



# Press Release

Thursday 12<sup>th</sup> March 2009

## Ombudsman is best for grocery shoppers

An ombudsman to oversee the grocery market, the Competition Commission's preferred remedy to the problems it has found, is in the interests of consumers and is unlikely to raise prices to shoppers, conference told on the eve of a public consultation on the initiative.

John Noble, Director of the British Brands Group which represents brand manufacturers, will tell a City University conference today that an ombudsman is the best option to resolve long-standing problems in the grocery market. "Little progress has been made since the Competition Commission recommended an ombudsman nearly a year ago and myths must not be allowed to derail it", John Noble will say.

Some voices are calling for ombudsman proposals to be dropped but the British Brands Group will challenge the basis for doing so.

- Claims that there is no evidence of a problem are contradicted by two lengthy Competition Commission investigations that found on each occasion that some practices used by supermarkets on their suppliers are anti-competitive and harm consumers;
- An ombudsman will work specifically in the interests of shoppers, with suppliers better able to invest in higher quality goods, more choice and more product innovation, while allowing retailers to exercise their buyer power, keeping prices low for shoppers;
- It is highly improbable that an ombudsman will raise prices for shoppers. A recent report from Cardiff Business School suggests that prices will actually be lower in some cases. In the grand scheme of things the costs are very small – 1¼p on the weekly shop<sup>1</sup> – and it is most likely that these, if not borne by the retailer, will be passed to suppliers rather than shoppers.

It must be remembered that the alternative – enforcement by the OFT – will also carry costs but these would be borne by the taxpayer. There is no "no cost" option;

- Regrettably this is not unnecessary regulation. Lighter touch regulation has been in place since 2002 but this has not prevented anti-competitive practices by supermarkets;
- A strong code of practice enforced by an ombudsman is first and foremost in the interests of shoppers. The Competition Commission's remedy relies on information from suppliers to make it work. The emphasis is on stopping anti-competitive practices, not punishing retailers or unduly compensating suppliers that have been harmed.

"Resistance by some retailers to an ombudsman is a potential sign that this remedy may actually work", John Noble will say. There is widespread unanimity amongst suppliers of all sizes, including farmers, that an ombudsman is now needed for the grocery market to work better for shoppers. It now needs the resolve of Government to support the Competition Commission and the introduction of its preferred remedy as soon as possible.

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<sup>1</sup> Source: Grant Thornton

## NOTES TO EDITORS

1. The Competition Commission first identified concerns in supermarkets' dealings with suppliers following its investigation in 2000, finding 25 practices that distorted competition. It recommended the introduction of a Supermarket Code of Practice administered by the OFT. This came into force on 17<sup>th</sup> March 2002.
2. The Competition Commission undertook a further investigation of the grocery market in 2006, publishing its Final Report on 30<sup>th</sup> April 2008. It found that supply chain practices that transfer excessive risks and unexpected costs to suppliers are sufficiently prevalent to cause concern (paragraph 9.66 of its Final Report).
3. The Competition Commission is expected to launch a public consultation on the ombudsman imminently.
4. The Competition Commission states that an ombudsman would not favour larger suppliers, expecting "that the GSCOP Ombudsman will use its resources efficiently, focusing on those disputes and complaints concerning suppliers without market power over and above those concerning suppliers of major branded products" (paragraph 11.339 of its Final Report).
5. Professor Roger Clarke of Cardiff Business School, a leading economist, has produced a study suggesting that an ombudsman would result in more choice for consumers, better products and, in some cases like agricultural products, lower prices. The study, "The impact of a Groceries Ombudsman on Consumers' Best Interests", is available from [http://www.traidcraft.co.uk/Resources/Traidcraft/Documents/PDF/tx/campaigns\\_supermarkets\\_report\\_ombudsman.pdf](http://www.traidcraft.co.uk/Resources/Traidcraft/Documents/PDF/tx/campaigns_supermarkets_report_ombudsman.pdf)
6. The British Brands Group was founded in 1994 as a non-profit-making membership organisation. It speaks on behalf of brand manufacturers and seeks to deepen understanding of how brands benefit consumers, society and the economy through the provision of choice, value for money and innovation.

It represents its members collectively when commercial and regulatory issues threaten the ability of brands to deliver value and to be a positive force in society. It also provides the prime forum for its members on brand-related issues.

The British Brands Group is part of a global network of similar brand associations, and is the UK representative of AIM, the European Brands Association, based in Brussels.

For more information and further background briefings on this subject please visit the British Brands Group website: [www.britishbrandsgroup.org.uk](http://www.britishbrandsgroup.org.uk).

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