ANNEX 4 : ADVERSE EFFECTS OF BUYER POWER AND ABUSIVE SUPERMARKET PRACTICES ON SMALL AND INDEPENDENT RETAILERS AND ON WHOLESALERS IN EU MEMBER STATES

AUSTRIA

Adverse effects on small and independent retailers of buyer power and abusive supermarket practices

The sector enquiry published by the competition authorities in June 2007 concluded a.o. that:

- The Austrian grocery sector is highly concentrated.
- The barriers to entry are high, which is reflected in the low number and limited expansion of new market entrants in the retail business over the last years.
- A possible anticompetitive effect from enhanced buyer power is that smaller retailers may get less competitive as regards their own suppliers (prices) and that new retailers may be hampered to enter the market, thus even further increasing the concentration.
- Because of the market situation revealed by the sector inquiry, the competition authorities decided to continue to scrutinize the grocery sector.

Sources:
Republik Österreich Bundeswettbewerbsbehörde, Allgemeine Untersuchung des österreichischen Lebensmittelhandels unter besonderer Berücksichtigung des Aspekts der Nachfragemacht – Zusammenfassung, Vienna, June 2007.
Republik Österreich Bundeswettbewerbsbehörde, “FCA accomplished Sector Inquiry on Buyer Power of Supermarkets”, 30 August 2007, <http://www.bwb.gv.at/BWB/English/groceries_sector_inquiry.htm>

The large supermarket chains have increased their market share at the expense of small local shops. Fruit-and vegetables-shops have seen a considerable decline in their share of the distribution sector.

Sources:
Lebensministerium Öffentlichkeitsarbeit, “Lebensmittelwirtschaft in Österreich”, 11 February 2008, web article <http://lebensmittel.lebensministerium.at/article/articleview/54758/1/8140/>.
Ministry of Public Affairs, “Food trade: In addition to retail, wholesale is an important marketplace for direct marketers”, 27 June 2007, web article <http://lebensmittel.lebensministerium.at/article/articleview/58441/1/8386>

Impact on national independent wholesalers

The sector enquiry published by the competition authorities in June 2007 concluded a.o. that:

- The Austrian grocery sector is highly concentrated.
- The barriers to entry are high, which is reflected in the low number and limited expansion of new market entrants in the wholesale business over the last years.
- A possible anticompetitive effect from enhanced buyer power is that smaller retailers may get less competitive as regards their own suppliers (prices), i.e. wholesalers, and that new retailers may be hampered to enter the market, thus even further increasing the concentration.

Sources:
Republik Österreich Bundeswettbewerbsbehörde, Allgemeine Untersuchung des österreichischen Lebensmittelhandels unter besonderer Berücksichtigung des Aspekts der Nachfragemacht – Zusammenfassung, Vienna, June 2007.
Republik Österreich Bundeswettbewerbsbehörde, "FCA accomplished Sector Inquiry on Buyer Power of Supermarkets", 30 August 2007, <http://www.bwb.gv.at/BWB/English/groceries_sector_inquiry.htm>

Membership of European wide buying groups

SPAR franchise holder being part of BIGS.
ZEV Markant is part of EMD.

BELGIUM

Adverse effects on small and independent retailers

In 2008, independent bakery shops still had a 57% market share but their position was under threat especially from hypermarkets and discounters and recently also from convenience stores. One way supermarkets seduce customers to buy bread at their supermarket is by spreading the smell of fresh bread through the store or by offering a nicely displayed variety of bread.

Source:
"Concurrentie-analyse: de hyper- en grotere supermarkten", VLAM, <http://www.bakkersinfo.be/downloads/archive/2f54ad77-ccdb-4204-97a8-04ed490136a4.pdf>

In October 2008, it became clear that Carrefour used cheap labour strategies for operating a new hypermarket, also on Sundays, which can be unfair competition with independent retailers. The 150 staff-members had to work for lower wages and have a contract with lower labour benefits than what is applicable according to official labour arrangements for such companies. The store was announced to be open 40 Sundays a year, without extra bonus for the staff. The staff also will have to work longer for a lesser wage. The fighting spirit against the recess of their statute is huge. The unions were protesting against these labour conditions and took action to keep the hypermarket outlet closed a whole day.

Unizo nieuws, "Unizo over acties Carrefour Brugge, 22 October 2008, <http://www.unizo.be/viewobj.jsp?id=375250>
De Morgen, "Vakbonden houden Carrefour Brugge hele dag dicht", 22 oktober 2008 <http://www.demorgen.be/dm/nl/996/Economie/article/detail/460692/2008/10/22/Vakbonden-houden-Carrefour-Brugge-hele-dag-dicht.dhtml>

Membership of European wide buying groups

Delhaize was announced to become part of AMS from 2009 onwards. Before it participated in EMS which is located in Switzerland. The address of Louis Delhaize International Trading itself was based in Switzerland (Chemin des Couleuvres 8B, 1295 - Tannay - Canton de Vaud – CH, Tél: +41-22-960-72-20)

SPAR franchise holder being part of BIGS.
Colruyt is part of Coopernic;
Part of Bloc buying group are: Cora Louis Delhaize, Delberghe, Deli XL, Distri-Group 21, Frost Invest, HMIJ EUG, Huyghebaert, HorecaTotaal, Lambrechts, LDIP, Theunissen, VAC.

BULGARIA

“The number of small supermarkets and mom-and-pop stores is shrinking. Medium-sized markets have taken the lead in food retail. The supermarket remains the main store of choice” because Bulgarians do not yet own a car to go suburban hypermarkets.

Source:
P. Müller-Sarmiento, K. Dengler, “New EU members Romania and Bulgaria: A mixed bag of hope and skepticism”, Elsevier Food International, Vol. 10, No. 3, September 2007, <http://www.foodinternational.net/articles/country-profile/950/new-eu-members-romania-and-bulgaria-a-mixed-bag-of-hope-and-scepticism.html>

DENMARK

Adverse effects on small and independent retailers

Nearly all Nordic supermarkets are organised in different chains or groups where all the stores in the same chain appear the same. Independent retailers have also made cooperation arrangements, e.g. for purchasing and marketing.

Since the number of wholesalers is declining, there is a barrier to entry to new retailers as new entrants “are required to have the capacities to build up a whole network of stores, warehouses and their own logistics.”

Since 1990 the number of shops in all Nordic countries decreased by 30-40%. However, measured against population figures, i.e. the number of consumers, the density of shops throughout the Nordic countries is relatively high compared to (some) EU member countries.

Source:
“Nordic food markets – a taste for competition”, report from the Nordic competition authorities, November 2005, p. 10, 11, 13, 58, 62.

Impact on national independent wholesalers

“There is an ongoing restructuring and consolidation of the grocery trade in all Nordic countries, including at the level of buying desks (wholesale).” “The [Nordic] retail chains have concentrated their purchasing within a few organisations, often covering several chains. Today, 4-6 organisations negotiate agreements with the suppliers and make decisions on what to buy and what to put on the shelves in the supermarkets of the different chains in each of the Nordic countries. In order to achieve further volume and advantages in negotiations, some of the Nordic purchasing organisations are also part of international buying groups or organisations (for example Spar or Lidl). Thus, today the concentration is stronger in the Nordic retail sector than in other European Countries”

“The number of wholesalers is declining” which undermines the entry of new small independent supermarkets.

In the Nordic countries there is a trend towards horizontal as well as vertical integration.

New supermarkets are usually established within the framework of a large system, for example by joining one of the existing voluntary chains or as additions to “capital chains”. There “are no examples of new supermarket entrants having been supplied from any of these suppliers.” In 2005, there were “only a handful of grocery wholesalers competing to offer their products to supermarkets on the most favourable terms.” “If the vertically integrated chains continue to gain market shares and crowd out traditional grocery wholesalers, there will be even fewer opportunities for an independent retailer to get established on the market with a few shops, as it will be impossible to find a wholesaler that will supply on competitive terms.”

Source:
“Nordic food markets – a taste for competition”, report from the Nordic competition authorities, November 2005, p. 12, 13, 63 (see box 4.2.)

Buying groups

Several of the Nordic umbrella buyer organisations are part of more or less formalised cross-border cooperation. Coop Norden was said aiming to enter into agreements covering all the cooperative members in Denmark, Norway and Sweden, and also cooperated with the S-Group in Finland. Cooperation regarding purchasing happens e.g. through United Nordic Inc. AB in which Supergros (DK) participates as well as the Finnish Kesko, Norgesgruppen (N), Axfood (Sw), and Tuko Logistics (Finl). "Edeka Danmark is partly owned by the German purchasing organisation Edeka Zentrale which is one of the largest purchasing companies in Europe."
In addition, a number of the Nordic purchasing groups are members of international groups designed to benefit from collective purchasing at an international scale. The Spar chain has stores in Denmark and operates a system of collective buying (BIGS) of more than 300 products. Dansk Supermarked Gruppen, ICA (Sw) and the Kesko-Group in Finland all participate in the AMS purchasing system. Super Gros (DK) is part of EMD.

Sources:
"Nordic food markets – a taste for competition", report from the Nordic competition authorities, November 2005, p. 9, 12, 13,17, 68, 70.
"Grocery Buying Groups - Free fact sheet", IGD, 26 February 2007,
<http://www.igd.com/index.asp?id=1&fid=1&sid=17&tid=0&folid=0&cid=130Supermarkets' buying groups>

FINLAND

Adverse effects on small and independent retailers

Nearly all Nordic supermarkets are organised in different chains or groups where all the stores in the same chain appear the same. Independent retailers have also made cooperation arrangements, e.g. for purchasing and marketing.
Since the number of wholesalers is declining, there is a barrier to entry to new retailers as new entrants "are required to have the capacities to build up a whole network of stores, warehouses and their own logistics."
Since 1990 the number of shops in all Nordic countries decreased by 30-40%. However, measured against population figures, i.e. the number of consumers, the density of shops throughout the Nordic countries is relatively high compared to (some) EU member countries.

Source:
"Nordic food markets – a taste for competition", report from the Nordic competition authorities, November 2005, p. 10,11, 13, 58, 62.

"A high number of large hypermarkets opened on the outskirts of growing urban areas in Finland during the review period" (2002-2007) "taking shares from other distribution formats."

Source:
Euromonitor, Packaged Food in Finland – Summary, February 2008,
<http://www.euromonitor.com/Packaged_Food_in_Finland>

The dominance of supermarkets/hypermarkets is a result of the consumers' preference of "one-stop" shopping, a wider range and variety of value for money products, which smaller outlets cannot compete with.

Source:
Euromonitor, Packaged Food in Finland – Summary, February 2008,
<http://www.euromonitor.com/Packaged_Food_in_Finland>

Impact on national independent wholesalers

In Finland, the three largest import/wholesale groups supply over 80% of the market. A few central wholesalers (S-Group, K-Group, Tradeka) together dominate the food industry with an aggregate market share of 85%.

Source:
B. Dahlbacka, Retail food sector report for Sweden And Finland, USDA Foreign Agricultural Service, GAIN REPORT NUMBER: SW7018, 13 December 2007.

“The [Nordic] retail chains have concentrated their purchasing within a few organisations, often covering several chains. Today, 4-6 organisations negotiate agreements with the suppliers and make decisions on what to buy and what to put on the shelves in the supermarkets of the different chains in each of the Nordic countries. In order to achieve further volume and advantages in negotiations, some of the Nordic purchasing organisations are also part of international buying groups or organisations (for example Spar or Lidl). Thus, today the concentration is stronger in the Nordic retail sector than in other European Countries”
“The number of wholesalers is declining”, which undermines the entry of new small independent supermarkets.
In the Nordic countries there is a trend towards horizontal as well as vertical integration.
New supermarkets are usually established within the framework of a large system, for example by joining one of the existing voluntary chains or as additions to “capital chains”. There “are no examples of new supermarket entrants having been supplied from any of these suppliers.” In 2005, there were “only a handful of grocery wholesalers competing to offer their products to supermarkets on the most favourable terms.” “If the vertically integrated chains continue to gain market shares and crowd out traditional grocery wholesalers, there will be even fewer opportunities for an independent retailer to get established on the market with a few shops, as it will be impossible to find a wholesaler that will supply on competitive terms.”

Source:
“Nordic food markets – a taste for competition”, report from the Nordic competition authorities, November 2005, p. 12, 13, 63 (see box 4.2.)

Buying groups

Several of the Nordic umbrella buyer organisations are part of more or less formalised cross-border cooperation. Coop Norden cooperates with the S-Group in Finland. Cooperation regarding buying happens e.g. through United Nordic Inc. AB in which the Finnish Kesko and Tuko Logistics participate.

In addition, a number of the Nordic purchasing groups are members of European and international groups designed to benefit from collective purchasing at an international scale. The Spar stores in Finland are part of a Spar system of collective purchasing (BIGS) of more than 300 products. Kesko-Group (Finl) participates in the AMS purchasing system.
The Finnish Tuko Logistics is part of EMD.

Sources:
“Nordic food markets – a taste for competition”, report from the Nordic competition authorities, November 2005, p. 9, 12, 13, 17, 70.
“Grocery Buying Groups - Free fact sheet”, IGD, 26 February 2007,
<http://www.igd.com/index.asp?id=1&fid=1&sid=17&tid=0&folid=0&cid=130Supermarkets’ buying groups>

“Finnish retailer Kesko has said that it would intensify the co-operation between its chains Anttila, K-citymarket and its other home and speciality goods subsidiaries.”

Please note that TRADEKA, the Finnish retail group that owns retail chains Siwa, Valintatalo and Euromarket, is changing its name to Suomen Lähikauppa (Finland's Local Store) as of 29 December 2008.

Source:
Planet Retail Daily News, 15 December 2008

FRANCE

Adverse effects on small and independent retailers

Many small and independent shops and retailers have disappeared while the large French retail sector has been expanded in the same period.

Le commerce de proximité en chute libre

TYPE D'ACTIVITÉ	Nombre d'entreprises		Evolution
	1966	*1998*	1998/1966
Boulangerie-pâtisserie	40 200	22 400	17 800
Boucherie	50 500	14 700	35 800
Poissonnerie	4 700	2 100	2 600
Charcuterie	12 700	6 400	6 300
Epicerie alimentation générale	87 600	13 800	-73 800
Crémerie-fromagerie	4 600	1 100	3 500
Commerce de fleurs	5 900	9 900	+ 4 000
Librairie, commerce de journaux	13 200	11 900	-1 300
Horlogerie-bijouterie	8 900	3 800	5 100
Commerce de chaussures	9 000	4 300	4 700
Commerce de vêtements	47 900	27 500	20 400
Commerce d'appareils	8 100	5 500	-2 600

électroménagers			
Quincaillerie, coutellerie	9 300	5 000	-4 300

.

Source : *Insee Première*, n° 831, février 2002, reproduced in C. Jacquiau, “Producteurs étranglés, consommateurs abusés - Racket dans la grande distribution « à la française » “, Le Monde Diplomatique, December 2002, <http://www.monde-diplomatique.fr/2002/12/JACQUIAU/17253>

Membership of French supermarkets of EU wide buying groups

Intermarche is member of Alidis.
Syteme U is to be part of AMS from 2009 onwards.
Francap and Maximo are part of Bloc.
Leclerc is part of Coopernic.

GERMANY

Impact on national independent wholesalers

Around 2006-2007, wholesalers undertook some actions against unfair pricing by large retailers and their wholesale practices.

Source:
M. Wiggerthale, [interview], 10 January 2009

GREECE

Adverse effects on small and independent retailers of buyer power and abusive supermarket practices

The expansion of discounters and their number of stores and the presence of brand-name products on discounters’ shelves are putting further pressure on profit margins in the retail sector.

Source:
“Supermarket chains brace for more intense competition”, Business & Economy - Shopping, 17 June 2007, < http://grhomeboy.wordpress.com/2007/06/17/supermarket-chains-brace-for-more-intense-competition/>

The French Carrefour had the plan, in May 2008, to convert all of its 260 small- and medium-sized Dia outlets into Dia Market.

Source:
“Carrefour Dia Market takes off in Greece”, Planet Retail [Daily News], 28 May 2008, <http://www.fastmoving.co.za/retailers/retail-news-2> (downloaded 14 January 2009).

Impact on national independent wholesalers

As a defence strategy against the competition by foreign large retail chains entering the country, Greek supermarkets have been forced to create their own buying groups, and strengthen their position towards their suppliers.

Source:
“Supermarket chains brace for more intense competition”, Business & Economy - Shopping, 17 June 2007, <http://grhomeboy.wordpress.com/2007/06/17/supermarket-chains-brace-for-more-intense-competition/>

“Sklavenitis and Masoutis have created a joint group for their supplies, following Metro’s example, in order to respond to escalating competition and to strengthen their position against their suppliers, due to the competition pressures from multinational groups in Greece such as Carrefour-Marinopoulos and AB Vassilopoulos [Delhaize, B], and discount stores such as Dia, Lidl and Plus.”

Source:
“Supermarket chains brace for more intense competition”, Business & Economy - Shopping, 17 June 2007, < http://grhomeboy.wordpress.com/2007/06/17/supermarket-chains-brace-for-more-intense-competition/>

Presence of European wide supermarkets and buying groups

According to the French Carrefour in May 2008, its joint-venture Dia discount stores in Greece have been converted into the Dia Market concept and recorded a sales increase of up to 70%. The retailer plans to convert all of its 260 small- and medium-sized Dia outlets into Dia Market

Source:
“Carrefour Dia Market takes off in Greece”, Planet Retail [Daily News], 28 May 2008.

Elomas is part of AMS for Euroshopper products only.
Alpha-Beta Vassilopoulos is ownded by Delhaize Group (B) and called Delhaize/Alfa Beta that is to be participating in AMS from 2009 onwards.
SPAR franchise holders are being part of BIGS.

Source:
“Grocery Buying Groups - Free fact sheet”, IGD, 26 February 2007, <http://www.igd.com/index.asp?id=1&fid=1&sid=17&tid=0&folid=0&cid=130Supermarkets’ buying groups>

HUNGARY

Adverse effects on small and independent retailers

In 2007, large retail chains –both supermarkets and hypermarkets – “continued to gain market share at the expense of smaller retailers, 3,000 of which were forced to close”.

Source:
“Large retailers continue to grab market share at expense of small independents”, Realdeal.hu (Hungary's international business daily, 28 October 2008,
< http://www.realdeal.hu/20081028/large-retailers-continue-to-grab-market-share-at-expense-of-small-independents>

European wide supermarkets and buying groups

Some of the supermarkets present in Hungary seem to be part of large European supermarket chains which have their own buying houses, such as Aldi, Auchan, Spar and Tesco, or belong to European wide supermarkets that participate in European wide buying groups such as Louis Delhaize Group. Also the international wholesale trader METRO (not the same as Metro AG) operates in Hungary.

Source:
Wikipedia, Supermarkets in Hungary, 11 April 2008, <http://en.wikipedia.org/wiki/Supermarkets_in_Hungary>
(downloaded on 18 January 2009, sources were not checked)

Louis Delhaize Group is to be part of AMS from 2009 onwards.
SPAR franchise holder being part of BIGS.
Miscellaneous independent retailers or wholesale grocery businesses part of CBA.

IRELAND

Adverse effects on small and independent retailers

In June 2008, the application by Tesco to build a 130,000sq ft store in Banbridge was supposed to have been turned down by the Planning Service after protest by local traders who had claimed it would mean the closure of dozens of small shops in the town centre as they would have been unable to compete, and the loss of hundreds of jobs.
The Northern Ireland Independent Retail Trade Association, stated that "[t]he multiples have applications pending in Crumlin, Ballyclare and Larne which could cause significant damage to independent retailers in those towns."

Source:
"Traders in Banbridge have claimed victory in their campaign to stop the largest Tesco store on the island of Ireland being built near the town", BBC News, 23 June 2008, <
http://news.bbc.co.uk/2/hi/uk_news/northern_ireland/7469988.stm>

European wide buying groups supermarkets

Superquinn is part of AMS.
SPAR franchise holder being part of BIGS.
Musgrave Group is part of EMD.

ITALY

Adverse effects on independent wholesalers

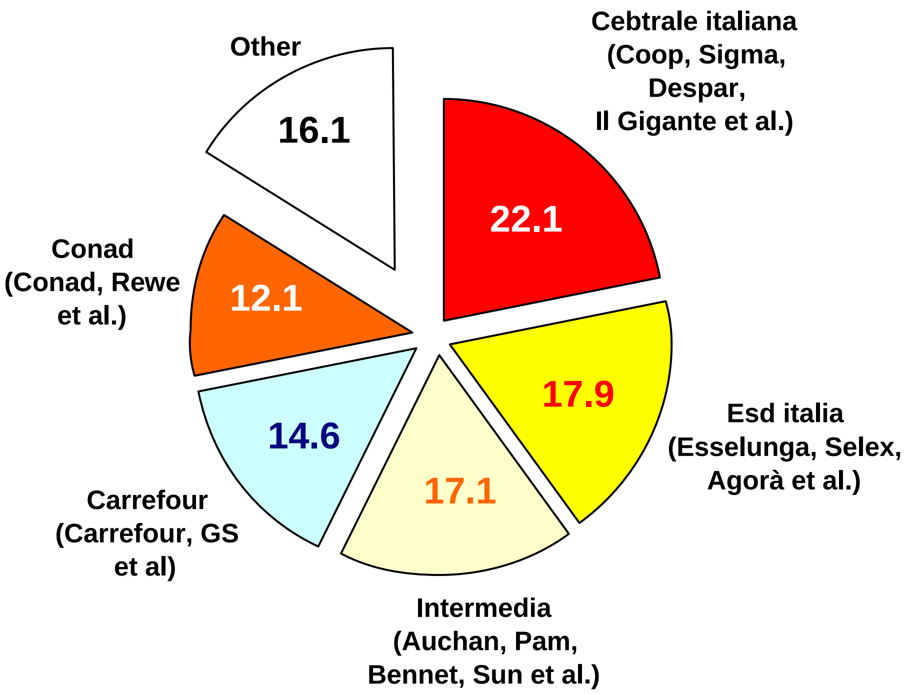
During the last few years, there has been a higher concentration of 'super' buying groups composed of various large supermarket chains and organised retailers, who in turn are already organised through their own chain's purchasing centres.

The market share for the five top 'super' buying groups reached over 80%[1] in 2006, the market share of each buying groups spread relatively evenly. In 2000, they had 50% market share. Following the break-up of Mer.Ca.Des. in 2007 and the move by some supermarket chains to other centres, the share for the top 5 super-centres is expected to reach over 90%. Understanding the degree of concentration which has taken place can be supported by a comparison of the market between 2006 and end of 2000, at the eve of the setting-up of the Italian Company *Italia Distribuzione* by COOP and CONAD, the first large retail integration in Italy[2] , an agreement which floundered in 2003.

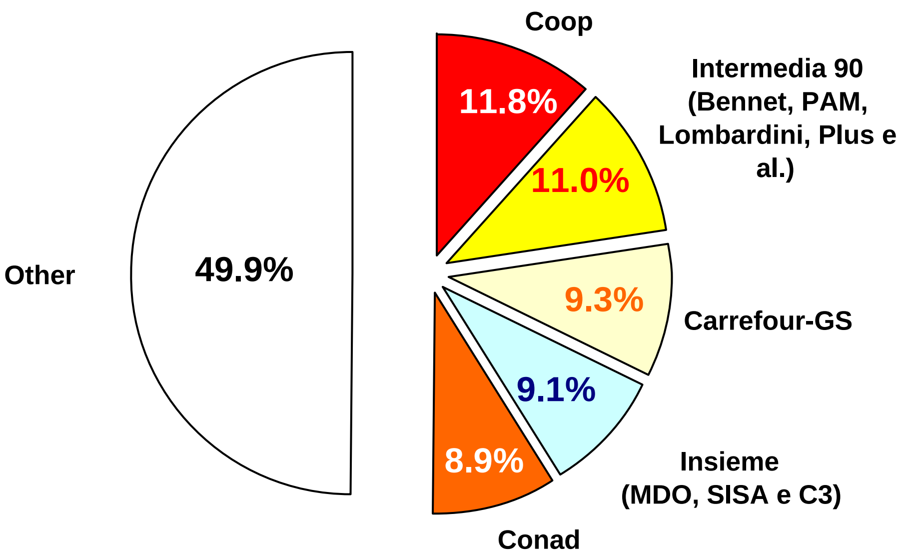
[1] Source: IRI-Infoscan – data of December 2006.

[2] The agreement between Coop Italia and Conad regarding the Italia Distribuzione joint purchasing enterprise was authorised until 13 December 2004 by the Italian Antitrust Authority, under Article 4 of Law 287/90, which authorises, for a limited period, agreements on competitive restrictions which lead to improvements in the conditions of offer with benefit to the consumers. During the proceedings, the parties indicated several changes to the agreement, aimed at limiting the sphere of activity of Italia Distribuzione. The amendments mainly concerned the definition of the bargaining areas separated by two co-operative systems with suppliers. The Authority held that the amendments to the agreement reduced but did not eliminate competitive restrictions. Authorisation was however given, taking into consideration that the constitution of a joint purchasing enterprise represents, in general, was an instrument through which retailers can make economies of scale and that the agreement, as modified by the parties in the proceedings, would allow a transfer of savings down the line made by the joint purchasing enterprise, also in the form of a greater range of products at sales outlets belonging to the two chains and an improvement in the quality of the products under the chains' brands, of benefit to the end consumer. Refer to Provision No. 9352 (I414) COOP ITALIA-CONAD/ITALIA DISTRIBUZIONE of 23/03/2001. See also Il Sole 24 Ore of 21/10/2003 in this

Market Share in percentage for 'super' buying groups - IV quarter 2006



Market Share in percentage for 'super' buying groups - IV quarter 2000



Source: Associazione Industriali delle Carni, The large retail sector and the food industry, July 2008

regard.

LATVIA

Miscellenaeous independent retailers or wholesale grocery businesses in Latvia are part of CBA.

LITHUANIA

IKI Group is owned for 80% by Coopernic.
Miscellenaeous independent retailers or wholesale grocery businesses in Lithuania are part of CBA

NETHERLANDS

Effects on small and independent retailers

Because of the price war of 2003 -2007, many small retailers had to close their doors since they where not able to catch up with big retailers and their price lowerings which shows unmistakable the power of the big retailers and their impact in the sector. Already in the years before this price war smaller supermarkets (kruideniers and buurtsupers), special food shops, butchers and vegetable shops had been hit by the large supermarket chains.

Sources:
"Vier jaar prijzenslag: de kruitdampen," J. Meijsen, Elsevier retail, 19 October 2007, <http://www.elsevierretail.nl/RetailHome/Nieuws/Food/Food-artikel/VierJaarPrijzenslagDeKruitdampen.htm>.
R. Schöndorff, "Zwaar geschut,", NRC Handelsblad, October 2006, <http://www.nrc.nl/krant/article75126.ece>

Between 1995 and 2005 the number of stores declined from 6460 to 5760. During the same time, the number of supermarkets declined even more but their size increased considerably from 405 to 707 square meters. Note that Dutch law forbids hypermarkets outside city or village centres.

Source:
H. Creuse, A. Mejier, G. Zwart, H. van der Wiel, Static efficiency in Dutch supermarket chain, CPB document nr 163, April 2008, p.20.

Membership of European wide buying groups

Bakker Barendrecht is a leading supplier of fresh fruit and vegetables to supermarket chain Albert Heijn. It also supplies to a number of Dutch wholesalers and industries. Trade, logistic services and research & development (R&D) are the company's key activities. Since 2005 BB is member of UNIVEG Group. The Univeg group of companies is Belgian based and active in 23 countries worldwide (amongst which are the European member states Belgium, France, Netherlands, Germany, Italy, Poland, Portugal, the UK and Spain).

Ahold is part of AMS.
Superunie is part of EMD.
SPAR franchise holder being part of BIGS.
Hanos Nederland is part of Bloc

POLAND

Membership of European wide buying groups

Jeronimo Martins group is part of AMS.
Miscellenaeous independent retailers or wholesale grocery businesses part of CBA.

ROMANIA

Membership of European wide buying groups
Delhaize/ Mega Image is to be part of AMS from 2009 onwards.
Miscellenaeous independent retailers or wholesale grocery businesses part of CBA.

SLOVAKIA

Effects on small and independent retailers
Traditional small stores are disappearing rapidly.

Source:
I. Šarmír, [Testimony (in French)], Slovak Chamber for agriculture and food, Directorate Food Industry, Bratislava, November 2008.

Membership of European wide buying groups
Miscellenaeous independent retailers or wholesale grocery businesses part of CBA.
Markant Slovensko is part of EMD.

SLOVENIA

Membership of European wide buying groups
Miscellenaeous independent retailers or wholesale grocery businesses part of CBA.
SPAR franchise holders are being part of BIGS.

SPAIN

Membership of European wide buying groups
Eroski is part of Alidis.
Euromadi is part of EMD.

SWEDEN

Averse effects on small and independent retailers
Nearly all Nordic supermarkets are organised in different chains or groups where all the stores in the same chain appear the same. Independent retailers have also made cooperation arrangements, e.g. for purchasing and marketing.
Since the number of wholesalers is declining, there is a barrier to entry to new retailers as new entrants "are required to have the capacities to build up a whole network of stores, warehouses and their own logistics."
Since 1990 the number of shops in all Nordic countries decreased by 30-40%. However, measured against population figures, i.e. the number of consumers, the density of shops throughout the Nordic countries is relatively high compared to (some) EU member countries.

Source:
"Nordic food markets – a taste for competition", report from the Nordic competition authorities, November 2005, p. 10,11, 13, 58, 62.

Averse effects on independent wholesalers

In Sweden, the three largest import/wholesale groups supply over 80% of the market.

Source:
B. Dahlbacka, Retail food sector report for Sweden And Finland, USDA Foreign Agricultural Service, Gain Report Number: SW7018, 13 December 2007

"The [Nordic] retail chains have concentrated their purchasing within a few organisations, often covering several chains. Today, 4-6 organisations negotiate agreements with the suppliers and make decisions on what to buy and what to put on the shelves in the supermarkets of the different chains in each of the Nordic countries. In order to achieve further volume and advantages in negotiations, some of the Nordic purchasing organisations are also part of international buying groups or organisations (for example Spar or Lidl). Thus, today the concentration is stronger in the Nordic retail sector than in other European Countries"
"The number of wholesalers is declining", which undermines the entry of new small independent supermarkets.
In the Nordic countries there is a trend towards horizontal as well as vertical integration.
New supermarkets are usually established within the framework of a large system, for example by joining one of the existing voluntary chains or as additions to "capital chains". There "are no examples of new supermarket entrants having been supplied from any of these suppliers." In 2005, there were "only a handful of grocery wholesalers competing to offer their products to supermarkets on the most favourable terms." "If the vertically integrated chains continue to gain market shares and crowd out traditional grocery wholesalers, there will be even fewer opportunities for an independent retailer to get established on the market with a few shops, as it will be impossible to find a wholesaler that will supply on competitive terms."

Source:
"Nordic food markets – a taste for competition", report from the Nordic competition authorities, November 2005, p. 12, 13, 63 (see box 4.2.)

Membership of European wide buying groups

Several of the Nordic umbrella buyer organisations are part of more or less formalised cross-border cooperation. Coop Norden was said aiming to enter into agreements covering all the cooperative members in Sweden, Denmark and Norway, and also cooperated with the S-Group in Finland. Cooperation regarding purchasing happens e.g. through United Nordic Inc. AB in which Axfood (Sw), Supergros (DK) participates as well as the Finnish Kesko and Tuko Logistics, and Norgesgruppen (N).

The ICA Group is a leading Nordic region's leading retail company in Sweden, Norway and in the Baltic countries. The company, a joint venture is 40% owned by Hakon Invest AB and 60% by Royal Ahold3. ICA Sweden is responsible for purchases for all Swedish supermarkets operating under the logos Ica Nära, Ica Supermarket, Ica Kvantum and Maxi Ica Stormarked.

UNITED KINGDOM

Adverse effects on small and independent retailers

There is no systematic analysis in the Competition Commission's report of price differentials between (a) supermarkets (b) the convenience stores operated by supermarkets and (c) independently owned retailers. An investigation whether prices in *all* these types of outlet are higher than they would be under effective competition would provide interesting information.

[3] Ahold, "ICA AB", <http://www.ahold.com/en/brands/ica-ab> (downloaded on 14 January 2009)

There is clearly a diminishing number of smaller specialist stores. The CC found that between 2003 and 2007 numbers of greengrocers had fallen by 24%, fishmongers by 23%, butchers by 18%, off-licences (alcohol retailers) also by 18%, and bakers by 9%. In all, some 5,460 such stores had been lost.

However, the CC concluded that numbers of convenience stores[4] had risen, and it surmised that the spread of supermarkets had a stimulating effect on the convenience store population. This conclusion was disputed by small retailers. The industry standard source, IGD (formerly known as the Institute for Grocery Distribution) estimates that the population of UK convenience stores declined by almost exactly 10% between 2003 and 2007 (a loss of 5,600 outlets). IGD's estimate of decline is supported by the "calling books" of two major wholesalers and one tobacco manufacturer.

ACS also noted that many convenience stores provide non-grocery services which are lost when they close. Examples are payment of utility bills, payment of television licences, and the sale of bus passes: the collection and transmission of money for these services attracts a margin too small to be of interest to supermarket-owned convenience stores.

Impact on national independent wholesalers

The CC determined that there are substantial buying price differentials between large and small retailers (between 13% and 15% on average). However, its study covered only a small number of products (141) in undisclosed categories from undisclosed suppliers to undisclosed buyers, and it averaged its analysis and findings across five years.

Consideration of the position of independent wholesalers (who supply independent retailers) was one of the most unsatisfactory aspects of the CC's inquiry. At a fairly early stage the CC determined that small retailers were in a separate economic market from larger retailers, so it largely ignored them and therefore their supply arrangements. But the analysis and presentation are so completely non-transparent that independent wholesalers and their retail customers could not meaningfully comment on its conclusions. Despite protests, the CC refused to divulge more detail, on grounds of commercial confidentiality. Independent wholesalers and retailers still believe that the advantageous buying prices that the supermarkets get are not based solely on the larger volumes that they buy but on the exercise also of naked market power.

Because of the non-transparency of the CC's analysis, it proved impossible for smaller wholesalers and retailers to provide proof of the existence of the waterbed effect (whereby suppliers recover the cost of excessively onerous deals with supermarkets from their other smaller customers). The CC admitted that conditions for the operation of a waterbed effect could exist but said that it could find no evidence that such conditions did exist.

The Federation of Wholesale Distributors provided evidence to the CC that wholesalers were reducing in number and that small wholesalers in particular were steadily going out of business (with consequent disadvantages to independent retailers). It identified that 40% of cash-and-carry wholesalers (the smallest type, who cater to the smallest retailers) had exited the market between 2000 and 2006. Consolidation is apparent among medium and large wholesalers. Both trends have resulted in much thinner coverage of wholesalers and thus less choice for their retailer customers. The CC satisfied itself that the aggregate profitability of the wholesale sector did not give cause for concern, but it did not disaggregate wholesalers' activities in supplying the independent retail trade from other activities such as supplying caterers.

[4] The products sold by a UK convenience store may overlap with those sold by specialist retailers, but generally not by very much. To qualify for membership of ACS, such a store must stock at least seven out of a list of fifteen categories of products. A convenience store is also defined as having a maximum of 280 sq. m. of retail space.

Membership of European wide buying groups

Booker is member of AMS. Booker claims to be “the UK's largest cash and carry operator, offering branded and private label goods which are sold to 400,000 customers including convenience stores, grocers, pubs and restaurants” [5] Morrison too, one of the UK’s “Big Four” supermarkets, is part of AMS.

SPAR franchise holder being part of BIGS.

Musgrave / Budgens / Londis is part of EMD, and operates grocery and convenience stores.[6]

Tesco’s buying desks do not seem to belong to European wide buying alliances. However, it trades many products across EU borders in order to supply its different stores since Tesco is present in different EU countries and sources from all over the world. For instance, Tesco’s HQ, near London, sources bananas for all its EU operations.

[5] http://www.bookergroup.com/

[6] http://www.justmeans.com/companyprofile/807/Musgrave-Budgens-Londis.html