

De macht van de supermarkt

The relationships between supermarkets and suppliers:

What are the implications for consumers

July 2012



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What are the implications for consumers?

Figure 1: How buyer power and retailer power reinforce each other

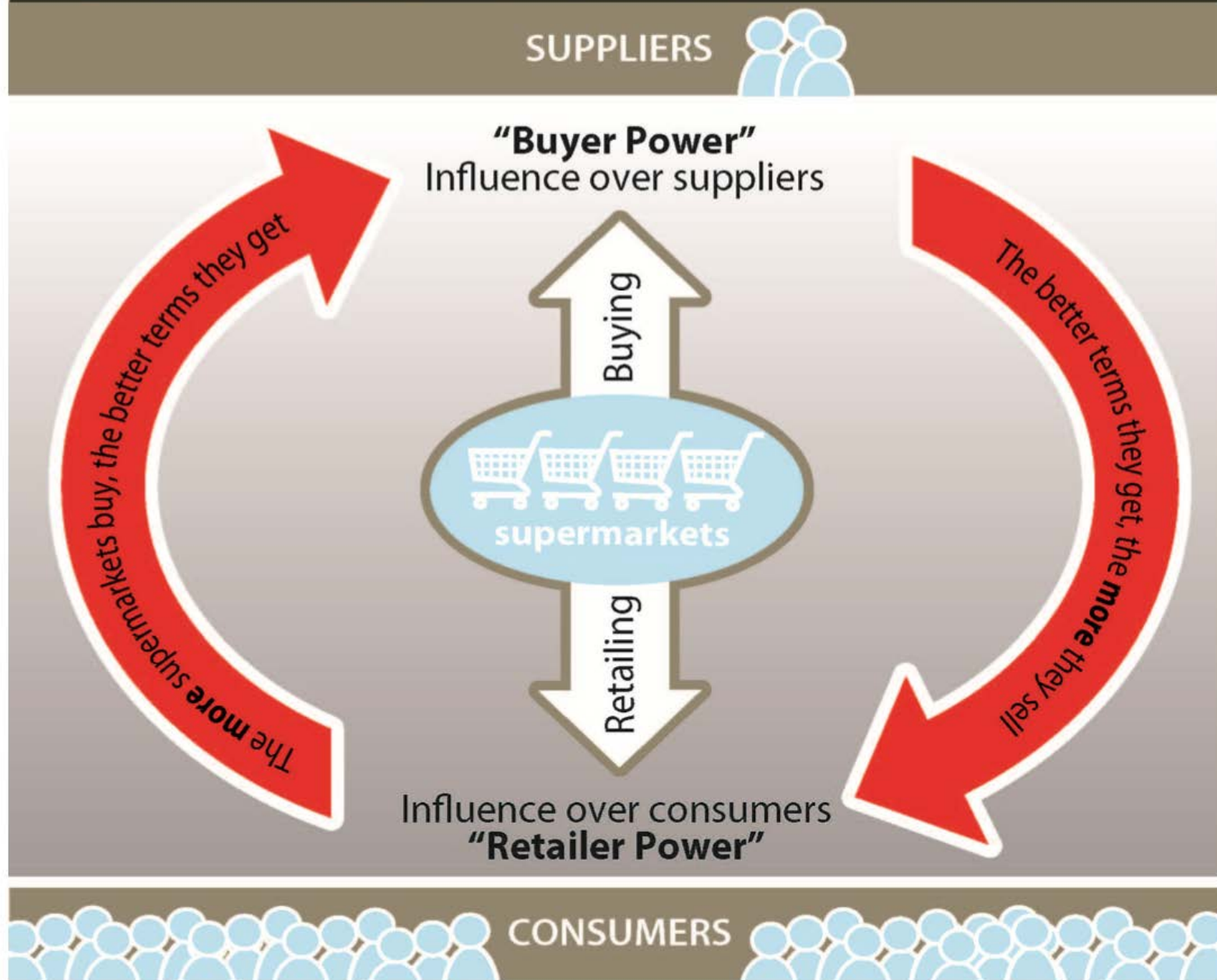


Table 1a: Selected national food market concentration ratios 2008 or later²

Country	Year	Percentage of national food market	Concentration ratio
<i>European Union</i>			
Austria	2009	82	3
Belgium	2011	71	5
Denmark	2009	80	5
Finland	2011	88	3
France	2009	65	5
Germany	2011	85	4
Greece	2009	50	5
Italy	2009	40	5
Netherlands	2010	65	5
Portugal	2011	61	4
Spain	2009	70	5
UK	2011	76	4
<i>Rest of World</i>			
Australia	2011	71	2
Canada	2011	75	5
Norway	2011	81	3
Switzerland	2011	76	3

Figure 2: UK - suppliers, supermarkets and consumers

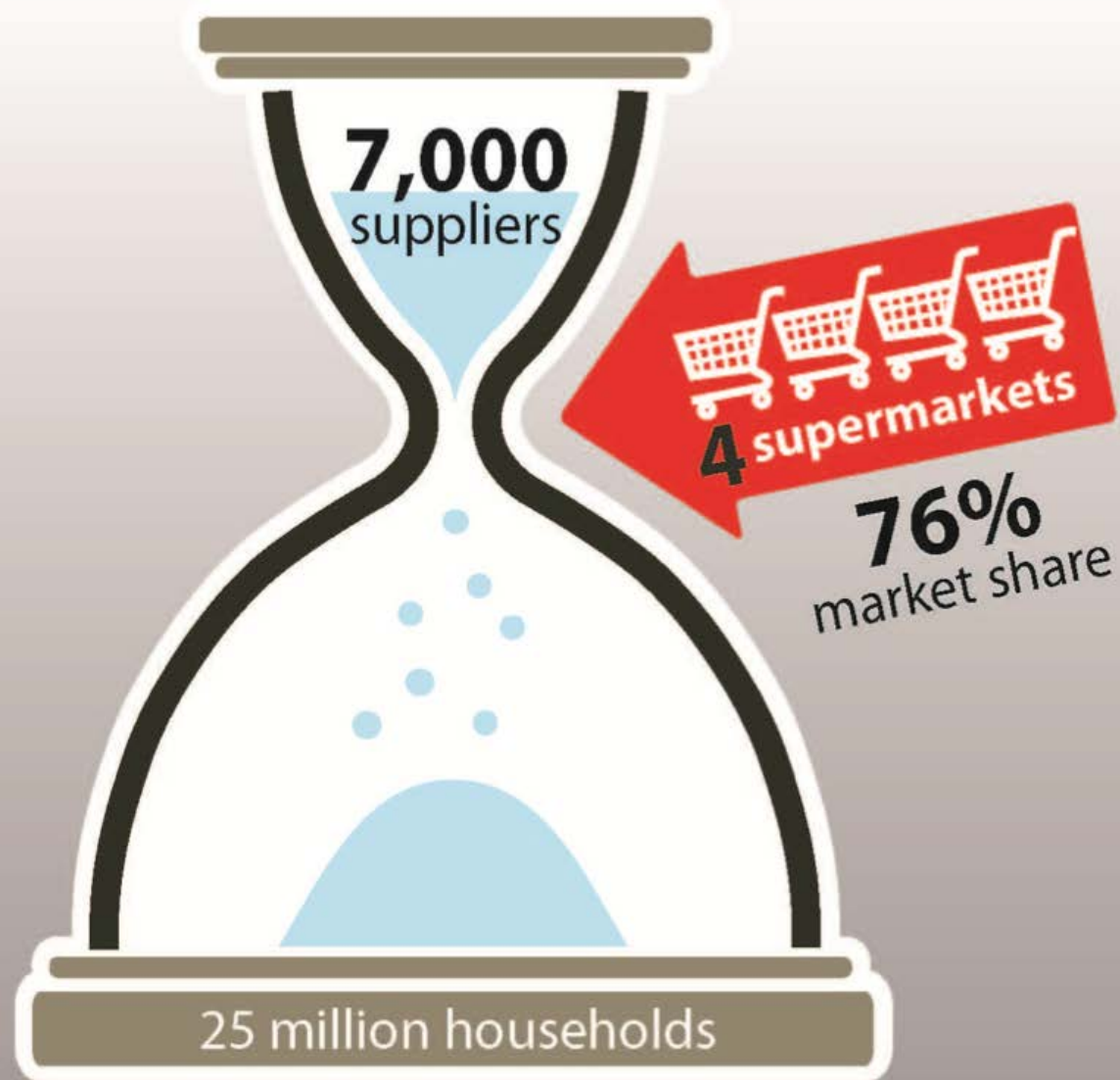
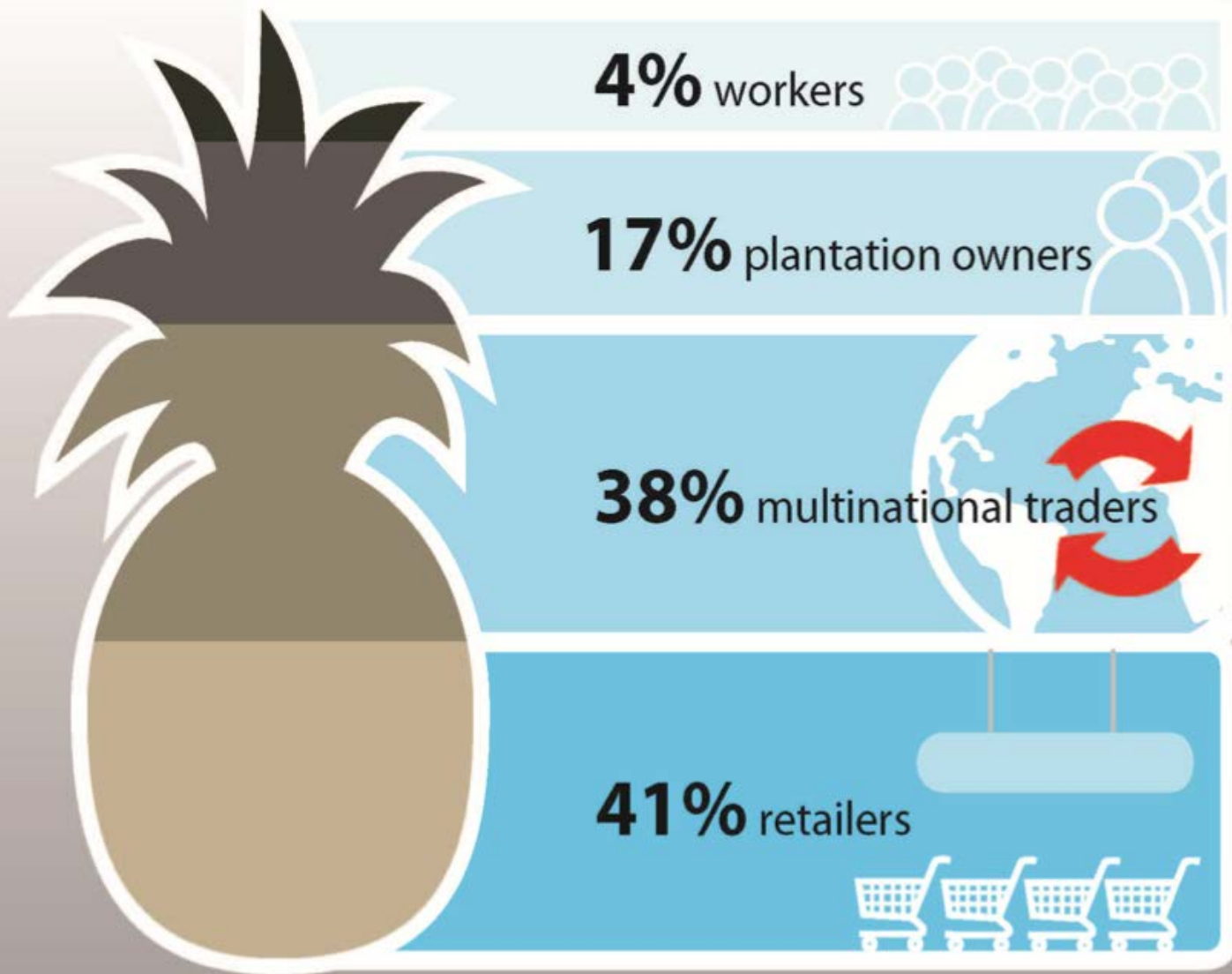


Figure 4: Who earns what from field to supermarket



source: Make Fruit Fair, based on a Costa Rican pineapple sold in UK supermarkets in 2010

Figure 7: Who earns what from field to supermarket

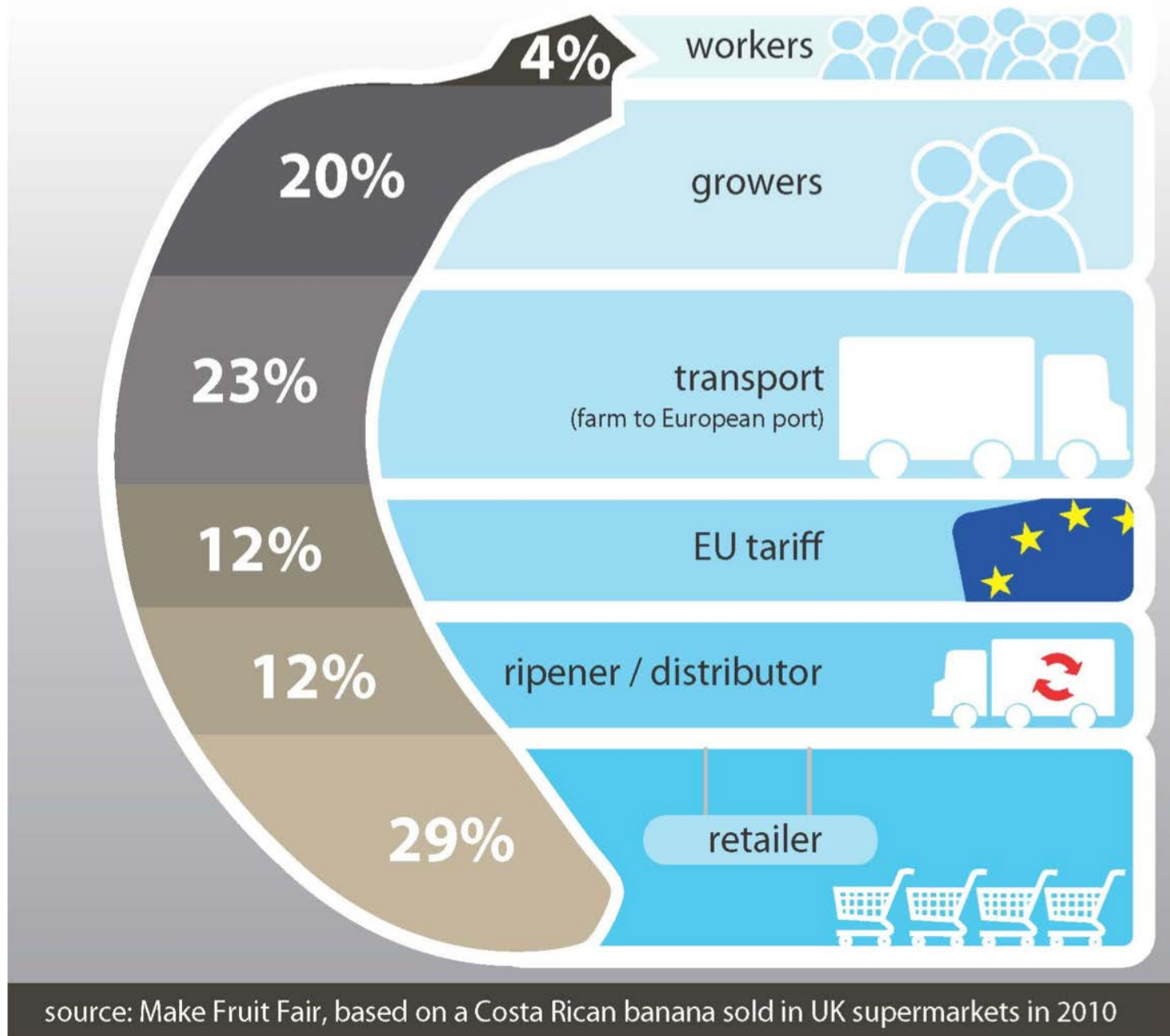


Figure 3: Private labels in Australia

The situation on the shelves

Australian grocery market



How they're doing it

Lower costs to private labels



Costs lower for private labels

Advertising
Manufacturing



Fees charged to brand names and private labels suppliers

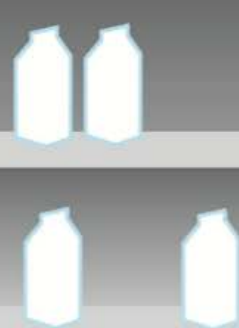
Ullage (transport damage)
Warehouse pallet fees
Distribution centre costs
Promotion fees
Catalogue fees

Control of display & sales



* Rival products placed on the bottom or top shelf
* Private labels put at eye level
* Price can be manipulated

Deletion of competition



* Reducing the third, fourth and fifth most popular products in a product area

Reproduction of similar products



* Direct to core suppliers
* Mimicking the goodwill and packaging of established brands

Suppliers put in price competition



Damien Lutz, CHOICE

Source: CHOICE Australia, <http://www.choice.com.au>, 2012

Table 3: Effects of buyer power abuse on consumers

EFFECTS OF ABUSE ON SUPPLIERS	EFFECTS ON CONSUMERS
Overall downward pressure on supply prices	<ul style="list-style-type: none"> • Threat to suppliers' viability may affect supply and over time push prices up and reduce choice • Suppliers forced to cut production costs (possibly ingredient quality, and may squeeze working conditions in intensive stages of production)
Additional costs to supplier	<ul style="list-style-type: none"> • In the long run, may result in higher consumer prices • In the short run, may result in higher consumer prices in non-supermarket outlets
Risk of stocking new products forced on to supplier	<ul style="list-style-type: none"> • Fewer new products, with potential knock-on effects on range and quality
De-listing	<ul style="list-style-type: none"> • Replacement of branded goods with retailers' own brand • Loss of choice and possibly of quality
Cost and risk of shrinkage and/or retailers' forecasting errors passed back to supplier	<ul style="list-style-type: none"> • Price, range and quality are all put at risk through reduced funds available to suppliers for investment and promotion
Adversely affects suppliers' cash flow	
Risk and cost of product changes borne by supplier, increasing costs and uncertainty	
Domino-effect demands for lower prices from other supermarket customers	<ul style="list-style-type: none"> • Consumers misled about sustainability of low prices
Competitors' costs are raised	<ul style="list-style-type: none"> • Affects the availability of products to other retailers • Reduction of store choice
Loss of IP rights, leading to a lower rate of innovation	<ul style="list-style-type: none"> • Lower rate of innovation and thus of product range

Figure 5: Potential long term effects of the price squeeze

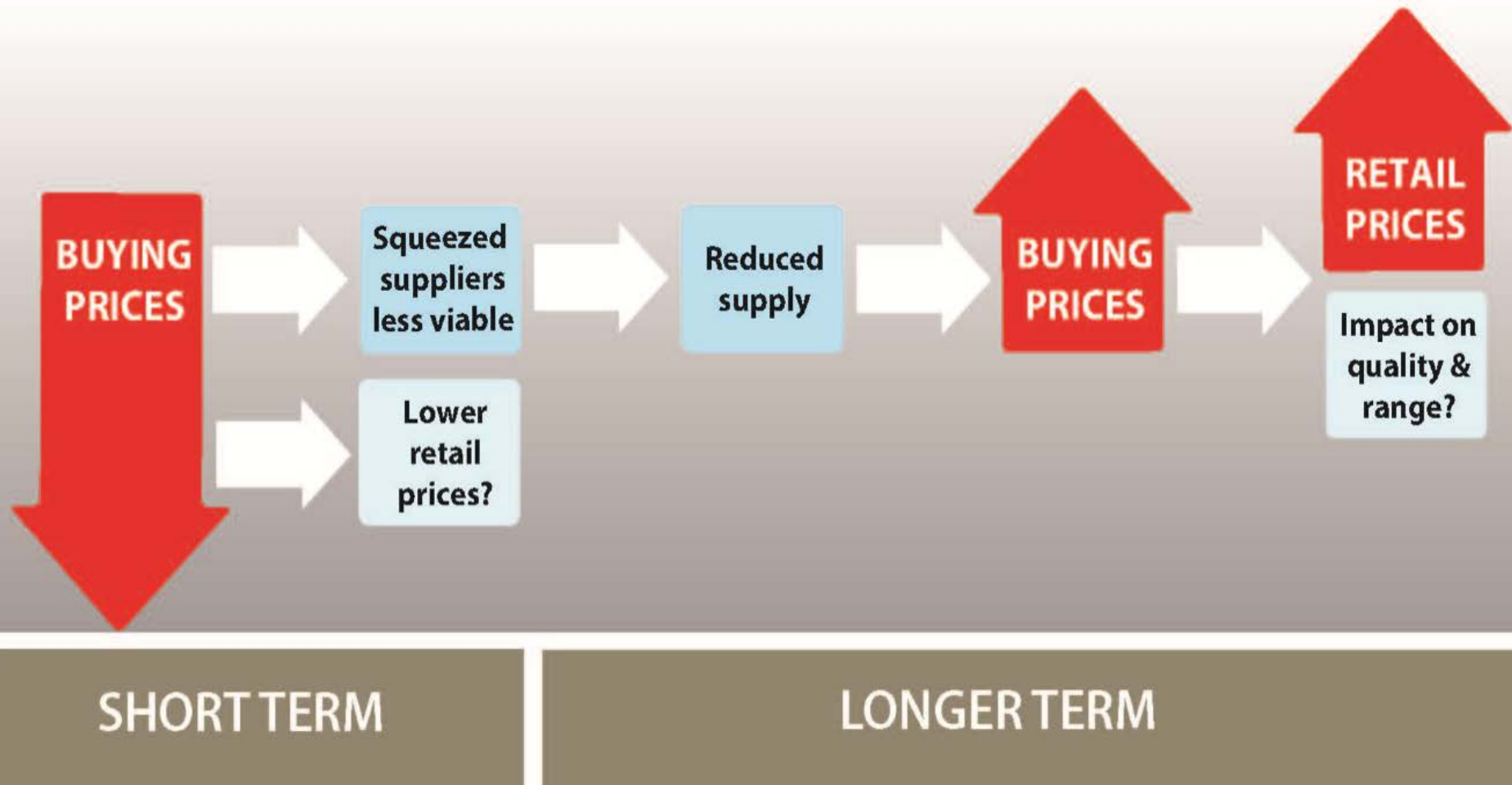
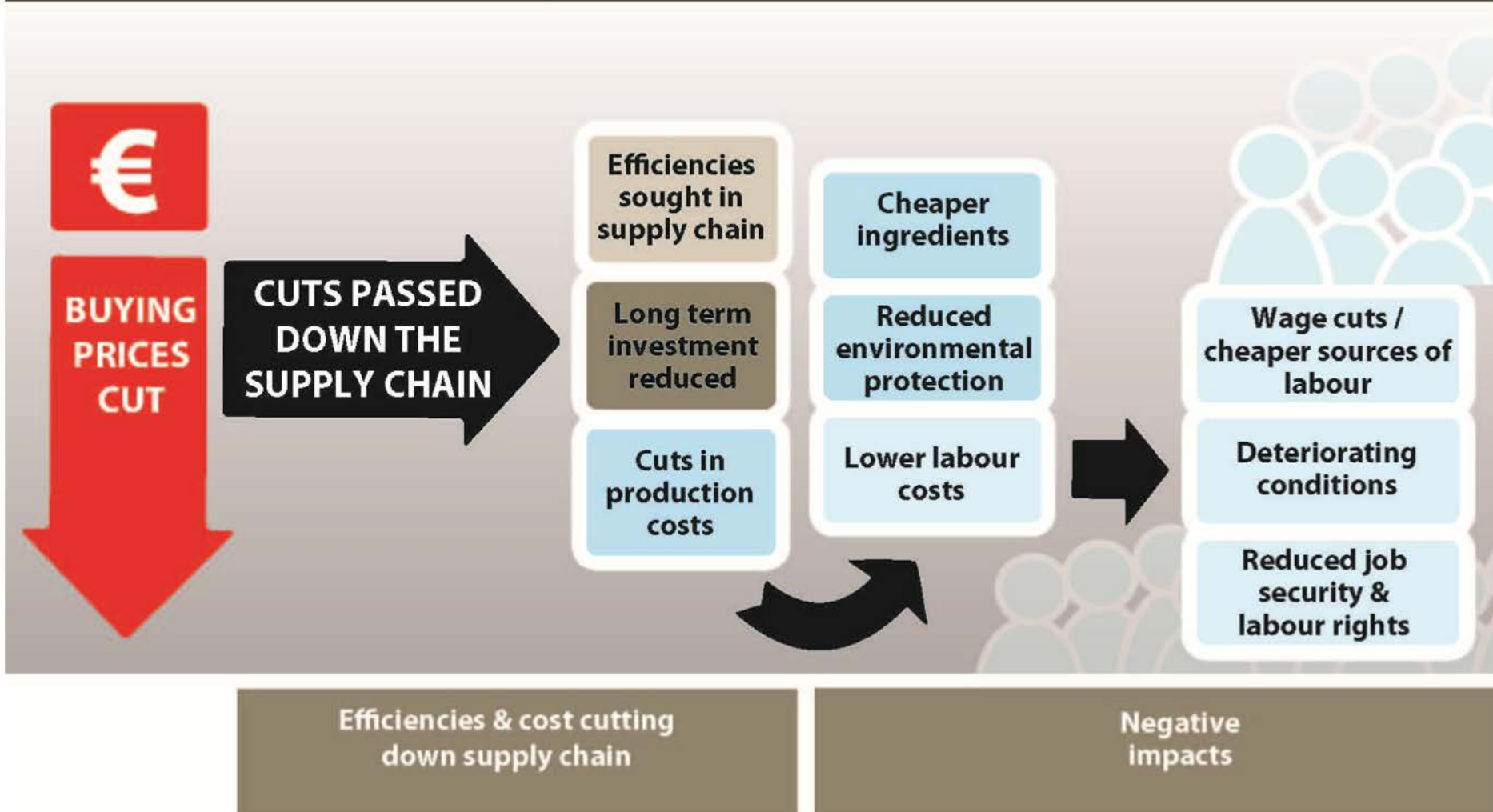


Figure 6: The effect of the rise of private labels in Australia

Who and what is affected



Figure 8: How price cuts can affect workers' rights



Endnotes

Sources for selected national food market concentration ratios (see Tables 1a and 1b)

Country	Year	Source
Austria, Finland, Norway	2009	Nielsen
Belgium	2011	http://www.retaildetail.eu/nl/case-van-de-week/item/2421-de-belgische-voedingsmarkt-2010-2011?tmpl=component&print=1)
Denmark, France, Greece, Italy, Spain	2009	Planet Retail, 2009
Germany	2011	Bundeskartellamt
Netherlands	2010	http://www.distrifood.nl/web/Onderzoek/Marktaandelen.htm
Portugal	2011	Nielsen (supplied by APED http://www.aped.pt)
UK	2011	IGD
Australia	2011	www.Choice.com.au
Canada	2011	Food & Consumer Products of Canada, reported by Postmedia News
Switzerland	2011	Detail Handel Schweiz
USA	2006	http://www.oecd.org/dataoecd/30/40/44231819.pdf
Estonia, Lithuania, Luxembourg, Slovenia	2005	Planet Retail, 2006



BEHIND THE BRANDS

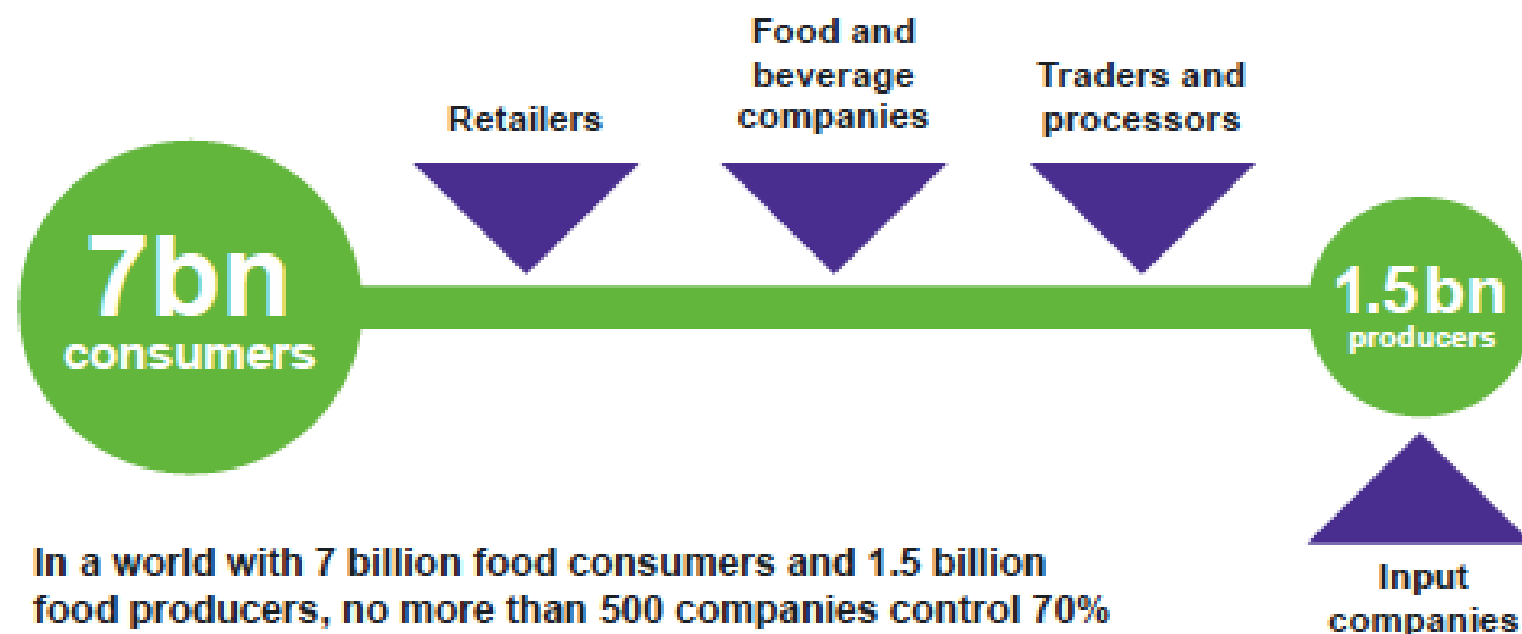
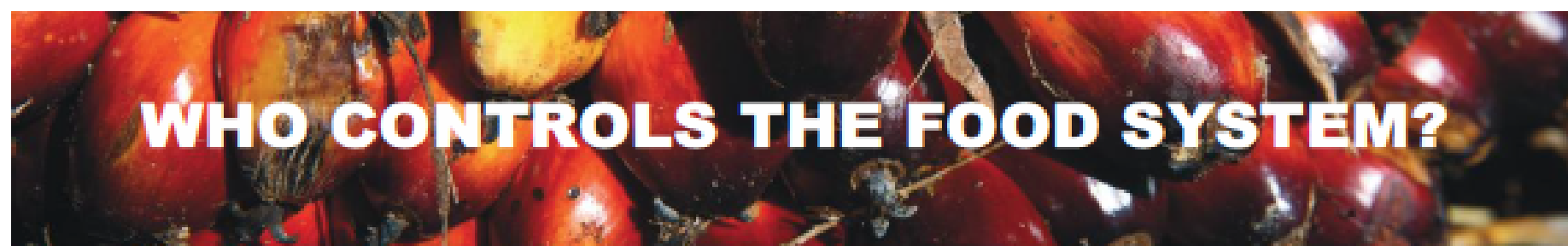
Food justice and the 'Big 10' food and beverage companies

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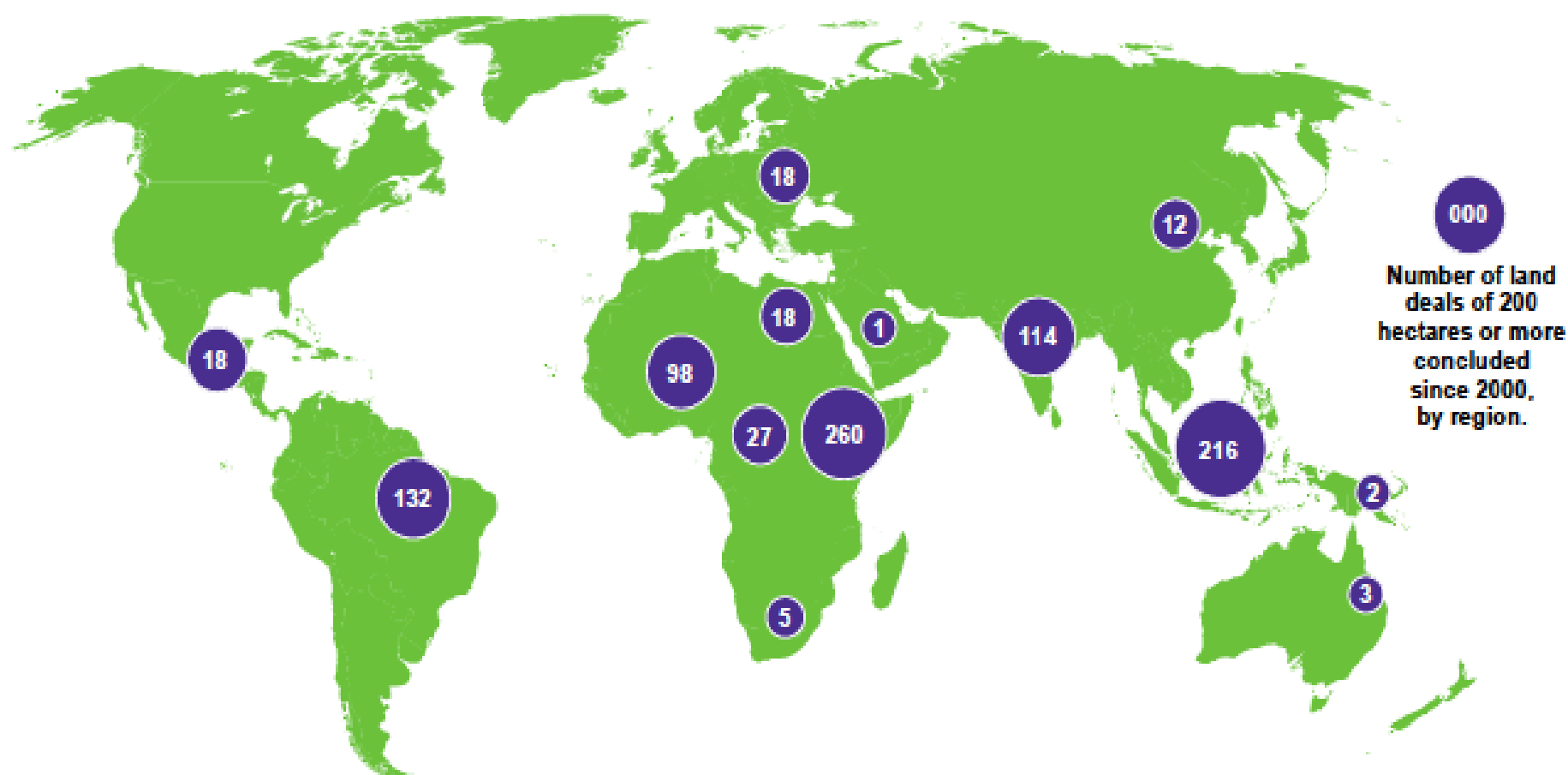
Figure 1: The food system



In a world with 7 billion food consumers and 1.5 billion food producers, no more than 500 companies control 70% of food choice.

The Big 10 are the most visible industry players within the global food system and wield immense power. Collectively, they generate revenues of more than \$1.1bn a day. Their annual revenues of more than \$450bn are equivalent to the GDP of the world's low-income countries combined. A shift in policies and practices from the Big 10 would reverberate across the value chain.

Figure 3: Summary of large-scale land deals by region since 2000



Source: Land Matrix, the online public database on land deals, <http://landportal.info/landmatrix/get-the-detail?mode=map> (accessed December 2012)

Table 1: Behind the Brands: food companies scorecard








 **8 - 10** Good

 **6 - 7** Fair

 **4 - 5** Some progress

 **2 - 3** Poor

 **0 - 1** Very poor

Rank	Company	Score	 Land	 Women	 Farmers	 Workers	 Climate	 Transparency	 Water	Total
1	Nestlé	54%	3	4	5	6	6	7	7	38/70
2	Unilever	49%	3	2	7	6	5	5	6	34/70
3	Coca-Cola	41%	1	5	3	6	5	5	4	29/70
4	PEPSICO	31%	2	2	3	3	3	4	5	22/70
5	MARS	30%	1	1	5	4	3	5	2	21/70
=6	BAHONE	29%	1	1	1	3	3	6	5	20/70
=6	Mondelez International	29%	1	2	4	4	3	4	2	20/70
=8	GENERAL MILLS	23%	1	2	1	3	2	2	5	16/70
=8	Kellogg's	23%	1	2	1	2	2	4	4	16/70
10	Associated British Foods plc	19%	1	1	2	3	1	3	2	13/70

This scorecard was made on 26 February 2013. The latest version is available at <http://oxfam.org/behindthebrands>