

Voluntary initiatives against unfair trade practices: The bully needs a watchdog with teeth

Brussels, 17 September 2013. The initiative of the trade associations of the supermarkets and some supplier trade associations to voluntarily suppress unfair trade practices (UTP) is only realistic when EU-wide enforcement is set up, to dissuade companies of these abusive practices. “A bully making promises since 2010 to reform does not need two more years to prove its intentions, but a strong, deterring watch on its behavior”, said Myriam Van der Stichele from a coalition representing consumers and suppliers.

On 16 September, seven European confederations of retailers and suppliers announced their intention to voluntarily suppress UTPs being undertaken by their national companies within Europe. Reacting to this, a European wide coalition representing consumers, international development and fair trade organisations said that a voluntary approach might be an appropriate response from trade associations whose members admit they apply unfair trade practices, but it remains a partial one.

“We think that this initiative allows European authorities to avoid a responsibility that is theirs, and to postpone taking appropriate action to credibly stop these unfair trade practices. **The voluntary approach is but a diversion** that also relieves the European public authorities from ensuring that supply chains feeding European consumers are fair, as well as economically sustainable”, Van der Stichele added.

The coalition reminds EU policy-makers of the urgent need to establish an enforcement mechanism –in the form of an Ombudsman- which operates in a way that **acknowledges the daily “climate of fear” that the suppliers endure** . Indeed, Van der Stichele said, “suppliers currently have the choice between meeting supermarkets’ demands and suppress complaints or else **risk losing essential business**”.

It is tempting to believe that lower food prices are always to the benefit of the European consumer, but the evidence is clear – European supermarkets abuse their power and farmers, laborers and **European consumers suffer as a consequence**. This power affects not only the suppliers, but also the consumers see how their favorite brands disappear from the shelves, only to be replaced by a cheaper, lower-quality or own brand substitutes. This way, the UTPs come to mean monopoly, and lead towards higher prices and less innovation affecting the consumer.

Supermarkets wield enormous power as they consolidate the buying that they undertake for several European Member States where they have shops. The European authorities need to catch up with the reality of supermarkets’ abusive practices derived from selling into many European markets.

The coalition is asking the European Commission and the Members of the Committee on Internal Market and Consumer Protection (IMCO) to view the voluntary initiative as complementary to the establishment of an ombudsman office, and to **swiftly and simultaneously** implement the two.

“Simply look at the figures (table 1 attached): why would the EU trust the bully to suppress UTPs when this means renouncing to increasing profit? Why would a shareholder accept such thing from the Management? Only **the capacity to receive complaints anonymously, initiate investigations and apply fines by an ombudsman will support the good intentions of the retailers**”, concluded Fiona Gooch from TraidCraft.

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Information to Editors:

- The Coalition members include: TraidCraft, Oxfam Deutschland, Hungarian Association of Conscious Consumers, Consumers International, Christliche Initiative Romero and SOMO Netherlands.
- The Coalition represents 50,000 'engaged' consumers who are members and active supporters of the partner organisations; also Consumer International's membership includes more than 70 European consumer organisations, reaching over 5 million people.

Tables and figures:

Top 10 EU Retailers¹

Name	Retail sales US \$ mil	Country of Origin	Number of countries of operation 2010
Carrefour	119,642	France	33
Tesco	92,171	UK	13
Metro	88,931	Germany	33
Schwarz	79,119	Germany	26
Aldi	67,112	Germany	18
Rewe	61,134	Germany	13
Auchan	55,212	France	13
Edeka	54,072	Germany	1
E Leclerc	41,165	France	7
Ahold	39,213	Netherlands	10

¹ Deloitte January 2012 Switching Channels: Global Powers of Retailing 2012

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Table 1: The concentration of national food market shares

Country	Year	No. of major supermarkets	Their combined food market share
Australia	2011	2	71
Austria	2009	3	82
Belgium	2011	5	71
Canada	2011	5	75
Denmark	2009	5	80
Finland	2011	3	88
France	2009	5	65
Germany	2011	4	85
Greece	2009	5	50
Italy	2009	5	40
Netherlands	2010	5	65
Norway	2011	3	81
Portugal	2011	3	90
Spain	2009	5	70
Switzerland	2011	3	76
UK	2011	4	76
USA	2006	4	35

Sources

Source: Consumer International's July 2012 summary report – "Relationship between supermarkets and their suppliers: implications for consumers"