



Letterkenny
CHAMBER
IN BUSINESS FOR BUSINESS

Submission to

The Competition Authority

From

Letterkenny Chamber of Commerce & Industry

With reference to the public consultation on:

Competition in the retail-related import/distribution sector

Submitted by:

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Background

Letterkenny Chamber welcomed news of this study and has also urged members to submit their own experience.

Letterkenny Chamber represents 300 businesses in the Letterkenny area and has been in existence for over 40 years. As a border town over the months since May 2008 we have increasingly fielded concerns from members regarding pricing differentiation.

Grocery

Initially as the exchange rate began to fluctuate in favour of the North the concerns centred around the price differentiation on grocery items and the number of people doing their regular grocery shopping in the North increased to a worrying level leaving retailers on this side of the border struggling to survive.

A clear concern was, in particular, the multiples that operate on an all Island basis whether Irish or internationally owned. In our own price comparison carried out in December we found some very wide price differentials that were inexplicable such as chicken breasts. These favourable sterling prices attracted shoppers from this town and across the county who would traditionally have shopped in Letterkenny to go across the border to seek out cheaper alternatives. Grocery shopping is a necessity so as shopping for grocery was being done elsewhere consumers were then doing all their shopping in the sterling zone and obviously all our retail members have suffered as a result.

Dual pricing

In addition stores like M&S and Next were displaying Euro and Sterling prices that as the year went on and the euro became even stronger started to move even further apart. The Chamber had many calls from other business people at this time and the general public to voice their concerns about this practice and how it was again leading to people going across the border, just 22 miles away, to purchase the exact same goods at a cheaper price or going online and making the same saving.

For example:

Pair of ladies shoes retailing at €60
Same shoes online and in-store at £39

While we do not expect prices to change every day with currency fluctuations a price difference such as this is huge and unfair to consumers.

As a dual currency area many people have a supply of both currencies at hand. When they offered the sterling price marked on the ticket the current exchange rate was applied.

For example:

Necklace retailing at €15/£10
If paying in sterling here in Letterkenny customer was paying £13

These differentials are still evident in these outlets although they have removed dual pricing. However with online purchasing being so convenient it is easy to purchase at the better rate.

This level of price differentiation is leading to a general feeling that retail in general were profiteering while independent traders here in Letterkenny were quickly reacting with favourable exchange rates and discounting where possible.

Supply Chain

However as we investigated further the actual issue was coming from practices further up the supply chain and we started to get evidence from retailers who were not able to purchase goods at the same sterling rate as their UK counterparts.

Retailers dealing with their suppliers are aware of the sterling and euro prices from same suppliers and are seeing up to 50% difference. These are the same goods, subject to the same transport costs, etc. often delivered by the same transport carrier on the same day.

In some cases retailers have had to forgo supplying very popular brands because they cannot buy them even at the price at which they are being sold by retailers direct to customers in the neighbouring town North of the border.

At best this practice is unfair, at worst it is anti-competitive but it certainly leaves the border town retailers at a distinct disadvantage.

Border areas

While these practices will affect all types of businesses across Ireland they have a deeper and more acute effect in the border areas. Businesses here in Letterkenny have been operating in dual currencies for many years to give the best deals to their customers yet they are being prevented from opening sterling accounts with suppliers unless they have a Northern delivery address and are therefore being disadvantaged by price.

Independent traders can and will react to changes in exchange rates within reason assuming they are working off a level playing field however at present they are not getting a fair deal from their suppliers particularly the multinational conglomerates.

It would seem that these large brand names are content that they have a large enough market share that they can afford to lose in some areas to gain in others. However this gives a perception that the retailer is profiteering while the reality is that the retailer is finding it extremely tough to make any margin at all.

Businesses in letterkenny and the North West border area will continue to negotiate heavily with their suppliers and will continue to offer best value to their customers to remain in business.

Businesses here recognise the need for competition and have worked on the border for many years. Our submission calls only for a level playing field on which to compete fairly.

Examples

The examples submitted here are provided by:

- Hotel operator purchasing carpet for refurbishment
- Retailers

These examples we hope illustrate the problem being faced at two different levels. They show discrimination against southern retailers for exactly the same products.

Conclusion

Letterkenny Chamber welcomes this study and is keen to be involved in it. It is very important to our members and we will be keen to see the findings. Letterkenny is heavily reliant on the retail and service sectors and a report such as this at the very least highlights the pressure that these sectors are under not just from the recession but as we have illustrated from their multinational suppliers.

Please feel free to contact us should you require any further information or clarification.

Examples of price differentiation from various business types

Carpet supply

New carpet from Ulster carpet Mills

Initial Quotation: £36 per sq.m

Invoice quoted €54.97 per sq.m (£48.43 – at today's exchange rate)

Difference of £12.43 or €14.10

On querying the invoice he was told he was given the sterling price in error.

After some discussion with the client holding his ground the final invoice price was reduced by 22.54% bringing it back to the quoted price.

Nikon D60 camera

Retailing at €499

Cost €375 + vat = €455.62.

It is bought directly from Nikon UK with a Euro account

It is sold in the UK for £379 which is €435

So it is too expensive by €20 before making any profit making this product impossible to stock.

Sportswear

Over the last year this retailer was dealing with suppliers using a pricing difference of 1.5 on the sterling price after considerable pressure it has now reduced this to 1.2 on the stg price

$$£21.30 \times 1.2 = €25.56$$

Compared to 2008

$$£21.3 \times 1.5 = €31.95$$

Despite this reduction the retailer is still going to give a 10% reduction just to compete with the full STG RRP

Zovirax cream 2g tube for cold sores:

Cost price in UK is £3.22 - €3.70

In Ireland cost price is €5.74.

Best discount you can get for volumes of 150 or more it costs €4.60

25% more than the UK.