, but during our inquiries also supplied an order for 5,000 units of VCRs on an own-label basis to Tatung (UK) Ltd under the Tatung brand name.

8.43. In 1995 Mitsubishi supplied 17 models of television and 7 models of VCR.

8.44. Mitsubishi supplies retailers, mail order companies, wholesalers and buying groups.

Samsung Electronics (UK) Ltd

8.45. Samsung is wholly owned by the Samsung Electronics Company, of Korea. Samsung makes televisions at its factory at Billingham, Cleveland, and imports them from a sister company in Korea; it imports VCRs from sister companies in Korea and Spain; and hi-fi systems and camcorders from a sister company in Korea.

8.46. In 1995 Samsung supplied the UK market with televisions (3.3 per cent, £30 million); VCRs (4.1 per cent, £24 million); hi-fi systems (2.1 per cent, £11 million), and camcorders (7.3 per cent, £15 million).

8.47. Samsung supplies only under its brand name Samsung.

8.48. In 1995 Samsung supplied 14 models of television (including two combined television/VCR models), 6 models of VCR, 8 models of hi-fi system and 8 models of camcorder.

8.49. Samsung supplies retailers, mail order companies, wholesalers and CIH.

Alba plc

8.50. Alba, through its subsidiaries, Alba Radio Ltd, Bush Radio plc and Goodmans Industries Limited, supplies televisions, VCRs and hi-fi systems. It sources its products from suppliers in the UK and continental Europe (mainly televisions and VCRs) and from Hong Kong, China and other Far Eastern countries (mainly hi-fi systems).

8.51. In 1995 Alba supplied the UK market with televisions (3.3 per cent, £30 million); VCRs (1.7 per cent, £10 million); and hi-fi systems (5.5 per cent, £28 million). Alba supplies reference brown goods under the brand names Alba, Bush, Goodmans and Hinari.

8.52. Alba supplies multiple and independent retailers, catalogue shops, mail order companies and a warehouse club.

Sharp Electronics (UK) Ltd

8.53. Sharp is wholly owned by the Sharp Corporation of Japan. Sharp supplies VCRs, made at its factory in Wrexham, Clwyd, and televisions, hi-fi systems and camcorders, imported from Sharp Corporation and other Sharp subsidiaries overseas. In 1995 Sharp supplied the UK market with televisions (2.5 per cent, £23 million); VCRs (3.5 per cent, £21 million); hi-fi systems (1.8 per cent, £9 million); and camcorders (5.8 per cent, £12 million).

8.54. Sharp supplies for retail sale under its brand name Sharp and to some other companies for sale under their own brand names.

8.55. In 1995 Sharp supplied 13 models of television, including two combined television/VCR models, 4 models of VCR, 9 models of hi-fi system and 4 models of camcorder.

8.56. Sharp sells to retailers, mail order companies, wholesalers, distributors, buying and other trade groups.

Thomson multimedia Sales UK Limited

8.57. Thomson (formerly Ferguson Ltd) is wholly owned by Thomson Multimedia SA (the ownership of which was under discussion at the time this report was being written). Thomson imports televisions and VCRs from a variety of overseas sources.

8.58. In 1995 Thomson supplied the UK market with televisions (4.6 per cent, £42 million); and VCRs (3.4 per cent, £20 million).

8.59. Thomson sells under the Thomson and Ferguson brand names and also supplies its products to other companies for retail sale or hire under their own brand names.

8.60. Thomson sells to retailers, mail order companies, wholesalers and buying groups and is a major supplier to rental companies.

Kenwood Electronics UK Limited

8.61. Kenwood is wholly owned by the Kenwood Corporation of Japan. It imports hi-fi systems from other Kenwood subsidiaries in Japan and Spain.

8.62. In 1995 Kenwood supplied the UK market with hi-fi systems (8.2 per cent, £42 million). Kenwood supplies only under its own brand name.

8.63. In 1995 Kenwood supplied 17 models of hi-fi system.

8.64. Kenwood supplies retailers, mail order companies and buying groups.

LG Electronics UK Ltd

8.65. LG is wholly owned by LG Electronics Inc of South Korea. LG makes televisions at its factory at Washington, Tyne and Wear, and imports televisions and VCRs from a sister company in Germany and its parent company in South Korea. In 1995 LG supplied the UK market with televisions (1.1 per cent, £10 million); VCRs (3.8 per cent, £23 million); and small numbers of hi-fi systems.

8.66. LG supplies for retail sale only under its brand name Goldstar.

8.67. In 1995 LG supplied 11 models of television, including one combined television/VCR model, 12 models of VCR and 9 models of hi-fi system.

8.68. LG supplies retailers and mail order companies, wholesalers and a buying group.

Pioneer High Fidelity (GB) Limited

8.69. Pioneer is owned by Pioneer Electronic (Europe) NV, of Belgium, which is owned by the Pioneer Electronic Corporation of Japan. Pioneer supplies hi-fi systems which are either manufactured in

the UK at its factory in Wakefield, West Yorkshire, or sourced from its immediate parent company which purchases on its behalf from a variety of sources.

8.70. In 1995 Pioneer supplied the UK market with hi-fi systems (6.0 per cent, £30 million) and small numbers of televisions, both under the Pioneer brand name.

8.71. In 1995 Pioneer supplied 19 models of hi-fi system.

8.72. Pioneer sells to retailers and mail order companies.

Canon (UK) Ltd

8.73. Canon is a wholly-owned subsidiary of Canon Europa NV, of the Netherlands, which is in turn a wholly-owned subsidiary of Canon Inc, of Japan. In 1995 Canon supplied the UK market with camcorders (13.9 per cent, £28 million), only under this brand name.

8.74. In 1995 Canon supplied five models of camcorder.

8.75. Canon supplies retailers, mail order companies, wholesalers, buying groups and warehouse clubs.

Akai (UK) Limited

8.76. Akai, which is owned by Semi-tech (Global) Ltd, of Canada, supplies televisions, VCRs and hi-fi systems. In August 1996 Akai took over the distribution of Nokia brand reference goods. In 1995 Akai supplied VCRs (2.1 per cent, £13 million); hi-fi systems (1.2 per cent, £6 million); and televisions and camcorders to small value. In the same year Nokia supplied televisions (1.5 per cent, £14 million) and small quantities of VCRs.

8.77. Akai supplies retailers, mail order companies and wholesalers.

Orion Electric (UK) Ltd

8.78. Orion is owned by Orion Electric Co Ltd, of Japan. It manufactures VCRs and televisions at its UK factory at Margam, West Glamorgan, to customers' specific orders.

8.79. In 1995 Orion supplied the UK market with VCRs to the value of £58 million and televisions to the value of £5 million.

Amstrad plc

8.80. Amstrad from mid-1995 together with its subsidiary, Amstrad Consumer Electronics Limited, supplied the UK market in 1996 with televisions (0.2 per cent, £1.5 million) and VCRs (1 per cent, £6.5 million).

8.81. Amstrad supplies for retail sale under the name Amstrad, and owns the Fidelity brand, which has been licensed to Cascade Electronics Ltd and other suppliers during our inquiries.

8.82. Amstrad purchases some of its reference goods from UK manufacturers and imports others from suppliers in Japan, Hong Kong, Malaysia and the rest of Europe.

8.83. Amstrad supplies retailers, mail order companies, wholesalers and warehouse clubs.

Hayden Laboratories Ltd

8.84. Hayden Laboratories Ltd (which we refer to under its brand name Denon) is owned by Nippon Columbia Ltd, of Japan, 25 per cent of whose shares are owned by Hitachi Ltd, of Japan. In 1995 Denon supplied 2.1 per cent, £11 million, of hi-fi systems to the UK market.

8.85. Denon supplies retail outlets.

Bang & Olufsen UK Limited

8.86. B&O is owned by Bang & Olufsen A/S, of Denmark. In 1995 B&O supplied the UK market with hi-fi systems (1.2 per cent, £6 million) and small numbers of televisions and VCRs.

8.87. In 1995 B&O supplied 5 models of television, including one combined television/VCR model, 2 models of VCR, and hi-fi systems. It supplies only retailers.

Other suppliers

8.88. The remaining suppliers of reference brown goods during part or all of the duration of our inquiries fall into two categories: first, there are the smaller manufacturers and importers with 1995 UK market shares of less than 1 per cent in any of the reference brown goods; and secondly, there are those retailer buying groups which take title to the goods they supply and hence in the terms of our inquiries are suppliers of UK reference brown goods. We deal separately with wholesalers (see paragraphs 8.97 to 8.101).

8.89. The first category includes Beon Corporation Ltd (televisions); Crown Corporation (UK) Ltd (televisions and VCRs); Daewoo Electronics UK Ltd (televisions, VCRs and hi-fi); Dainichi (hi-fi); Marantz Hi-fi (UK) Ltd (hi-fi); Morphy Richards Consumer Electronics Ltd (hi-fi); Nakamichi (hi-fi); Nikkai (televisions, VCRs and hi-fi); Network Electronic Industries Ltd (televisions, VCRs and hi-fi); Elftone Electronics Ltd (televisions and hi-fi); Onkyo (hi-fi); Roadstar (UK) Ltd (televisions, VCRs and hi-fi); Steepletone (hi-fi); Tatung (UK) Ltd (televisions and VCRs); and TEAC (hi-fi). Of these, Daewoo, NEI, Onkyo and Roadstar set RRP, and Tatung selects its retailers on criteria including the ability to provide after-sales service.

Retailer buying groups

8.90. The retailer buying group which under the terms of our inquiries are suppliers comprise CIH and five of its shareholder groups.

Combined Independents (Holdings) Ltd

8.91. CIH is a private limited company, wholly owned by 21 local groups of electrical goods retailers that are its members. CIH is a buying group acting on behalf of about 800 small or medium-sized retailers who are themselves members of the local groups. CIH uses their collective buying power to obtain better terms from suppliers than the retailers could secure individually. Its total turnover in 1995 was approximately £132 million, of which about £29 million was in televisions; £14 million in VCRs; £4 million in hi-fi systems; and £2 million in camcorders.

8.92. For most of its business (about 80 per cent of turnover), CIH (subject to certain limits) guarantees payment to suppliers for orders placed with them by individual retailers: the retailer orders through CIH, which operates certain checks, for example on the retailer's credit position, and passes on the order, assuming responsibility for payment, and the supplier delivers the order direct to the retailer. CIH

settles monthly with each supplier, billing individual retailers for the goods they have received. CIH takes title to the goods ordered but it does not handle them physically.

8.93. For the rest of the business (some 20 per cent of turnover), CIH acts as a wholesaler: it buys in bulk from suppliers in anticipation of retailers' demands and resells to individual retailers in response to their orders. For this operation, called 'central stock', CIH takes title and physical possession of the goods ordered and is responsible for distributing them to retailers.

8.94. Because CIH takes title to reference brown goods as described in the preceding paragraphs and passes this to retailers it is a supplier within the terms of our inquiries.

8.95. For all of the reference brown goods that it supplies CIH either passes on the RRP's advised by the manufacturers or sets its own. In addition, it will at times promote products (either available direct from suppliers or from its central stock) at reduced prices. CIH is a member of Euronics, a Europe-wide buying group, which is itself able to negotiate discounts or promotional offers with suppliers which are available to all its members. CIH retailers may use the Euronics brand name for advertising and display purposes (including the promotion of CIH's own prices).

8.96. In 1995 five of the local groups that are shareholders of CIH purchased goods on behalf of their members. The groups concerned are Birmingham Combined Independents; CITER (Wales & West); CI(CNS), covering Cambridgeshire, Norfolk and Suffolk; CI North; and CIR(NI). These local groups take title to the goods they purchase for their members and so they too are suppliers within the terms of our inquiries.

Wholesalers

8.97. For the purposes of our inquiries a wholesaler is a person, other than a manufacturer or importer, who buys reference brown goods to hold in stock in the expectation that in the ordinary course of business he will be able to sell them to retailers or other wholesalers of those goods. Since wholesalers supply into retail, and may adopt practices that relate to the matters into which we are inquiring, they are suppliers in the terms of our inquiries.

8.98. Except in Northern Ireland most suppliers of televisions, VCRs and hi-fi systems deliver directly to their retailers rather than through wholesalers. A few suppliers rely on wholesalers to supplement their direct supply systems, or to cater for small retailers whose volume does not justify direct sales. We understand that a few suppliers use wholesalers to supply camcorders to photographic shops.

8.99. The extent to which wholesalers are used reflects in part the terms of the particular distribution systems that suppliers operate (see paragraphs 12.107 to 12.114).

8.100. Wholesalers' returns to us indicate that in 1994/95 reference goods to an annual value of some £28 million were supplied by those wholesalers who individually supplied goods to a value of £0.5 million and over. This represented less than 2 per cent of the total market at this level. We believe that there are many more wholesalers, perhaps over 100, supplying lesser amounts.

Principal wholesalers¹

8.101. The following (excluding CIH) are the principal wholesalers of reference brown goods:

¹Other than CIH.

TABLE 8.1 **Principal UK wholesalers of reference brown goods**

<i>Wholesaler</i>	<i>Reference goods supplied</i>	<i>Number of brands of reference goods supplied</i>
Bridisco Ltd	All	7
Swift Electrical Wholesalers Ltd	All	4
Inman & Co (Electrical) Ltd	All	3
Harris & Russell Ltd	All	5
Michael Black Ltd	TV, hi-fi	9
V Leonard & Co Ltd	All	3
Stearn Electric Co Ltd	All	3
McGarry (Electrical) Ltd	All	2
Pact International Limited	TV, VCR, hi-fi	5
Newey & Eyre Ltd	All	3
Double D Distributors	TV, VCR, hi-fi	6
Sangers	Camcorders	2

Trade associations

8.102. Nearly all the major suppliers which manufacture reference brown goods in the UK are members of the British Radio and Electronic Equipment Manufacturers' Association (BREMA).

8.103. BREMA represents its members' interests with the Government, other official organizations and Brussels, through its membership of the European Association of Consumer Electronics Manufacturers. It deals with technical and commercial matters (including after-sales service), economics and statistics, and handles media contacts. The British Federation of Audio, representing a wide range of audio equipment suppliers, is a 'special', that is corporate, member of BREMA.

Marketing practices

8.104. In addition to the practices related to prices, RRP's and discount structures (see Chapter 10) and of selective distribution (see Chapter 12), the suppliers and their customers told us of various other kinds of marketing conduct-in effect, various forms of non-price competition-that are of importance in the functioning of the reference goods markets.

8.105. Marketing activity by suppliers is conducted broadly at two levels: suppliers try to persuade retailers that their products represent an attractive brand for them to stock and sell (subject to selective distribution), and they try to persuade consumers to buy them. Much of this activity is directed at securing retailers' attention and retail display space, which is limited at any point in time and of differing quality. It involves suppliers in:

- (a) offering a range of models with different specifications for a given product (for example, a television of particular screen size), partly for the purpose of competing with other suppliers' products, partly so that a retailer can choose models not stocked by its competitors, whether local or national (although some suppliers denied that this was a reason);
- (b) offering promotional and other support services, for example contributions to advertising and sales promotion within the trade discount structure or otherwise, point-of-sale material (particularly for the small retailer) or training for retailers' staff on the features offered by new products and how best to sell them; and
- (c) offering SPIVS to retailers' staff (see paragraph 8.113).

8.106. The important elements of suppliers' marketing which are directed ultimately at consumers include:

- (a) offering consumers a choice of models of different design features, or with discernible cosmetic differences;
- (b) financing promotional offers by retailers, for example interest-free credit or free gifts, such as Toshiba's offer (through Dixons in the late summer of 1996) of a free 34 cm (14 inch) television with a much larger model; and
- (c) advertising on their own account, unrelated to named retailers, at least in part with the aim of establishing a strong brand image, either across the whole range of the market or in a part of it.

8.107. Further details of these marketing practices are set out in the following paragraphs.

Model range

8.108. Suppliers told us that offering a range of models of television, VCR, hi-fi system and camcorder was important for marketing purposes. An indication of the diversity of ranges is shown in Table 8.2 derived from the suppliers' trade price lists published during 1995 on current numbers of models of reference goods on offer to eligible dealers.

TABLE 8.2 Numbers of models of reference goods in 1995 trade price lists

<i>Supplier</i>	<i>TV</i>	<i>VCR</i>	<i>Hi-fi systems</i>	<i>Camcorders</i>
Sony	35	18	36	28
Aiwa	-	3	22	-
Panasonic	11	8	5	9
JVC	17	13	20	10
Toshiba	21	8	-	-
Hitachi	15	8	4	2
Sanyo	8	6	19	6
Philips	40	8	8	-
Sharp	12	4	12	6
Mitsubishi	17	7	-	-
Samsung	14	6	8	8
Pioneer	-	-	19	-
Kenwood	-	-	17	-
Canon	-	-	-	5

Source: MMC and suppliers.

8.109. These figures greatly understate the numbers of different models which consumers might have found and been able to buy in retail outlets. They cover only a sample of suppliers, and they do not include, for example, models which bear the supplier's brand name but are exclusive to one retailer; retailers' own-label products; and obsolescent or end-of-line models still available in some shops. Table 8.3 sets out figures provided by GfK of the numbers of different models of reference goods sold at retail during October 1996 (a somewhat later period, but this should not invalidate the argument).

TABLE 8.3 Number of different models sold at retail: October 1996

<i>Reference good or own-label</i>	<i>Number of models sold</i>	<i>Number which were exclusives</i>
Televisions	799	177 (22%)
VCRs	452	92 (20%)
Hi-fi systems	702	183 (26%)
Camcorders	151	41 (27%)

Source: GfK.

8.110. The question of the range of models stocked and sold by retailers is considered in paragraphs 9.80 to 9.100.

Advertising and promotion

8.111. Retailers appear to spend more on advertising and promotion than suppliers (see paragraphs 9.129 to 9.135) but part of this expenditure is in practice funded by suppliers through discounts granted for advertising and promotional support. The amount funded in this way is uncertain, but an advertising and promotional discount of 2 per cent on retail sales value (see Chapter 7) would suggest a gross amount of about £50 million a year.

8.112. Suppliers' own advertising seems more often intended to reinforce brand image and awareness than to promote particular models; it tends to appear on television or in specialist magazines or in highly visible public places, for example on illuminated signs in Piccadilly Circus or displays on football strips. There are no published data on expenditure by suppliers of reference goods on media advertising of reference goods, but some suppliers provided us with their own direct expenditure figures. Limited comparisons can be made with Dixons' and Comet's expenditure (see paragraphs 9.128 to 9.134). Suppliers' figures are shown in Tables 8.4 and 8.5.

TABLE 8.4 Television advertising of reference brown goods by reference goods suppliers for reference goods

	£'000		
	1993	1994	1995*
Sony	2,928	1,668	1,520
Aiwa (television and press)	178	269	86
Panasonic	1,552	1,012	266†
JVC	580	1,086	1,300‡
Toshiba	713	127	N/A
Hitachi	0	0	0
Sanyo	0	0	0
Philips	0	0	0
Mitsubishi	549	134	56
Samsung	790	N/A	N/A
Sharp	1,490	1,540	N/A
Thomson	1,618	724	N/A

Source: MMC from company data.

*First six months.

†Full year.

‡Estimate April 1995 to March 1996.

Note: N/A = not available or not provided.

TABLE 8.5 Press advertising of reference brown goods by reference goods suppliers for reference goods

	£'000		
	1993	1994	1995*
Sony	705	317	236
Aiwa (television and press)	178	269	86
Panasonic	1,012	1,067	N/A
JVC	0	0	140†
Toshiba	100	0	138
Hitachi	245	202	159 (Whole year)
Sanyo	307	278	N/A
Philips	35	200	N/A
Mitsubishi	99	15	81
Samsung	0	0	360
Sharp	340	53	N/A
Thomson	30	12	0
Kenwood	329	359	237

*First six months.

†Estimate April 1995 to March 1996.

Note: N/A = not available or not provided.

Sales promotion incentive voucher schemes

8.113. Most reference goods suppliers at times offer SPIVS to their retailers' staff to promote their products. SPIVS can take many forms, ranging from gift vouchers to points which can be collected over time and redeemed, for instance, in exchange for holidays. Almost all the suppliers deprecated the practice but said that it was necessary to match their competitors. Some retailers do not permit their staff to accept SPIVS.

Interest-free credit

8.114. Most suppliers (including Sony, Panasonic, JVC and Sharp) offered interest-free credit on particular models of reference goods, with retailers administering the arrangements. Sony showed us an example of a leaflet to retailers referring to a three-week interest-free credit promotion on televisions and VCRs preceding Christmas 1995. More commonly, it appears, suppliers finance interest-free credit offers by retailers, wholly or in part through advertising and promotional discounts and allowances.

Services provided by suppliers

8.115. After-sales repair service is principally the responsibility of retailers rather than suppliers, but suppliers usually operate technical service departments whose function it is, *inter alia*, to provide advice and back-up to retailers. Suppliers may also make available training for retailers' staff, especially when products incorporating new technological features are being introduced. The provision of point-of-sale material is considered in Chapter 10.

Compliance

8.116. We asked suppliers about their arrangements to encourage their staff to comply with legal requirements relating to competition, consumer protection and restrictive trade practices. Some suppliers, including Sony, Panasonic, JVC and Pioneer, said that they operated compliance programmes, ranging from formal training to the production of staff manuals. Others, including Hitachi, Sanyo, Philips, Mitsubishi and Kenwood, indicated that they did not. Sanyo showed us a note which it had prepared for the guidance of and circulation to its staff following the DGFT's decision to refer the supply of televisions, VCRs, hi-fi systems and camcorders to us for investigation and report.