

## GROCERY RETAIL MARKET INQUIRY

**Our Reference: Ms Sunel Grimbeek / Ms Nyadzani Mabasa**

03 October 2017

**TO: ALL STAKEHOLDERS**

### **NOTICE: PUBLIC HEARINGS FOR THE GROCERY RETAIL MARKET INQUIRY**

1. The Panel of the Grocery Retail Market Inquiry notifies all stakeholders of the public hearings which are planned for the period 30 October 2017 to 06 November 2017.
2. The Panel has reviewed the information gathered to date and has determined a need to hold the public hearings targeted at large grocery retailers, financiers and property developers.
3. The subject matters that will be covered during the public hearings will be limited to<sup>1</sup>:
  - a. **Objective 2**: the impact of long term exclusive lease agreements entered into between property developers and national supermarket chains, and the role of financiers in these agreements on competition in the grocery retail sector ; and
  - b. **Objective 5**: the impact of buyer groups on small and independent retailers in townships, peri-urban areas, rural areas and the informal economy.
4. The formal hearing notices required by paragraph 22.7 of the *Guidelines for Participation*, dated 15 July 2016, will be published in due course. Where practicable, pre-hearing consultations will be held with participants as contemplated in paragraph 25 of the *Guidelines for Participation*.

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<sup>1</sup> See Appendix 2 attached to this Notice

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5. Should you require further clarity regarding the matter, please do not hesitate to contact the Inquiry Director at [Retail@compcom.co.za](mailto:Retail@compcom.co.za).

Yours faithfully

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**Ms Sunel Grimbeek**

**Inquiry Director**

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**Appendix 1**

**Grocery Retail Market Inquiry (“GRMI”) Public Hearing Schedule**

<b>Date</b>	<b>Province</b>	<b>City</b>
30 October 2017 -06 November 2017	Gauteng	Pretoria
<b>ADDITIONAL HEARINGS MAY BE HELD IF NECESSARY.</b>		

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**Appendix 2**

**Grocery Retail Market Inquiry (GRMI) Public Hearing Subject Matter**

The Panel of the Grocery Retail Market Inquiry invites Grocery Retailers, Financiers and Property Developers to make submissions on the subject matters listed below to be presented to the Panel at the public hearings which are planned for the period 30 October 2017 to 06 November 2017.

<b>Sequence and title</b>	<b>SUBJECT MATTER TO BE PROBED</b>	<b>PUBLIC HEARINGS</b>
Introduction	<p>The GRMI will explain its role, work it has undertaken so far, and the areas that need to be probed further after consideration of stakeholder submissions, engagements and research undertaken by the inquiry.</p> <p>The GRMI would like to hear from, grocery retailers (e.g. national supermarket chains), financial institutions, and property developers on the subject matters to be probed during the public hearings.</p>	<p><b>Gauteng, Pretoria</b></p> <p>30 October – 06 November 2017</p>
Objective 2	<p><b>The impact of long term exclusive lease agreements entered into between property developers and national supermarket chains, and the role of financiers in these agreements on competition in the grocery retail sector</b></p> <p>The Panel seeks submissions regarding the following:</p> <ul style="list-style-type: none"> <li>• The prevalence and duration of exclusive lease agreements entered into between property developers or landlords and national supermarket chains in South Africa, by also seeking to understand the role of financiers in these agreements on competition in the grocery retail sector, as contemplated by the provisions of section 2(g) of the Act;</li> <li>• The extent to which long term exclusive lease agreements entered into between property developers and national supermarket chains have excluded small businesses and larger</li> </ul>	

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competitors or potential competitors from entering malls, and from competing effectively on the basis that they do not have access to suitable retail space, as contemplated by the provisions of sections 2(e) and 2 (g) of the Act;

- The extent to which the use of exclusive lease agreements have increased barriers to enter into, and contributed to the high level of concentration in the sector, as contemplated by the provisions of section 2(f) of the Act; and
- The extent to which long term exclusive lease agreements entered into between property developers and national supermarket chains have benefited or harmed consumers and led to increased or decreased efficiencies, as contemplated by the provisions of sections 2(a) and 2(b) of the Act.

In addition to the above, the Panel welcomes the following submissions:

- Justifications for the exclusive lease agreements entered into between property developers or landlords and national supermarket chains, including justifications for the duration of the exclusive lease agreements;
- Instances where exclusive lease agreements were waived and a competing retailer was allowed to trade in a shopping centre or mall;
- Instances where exclusive lease agreements were not waived and where a competing retailer was not allowed to trade in a shopping centre or mall; and
- Instances where small businesses have been excluded from trading in shopping centres and malls due to exclusive lease agreements.

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<b>Objective 5</b>	<p><b>The impact of the buyer power of buyer groups and other large purchasers of Fast Moving Consumer Goods (“FMCG”) products on small and independent retailers in townships, peri-urban areas, rural areas and the informal economy</b></p> <p><i>The impact of buyer groups on small and independent retailers in townships, peri-urban areas, rural areas and the informal economy</i></p> <p>The Panel seeks submissions regarding the following:</p> <ul style="list-style-type: none"><li>• The efficiencies arising from the impact of buyer groups in the sector, and the extent to which these are passed onto consumers, as contemplated by the provisions of section 2(a) of the Act;</li><li>• The positive and negative effects of buyer groups on the ability of small and medium sized retailers to effectively compete in the sector, by either reducing or increasing the barriers faced by them to enter into and expand in the grocery retail sector, as contemplated by the provisions of section 2(e) and (f) of the Act;</li><li>• The positive and negative effects of buyer groups on consumer prices and product choices, in line with the provisions of section 2(b) of the Act; and</li><li>• The positive and negative effects of buyer groups on employment, in line with section 2(c) of the Act.</li></ul> <p><i>The impact of the buyer power of other large purchasers of FMCG products on small and independent retailers in townships, peri-urban areas, rural areas and the informal economy</i></p> <p>The Panel seeks submissions regarding the following:</p> <ul style="list-style-type: none"><li>• The various discounts and rebates granted to retailers by suppliers of FMCG products;</li></ul>	
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	<ul style="list-style-type: none"><li>• The extent to which retailers are charged differential prices by suppliers of FMCG products, and the reasons therefore;</li><li>• The extent to which suppliers of FMCG products are paid differential prices by retailers, and the reasons therefore;</li><li>• The efficiencies arising from the impact of the buyer power of large purchasers of FMCG products, and the extent to which these are passed onto consumers, as contemplated by the provisions of section 2(a) of the Act;</li><li>• The effects of the buyer power of large purchasers of FMCG products on the ability of small and medium sized as well as independent retailers and their buyer groups to effectively compete in the sector, and the extent to which this leads to increased barriers faced by these retailers to enter into and expand in the grocery retail sector, as contemplated by the provisions of section 2(e) and (f) of the Act;</li><li>• The positive and negative effects of buyer power of large purchasers of FMCG products on consumer prices and product choices, in line with the provisions of section 2(b) of the Act; and</li><li>• The positive and negative effects of buyer power of large purchasers of FMCG products on employment, in line with section 2(c) of the Act.</li></ul>	
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