



# Läti jaekaubanduse eriseaduse esialgsed mõjud

28th of October 2016, Koostöö konverents\*: Ausad ärisuhted toidu tarneahelas – müüt või tegelikkus?

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IEGULDĪJUMS TAVĀ NĀKOTNĒ





## About ECR Baltic

**ECR Baltic is an Efficient Consumer Response Initiative in Estonia, Latvia and Lithuania. ECR Baltic is a collaborative retailer-manufacturer platform with a mission “to fulfill consumer wishes better, faster and at less cost in a more sustainable way”.**

**It is a non-profit organization which aims to help retailers and manufacturers in the FMCG sector to drive supply chain efficiencies and deliver business growth and consumer value.**

**ECR Baltic is a member of ECR Community.**



# About the law of prohibition of unfair B2B retail trading practices in Latvia.

**In force from:** 1st of January 2016, Latvia

**Targets:**

- Every food/grocery retailer
- Every non food retailer with significant market share in respective non food product category.

**Replaces:** Current retail regulation from competition law described in point 13. 2nd part.

*Links:*

- *The law* <https://www.vestnesis.lv/op/2015/107.1>
- *The Competition Law Authority implementation guidelines:* <http://ej.uz/kpvadl>



## Who the aim of the law and general clause:

**The aim:** equalize suppliers and retailers power (interests) in retail by limiting the misuse of retailers purchasing power against the suppliers.

**General clause:** forbidden any retailer activities which are not in line with good trading practices, activities which transfer part of retailer's commercial risk to supplier, impose extra liabilities or limits the supplier's freedom to trade in the respective market.



# Prohibited trading practices for both grocery and non food retail:

Fees for signing the contract with supplier

Listing fees/fees for regular shelf space.

Retailer's costs compensation  
*(new store opening)*

Return of goods with exemptions

Unreasonable penalties



# Prohibited trading practices for grocery/food retail:

Compensation of non achieved profit targets

Purchasing 3rd party services and products

The lowest price guarantee from supplier

Change of ordered goods specifications (assortment).

Fees for retailer sales promotion activities.

Compensation of retailer's costs.

Unjustified payments / discounts.

Other prohibited practices (rejecting to accept the delivered goods, changes in orders).



## Some practical hot spots:

- All discounts reduced to volume and promo discounts
- What are the allowed promo term (days), sale promo items and regular items?
- SME retailers minimum order unit v. return of goods?
- Return of non food, promotional, seasonal items?
- More paperwork to keep track of each return of goods case (responsibility of retailer)
- What is special location, the space near POS is considered a regular shelf!



# Unnecessary long payment terms

**In grocery/food and non food retail: prohibited unfair and unnecessary long payment terms**

**Only grocery/food retail:**

**< 20 calendar days from delivery date for FF&V if deliveries at least 3 times per week**

**<30 calendar days from delivery date for fast moving food products with use before term <25 calendar days.**





## Fines:

- 0.2% from the net turnover of the last available annual report
- Targets: retailer or retailers union (cooperatives)
- Transition period:
  - 01.01.2017
  - Breach of the law conducted for the 1st time
  - Up to 0.05% from the net turnover of the last available annual report

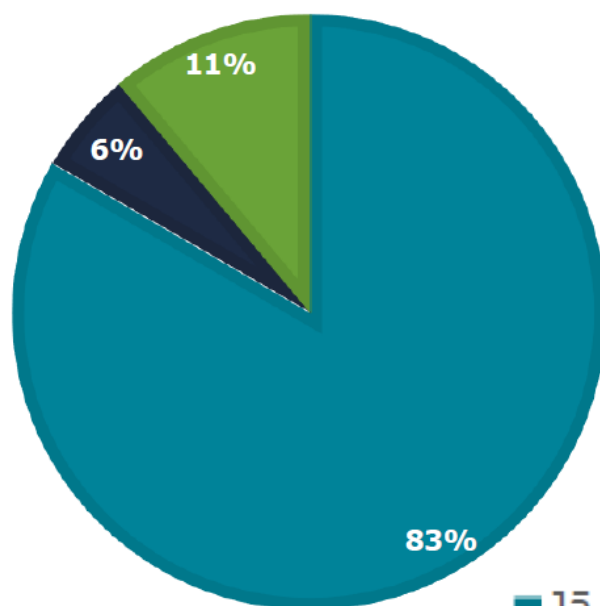


## The first feed backs from the law implementation.

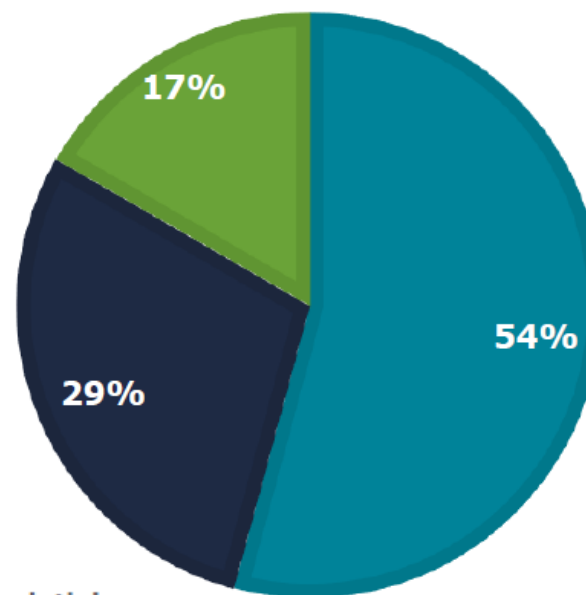
- According to Competition law authority consulted 400+ companies on agreement terms.
- Conducted questionnaire (18 key retailers and 24 suppliers responded). Questions:
  - Have you experienced difficulties related to the new regulation?
  - Which clauses caused the biggest problems?
  - How would you rate cooperation with suppliers/retailers after the law implementation?

## Difficulties related to the new regulation?

### RETAILERS :



### SUPPLIERS:



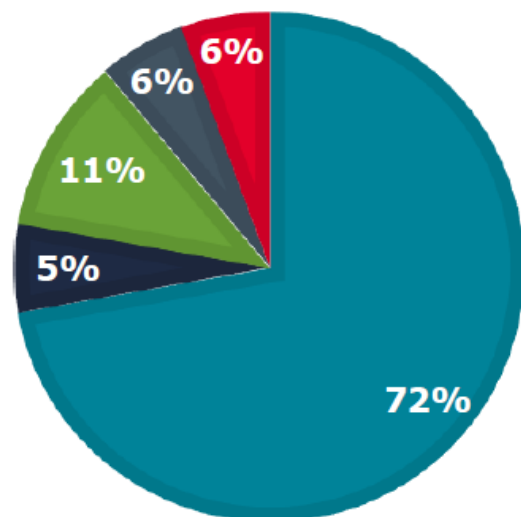
■ Jā   ■ Nē   ■ Nav atbildes  
Yes   No   No answer

Source: <http://kp.gov.lv/lv/aktualitates/575-jauna-negodigas-mazumtirdzniecibas-prakses-izlieguma-likuma-uzraudziba-atklaj-butiskakas-problemas>

# Which clauses implementation caused problems?

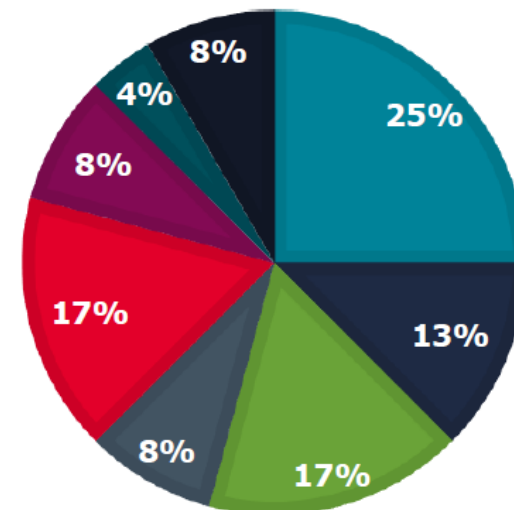
Problem clauses [%]:	R	S
Return of goods	72	25
Payment terms	6	13
Unjustified payments/discounts	11	17
Penalty fees	-	8
Listing/shelf space fees	6	17
Change in orders/specifications of goods	-	8
Fees for signing the contract with supplier	-	4
Compensation of unreachd profit targets and retailers costs	5	8

## RETAILERS [R]:



- Preču atpakaļ atdošana
- Negūtās peļņas kompensēšana
- Nepamatoti maksājumi
- Maksa par preču atrašanos mt vietā
- Norēķinu termiņi

## SUPPLIERS [S]:



- Preču atdošana atpakaļ
- Norēķinu termiņi
- Nepamatoti maksājumi
- Sankcijas
- Maksa par preču atrašanos mt vietā
- Preču specifikācijas/pasūtījumu maiņa
- Līgumu slēgšanas maksa
- Izmaksu, tostarp negūtās peļņas kompensēšana

# Impact on cooperation with suppliers/retailers after the law implementation?

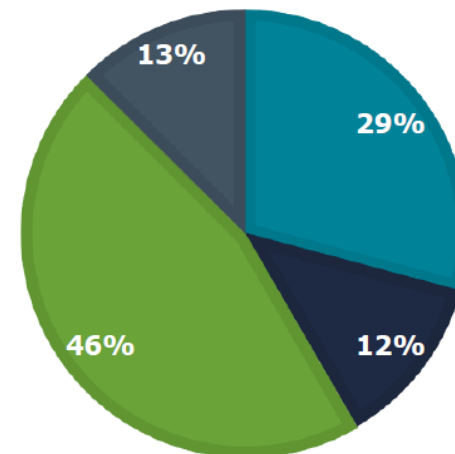
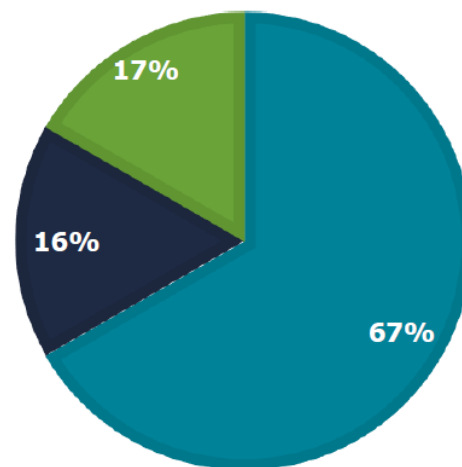
## RETAILERS [R]:

## SUPPLIERS [S]:

Impact retailers suppliers cooperation [%]	R	S
Went worse	67	29
Improved	-	12
No changes	16	46
No opinion	17	13

■ Pasliktinājusies 
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■ Pasliktinājusies 
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 ■ Nav mainījiesies 
 ■ Nav viedokļa





## Conclusions:

- Try self regulation first and then opt for special regulation: platform is already in place [www.supplychaininitiative.eu](http://www.supplychaininitiative.eu) (ask your Industry association and support it on top level);
- Estonian (all) suppliers can test the benefits from special regulation in Latvia;
- Retail de-regulation in Latvia is not foreseen in nearest future.
- Over regulation leads to huge creativity spent to cheat the law instead of concentrating on core businesses.



# Thank you!

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## Next events:

31.10.16. Dairy crates standardization initiative,  
Panevezys, LT

10.11.2016 FMCG Strategy, CM and  
Negotiations masterclass with Mark Taylor,  
Vilnius

[www.ecr-baltic.org](http://www.ecr-baltic.org)