

Colin Smith
Chief Executive
Scottish Wholesale Association
30 McDonald Place
Edinburgh
EH7 4NH

From: Sheila Scobie
Director, UK Nations and
Director for Scotland

Direct line: 0131 515 2224

By email: colin@scottishwholesale.co.uk

16 June 2020

Dear Mr Smith

COVID-19 Pricing and stock allocation issues

Thank you very much for letting us know about your concerns regarding the difficulties some of your members have in obtaining stock from a number of suppliers, for meeting with colleagues on 12 May to discuss the matter, and sending us the results of your subsequent member survey conducted to identify further evidence.

Before addressing your concerns, we would like to acknowledge the role that many of your members are playing in the COVID-19 crisis. Wholesalers provide a valuable service for independent retailers and subsequently consumers during this crisis, including helping those vulnerable consumers that live in remote areas and rely on local independent retailers. Many of your members are remaining open to provide these services and leaving themselves at risk of infection to do so.

Turning now to your concerns, you have expressed concerns that suppliers have during the pandemic implemented policies that have prevented supplies from reaching wholesalers, in particular smaller independent wholesalers. Our understanding is that you believe this conduct ranges from outright refusal to provide supply, to allocating supply based on pre-pandemic orders (which may be unrepresentative of current demand), to requiring minimum order sizes beyond that suitable for your members. You have also expressed concerns about a refusal to increase credit lines.

We understand that for wholesalers and independent retailers being able to provide an important service to the public depends on being able to obtain the necessary stock, as does the viability of your members' businesses. As we set out in our Covid-19 guidance on 25 March, where suppliers find that they need to ensure supplies of essential goods, such as to mitigate potential shortages, this should not be used as cover to exclude smaller rivals. We understand the potential for supermarkets and suppliers to collude at

the expense of smaller competitors, or even for stores to leverage their position against suppliers.

However, based on the information you have been able to provide to date, including the member survey results, we do not consider that this is an issue for the CMA to prioritise for further investigation at this time. We note the comments from suppliers that you relayed suggesting legitimate supply chain issues may have been at play behind the decisions they took. Without more concrete evidence that suppliers and stores may be acting anti-competitively, we do not feel it is sufficiently clear that the CMA would be able to pursue a successful CA98 case, and we have to weigh that risk when deciding what work to prioritise. We are also aware that the issues seem to be easing as time goes on as supply chain disruptions lessen.

If substantive evidence comes to light, or it appears that supply issues begin worsening again, please do get in touch and we can reconsider whether there is scope for the CMA to take any action at that time.

Thank you once again for taking the time to get in touch with us as well as for the continued assistance you have provided in getting our messages on price gouging out to the sector.

Yours sincerely

A handwritten signature in blue ink that reads "Sheila Scobie". The signature is written in a cursive style.

Sheila Scobie
Director, UK Nations and Director for Scotland
Sheila.Scobie@cma.gov.uk