

Groceries Code Adjudicator Christine Tacon on Managing Supplier Relationships

CEB Procurement Leadership Council

In theory it works like this: Procurement's healthy relationships with its strategic suppliers allow the function to ask for—and obtain—competitive prices *and* secure preferential treatment in the form of new ideas, top-level service, or access to scarce resources.

Unfortunately, the reality is often quite different. Take UK grocery stores and their suppliers, for example. Seventy-nine percent of suppliers have experienced at least one breach of the [Groceries Code Supply of Practice](#), according to [a survey commissioned by the Groceries Code Adjudicator](#). That office oversees and investigates compliance with this set of guidelines on the relationships between the country's 10 major supermarkets and their direct suppliers, and it may now have the power to [fine retailers up to 1% of their turnover](#) under recently proposed guidance.

Current points of contention range from the infamous "[pay and stay](#)" agreements to any requirements for the supplier to contribute to marketing costs. And things may not improve anytime soon: only 23% of suppliers said they had ever raised an issue about compliance with the Code to a buyer, with 58% of respondents citing a fear of retribution.

So what can you do to make sure you don't alienate your critical suppliers and get the best deals and service from them? That's what we asked a top supplier advocate—the very person responsible for enforcing the Code. [Christine Tacon](#), who became the first [Groceries Code Adjudicator](#) in June 2013, spent 11 years managing a major cooperative's farming business and worked in Sales and Marketing for Mars Inc., Vodafone Group plc, and the company now known as Fonterra Group.



Groceries Code Adjudicator Christine Tacon

Her main advice? Don't bully your suppliers into submission, be clear—and consistent—about what you want from them, and always look for mutually beneficial agreements.

Don't Be a Bully

Why are the relationships between retailers and suppliers so fraught?

When you've got very big powerful organizations, you have the ability for them to—not to call it bullying—but push around their suppliers. And more and more these retailers are just massive to the suppliers: some of them might only supply to the retailers, so each one might have 60% or 40% of their business, a huge imbalance.

I come from the farming sector, and I'd speak to people who supplied the retailers. There were two expressions people used. They'd say, "If the retailer says jump, I would ask how high." Or, "If the retailer asked me for something, I'd say yes and put down the phone and panic and then work out how

to do it.” And that doesn’t make for efficient supply chains [...] When I was trying to push back I was told, “Other suppliers aren’t complaining.”

I think it was partly the imbalance of power, partly because suppliers got into the habit of doing whatever the retailer wanted, and then feeling that they couldn’t push back. I think it probably came to the retailers finding that if they asked these outrageous things, [...] sometimes they got them.

What can procurement teams do to encourage suppliers to speak up?

I think it starts in the first place with actually having a collaborative supply chain as opposed to thinking, “Once I’ve negotiated the price, I now need to think of lots of other ways to make some more money out of you.” To instead negotiate a price very, very hard, and then to say, “How do we make this job more efficient for both of us? How do we sell more? How do we do this more effectively?” and actually work *with* them—which won’t be necessarily reflected in this year’s pricing, but might be in the future.

At the moment, they’re too frightened. So you’ve somehow got to have a relationship with more trust, but certainly where people do push back and say, “What you just asked me to do is more expensive, but if you could tell me what you’re trying to achieve, I might be able to come up with a better solution.”

In the [case studies on your web site](#), you discuss the issue of requests and requirements, and how retailers might present something as a request, but suppliers would perceive it as a requirement. How can procurement teams look out for those perceptions?

I think it’s about being careful. You can always do whatever you want when you’re negotiating. You can ask for all of these things to be on the table. But then once you’ve done that, you shouldn’t then try doing anything else. And if things have started going wrong in the year and sales aren’t there, going back to the supplier and saying “We’re not hitting our sales targets. Do you have any ideas? Do you want to run any extra promotions?” You’ll find that many suppliers will actually be quite happy to do it, but they want to do it on their terms as opposed to being required to do things.

You know, their objective is to sell more as well! You’re actually both trying to achieve the same thing, but what I don’t think everybody’s got in the center of their thoughts is “We need to do this efficiently and effectively.”

Clear Up Expectations

It seems that some of these issues result from a lack of clarity on supplier agreements. Do you think Procurement needs to make a greater effort to be clearer with its suppliers?

Certainly try and get everything sorted in the original negotiation and get it all made really clear. I think one of the things we're talking about in the Code is that it should actually be a discussion as opposed to everything being imposed.

Forecasting is a really big thing. Some [...] discounters [...] will tell you six months in advance what they're going to need over Christmas and they will take exactly what they told you they want, whereas other retailers will change orders by 100% in 24 hours. And of course that costs a fortune to the supplier.

Think Win-Win

From what you've heard from suppliers, what do they want most out of their relationships with these retailers?

In our survey, I said, "What do you want me to be measured by? How do you want to measure whether my office has been successful? Is it number of investigations? Amount of fines?" And they all just want a more collaborative supply chain.

How do you think procurement teams can find the best balance between collaborating with their suppliers and doing what's best for their own business?

I think they should always do what's best for their own business. But if they collaborate with the suppliers, they might find that there's a much more effective way of doing it. So if you think "I'm big, I can ask you to do anything, I can ask you to jump and the person at the other end is always saying 'how high,'" then that's not going to be best. If you said, "I actually want to reduce my cost price by 10%," and the other person said, "If you stop giving me so many new product designs to do in a year, that would save me nearly £1 million on packaging, that would allow me to reduce my product by 10%, so can we agree we'll do five new products a year, and maybe we'll do some research first so we only launch the ones that work." Procurement is still doing the right thing for their business, but they're

actually treating the suppliers as people with ideas too and [...] saying “this is what I’m trying to achieve—give me some ideas.”

What can Procurement do to get those great ideas from suppliers?

If you invite ideas, and you say “I’m trying to achieve such-and-such—what ideas have you got?,” you’ll probably get masses back. But if you say “I’ve decided we’re going to put all of these things into triangular boxes,” you don’t really give them a chance to say, “Actually, round would be a lot more efficient, or square would be.” It’s about saying, “How can we make these things look bigger on the shelf?” if that’s what the challenge is, as opposed to the buyer thinking they’ve got the answer.

More on managing supplier relationships:

- Take our [Voice of Supplier Diagnostic](#) to find out where you stand with your most critical suppliers and learn how to become a customer of choice.
- Visit our website for resources on [improving supplier performance](#), [becoming a better customer](#), and [collaborating with selected suppliers](#).
- Review our research on [partnering with suppliers to become a customer of choice](#).

This interview has been edited and condensed for clarity.