

Competition and value distribution along the food chain

OECD Food Chain Analysis Network

31 October 2013

CHECK AGAINST DELIVERY

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Structure

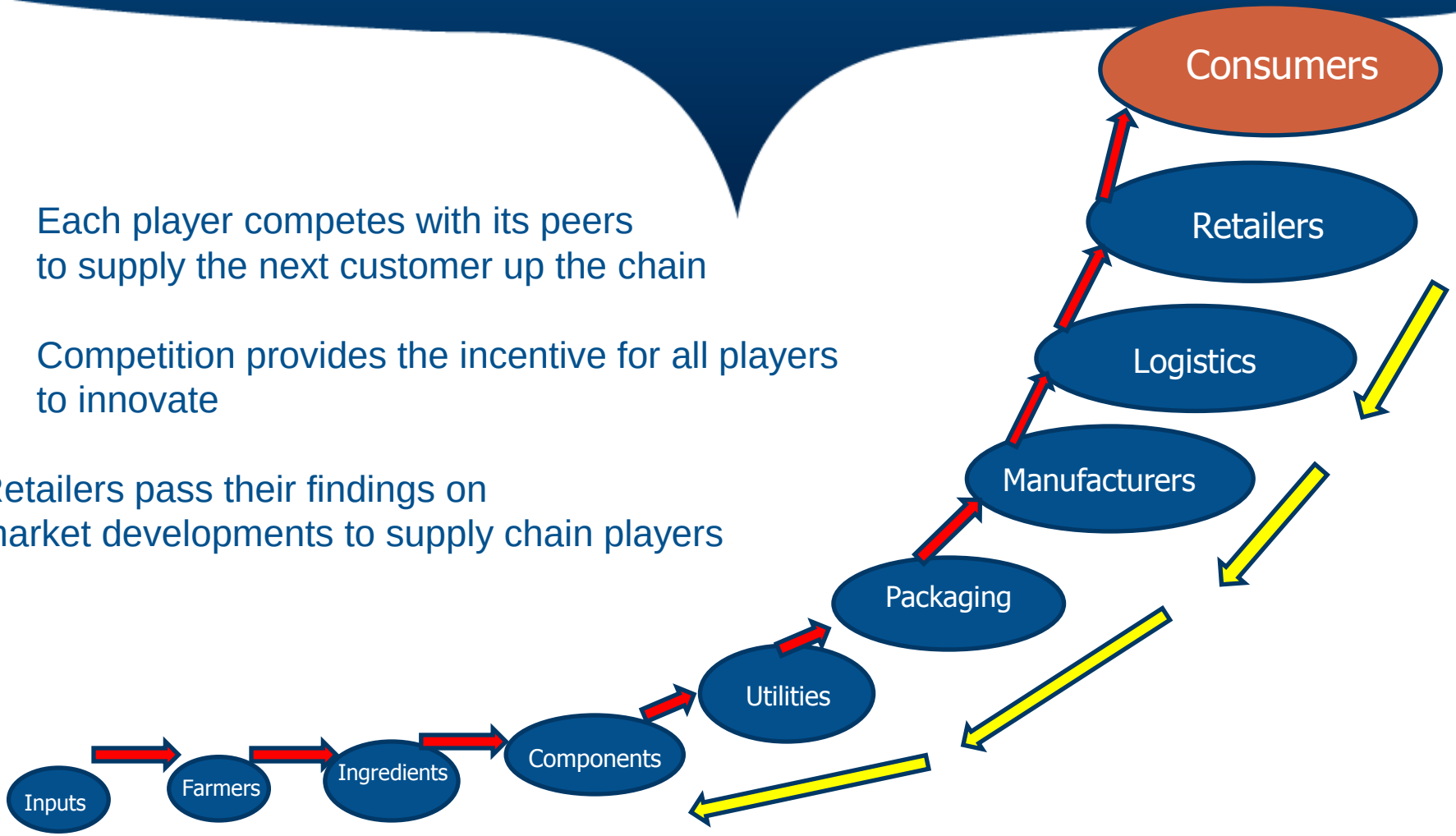
- The food supply chain
- Competition in food retail
- The role of price
- Market structures
- Role for Government

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The food supply chain is consumer-driven

- Each player competes with its peers to supply the next customer up the chain
- Competition provides the incentive for all players to innovate

Retailers pass their findings on market developments to supply chain players

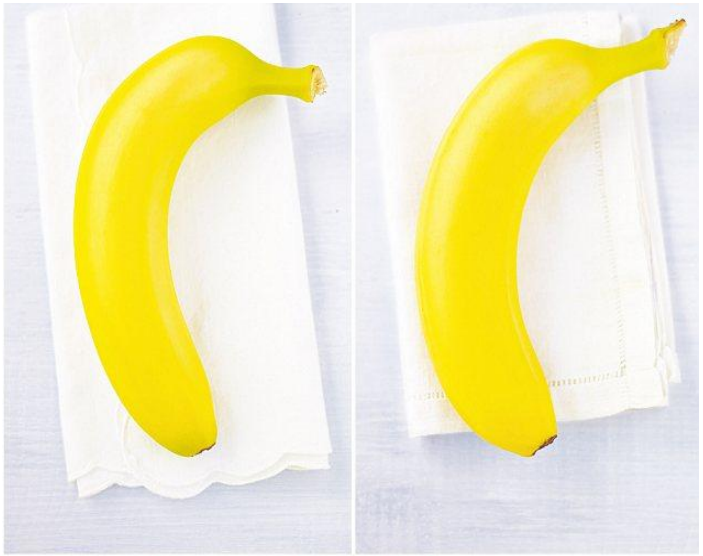


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The food supply chain

- The food supply chain is consumer driven like few other markets
- Retailers are at the pulse of market developments – changing demand, trends, preferences

Competition in food retail is fierce



Same price, different values.

Now that most of the big supermarkets claim to be matching prices, you might be forgiven for thinking there's no real difference between them.

But take the two loose bananas above. One's from Sainsbury's. It's Fairtrade – which means a fair deal for the producers, irrespective of market forces.

The other's from Tesco. It isn't.

They cost exactly the same. But that's where the similarity ends.

Live Well For Less Sainsbury's



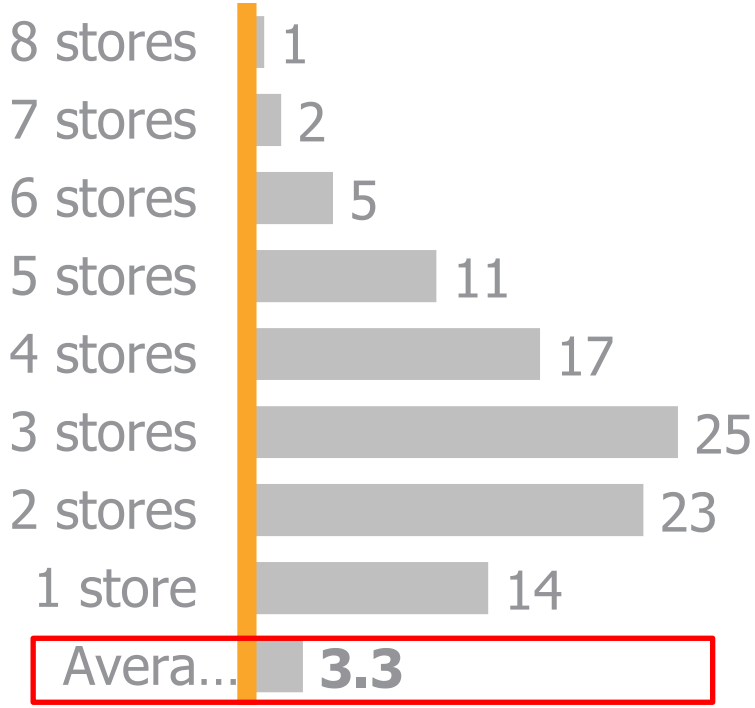


LIDL POSTER OUTSIDE TESCO

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Consumers shop around all the time

EU: Number of different grocery retailers visited per month



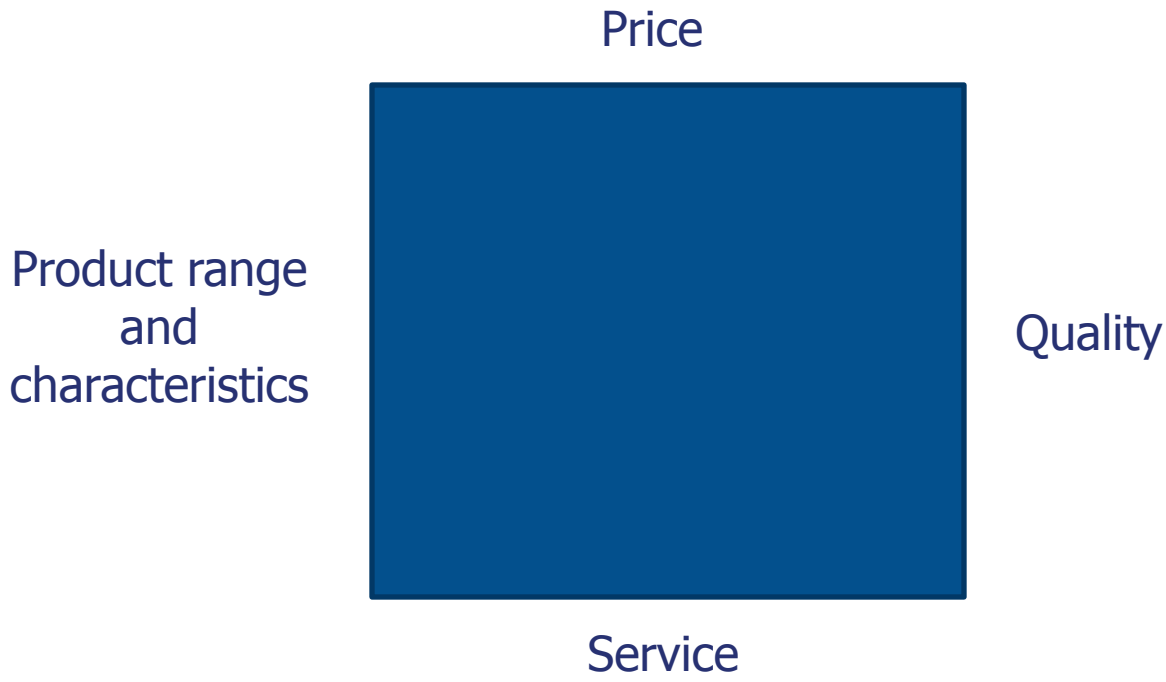
Source: *Source AC Nielsen EU Shopper trends 2013*

Store choice determinants

- Product choice
- Availability
- Price
- Quality
- Provenance
- Store atmosphere
- Promotions
- Queues, congestion
- Staff service
- Location
- Cleanliness
- Reputation
- Social responsibility
- …

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Customers' expectations keep changing



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A retailer can easily lose customers

- Compare a retailer's customer relationship and the customer relationship of…

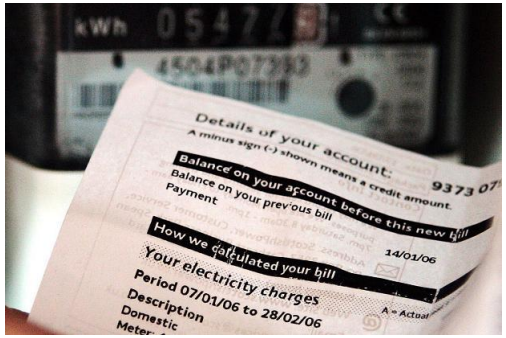


















Competition in food retail

- Competition in food retail is fierce
- Consumers shop around
- Customer expectations constantly change
- A retailer can easily lose customers

Consumer demand is at the heart of any successful retail operation.

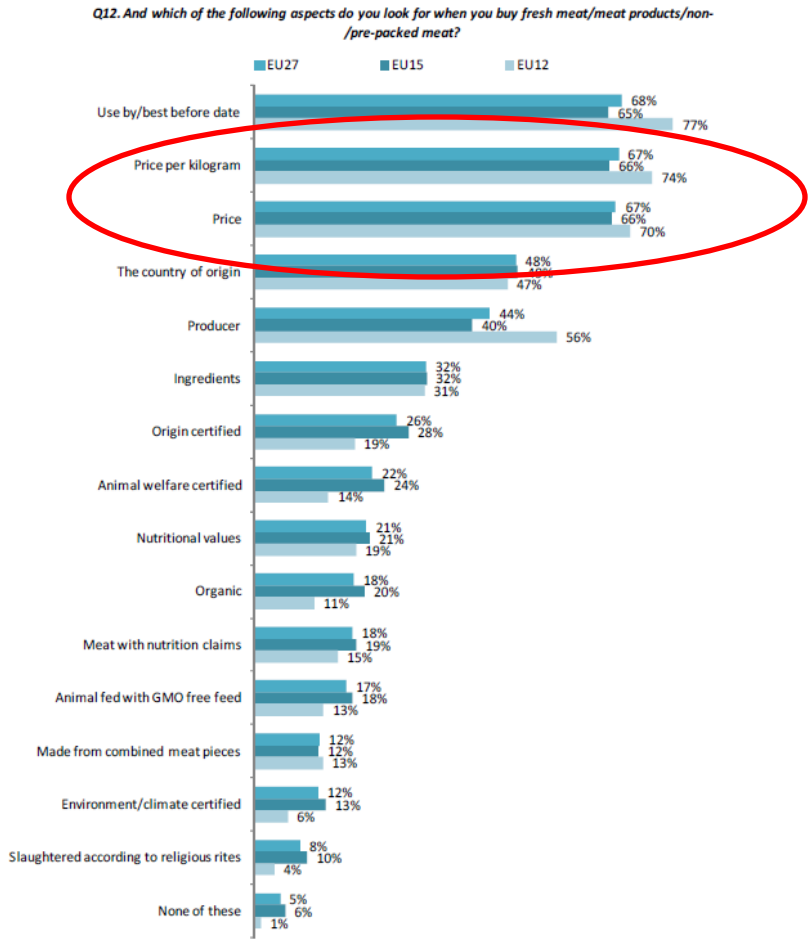
The role of price

- Customers have very different expectations towards retailers, but…
- …price and quality are by far the most important consumer criteria in food.

Food prices are a key consumer concern

EU Consumer Market Study on the functioning of the meat market for consumers

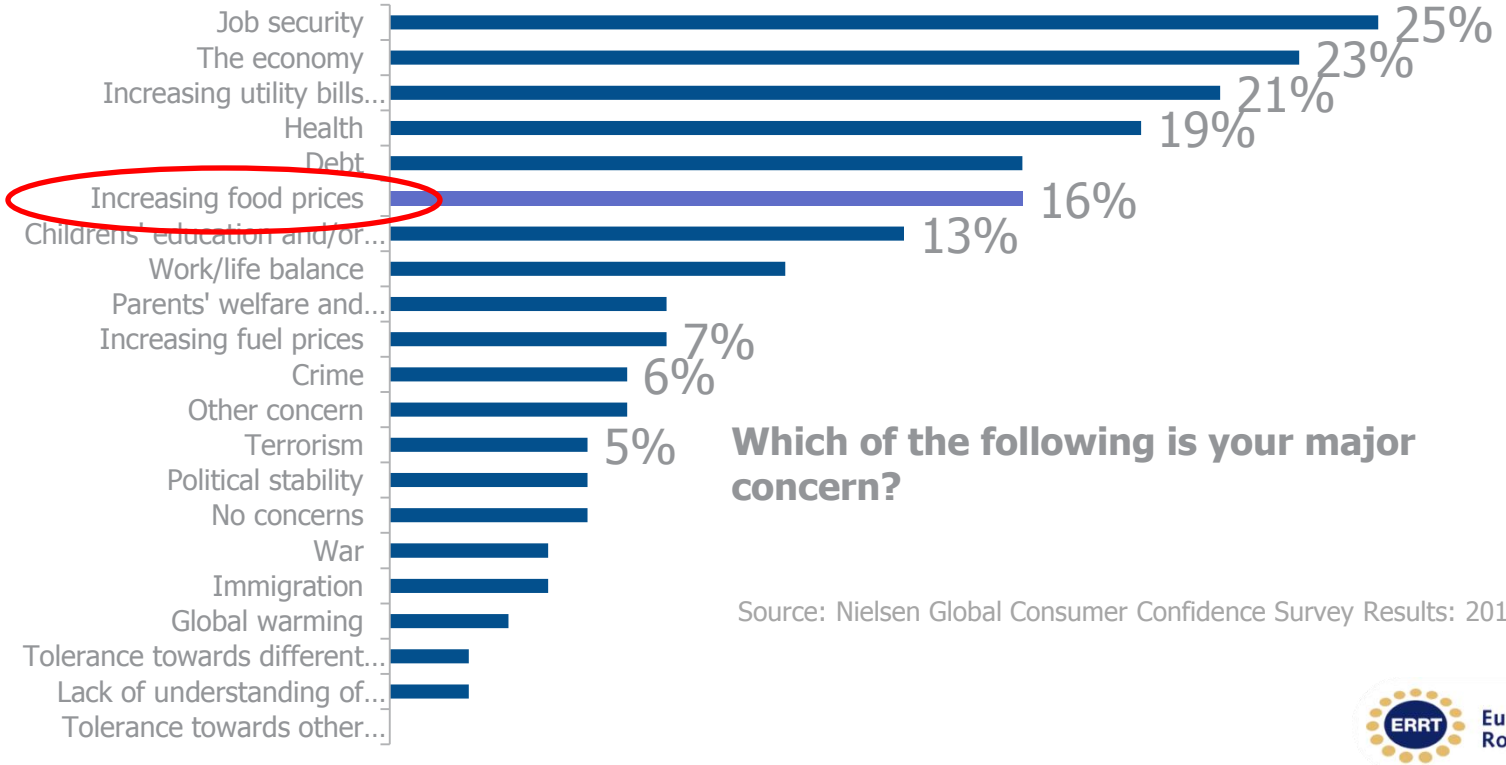
December 2012



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Food prices are a key consumer concern

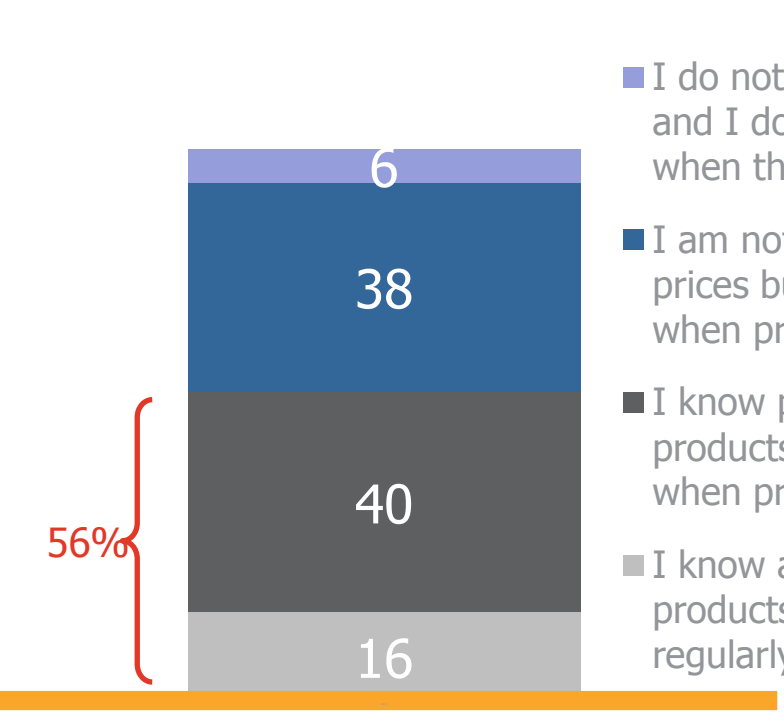
- Food prices are a key consumer concern…



Source: Nielsen Global Consumer Confidence Survey Results: 2013

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Consumers are price sensitive...



Thousands of products

Millions of customers

Everybody knows the price of something

Every product is special to someone

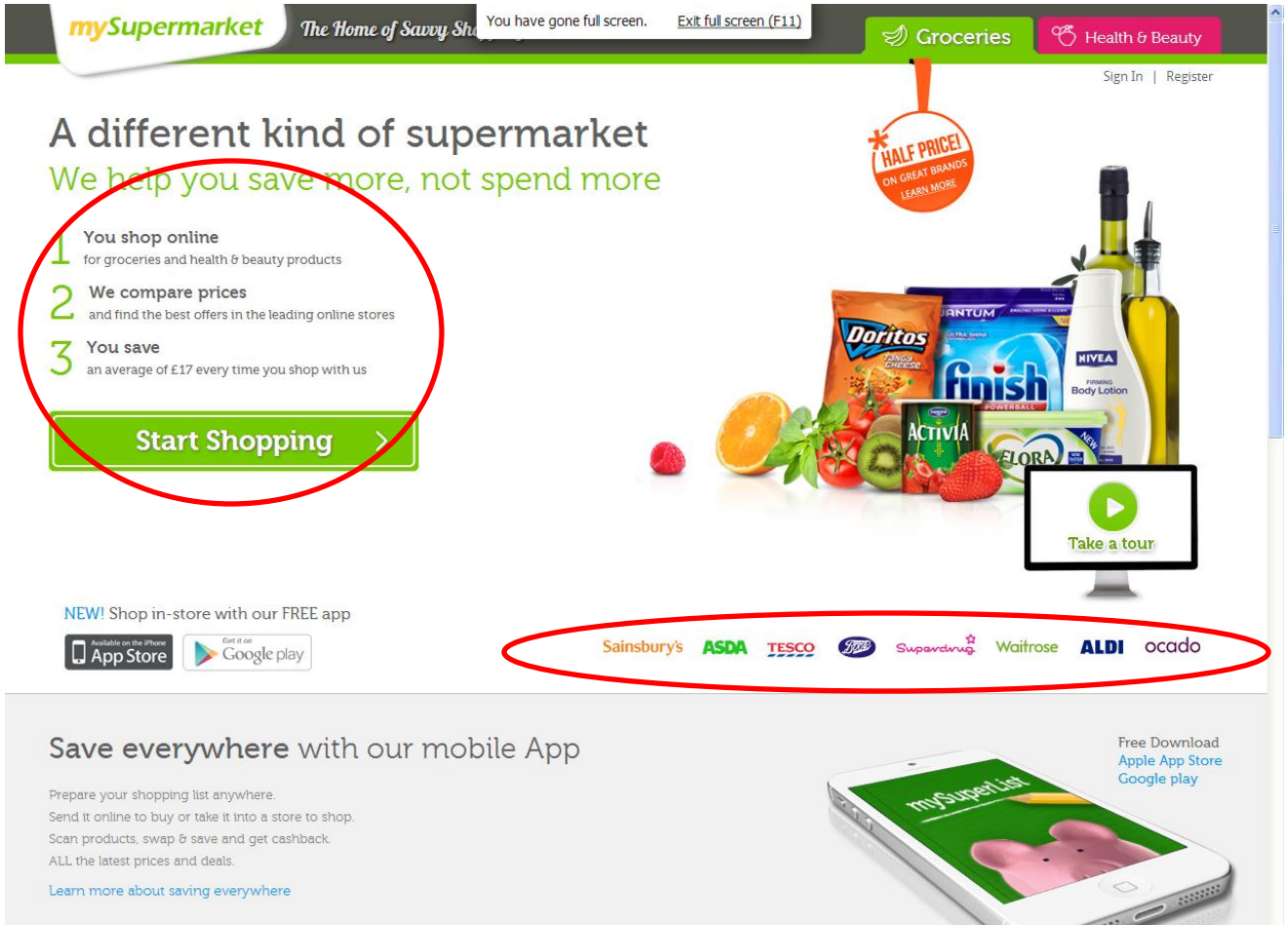
Source: Nielsen Global Consumer Confidence Survey Results: 2013

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(…and not only in food)



The Internet reinforces price competition

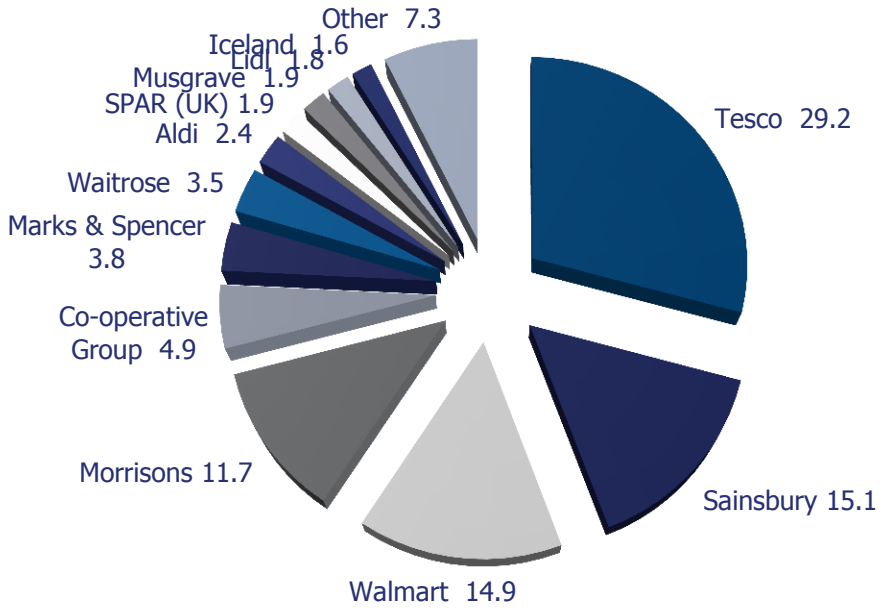


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The role of price

- Customers have very different expectations towards retailers, but…
- …price and quality are by far the most important consumer criteria in food
- EU consumers are price sensitive
- The internet further reinforces price competition

Food retail – a market like all others?



Example: UK Grocery Market shares, 2012

Source: IGD, 2013

Retail market structures differ between categories

- In many categories, retailers face powerful brands with few competing brands

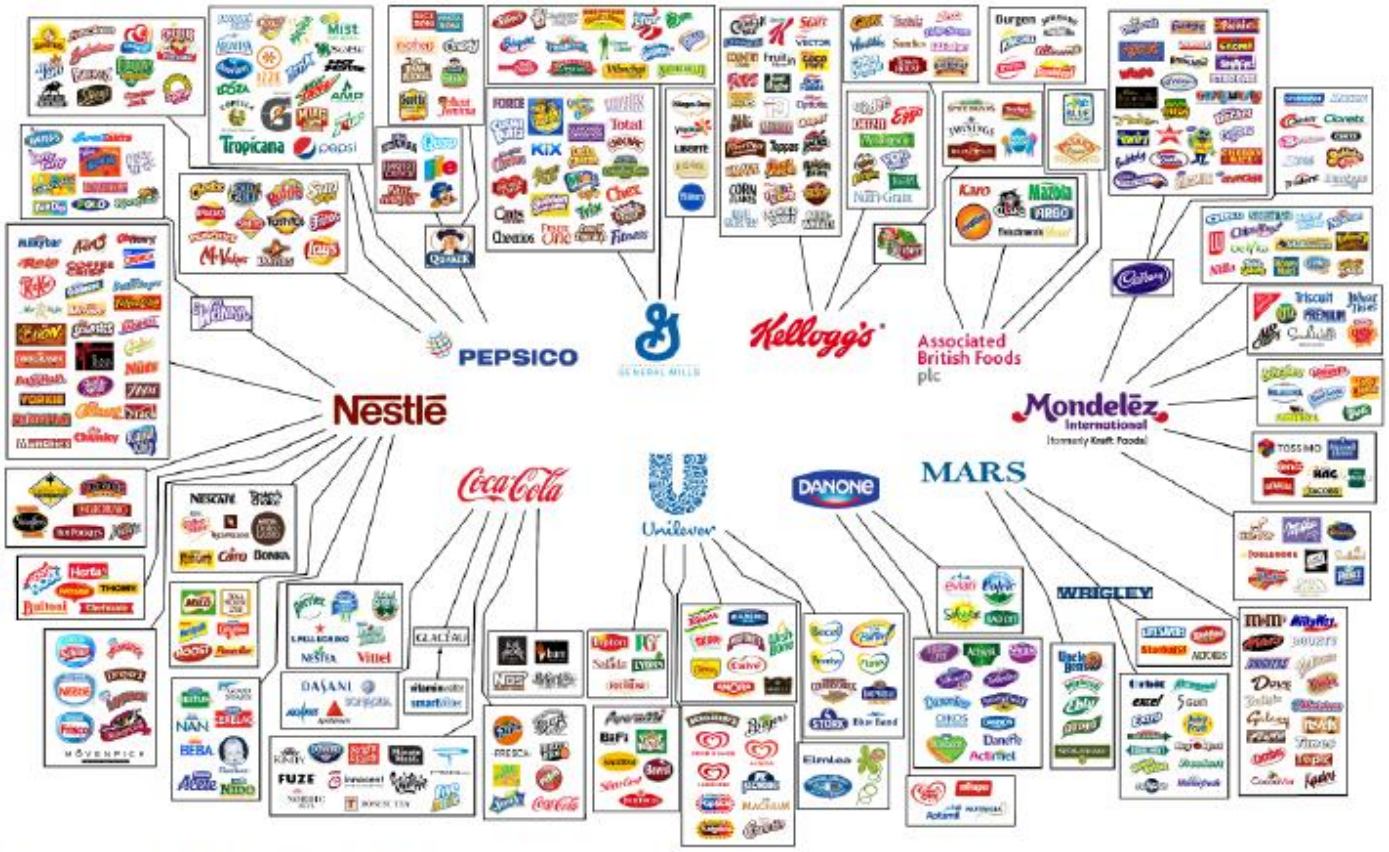








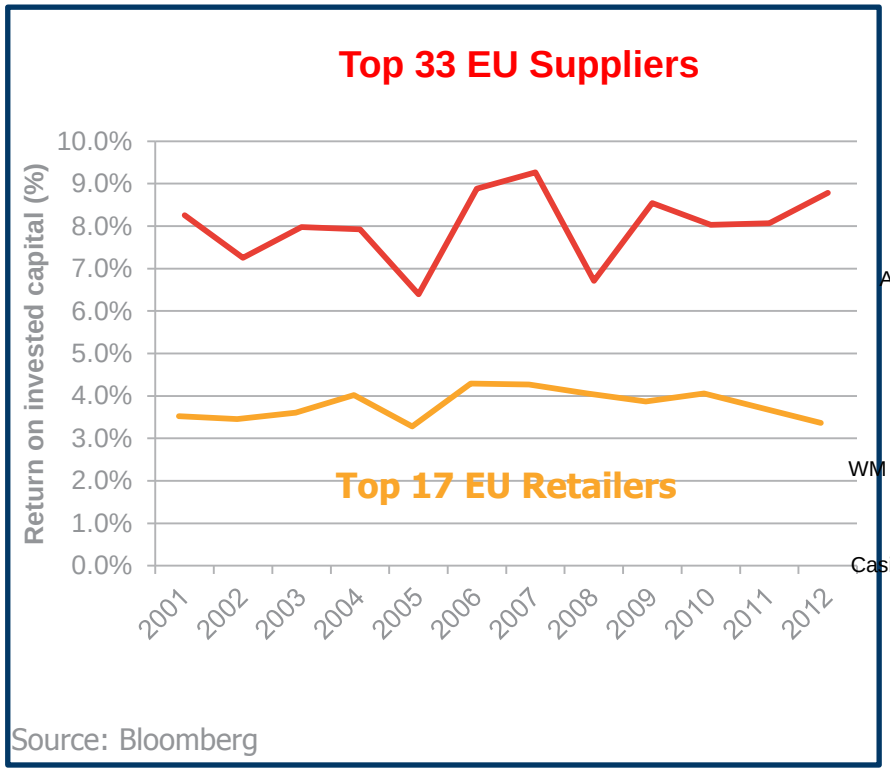
Many brands are owned by a few manufacturers

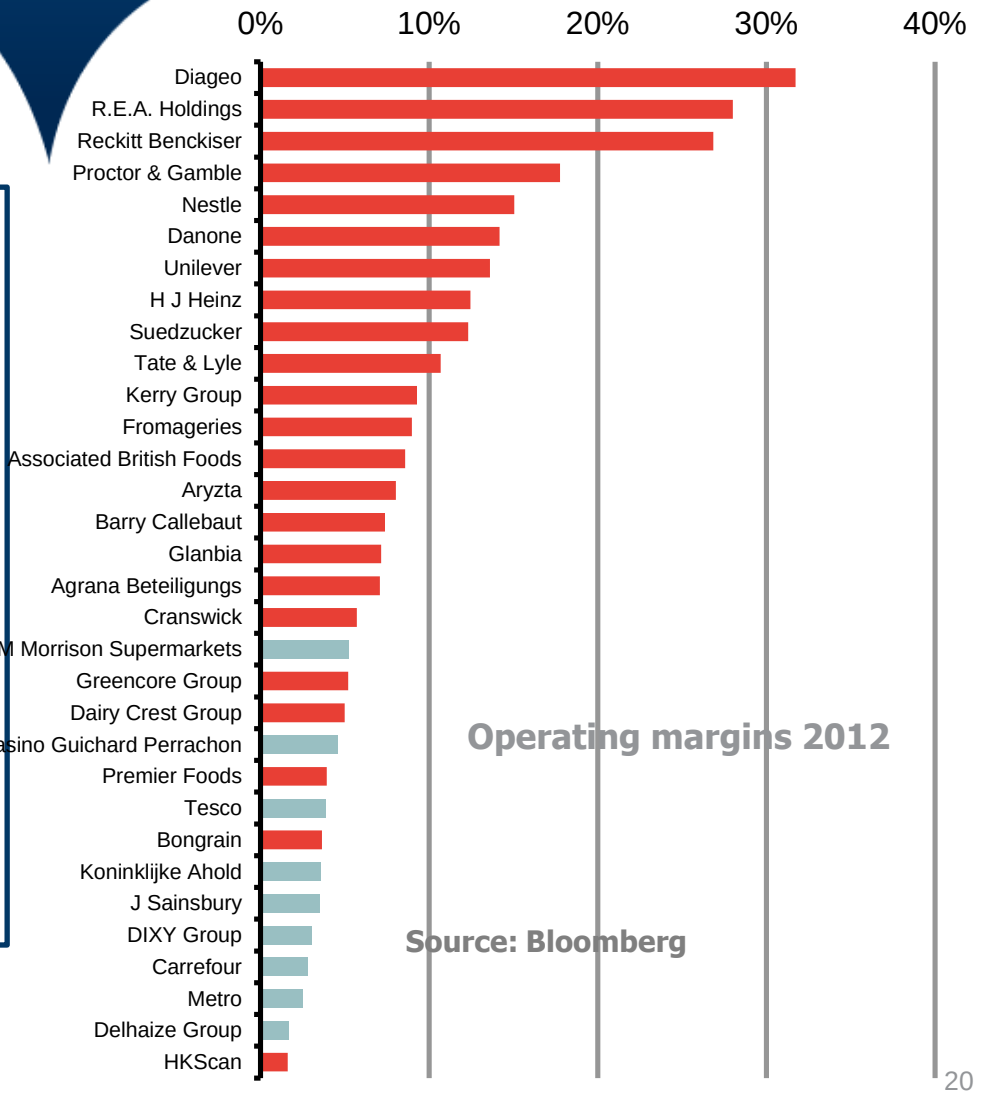


Source: Joki Gauthier for Oxfam 2012. For more information on this figure, and to see it online, visit http://www.behindthebrands.org

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Competition tends to lead to low operating margins





Market structures

- Food retail looks like a concentrated market…
- …but market structures differ depending on category.
- In many categories, retailers face fewer suppliers than they have retail competitors.

Role for Government

- There is no market failure
- The consumer interest must be put first
- Governments must resist lobbying
- Ensure objective, comprehensive and unbiased analysis
- Engage in constructive dialogue
- Be clear about any concerns – and give a consistent message

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