



**Submission to The Competition Authority, Competition in the retail-related import/**

**distribution sector**

The Competition Authority  
Parnell House  
14 Parnell Square  
Dublin 1

March 10<sup>th</sup> 2009

**Re: Call for submissions- Competition in the retail-related import/distribution sector**

To whom it may concern,

Further to your recent invitation for submissions regarding Competition in the retail – related import/ distribution sector, we are now enclosing our submission as well as a profile on the Barry Group.

The Barry Group is an independent wholesale distribution company and operates under the Costcutter and QuikPick symbol retail chain as well as supplying a large number of independent retailers.

On the request of the Minister for Labour Affairs Billy Kelleher T.D, and following consultation within our own business, we have put together this document. I am aware that without an in-depth knowledge of our industry, it may be difficult to understand the document in its entirety and thus I would be happy to discuss any questions which you may have on it.

Yours sincerely,

Jim Barry

Managing Director

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The Barry Group operates predominantly in the medium and small Retail Grocery sector (500-10,000 Square Feet). There is a lot of competition in this sector which is outlined in this document.

It is important to realize that the population of our market is the size, not of the UK market, but of the Manchester market.

If one was to drive through any town in the country it would fast become obvious that there is excess retail space currently in the market. In the below table we have detailed the stores currently trading in Thurles, Co. Tipperary and Mallow, Co. Cork.

<b>Thurles, Population Circa 7,000</b>	<b>Mallow, Population Circa 7,864</b>
Tesco	Tesco
Dunnes Stores	Dunnes Stores
Costcutter x 2	SuperValue
Centra x2	Spar
Mace	Costcutter
Lidl	Centra x2
Londis	Lidl
Aldi	Aldi
Independents	Independents
GALA	Londis
Spar	

Currently business is very difficult in Ireland. It should no longer be possible for a medium sized Irish business to be treated in an un-fair way by either an international supplier or an Irish agent. If we take McVities as an example we can see that the higher prices charged to the wholesaler by this supplier in Ireland has a direct impact on the price paid by consumers. The difference can run as high as 30-40%. It is therefore difficult for Irish retailers to compete via Northern Ireland on UK pricing.

We are now competing head on with Northern Irish and English wholesalers. It is unfair to hint that Irish based retailers are at a disadvantage of only 5% as per the recent Forfas report ( Cost of Running Retail Operations in Ireland) because that totally excludes the cost of stock which is a huge problem. The disadvantage can in fact run as high as 20 to 25%. It is imperative that this real disadvantage is recognized and action is taken to allow our medium sized retailers and wholesalers to operate on a fair footing. **Fair play is paramount to our sectors survival.**

It is over simplistic to say that there is a lack of competition in our sector when looking at the number of wholesalers and retailers operating in our market. Indeed it is clear that there currently appears to be an oversupply of retail space. Removal of the current

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cap size on retail space would further add to the current over supply of retail space. Below we have outlined list of all retail brands currently operating in the Irish Market;

- Tesco
- Dunnes Stores
- Marks & Spencers
- Superquinn
- Supervalu
- Lidl
- Aldi
- Xpress Stop
- XL Stop & Shop
- Mace
- Centra
- Londis
- Costcutter
- Gala
- Vivo
- Spar ( 3 options)
- Costcutter ( 3 options)
- QuikPick

Value for the consumer is of the utmost importance to us at the Barry Group. However, it must be recognized that there are many problems with ensuring that we can get the best value for our consumer. These problems include;

- 1) Inflated margin expectation by certain suppliers in the Irish market
- 2) Despite the fact that the euro rate has changed via sterling, only a small number of suppliers have been in the position to pass on currency savings. One of the reasons for being unable to get currency discounts is that suppliers seem to have currency booked at the old rates, thus they are unable to benefit from the savings.
- 3) In Ireland we seem to have an extra layer in the supply chain with many international companies compared to the North of Ireland and the UK. This can add on as much as 25% to the cost of product.
- 4) Suppliers do not wish to accept that the market in the North of Ireland and South of Ireland need price alignment. Action is required here.
- 5) There is a 6 ½ % VAT rate difference in Ireland compared to Northern Ireland and the UK
- 6) Duty difference on alcohol causes a major effect on value to the consumer. The fact that alcohol as a category attracts higher duties in the Republic of Ireland via Northern Ireland makes it impossible to pass on similar value to consumers.

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- 7) In certain cases there are large differences in the LTA terms being given by suppliers to large size players in comparison to the terms being given to medium size players. This level of difference makes it impossible for the medium and smaller players to offer the same prices as the larger players while still making a fair margin
- 8) It is important that suppliers treat the Northern Ireland market to the same terms as the South of Ireland in terms of cost price. Currently Northern Ireland is being treated the same as the UK in this respect

We feel that in order to overcome the difficulties outlined in this document, the following points need to be reached as detailed below;

- 1) Where an Irish agent/ Irish branch of an international company is uncompetitive , we need to remove all of the barriers to trade directly with the parent company at competitive prices
- 2) In order to enable the Irish branches of international companies to compete the cost base in Ireland needs to be reduced
- 3) In the interest of fair play we need to ensure that suppliers do not have too big a difference in rebate terms. This should in turn allow better value to be passed on to the consumer
- 4) Ensure that companies cannot charge a premium price to businesses in the Republic via Northern Irish prices. It is important to note that the consumer is now unwilling to pay any premium for a product