



Brand Briefing

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The case for an ombudsman

A key recommendation from the recent Competition Commission investigation of the UK grocery market is for an ombudsman to be appointed to ensure fair dealing between supermarkets and suppliers. While most support the initiative, some major retailers are opposed. This Brand Briefing outlines the British Brands Group's perspective.

BACKGROUND

The Competition Commission has found adverse effects on competition arising from some grocery retailers' dealings with their suppliers on two separate occasions, in 2000 and 2008. In its recent investigation, the Commission concluded that the current remedy – the Supermarkets Code of Practice (SCOP) administered by the OFT – was not effective. It recommends a revised code – the Groceries Supply Code of Practice (GSCOP) – monitored and enforced by an ombudsman. Covered retailers will also be required to introduce a compliance programme.

THE GOAL

The British Brands Group seeks a UK grocery market that works well for consumers, delivering strong value and choice to shoppers, in which competition is both vigorous and fair, and where suppliers are encouraged and able to invest in product quality, innovation and new products. Regulation, where deemed necessary, should be effective and proportional.

THE CASE FOR AN OMBUDSMAN

A clear code of practice monitored and enforced by an independent ombudsman is being supported by the Group. An ombudsman would focus specifically on this market, develop specialist expertise, have the duty to both monitor the market and enforce compliance, and will give guidance to help the market work well. The alternative – stronger monitoring and enforcement by the OFT – would impose a further burden on the OFT's already stretched resources and is an approach already found to be ineffective. Should the Commission fail to remedy its recent adverse finding, wide concerns over this market will continue, leading to more hugely expensive and disruptive market investigations.

It is unlikely that an ombudsman will increase costs to consumers. The costs, which are expected to be very small in relation to the grocery market overall (especially if retailers comply with the GSCOP), will generate some efficiencies and are more likely to be transferred upstream to suppliers than downstream to consumers (if not absorbed by retailers themselves). It is also important to acknowledge that the only alternative to an ombudsman – stronger enforcement by the OFT – also carries costs, which would be borne by taxpayers.

Many, including farmers both here and overseas, small retailers and NGOs promoting the views of concerned citizens, share the view that an ombudsman would be good for UK grocery shoppers.

NOTES

1. The British Brands Group's mission is to build the optimum climate in the UK for brands to deliver choice and value to consumers. It does not act for any individual member or organisation.
2. The British Retail Consortium argues that many suppliers to supermarkets are multinationals that are larger than the supermarkets themselves and do not need the protection of an ombudsman. This concern is addressed by the Competition Commission in its Final Report on its recent investigation of the grocery market:

“...we expect 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.” (para 11.339)

If you would like more information on the ombudsman, the proposed Groceries Supply Code of Practice or any of the underlying issues, please contact John Noble on 01730 821212 or by email: jn@britishbrandsgroup.org.uk.