

Suppliers still unhappy with Tesco's deals, says watchdog

Annual survey of supermarkets places discounter Aldi at the top

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Tesco is the worst performing of the big four supermarkets when it comes to treating its suppliers fairly and within industry guidelines, according to the regulator.

The Groceries Code Adjudicator (GCA) found that 30 per cent of suppliers to the supermarket believe it rarely complied with watchdog's code of practice, with 4 per cent saying it never followed the rules.

Its discount rival Aldi, however, which has been winning customers from all of its bigger traditional competitors, came off best with 94 per cent of suppliers saying it consistently or mostly complied with the code. Iceland performed poorly, with 5 per cent saying the firm never followed the code, and 30 per cent saying it rarely did. Morrisons and The Co-op were joint third worst.

The results from the annual survey, which involved 1,141 suppliers, will be a blow to Tesco chief executive Dave Lewis, who is attempting to rebuild the supermarket's battered reputation.

An accounting scandal, in which buyers booked more than £300m in profits before they had been banked over at least three years, is now the

subject of Serious Fraud Office,

Financial Reporting Council and GCA investigations. Mr Lewis has been simplifying Tesco's supplier relationships, cutting back the number of different fees and deals that can be struck from 24 to three for supplier-funded promotions and fines for late deliveries.

Christine Tacon, the adjudicator, said the investigation into Tesco is unlikely to be completed until the autumn. The supermarket said the survey was only a snapshot of its suppliers' views, given that it works with 3,000 across the UK. Bosses added that it also showed progress from last year, when 6 per cent of those taking part said the retailer never complied with the code and 35 per cent said it rarely did.

A spokesman said: "Suppliers are at the heart of our business and we've been working collaboratively with them to change the way in which we work.

"Since 2013, we have taken action to strengthen our compliance processes and have established a dedicated supplier helpline in the UK."

The GCA is hoping that by shining a light on some of the practices used by supermarkets and suppliers that it will improve relationships.

Ms Tacon's power was strengthened earlier this year when the Government gave

her the power to impose fines of up to 1 per cent of a supermarket's UK revenues for serious breaches of the code.

The top five issues raised by suppliers were delays in payments, changes in contract terms, unjustified charges for consumer complaints about a product, demands for contributions to marketing costs and a lack of compensation when a retailer made errors in forecasting the amount of product it required.

Iceland declined to comment on the survey yesterday while Morrisons said it did not believe the survey's results reflected "the generally positive nature of our relationships with suppliers". Co-op said it was working hard to "provide continuous improvements in our dealings with suppliers".



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