

GCA Annual Survey 2024

1st October 2024

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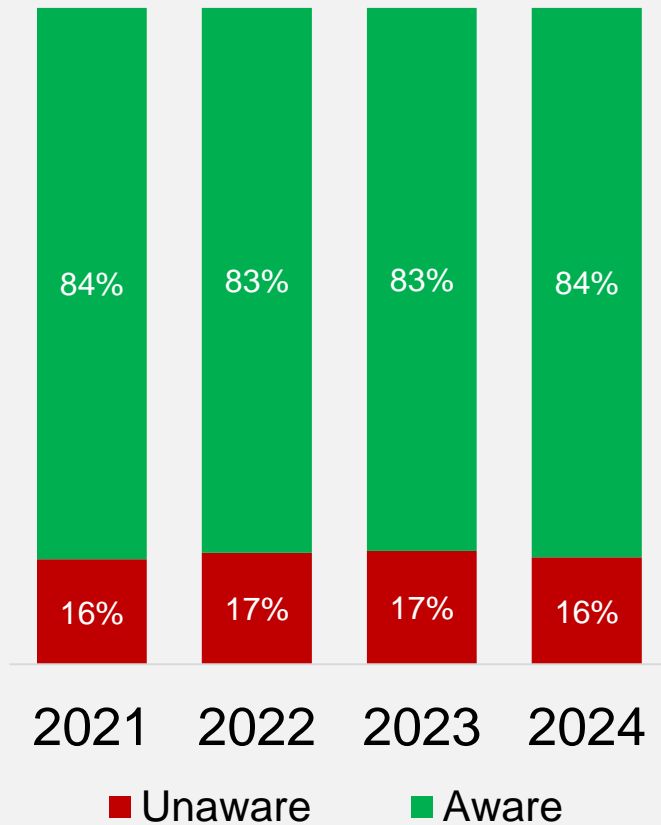


Groceries Code
Adjudicator

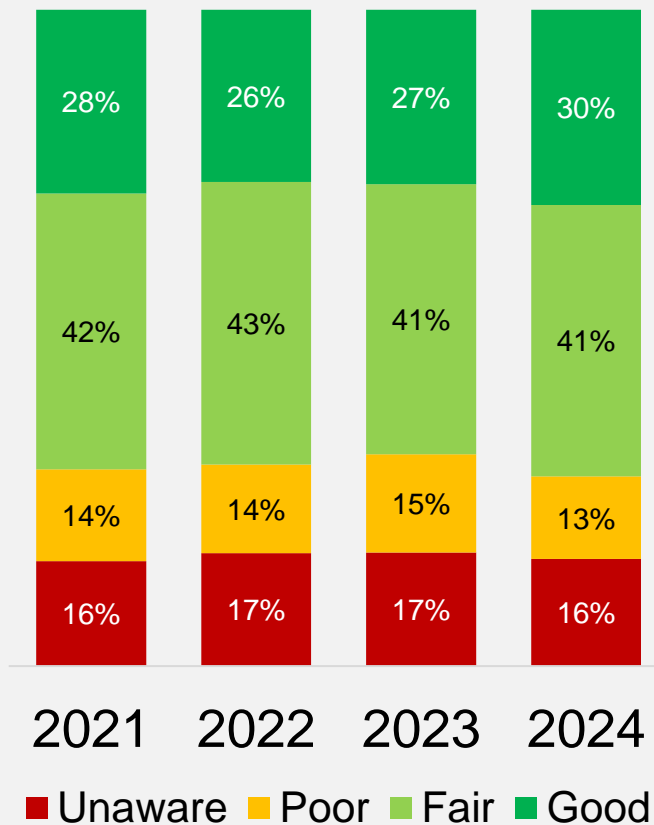
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Awareness & understanding of the GCA

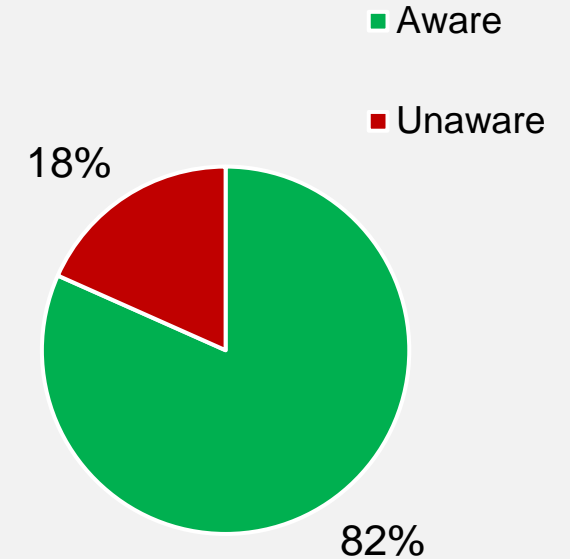
GCA awareness



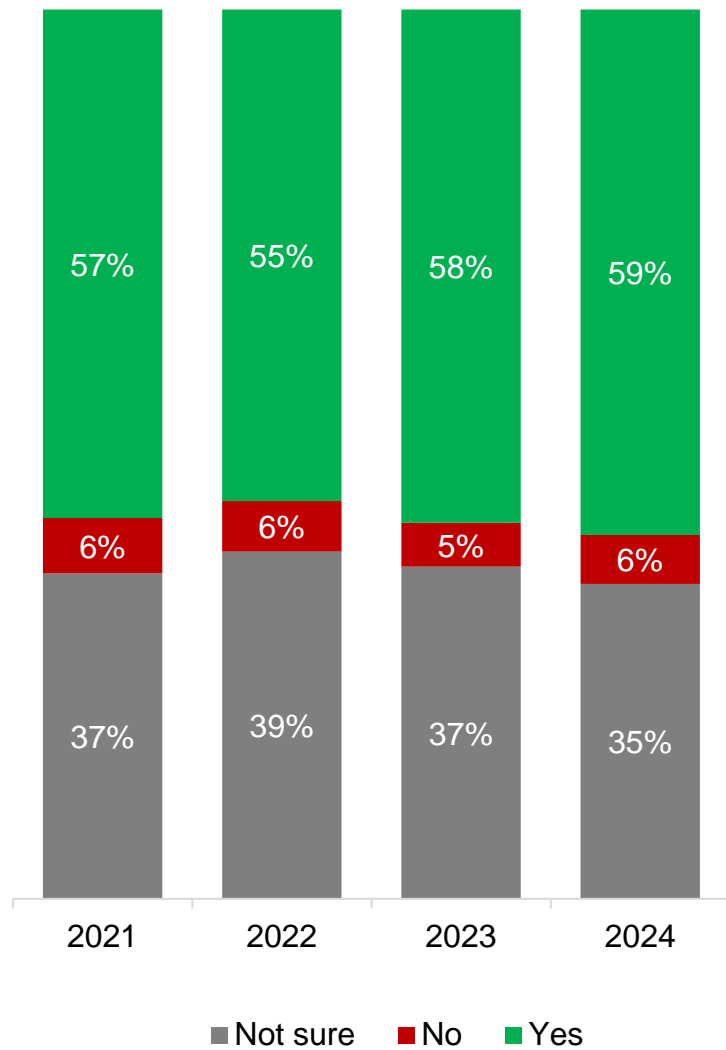
Understanding of the GCA's role



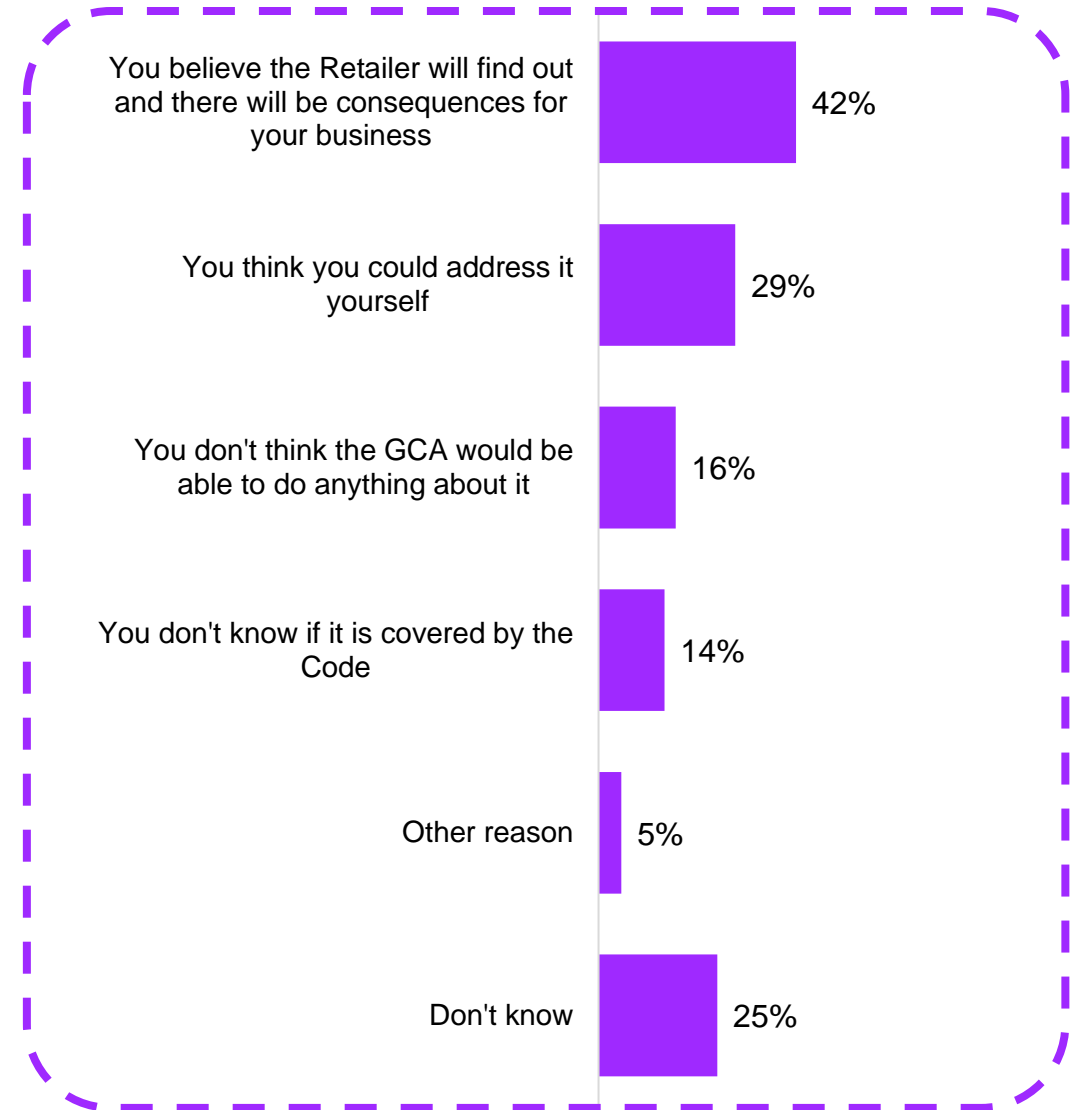
GCA confidentiality



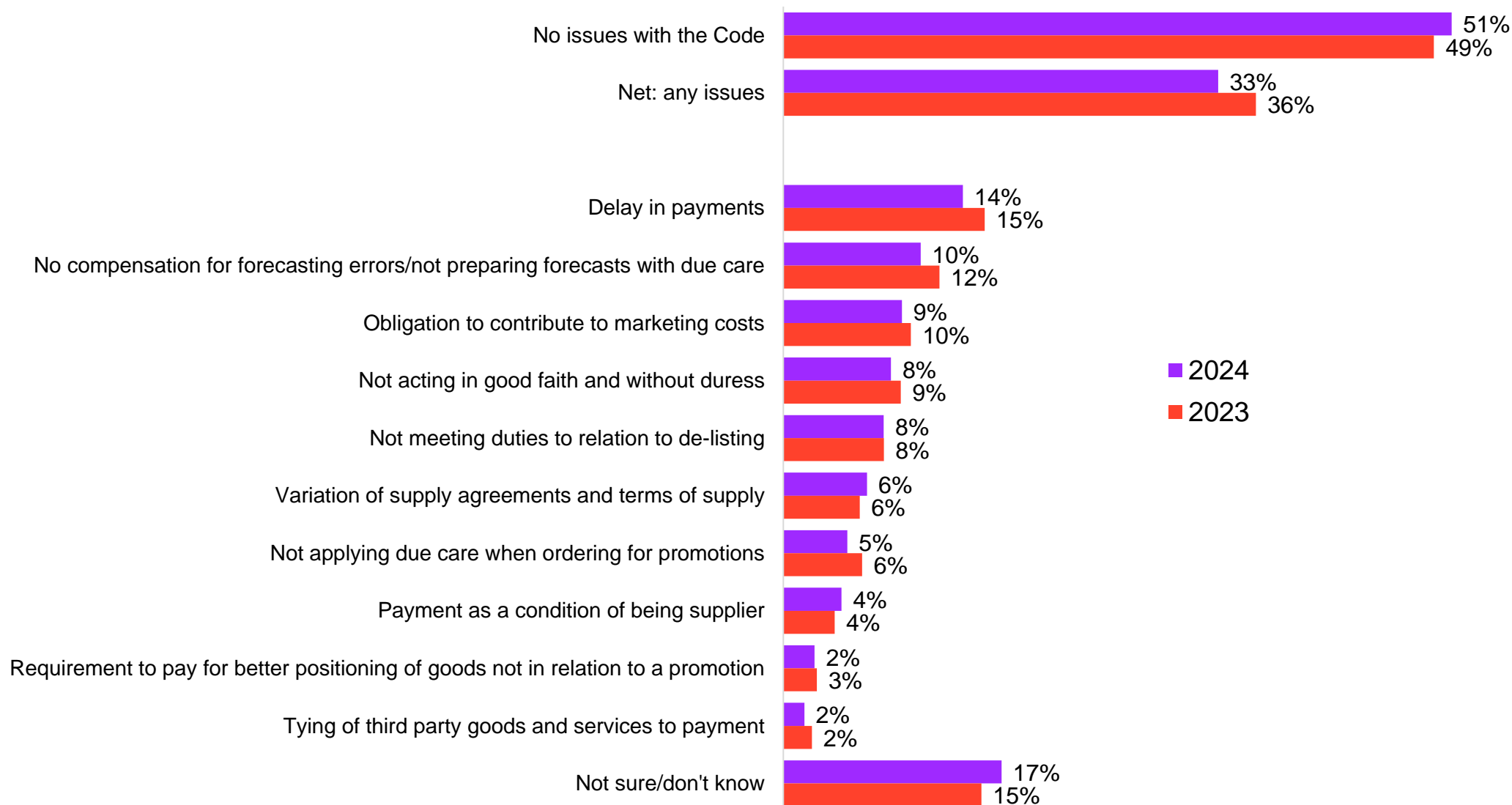
Why suppliers might not raise issues with the GCA



Among this
41%...

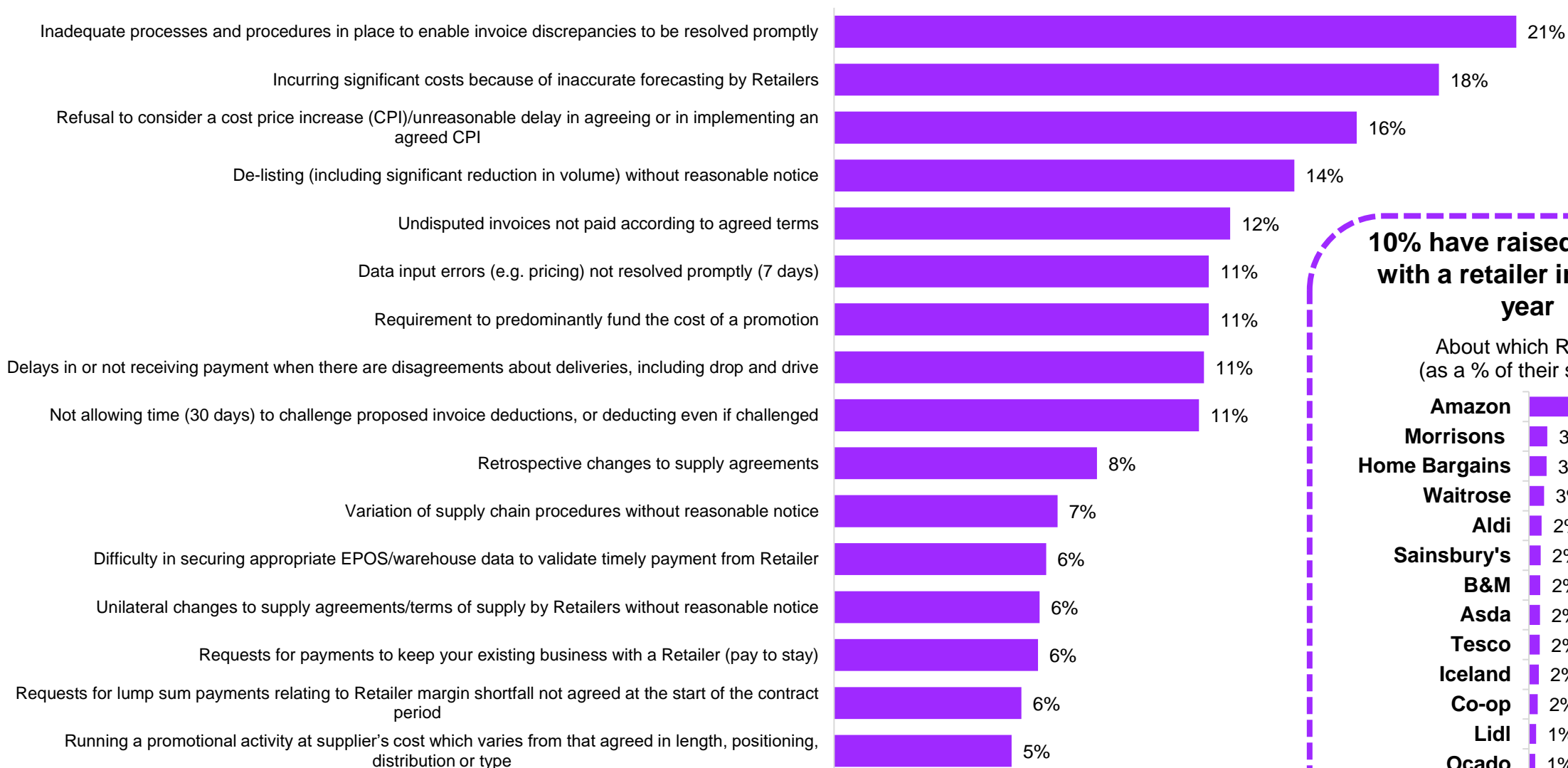


Issues categorised by the Code: Which issues have direct suppliers experienced in the past 12 months? (in Code terms)



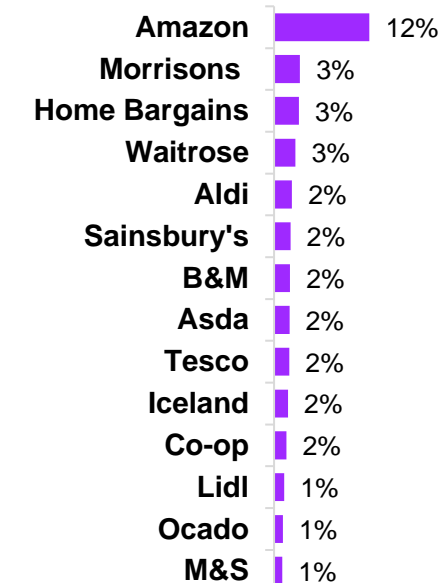
Q6a. In the past 12 months, have you experienced any issues with Retailers that are covered by the Code provisions below? Please tick all that apply or 'no issues with the Code' if none.
Base: Direct suppliers (1817)

Issues experienced in the past 12 months (in supplier language)



10% have raised an issue with a retailer in the last year

About which Retailer?
(as a % of their suppliers)



Code-related issues experienced by direct suppliers – by retailer

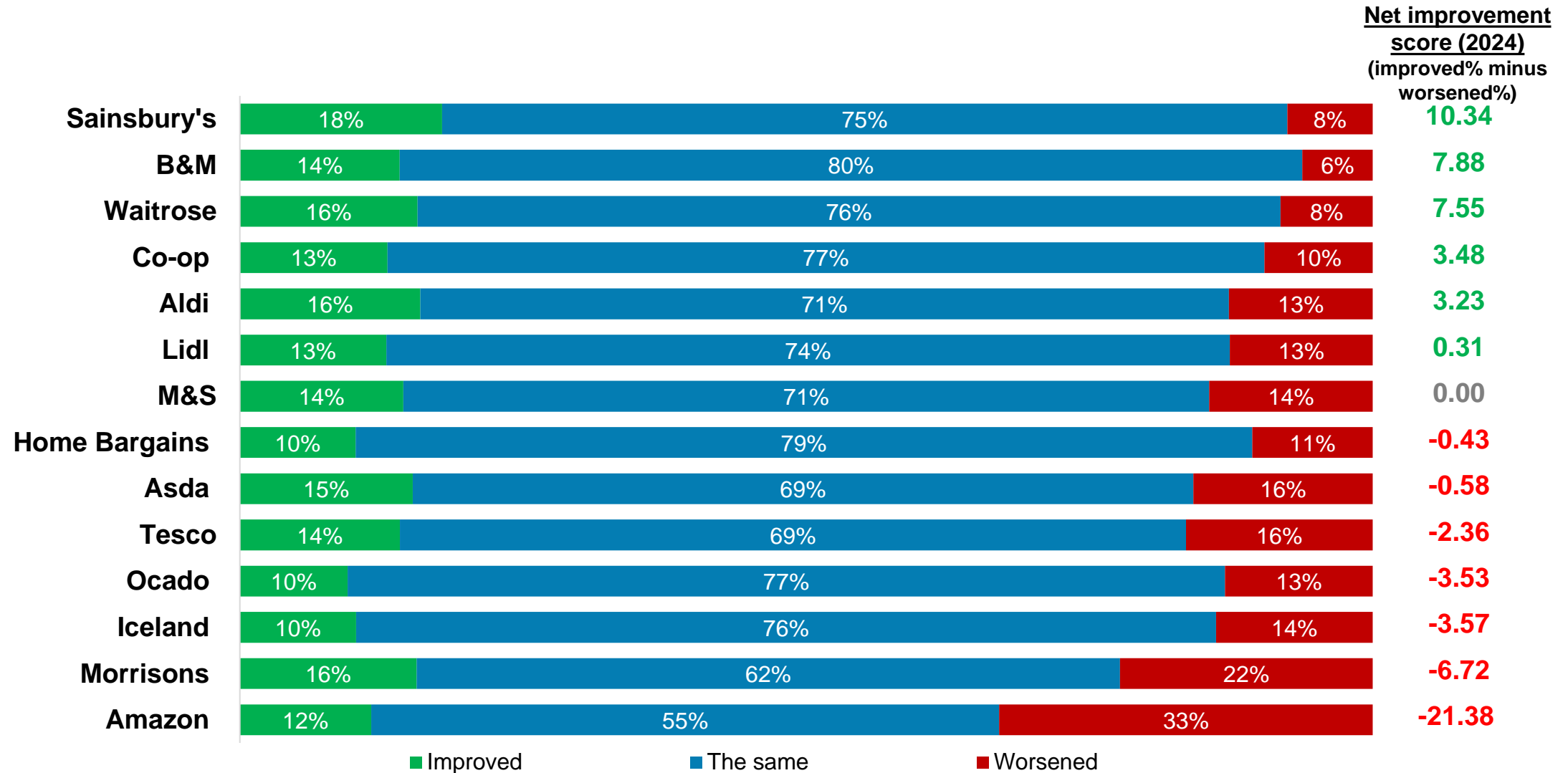
	Retailer 1	Retailer 2	Retailer 3	Retailer 4	Retailer 5	Retailer 6	Retailer 7	Retailer 8	Retailer 9	Retailer 10	Retailer 11	Retailer 12	Retailer 13	Retailer 14
Inadequate processes and procedures in place to enable invoice discrepancies to be resolved promptly	15%	7%	1%	6%	1%	3%	6%	8%	3%	2%	5%	3%	4%	3%
Incurring significant costs because of inaccurate forecasting by Retailers	7%	4%	2%	8%	1%	4%	5%	7%	2%	3%	4%	2%	4%	7%
Refusal to consider a cost price increase (CPI)/unreasonable delay in agreeing or in implementing an agreed CPI	10%	4%	1%	6%	2%	3%	3%	6%	3%	2%	2%	4%	7%	3%
De-listing (including significant reduction in volume) without reasonable notice	8%	3%	4%	1%	3%	2%	1%	4%	1%	3%	2%	1%	3%	3%
Undisputed invoices not paid according to agreed terms	5%	3%	1%	3%	0%	2%	5%	4%	1%	1%	3%	1%	2%	2%
Data input errors (e.g. pricing) not resolved promptly (7 days)	8%	4%	1%	3%	0%	1%	3%	4%	1%	1%	1%	2%	1%	2%
Requirement to predominantly fund the cost of a promotion	10%	4%	1%	1%	1%	6%	1%	4%	5%	2%	3%	3%	5%	1%
Delays in or not receiving payment when there are disagreements about deliveries, including drop and drive	8%	3%	1%	2%	0%	1%	6%	5%	1%	1%	2%	1%	2%	2%
Not allowing time (30 days) to challenge proposed invoice deductions, or deducting even if challenged	11%	3%	0%	2%	0%	2%	3%	4%	1%	1%	2%	1%	3%	2%
Retrospective changes to supply agreements	6%	1%	1%	1%	1%	1%	1%	2%	0%	1%	0%	0%	2%	1%
Variation of supply chain procedures without reasonable notice	5%	1%	0%	1%	1%	0%	1%	2%	0%	1%	1%	1%	1%	0%
Difficulty in securing appropriate EPOS/warehouse data to validate timely payment from Retailer	4%	2%	0%	1%	0%	1%	2%	3%	2%	0%	1%	1%	1%	1%
Unilateral changes to supply agreements/terms of supply by Retailers without reasonable notice	7%	1%	0%	0%	0%	0%	1%	2%	0%	1%	0%	1%	1%	1%
Requests for payments to keep your existing business with a Retailer (pay to stay)	5%	0%	0%	0%	1%	1%	0%	3%	1%	1%	1%	0%	1%	0%
Requests for lump sum payments relating to Retailer margin shortfall not agreed at the start of the contract period	7%	1%	0%	0%	0%	0%	0%	2%	0%	1%	0%	0%	1%	0%
Running a promotional activity at supplier's cost which varies from that agreed in length, positioning, distribution or type	3%	2%	1%	0%	0%	1%	0%	2%	1%	1%	1%	1%	2%	0%

Example of how to read this table: for each issue:

- All issues that are 3% or lower are coloured green
- All issues that are between 4% and 6% are coloured amber
- All issues that are 7% or more are coloured red

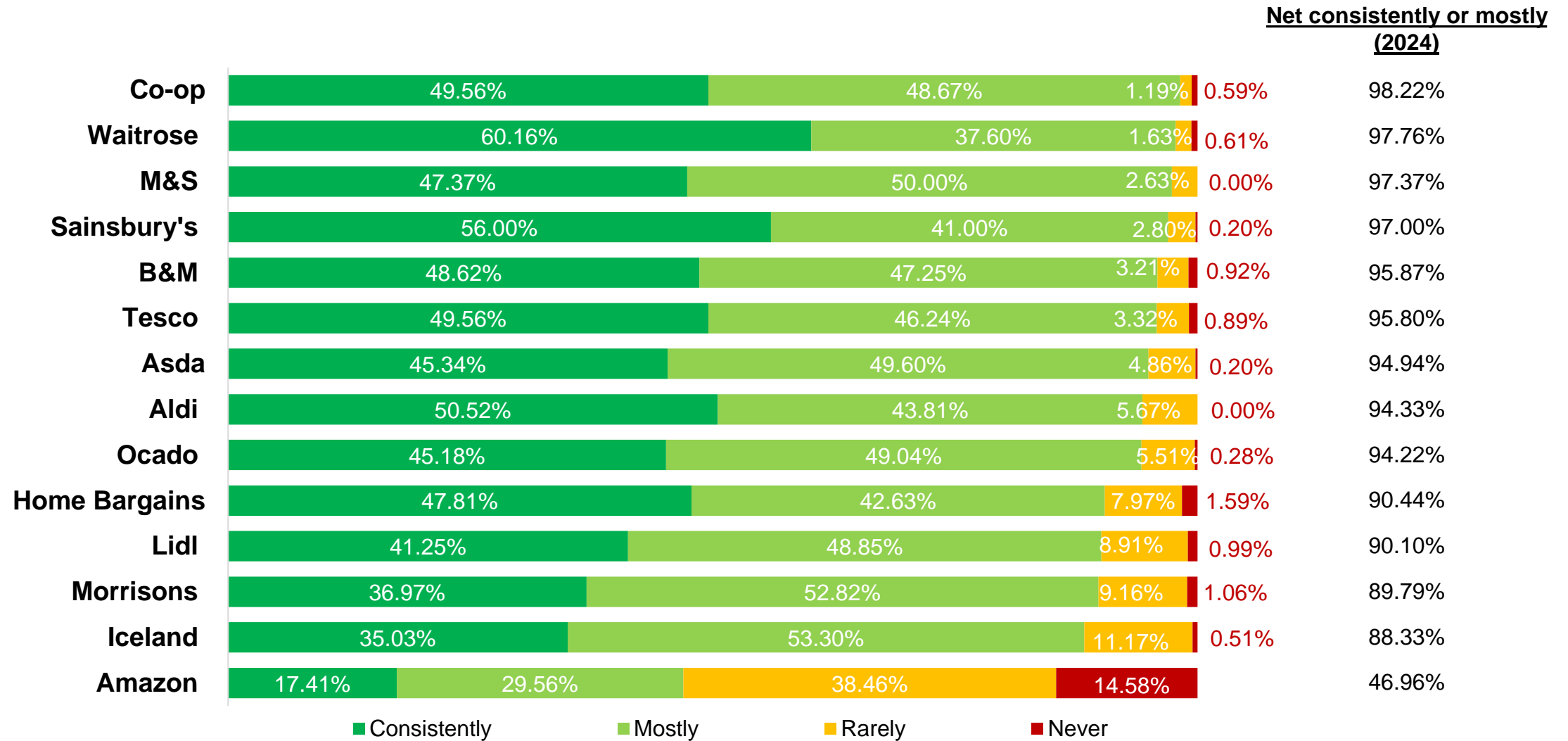
N.B. Retailers have been shuffled and are NOT shown in alphabetical order

Change in Retailer practice over the past 12 months



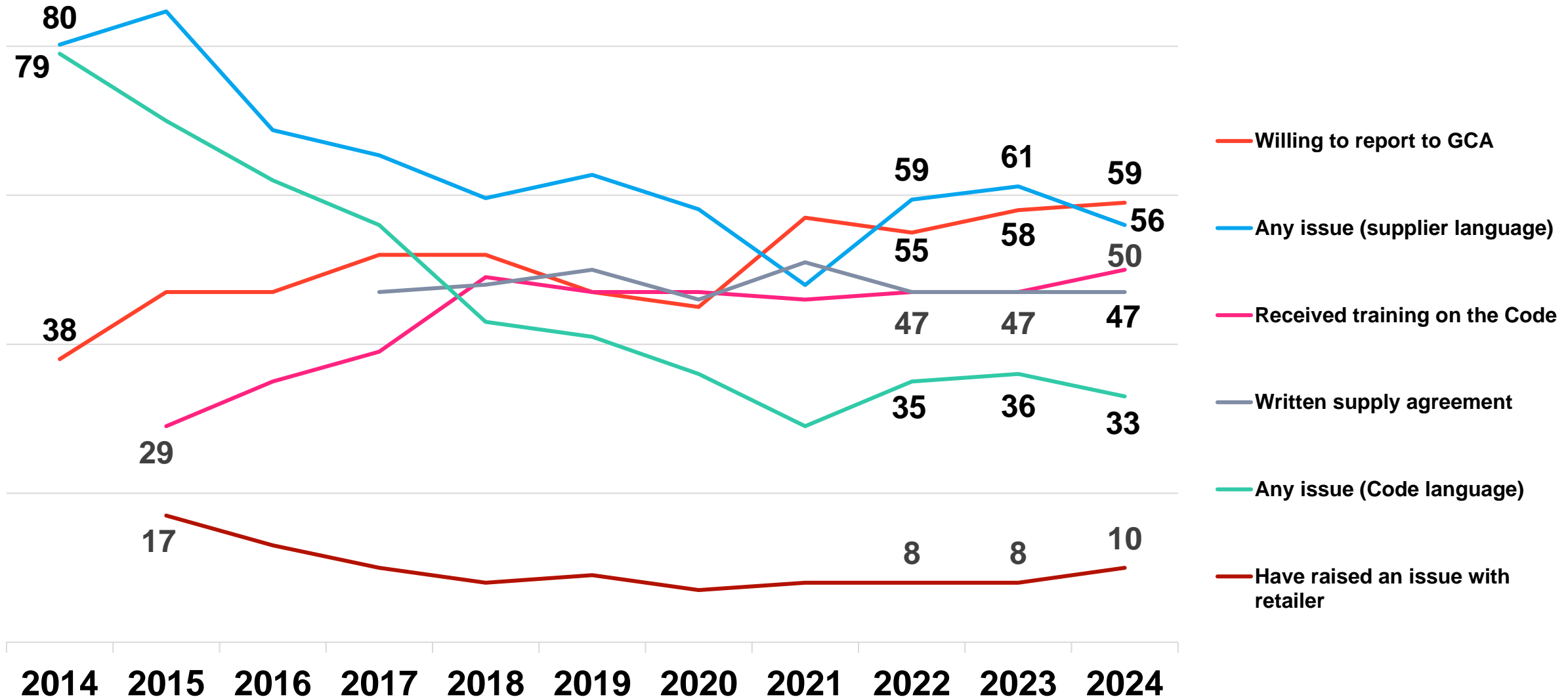
N.B. Retailers have been ranked by net improvement score to 2 dp.

Overall assessment of compliance with the Code



N.B. Retailers have been ranked net 'consistently' and 'mostly' to 2dp.

Selected key trends 2014 to 2024



Perceived compliance with the Code from 2014 to 2024

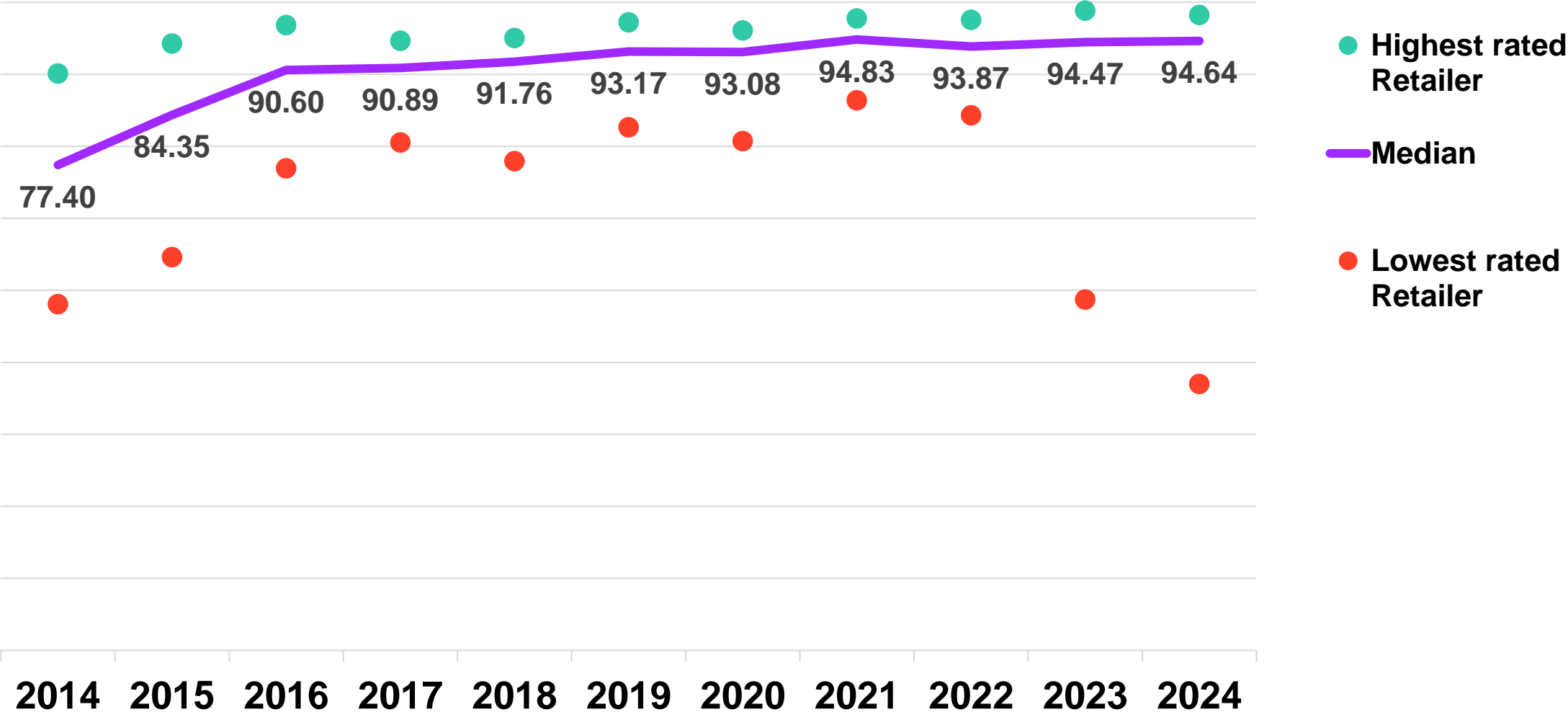


Chart shows the median retailer % for 'consistently' or 'mostly' follow the Code

Groceries Code Adjudicator – The Code and Supplier Experiences 2024

Tuesday 1st October 2024

Lois Harmer, Research Manager | lois.harmer@yougov.com



Groceries Code
Adjudicator

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Method

Overview

The YouGov qualitative team were commissioned to conduct 28 x in-depth 30–45-minute Zoom/Telephone interviews with a range of direct suppliers that took part in the larger quantitative survey.

The research focused on the following areas:

- Communication, engagement and relationships with Retailers and buyers.
- Overall cost price changes, particularly across different categories.
- Raising issues, and barriers to doing so.

The aim of the research was to better understand the state of play for suppliers, ongoing relationships, and overall Code compliance.

All views shared throughout this presentation are the views of suppliers, and not the views of YouGov or the GCA.

Sample frame

- ✓ All suppliers interviewed were direct suppliers.
- ✓ All 14 designated Retailers were supplied, with a minimum of two interviews per Retailer.
- ✓ All had a fair/good understanding of the Code and the GCA.
- ✓ Half of the sample consisted of larger/macro businesses that supply several Retailers, have higher staff and turnover, and half of smaller/micro businesses.
- ✓ Up to 10 of the 28 suppliers interviewed would not raise a Code-related issue with the GCA in the future or were unsure.
- ✓ As part of a new approach for 2024, 1/3 of suppliers that were interviewed also took part in the 2023 deep-dive. This was to understand how the landscape has changed for suppliers that experienced specific issues last year.

The state of play in 2023/24

The market feels increasingly challenging

“Retailers have only really wanted to talk about own label development in the last couple of years. Which, again, we understand they're trying to compete with [xx] and [xx] and their very low pricing. So own label, they see as the cheapest way to develop product.” (Macro)

“They've cut all their costs at head office level, but they still want the margin. They want innovation content from us constantly, but they don't want to take it. So they want us to have all the cost of innovating new products and telling them where the market's going, and then they come back to you with, ‘can you do that in own label?’ And you're like, no, because there's no money in it. So it's a difficult marketplace.” (Micro)

“[xx] came to us at the end all beg and borrow ‘It's been a disaster for us.’ We're like, what do you think it's been like for us? Without us, you wouldn't have had anything on the shelf. Let alone all the other challenges, you had nothing to sell, so be grateful that certain suppliers worked really hard to pick up the slack that other suppliers couldn't carry for you.” (Micro)

“The world is changing, horrendous weather, climate change is here and affecting the supply base. There is traction on conversations with these Retailers, though aggressive focus on [xx] price match.” (Micro)

2023/24 has felt more stable than previous years, many Retailers are treating this as a time to ‘reset’

Retailers are operating with caution and focusing their attention on cost recovery both internally and with suppliers.



[xx] became commercially savage and pushed the agenda so they could capture the recovery market. And all they were interested in was recapturing volumes and sales so that they could gain what they lost during COVID back. (Micro)

[On the designated retailers] They're in a sort of stasis phase where they're not sure what's best to do next and they're very scared. (Micro)



- **The current Retailer/supplier landscape is described as a drive to attain revenue**, in which suppliers are being pushed by Retailers to find a variety of ways to reduce costs/make cost efficiencies.
- **A variety of logistical change is reported with Retailers** – with staff cutbacks and migration to new systems which are causing teething issues.
- **On a strategic level, suppliers do not understand Retailers’ long-term ambitions.**
- There is **an emphasis on short-term thinking and cost**. Whilst Retailers are open to innovation conversations, they are less open to *accepting* innovation.
- Suppliers have described **the current period as one of ‘statis’ and caution** – where Retailers are unsure on next steps.

An increase in own label has added extra cost, competition, and complexity

Cost

Own label suppliers are noting that they are being charged unreasonable amounts for annual compliance costs, artwork etc on packaging by Retailers, for which they have no control over.

“Retailers have cut their head office staff and they've divested the work back to the suppliers. If you're making own label, they have a very small technical department who just tell you what they want and then you do all the work, building their specs, pack and data for them, dealing with their artwork, design companies and paying the fees for them.” (Macro)

Competition

Suppliers feel more vulnerable to competition within own label.

“The risk with own label is that you're immediately replaceable because you don't have the intellectual property associated with the product. So that's the poison pill of being an overlaid supplier, you can lose big chunks of business relatively quickly, whereas brands, you're a bit more independent.” (Macro)

Complexity

The supply chain for own label feels unnecessarily complex and difficult to manage.

“You've got a salesman, technical person, a new product development person all on the supply side, and then on the Retailer's side, you've got a buyer, a technical person, an NPD person, and there's just such an unnecessary amount of people!” (Micro)



There's too many suppliers and too many Retailers, there's too much competition. If there were fewer Retailers and fewer suppliers, everything would work a lot simpler. And if the Pandora's box of private label hadn't been opened, ..., it'd just be a lot smoother. (Micro)



Relationships with Retailers

Relationships have eased as CPIs have decreased, but communication is still challenging

Positive aspects of relationships

- **The discounter Retailers have been described as particularly collaborative** when it comes to suppliers' growth.
- **Trading relationships feel very fluid at the moment.** On the reverse, it limits long-term planning and security.
- **For suppliers dealing with commodities that have dropped in price,** there has been a reduction in CPI conversations.
- **Relationships generally feel better than 2022/23,** with more openness, honesty, and Code compliance.



Negative aspects of relationships

- **It still remains an unlevel playing field for micro suppliers,** with less facetime, leverage and high listing costs with Retailers.
- **Retailers are currently 'reluctant to commit'** when it comes to contracts, innovation, or even communication.
- **For the minority of suppliers that need to secure CPIs, 2023/24 is a tricky environment to navigate CPI conversations in,** with less compassion and understanding shown from Retailers on cost than in 2022.

Most de-lists are done ‘by the book’ but thinly-veiled threats are common



It's that implied risk of losing business that they [Retailers] lean on. They don't put anything in writing that could be thrown back at them. But verbally, not a problem. Face-to-face meeting and you ask a question they don't want to play, you'll get the underlying threat of 'if you persist in this manner, then we'll just give the space to someone else.' (Macro)

The only thing that [xx] have really got to sell you is their media and it's wildly overpriced. You have to go through this charade of 'we need you to invest X thousand in media' and you go 'that's totally ridiculous' and they say 'it's the cost of doing the business with us.' (Micro)




- ‘Near-miss’ de-lists are occurring (i.e. ones withdrawn at the last minute), along with delists that are quickly reversed – caused by system glitches or human error. [xx] are also associated with temporary de-lists when they can’t come to an agreement with suppliers on cost.


“We were introducing a [packaging type] to replace [a different packaging type]. The buyer didn't or didn't want to understand that we will be replacing [xx] and introducing [xx] - took it to be an end of product life. Received a de-list notice from [xx]. Which was withdrawn at the last minute.” (Micro)

- What are effectively de-lists are also beginning to be packaged up as ‘changes in distribution’, and a way of avoiding fair negotiation.

“[xx] are saying it's a change in distribution, unable to buy their [xx] in [xx]. They've redefined de-list as a change in distribution. So, we've had no negotiation from [xx].” (Macro)

Whilst the overall need for CPI discussions has lowered, Retailers' willingness to engage in these conversations has worn thin

- 
- **Some suppliers are seeing lower cost pressures** after the wave of CPIs in 2022/23 and a drop in input costs across specific commodities (e.g. milk or energy).
 - **The use of commodity trackers also reduces pressure** on the Retailer/supplier relationship in this scenario.
 - **However, this is highly category/product dependent.**

- 
- **Cost recovery is still at an existential point for some suppliers** who are reliant on expensive commodities (cocoa, glass, bread etc). Retailers that had previously granted CPIs are now using avoidance tactics or flat-out refusing to engage. **A minority of suppliers are still trying to push historic CPIs through from 2022/23** that were rejected at the time by buyers.
 - **Retailers are continuing to ask for extensive evidence for cost justification**, including 'efficiency initiatives.'

"We've managed to protect our cost price increases. Some Retailers are asking us now to review our costs and are waiting for us to say things are improving but we're not going to say that." (Macro)

"There's quite an onus on the suppliers to come up with efficiency initiatives, and sometimes it's used as an excuse by the Retailers to say 'you've got this CPI on the table, can you tell us how you're going to mitigate it by making your business more efficient?'" (Macro)

Raising issues and the Code

There is a distinct reluctance and lack of confidence in raising Code issues

Awareness of CCOs' commitments to confidentiality and no negative consequences is high, but generally treated with disbelief

Previous experience and hearsay contributes to scepticism

- **Some suppliers have flagged issues with senior buyers and found that it has filtered down to buyers** they had a problem with and impacted the relationship. This establishes less faith in engaging with the CCO.
- Many also **do not understand how the finer details of a case can be handled** whilst maintaining anonymity.

There is a clear need for comms that distinguishes between roles (e.g. CCO vs Senior Buyer), and on *how* CCOs tackle issues whilst maintaining anonymity.

There is a lack of understanding of what CCO/GCA involvement could look like

- **Few are aware that they can raise an issue whilst conversations are still ongoing.**
- Generally, suppliers think that GCA involvement removes the ability for continued negotiations to take place.
- There is also a strong appetite for a third-party advisory body separate to the GCA, that can confidentially hear issues.

Emphasising how CCOs/the GCA involvement can coexist with ongoing conversations would reassure suppliers.

Inequity in the system generates a feeling that the Retailer 'always wins'

- Whilst many regard GSCOP as integral for keeping Retailers in line, **some still feel there is natural inequity in the system.**
 - **For micro suppliers there is an awareness that they are working with wealthy Retailers.** They do not have the resources to challenge them or risk their work with them.

Micro suppliers need to feel empowered and protected. Additional support and information throughout the issue-raising process would also be important.

The GCA continues to be greatly respected, with suppliers noting the enormous difference it has made to the industry

Suppliers believe that GSCOP has made the biggest difference on delists and payment delays, but that the Code could be developed to avoid Retailers operating in 'grey areas.'

On communication and engagement...

There is an opportunity for GCA to work with suppliers and Retailers to improve communication and engagement between the two. Equally, it would be helpful if CCOs at each Retailer emphasised their commitment to confidentiality and no negative consequences to suppliers. It would also be helpful for CCOs to reach out to understand how communications to suppliers can be improved in the future.

"Increase the message from each Retailer that they will not retaliate. Need a message from each Retailer buyer / CCO directly saying that to remove any preventative thoughts. Need safety and security in the relationship." (Micro)

On fairness, equity and 'reasonableness'

Suppliers and Retailers are operating in an increasingly competitive environment, with cost recovery ongoing. **It is often unclear how close Retailers are to 'treading the line'** when it comes to their business practice and acting fairly and reasonably.

"That fairness and equity piece...reasonableness. It's hard to prove reasonableness. So how does the GCA amend the legislation to make reasonableness more accountable?" (Macro)

Key learnings

Key learnings from 2024

01

A rise in the prevalence of own-label goods has driven competition between both Retailers and suppliers to difficult levels. The onus of delivering this falls disproportionately to suppliers.

02

Whilst costs are stabilising across select commodities it still remains a key focus of conversations, with select Retailers pushing for decreases.

03

Now that the dust of 2022/23 has settled, many Retailers are using this time to overhaul systems / staffing. This has resulted in issues with communications, forecasting, payments and invoicing. Few suppliers are aware of Retailers' strategic intentions.

04

Conversations with suppliers have unearthed a lack of understanding of *what* a CCO does, and how their involvement would work in practice. Highlighting the suppliers' continued control over the process – regardless of a CCO's involvement – would help greatly.