

Commission needs more time to understand opaque retail sector

By [Ann Crotty](#)

14 Jul 2017

The deadline for completion of the Competition Commission's market inquiry into the grocery retail sector has been pushed out from May 2017 to March 2018, which will be 28 months after the inquiry was launched back in November 2015.



© Joana Lopes – [123RF.com](#)

Given the inquiry's stated intention of finding answers to questions that go to the opaque heart of what is to be called a consumer-facing industry, the outcome is likely to be worth waiting for.

The commission and the chairman of the inquiry, Halton Cheadle, have been at pains to stress the openness of the process and that there are no preconceived assumptions.

If the big four retailers have made substantial inroads into the township and rural market, is this because they offer better quality and prices or because they are dominant and well resourced? Are the government's regulations as much of a stumbling block for small players as the power of the large retailers? What, if any, damage is caused by exclusive lease agreements?

Commission spokesman Sipho Ngwema says many of the big retailers are anchor tenants in large malls and effectively have their rent subsidised by smaller independent players, "but they pull in the traffic and that helps the independents".

Halton's statement of issues acknowledges there is much that is not fully understood in an industry that involves the livelihood of millions of people. There is even some uncertainty as to how big it is. Cheadle refers to a 2014 figure of R215bn used by Barclays Equities but notes a more recent figure of R316.5bn used by Nielsen.

Then there is the discrepancy in market share claims, with one source estimating the big four have as much as 80% to 90% of the grocery retail market. But this does not seem to stack up with Nielsen's description of a growing informal trading sector. Cheadle has called for submissions that would explain the discrepancies.

The commission said it hoped the inquiry would shed some light on aspects of the sector that may "prevent, distort or restrict competition".

Inevitably the big players in the sector - Shoprite, Pick n Pay, Spar and Woolworths - are on the defensive and inclined to see the inquiry as an attempt to rein in their hardfought dominance. Almost as inevitable is the tendency for some small independent retailers and suppliers to see the inquiry as an opportunity to vent their frustrations about a system they see as skewed against them. The hearings provide them with a rare opportunity to be noticed by people in power.

At the hearings in Durban, one small supplier used the opportunity to complain about one of the big retailers refusing to carry his produce. The retailer told Business Day the supplier had failed to meet various food safety and compliance standards required by law.

In addition to a maze of laws and labelling requirements, the importance of massive distribution centres, particularly for fresh food, makes it difficult for retailers to accommodate small suppliers. It is a process that has little tolerance for anything that does not meet very specific standards.

The good news for those perplexed by the dizzying array of loyalty schemes offered by retailers is that the inquiry is to consider the transparency and value of these schemes to consumers.

The inquiry is also to interrogate the stated reasons why small and independent retailers operated by foreign nationals are often able to outcompete local operators.

Source: Business Day

For more, visit: <https://www.bizcommunity.com>