

Submission by Barry Group to the Department of Jobs, Enterprise & Innovation on the Draft Grocery Goods Regulation.

Executive Summary.

Barry Group is a wholesale distribution company based in Mallow, Co. Cork, directly employing 230 team members servicing over 1,000 customers both nationally and internationally. The company operates 2 selling divisions:

(1) Core Business Division.

Comprising of 3 symbol group offerings:

- a. Costcutter (a grocery symbol offering aimed at supermarket/foodstore & convenience formats).
- b. Quik Pick (a convenience/facia format).
- c. Carry Out (an off licence format).

Also a large number of Independent retailers and off-licences throughout Ireland.

(2) Trading Division.

This division focuses on trading opportunities focusing on:

- a. wholesalers.
- b. export customer base.
- c. large profile retailers.
- d. catering customers.
- e. pub trade.

Barry Group's main aim is to provide a profitable retail solution for our many customers. We are a family owned business led by sole shareholder Jim Barry, ably assisted by a great team who take great pride in the fact the company has survived a most challenging trading period; especially in the grocery sector when some other larger players in the market no longer exist in the same ownership that they had, prior to our economic downturn. Barry Group provides a full range of services to our symbol group customers, enabling our retailers all over Ireland to focus on running their shop floor side of the business.

Part of our approach to survival was developing the company into a cost efficient, lean model, operated to the highest of standards which allowed us provide our customers with a profitable solution. This approach has enabled retailers to survive the most challenging of trading conditions including unfair tactics from large multiple operators (e.g. under cost selling of alcohol). The evidence of our professional approach is backed-up by our inclusion in both the Great Place to Work and Deloitte's Best Managed Companies Awards programmes for the past number of years.

As a business we are well placed to have informed views on proposed regulation changes. We understand the need for greater control for retailers and wholesalers who control the large market share, in how they transact business dealings with suppliers, especially smaller suppliers due to the fact that a large operator could control as high 20% or 30% of a supplier business and in cases higher than that. Many suppliers are in too weak of a position to stand up to unfair/unreasonable demands. However, there are only a very small number of larger operators that have that power existing in Ireland. To introduce a system/process as outlined in the draft is unnecessary for the vast majority of operators, because they do not have the power to abuse our supplier base even if they wanted to, and the extra procedures involved would add an enormous extra cost burden to many businesses who already find it difficult to remain profitable and bankable. The suggested approach goes against what most companies that are trying to survive believe in. The companies that have

run their businesses in the most efficient manner during the last 2 - 3 years have survived, by removing all unnecessary processes and developing a lean mindset have driven companies to remain competitive to compete with larger operators who use unfair tactics as well as competing with new competition from the North of Ireland who can both buy cheaper and have lower operating costs. Small and Medium companies do not need the kind of regulation suggested.

I would suggest that companies with a market share of 7.5% plus is where efforts should be focused, and not impact on the good work done by honest, descent Small and Medium Businesses, who in most cases had to reinvent themselves to survive and provide many jobs throughout Ireland, many situated in rural areas. The approach suggested would add significant cost to many businesses, which would either impact on the survival of these companies or impact on jobs in rural Ireland. (I do not believe that this is the intension). I also believe the Draft Regulations Document is a very complicated document and a more simple approach would be beneficial.

Recommendations.

We believe that there is a need for regulation for the larger players in the Irish Grocery Market, taking into account the behaviour on the sell price of alcohol during Christmas 2014/fruit & veg pricing during Christmas.

Part 1.

We have a concern over what products are covered.

Household products, cleaning products and toiletries are examples of products that are excluded. These products will be impacted by unfair tactics by the large players in the market if not covered. The definition should be widened to cover all products sold in supermarkets.

We have a major concern over the size/scale of businesses to be included in the system.

Only those companies who have the power to abuse suppliers should be included. Why place extra red tape on Small and Medium Businesses, which will only add to the cost of doing business? Adding complexity for no benefit is unjustifiable and is not the lead the department should be giving. I suggest a measure of 7.5% market share and over is where the system should kick in.

We suggest that the wholesaler/retailer relationship is completely different to a multiple/supplier relationship. Bearing in mind the number of products involved in the wholesaler/retailer business arrangement, it would be totally impractical to cover this type of business in the system. It is vital for Small and Medium Businesses to not get tied down in red tape with no benefit. It should also be noted that retailers often buy from many wholesalers and other suppliers, so the proposed system would be totally unworkable. If what is suggested is applied to wholesale/retail market, it will be both unworkable and add disproportionate expense to Small and Medium wholesalers. Let's not create a new problem while trying to fix another problem.

Part 2.

4. (1) no comment.

5. No comment.

6. Not practical for certain products due to the competitive nature of the market in the wholesale trade especially with competition from Northern Ireland wholesalers who operate with different set of rules.

7. No comment.

8. No comment.
9. While forecasting is very practical in lots of ways, it is very difficult for the wholesaler because you have no guarantee of getting support from your customers. A scenario could arise where a Northern Ireland wholesaler could enter the market with a much cheaper price and kill the opportunity to sell.
10. No comment.
11. No comment.
12. No comment.
13. No comment.
14. No comment.
15. No comment.
16. No comment.
17. No comment.
18. It is unfair for suppliers to be asked to pay for shrinkage under any circumstance.
19. No comment.

Part 3

20. The facts are - that no more than 5 - 6 operators in the Irish grocery market have the power to act unfairly to Irish suppliers. Companies who have a market share of 7.5% and over should only be included.
21. Same comments as point 20.
22. No comment.

Part 4

23. No comment.
24. No comment.

Conclusion.

We fully agree with the need to regulate the behaviour of the large dominant players in the Irish grocery market. It is important to create an environment where suppliers are treated fairly while keeping a competitive market that will deliver value for the consumer. When looking at turnover levels wholesalers should be viewed as individual companies even though may be part of buying groups because many are at a very small scale. I strongly suggest that a level of 7.5% market share in the grocery market be a fair cut-off point.