CAN PUBLIC POLICY BE CHALLENGED BY SUPPLIER MANAGEMENT POLICIES? A POLICY CONUNDRUM FOR MARKET ECONOMIES

Guy Callender*

ABSTRACT. The historical relationship between government and procurement and the impact of procurment behaviour on public policy seems little discussed.. Many reviews of procurement place the antecedents of procurement in quite recent times. The reality is quite different. A significant level of evidence embeds the relationship between government and procurement policy and practices in ancient civilisation. Furthermore, since the Middle Ages, a number of governments have embarked on global trade in quite unexpected circumstances. In this paper, the author draws on new evidence to trace the history of procurement through the lens of public sector domination of new markets (in Asia and Africa in particular) by a number of European countries which sought to advance their colonial interests (and national wealth). The author then makes a complete shift to examine the way in which some private sector commercial interests have sought to doominate their markets, first by reducing competition and then, second, by dominating supplier markets. In this way, the author argues that the incidence of mergers and takeovers together with a range of opportunistic behaviours can be seen to subvert the impact of open competition. This paper examines the influence of procurement policy through both historical and contemporary lenses. It is a paper designed to provoke much wider thinking about the collective origins and influence of procurement policy and practices, the contrasts between the past and present public policy and some of the challenges faced by the intended beneficiaries of public policy.

* Curtin University, Perth, Australia

INTRODUCTION

When Walmart introduced sophisticated supplier management techniques to lower prices and maintain consistent quality, there was a flood of protests from suppliers claiming to be unable to meet the demands of a market dominant buyer. While the debate has declined as Walmart has cemented its position as the world's largest retailer some research has confirmed suppliers fears that their 'gross margins and return on assets decrease while their inventory and payables management improves' (Gosman and Kohlbeck, 2009, p 179).

In the grocery retail market, concentration of ownership has become an issue in a number of jurisdictions where, for example, four grocery supermarkets control 76 per cent of the UK market and where two grocery supermarkets control 71 per cent of the market in Australia (Dalley and Sheftalovich 2012). While the dynamic nature of the competitive market may have led to this concentration of ownership, it is the nature of the buyer – supplier relationship is the feature of this paper. By far the greatest complaint of suppliers is their lack of control over their traditional markets, a situation frequently mentioned in contemporary media reports (Dalley and Sheftalovich 2012; Gluyas 2012; Speedy, 2012).

It is clear that this is not a new topic, but its impact in these early years in the recovery from the Global Financial Crisis (GFC) probably leaves suppliers to supermarkets wondering when, if ever, their markets will return to normal. At the same time, if a limited number of major supermarkets increase their market share, they also increase their market influence. So what are the consequences for suppliers and what will be the potential future impact on supermarket customers? Retail supermarket trade now holds a significant place in most economies. It is partially subject to the vagaries of consumer sentiment. It also has a reputation for offering low prices and, therefore, is seemingly a lower profit sector of an economy. One of the ways of offsetting this profit structure can be achieved by increasing profits (a patently obvious observation) by increasing prices or by decreasing supplier-related costs.

A retail industry report in Australia (ABS, 2009) reported that profit margins in the retail trade “are the lowest of any industry, averaging 4.5 per cent, compared to 10.8 per cent across a selected [but unstated] range of industries.” (ABS, 2009, 7). This occurs despite the low level of product transformation, low levels of pay and high levels of part-time work. If the retailer trader can force suppliers to lower their price, then this single action will directly and immediately increase profits. This has been called the Procurement Multiplier (Jensen, 1992) and is often reported by procurement specialists as one of the principal advantages of a robust procurement plan directed at reducing supplier prices. Pursuit of low supply costs is therefore immediately tempting, and searching for reduced supply costs could be adopted across the retail sector as a means of increasing profitability through reaping the benefits of the Procurement Multiplier. However, what this cost-reduction approach policy does for public policy and consumer expectations may be significant and will be explored in the following discussion.

On 22 November 2000 the CEO of HJ Heinz complained once again about the damage to the food market caused by two major food retailers selling ‘home brands” rather than named brands to consumers (Greenblat, 2010). The argument about generic rather than named brands has a long history. It is designed to provide cheaper labels for customers to buy which are sourced from exactly the same suppliers. The retailers argue that supplier’s profits are too high and suppliers claim that without the major brands, the number of potential food products will shrink and customer choices will decline. The relative merits of these arguments will not be explored in this paper. The focal point of the research, in this case, is the on the cost-reducing actions of the buyer. In particular, the relationship between cost reduction policies which impact on supplier incomes and the impact of these decisions on end user choice will be considered. It should be noted that in these circumstances, the buyer is making decisions where the end user has limited opportunities to express their views.

LITERATURE

This research was originally provoked by the continuing dissonance experienced by many procurement practitioners who continue to argue "if the procurement role in our organisation is as important as management claims, why is our status ambiguous?" (NIGP, 2010). This dissonance could be addressed, for example, from a number of contexts including the sociology of professions (Barber, 1963; Dingwell and Lewis, 1983), the dynamics of power (Clegg, 1989), leadership (Tseng, Tung and Duan, 2010; Senjaya and Pekerti, 2010) or encased in a historical analysis (especially the learned professions). The historical approach has been selected on this occasion, despite the challenges of obtaining adequate evidence, because the history of international trade shows procurement procurement behaviour can be more contentious light than often thought. While the more conservative view of procurement history (Stewart, 1994; Emiliani, 2010) sees procurement behaviour in a gentle light, there is evidence of rapacious behaviour on the part of procurement leaders – a ruthlessness emulated by the supermarket retailers of the early 21st Century.

To undertake the historical research, a number of assumptions have been made. First, the research is predicated on the assumption that procurement can be defined, in its broadest sense, as "the business management function that ensures identification, sourcing, access and management of the external resources that an organisation needs or may need to fulfil its strategic objectives" (Kidd, 2005, 5). Second, it is assumed that formal procurement processes were embedded in the emergence of administrative structures of both firms and states. Third, it has been assumed that the dynamics of trading also include procurement activities and processes (Parthesius, 2010). Fourth, it has been assumed by adopting the Kidd (2005) definition of procurement mentioned earlier, it can be claimed that at the heart of procurement is the "deal" – the negotiated outcome of some form of deal making process – whether it be informal or formal.

Emiliani (2010, 116) has noted, there is an assumption that "purchasing practices… have evolved in an orderly manner from past practices." But has procurement behaviour always been "orderly"? Is the myth of emerging best practice in procurement simply emulating the "myth of rational decision making" frequently found in the management and organisational behaviour textbooks (Simon, 1957)? What if the history of procurement best-practice was found to be marked by corruption and ruthless behaviour? What if the history of "the deal" was marked by tough decisions, frequently made at the expense of the seller?

HISTORICAL PERSPECTIVES

The limitations of a historical analysis are clear. Personal perception and possibly prejudice may affect the selection of historical and contemporary artefacts. In some cases, a large amount of research has yielded limited benefit. For example, the description of "buying better", enunciated by Vauban in 1685, led the researcher to a vast amount of military and construction data, that also disclosed multiple puzzles about the man and his practices, but eventually led to the realisation that Vauban was essentially a soldier and engineer, and his impact on procurement was very limited. However, the diversity of past practices, the barriers created by different languages, and the possibility of history being written in accord with the conventional wisdom time, make definitive statements about the past very difficult to substantiate. At this point, the key question remains: what is relevant to the development of procurement practice?

As the history outlined in this paper has evolved, serendipity has played a major part. For example, what began as a cautious examination of general histories such as Roberts (1989) and Blainey (2004) were augmented by the chance discovery of Shen's (1996) publication in a Beijing English language bookshop. Researching some of the origins of Mercantilism (Cheyney, 1917; Canterbery, 2001) (sic) led to a more detailed examination of the history of the early corporate giants such as the Dutch East India Company (Parthesius, 2010), the English East Indies Company, the English

West Indies Company and the Hudson Bay Company (Webster, 1990: Spaakman and Margret, 2005; Brown, 2010; HBC all , 2010). The language limitations (of the author) and a comparative absence of academic research in this area has skewed the content towards English language sources.

It follows that, despite the author's best intentions, it has been difficult to develop a cogent summary of procurement history, indeed to "keep the monster in its cage" (Parthesius, 2010, 9). The principal issue revolves around the comparative lack of data and the questions this lack of data generates. Do historical records, such as they exist, reveal how a particular product was sourced? Were the parties able to adequately define their required terms and conditions or was business conducted on the basis of "skilfully alternating between negotiations and force of arms" (Parthesius, 2010, 11)? Did the outcomes meet the risk minimisation requirements of all parties? Could the contract be adequately managed to its conclusion? What was the perceived level of trust inherent in the deal?

It is apparent from the researches of Parthesius (2010) Webster (1990), Spaakman and Margret (2005), Brown (2010) and HBC (2010) that many of the successful traders of the past paid little attention to the niceties of what we now recognise as contract law, especially international contract law. There is abundant evidence that leaders of trading expeditions often obtained goods on the basis that the buyer who had the greatest power could extract the most advantagious deal (Brown, 2010; Parthesius, 2010). Most deals seems to have been cast in the form that has been matched by the common-law principle that the quantity of compensation paid by the buyer to the suppllier did not need to match the value of the goods or services received. In some cases, it is clear that the deal was negotiated at the point of a gun and that the goods were essentially seized, and the notion of a continuing business approach where the buyer would return to the same supplier for future goods was not widely practiced. Opportunism was a feature of this trade. Almost no attention was paid to the needs of the supplier but end-users were rewarded with greater choice.

This approach was seemingly embraced by the Common Law legal system. It became a well-established principle of contract law that the form of the contract, the existence of consideration (money, goods or services passing between both buyer and seller), presumptions that the parties were intent upon and capable of entering the contract were the key issues – in the eyes of the Common Law judiciary. Whether a deal was fair or not, was not an issue for the Courts would address, so long as fraud, misrepresentation, or mistake were not present. The result was that in most commercial circumstances, the law ignored the content of the deal – fair or unfair, sufficient or insufficient – these were not issues that troubled the Courts (Plunknett, 1965) . The exception came in the 1960s when jurisdictions in many countries began to protect consumers from harsh or unfair contracts – but only for consumers, those obtaining goods and services on a personal or private basis.

What could be the source of this historical disinterest?

Historian Tuchman (1966) created a detailed picture of British Society at the end of the 19th Century. In a country where mercantilism had developed the British Navy and fostered great corporations during the 16th and 17th Centuries, had been succeeded by the Industrial Revolution. It also demonstrated a shift of power from the Monarchy to social leaders, the emergence of a democracy that provided limited suffrage and was tightly controlled by the ruling, patrician, class. Tuchman (1966, 18) touches upon the anti-commercial sentiment at the end of the 19th Century in these terms:

"It was pleasure-loving, reckless, thoughtless and wildly extravagant. The newcomers, especially the Jews, were in most cases resented, "not because we disliked them individually, for some of them were charming and even brilliant, but because they had brains and understood finance," This was doubly disturbing becasue most particularly did not want to think about making money, only about spending it."

Of interest is the scale of the British ruling class and the complex (anti-commercial) path into the higher echelons of society. Once again Tuchman (1966, p20) provides a relevant glimpse:

"Society was small and homogeneous and its sine qua non was land. For an outsider to break in, it was essential first to buy an estate and live in it, although even this did not always work. When John Morley, at that time a Cabinet minister, was visiting Skibo, where Mr. Andrew Carnegie [A leading capitalist of the day] *had constructed a swimming pool, he took his accompanying detective to see it and asked his opinion. "Well, sir," the detective replied judiciously, "It seems to me to savour of the parvenoo."*(sic) (a "parnvenu" is someone who has risen rapidly into a higher social class but not yet gained the acceptance of the social class).

The outcome, according to Tuchman (1966, 21) was:

"The mould in which they were all educated was the same, and its object was not necessarily the scientific spirit or the exact mind, but a "graceful dignity" which entitled the bearer to the status of English gentleman, and an unshatterable belief in that status as the highest good of man on earth."

The point to be made here is that the ruling society of the United Kingdom had a tradition of anti-commerce and a comparitive absence of involvement in the business of government and the government of business.This detachment undoubtedly led to surprises, such as the rising influence of Carnegie (Tuchman, 1966), the growing pressure for universal suffrage (a vote for all) and the impact of commercial outcomes.

But this disinterest was not the focus of the mercantile classes of Britain. The growth of mercantilism saw the rise of the great companies and individual traders – and their way of doing business was aggressive (in the name of the monarch), brutal (they employed corporate troops to protect company assets) (Brown, 2010), political (they gathered political influence in the countries in which they were trading , not in their home country), and opportunistic in exploiting trading opportunities. While these trading activities were disrupted by wars between the host European countries, also not actively involving the ruling classes, the trade prevailed, though for varying reasons. As Brown (2010, p114) notes:

"The French company in particular was almost an arm of the state. It was founded by the state, funded by the state, and its dividends were guaranteed by the state. The king and his senior ministers freely meddled in company affairs and felt no compunction about using it to further their foreign-policy goals. The French company was much less a trading monopoly than either the Dutch or English companies, which still existed principally to make money for the shareholders, however peculiarly and ruthlessly they went about that goal. One of the English company's obligations to maintain its monopoly was that it supply the English Crown with five hundred tons of saltpetre annually, at favourable rates, or it would face crushing export duties on silver bullion, the currency of the Eastern trade. Thus it was buying its monopoly with an annual gift of cheap saltpetre to the English state.

The results meant that in this case government was effectively protecting the supply routes for business, but what did businesses give in return? Within the public policy of the time, some taxation payments and limited employment opportunities for sailors, may have been given in exchange for national prestige, growing national wealth from the exploitation of foreign resources? According to a number of sources (Brown, 2010; Parthesius, 2010) Dutch and British traders were also leaders who exerted their authority at the point of the sword – extorting deals that suppliers were forced to accept so that the buyers could satisfy the needs of their end users: both consumers and owners. And if the Courts and the leaders of society had limited interest in the fairness of contract negotiations (for example, the common law courts) and international trade, so long as the outcomes had limited impact on their well-being, their interest in the impacts on public policy was also limited.

CONTEMPORARY PERSPECTIVES

The Heinz experience (Greenblat, 2011) demonstrates that buyers separated by 300-500 years engage in behaviours that reflect many complex outcomes. Furthermore, the contemporary management of suppliers, in some cases, means that buyers are engaging in supply and end-user market control tactics which are summarised in Table 1

Table 1: Buyer control tactics

Years	Buyer	Ostensible Goals Of Owner	Possible Goals Of Owners	Stated Goals Of End Users	Likely outcome for end users
1550-1900	VoC/EICoy	Profit	Control of Supply Market	More (new) product choice	More (new) product choice
1950-2011	Selected supermarkets	Profit	Control of end user and supply market	More Product choice at a lower price	Less product choice at monopoly prices

Source: Original Table

The contents of Table 1 anticipates the findings of this research: namely while historically as the power of the buyer grew, the choice for consumers grew, whereas in the current situation described in this paper, in some markets as the power of supermarket retailers grows, the consequences for end-users is reversed: the potential choices for end-users is much reduced. The Case study below outlines how this conclusion has been reached.

Recent Supplier Management Practices.

When we examine some types of recent supplier management practices, we see some trends that mirror those of the 1500 - 1900s: ruthless behaviour in relation to suppliers (demanding ever-increasing cost cutting) and a search for monopoly power (by gaining control of a market – the fast moving consumer goods (FMCC) market. It seems to have happened in this way.

Food retailing in Australia in the 1950s was dominated by small, local grocery outlets operated by sole traders or small family businesses. The emergence of the supermarket – grocery stores offering a wide range of choice, self-service by customers and supported by easy access to car parking facilities was the beginning of fundamental change. Families that had long done their food shopping on a daily basis in small retail outlets – butcheries, bakeries, groceries, fruit and vegetable stores and, perhaps, a dairy, were encouraged to buy their goods once or twice a week in a single store offering the services of all five small retail outlets listed above. The butcheries were not heavily affected in the beginning but this has also now changed. Small neighbourhood stores could not compete in price or convenience. They rapidly disappeared in most cities in Australia, USA, UK and in many other countries, except where the operation of an extended hours, compact supermarkets could be offered in an urban, neighbourhood setting. The changes were supported or created demand for refrigerators and home storage that could enable householders to stock up to a week's food for a family, including refrigeration where necessary.

In recent years, a shift in the relationship between suppliers and FMCG retailers was taking place. Where retailers once worked with suppliers to provide shelf space to the supplier, they now sold the shelf space to the supplier, based on the supplier's ability to provide attractive products which the suppliers were expected to develop and promote. In the 1990s this process was taken one step further, with the development of major food distribution centres where suppliers delivered their products.

Tinned and packaged foods, milk, bread, dairy products, meat and fruit and vegetables all arrive at the one distribution centre, all packed onto a pallet and all meeting the supermarkets' criteria for size, colour, packaging, weight, quality and quantity. All deliveries have to conform to standards that enable computer control of each item in the delivery so that the distribution centre can redirect the stock to each of its stores according to the stock requirements of individual stores. Each bulk package of stock had to have computer-readable barcodes and each item in the bulk package had to be read by the cash register at the point of sale. By 2000, the major FMCG businesses really had control of the suppliers to their businesses. If sales of any product slowed, it was the suppliers' task to restore the turnover. But another significant change was in the wings.

Supermarkets have long had a desire to capture as much of each shoppers' spending money as possible. This was achieved by promotion and offering more diversity of products. It also seems to have targetted middle class values (looking after your family by buying from X supermarket and getting value for money in each purchase (best value for lower price).

In an era when working with suppliers to gain control of product delivery standards – even vegetables must meet look, feel, size, weight, colour standards – the supermarkets were also targetted their end-users – the customer. One of the ways of capturing the customer was through product pricing. Supermarkets offered wide range of choice in terms of products and price – maximising the possibility of one stop shopping. To increase this possibility supermarkets, in the past, offered "home brands" in cheap packaging, often, but not always, lower quality products, created by an unknown supplier. But around a decade ago, this policy started to shift: the "home" brand was given either the store brand, e.g. "Coles .....soup" or given a title targeting consumer choice, namely in one case "Select". The packaging is good quality, the quality is undiscernible from a competing branded product from a named supplier, but it is sold as if made and packaged by the supermarket, and sold for a lower price.

This is the complaint of Heinz (and many other suppliers, including Coca Cola). Manufacturers now produce and sell, via the large supermarkets, their own traditional products as well as their own factory-produced products labelled with the supermarkets chosen "home" branding – and for which they achieve a smaller margin.

The impact is surprising. In one chain, Coles, the range of home brand products seems to have exploded across the product range. The stores market themselves as saving consumers money and offering better quality and are seemingly crushing the products of their suppliers. Consumers seem to neither care or notice – as long as the quality is satisfactory and the price is low, then that seemingly is all that matters. But what is the end game?

Recently, a comparison of product choices in several product categories was made between the stores of a national product chain. The results, in terms of choice, were striking, in both the range of products available and the presence (or absence) of home brands. The products were selected to represent a range consumer requirements: common breakfast product, a comfiture of a style widely popular, a mayonnaise used to garnish many foods, plain flour, the foundation of many foods and finally, tea, a common, customary drink.

The research was carried out by selecting three major supermarkets operating in a suburb of a major city (population 1.8 million) which comprises a broad socio-economic structure. Real estate values in this area are high, but the population comprises older persons who have lived in the suburb for over thirty years and higher income, middle-age families who have two incomes in most households. In both these categories, the parties appear to own or are buying their home. There is also a large group of younger people who rent properties in the area because it is very close to the Central Business District, sporting facilities and entertainment. The three supermarkets were selected because they are the dominant food retailers in the area and are located with the same square kilometre (approximately half a square mile). It is possible to walk between each supermarket and each has car parking facilites located on the same premises. None is part of a large mall development, they are in autonomous locations.

The products selected were chosen to represent both staple foods (flour, tea), comfort foods (breakfast food) and condiments (Comfiture and Mayonaise). It was also felt that while the range was limited, the choices also reflected products in which consumers bought on the basis of custom (breakfast food, tea), habit (all products except comfiture) and through exercising conscious choice (comfiture).

The summary below (Table 2) shows a good deal about the various supermarkets. C and W are part of national supermarket chains that have a well-publicised policy to reduce costs to end-users. To achieve this goal, one of their strategies has seemingly been aimed at reducing suppliers' profits and increase their own turnover by ostensibly taking the side of the consumer and cutting prices sharply as they introduce or promote their "home brands". C has done so by promoting its own name as the core marketing image, whereas W has some home brand products that incorporate its name whereas it also uses words such as "Select" or "Macro B" as brand names. The third supermarket offers no home brands and, as shown in Table 3, in some food categories offers a remarkable range of products, with the exception of the breakfast food.

The data was gathered in early 2102 by visiting each store and physically listing, in each of the categories shown in Table 2 (below), all of the products on display and the estimated percentage of shelf space occupied by each product in each category. Having gathered this initial data, the results were summarised in Table 3 below.

The range of products offered by the smaller retail chain is much greater than the national supermarkets in three of the five products selected. This has significant implications for both suppliers and shoppers. As expected, the range of products available in FJ is, in some cases, more than double its competitors. But what is happening with prices? Are consumers getting a better deal from C and W or from FJ? The answer is not clear, although it may provide some clues about the attitudes of procurement managers in C and W when compared to FJ.

Table 2: Raw Scores of Products by Retailer and Percentage Share by Supplier

Breakfast Food					
C	%	FJ	%	W	%
HB	50	Kellogs	75	HB	25
Kellogs	50	Sanitarium	25	Kellogs	60
				Sanitarium	15
1:01	100	2	100	2:02	100

Comfiture					
C	%	FJ	%	W	%
HB	25	Barkers	1	HB	5
Coles SB	5	Beerenbu	5	Select	20
Anathoth	15	BonMadai	2	Anathoth	5
Buderim	2	Chantaine	3	Beerenbu	3
Cottees	8	Consevan	2	Bon Mada	5
IXL	25	Cottees	15	Cottees	20
Rose	2	CunliffeW	2	Dick Smith	5
St Dalfiou	15	GlenEwin	3	IXL	22
Yakandan	3	Hanks	2	Rose	3
		Hartleys	1	St Dalfour	12
		Hero	2		
		IXL	12		
		Mackay	5		
		MaggieB	2		
		Monbulk	4		
		OfficersM	2		
		Outback S	8		
		Premier	2		
		Rose	1		
		StDalfour	8		
		Tar10	1		
		TerraA	8		
		Wilkins	5		
		Zuegg	4		
2:07	100	24	100	2:08	100

Mayonnai					
C	%	FJ	%	W	%
Coles HB	5	Doodies	6	Home Bra	10
Best Food	5	Goldyna	6	Best food	5
Helmanns	5	Hellmans	8	Heinz	10
Kraft	25	Kraft	15	Kraft	25
Nandos	5	Moreboro	5	Newmans	10
Newmans	5	Newmans	2	Praise	25
Praise	30	Norganic	2	S&W	10
S&W	15	Praise	22	Thomy	5
Thomy	5	Pukara	3		
		Remia	3		
		S&W	16		
		Taylors	4		
		Thomy	6		
		WattleV	2		
1:09	100	14	100	1:07	100

Plain Flour					
C	%	FJ	%	W	
Coles HB	50	Defiance	12	Home Bra	40
Healthy B	6	EdenVal	10	Macro HB	10
Lion	22	Kialla	10	Health Bal	10
White Wi	22	Lighthous	35	Lighthous	12
		Lion	12	Lion	8
		WhiteW	21	White wir	20
1:03	100	6	100	2:04	100

Tea					
C	%	FJ	%	W	%
Bushells	8	Billy	3	Select HB	5
Dilmah	8	Bushells	3	Bushels	2
Lan Choo	2	Dilmak	10	Billy Tea	4
Lipton	30	Elmstock	4	Dilmah	17
Madura	15	HenryL	4	Lan Choo	2
Nerada	8	Lane&T	6	Lipton	20
Tetley	10	Lipton	8	Madura	10
Twinings	18	LuckyLeaf	4	Mme Flav	2
Virgin Gar	1	Madura	8	Nerada	2
		Nerada	6	Tetley	14
		Oxfam	2	Twinings	20
		Rubra	3	Oxfam	2
		Tetley	10		
		Twinings	25		
		Williamso	4		
9	100	15	100	1:11	100

Source|: Original Table

Table 2 is designed to show the number of different products offered by each FMCG retailer selected. There are more retailers to review, but not many more. C and W have the major part of the FMCG market and they also sell other products: petroleum products, hardware, alcohol, bakery, stationery, to mention just a few. They are gradually assuming monopolistic positions in a number of markets. This trend may well be detrimental to both consumers and suppliers.

From an efficiency perspective, one cannot argue with the actions of C and W in reducing the number of suppliers. There is adequate support in the procurement literature and professional practice for reducing the supplier base in the name of efficiency. However, this leads to increased supplier power, in some circumstances, or an increase in supply risk as the number of qualified, available suppliers is diminished. In this case, the supermarkets C and W feel they have, or have proved they have enough power to dominate supplier. And some of the available evidence supports this view. But what happens to consumers? Are their rights best protected by fewer suppliers in the market and lower prices (assuming these are maintained) or will control of suppliers eventually lead to the retailers taking the profits themselves by reduced supplier prices, or will they gradually increase prices to profit take as the expense of both customers and suppliers?

Table 3: Summary of Product by Retailer and Supplier

Firm/Product	Breakfast Food		Comfiture (Jam)		Mayonnaise		Plain Flour		Tea	
C	2	HB (1)	9	HB (2)	9	HB(1)	4	HB (1)	9	0
F J	2	0	24	0	14	0	6	0	15	0
W	3	HB(1)	10	HB (2)	8	HB(1)	6	HB(2)	11	HB(1)

Source: Original Table

As Table 3 shows, the national supermarkets are very close to each other in number of suppliers for the products listed. But what about price? This will constitute the next stage of the research. Prices for the selected products will be monitored and more accurate measurements taken of the product mix. On this occasion the percentage of the shelf space occupied by each supplier's products was estimated as accurately as possible but in the next round of research these measurements will be much more accurate, though for the moment it is not possible to expand the sample size of either products or supermarkets.

However, thus far the research suggests that buying decisions by two of the retail chains has resulted in some reduction in choice, in the categories examined, for consumers arising from the supplier reduction strategies of two large, national supermarkets. The implications for potential suppliers may be complex – the fewer suppliers will grow only if their order books grow, but they will have their profits limited by the buying policies of the main national supermarket chains. The situation is evidenced by the recent reaction of Coca Cola, in the same market, which now complains about its loss of profitability in the face of strong pressure from supermarket supply managers. Is their much difference between the buyers who used the sword as their key bargaining tool from the retailers who use the point of sale as the instrument to control both customers and suppliers?

CONCLUSION

And the issue of price is less clear: what happens when the supermarkets have maximised their home brands range of product categories from milk to fruit and vegetables to meat, to canned and processed foods? The supplier's margins have fallen and the consumer has cheaper products, but less choice. Will the supermarkets then raise the price of their home brands and profit-take from their customers?

This research is really just beginning. After watching the emergence of monopolistic power, in the case of some supermarkets, and balancing this against the "best practice" ideal of minimising the number of suppliers serving the needs of an organisation, the emergent situation suggests that dangerous waters lie ahead. The evidence presented so far suggests that there is potential for a number of problems: a reduction in the power of suppliers to the point that they no longer participate in the FMCG industry, a reduction in consumer choice linked to the reduction in the number of suppliers serving the FMCG industry and a gradual rise in prices benefiting the supermarkets at the expense of both consumers and suppliers. Good procurement practice, on the one hand, is leading to potentially negative value for consumers and suppliers on the other. This seems to be a topic that needs much wider discussion in the procurement community as an issue of public policy.

REFERENCES

Barber, B. 1963. "Some Problems in the Sociology of the Professions". *Daedalus.* 92, 4, 669-688.

Blainey, G. 2004. *A Very Short History of the World.* Penguin Books, Camberwell.

Bloom, P and Perry, V. 2001. "Retailer power and supplier welfare." *Journal of Retailing*, Vol 77, Issue 3, pp 379-396.

Brown, S. 2010. *Merchant Kings*, London, UK.

Canterbery, E. (sic). 2001. *A Brief History of Economics: Artful Approaches to the Dismal Science*. World Scientific. Singapore.

Cheyney, E. 1917. *An Introduction to the Industrial and Social History of England.* The Macmillan Company. New York, NY.

Clegg, S. 1989. *Frameworks of Power*. Sage Publications, London, UK.

Conrad, S. 2010. *Globalisation and the nation in imperial Germany*. Cambridge University Press, Cambridge, UK.

Dalley, E and Sheftalovich, Z. 2012. "Supermarket Sweep," *Choice*, April, pp 22-25.

Dingwell, R. and Lewis, P. 1983. *The Sociology of the Professions.* MacMillan, London, UK.

Emiliani, M. 2010. "Historical lessons in purchasing and supplier relationship management". *Journal of Management History* 16 (1) pp 116-136.

Gluyas, R. 2012. "Coles is on top but Goyder far from happy," *The Weekend Australian*, April 21-22, p 31.

Gosman, M and Kohlbeck, M. 2009. "Effects of the Existence and Identity of Major Customers on Supplier Profitability: Is Wal-Mart Different?" *Journal of Management Accounting Research*, Vol 21, pp 179-201.

Greenblat, E. 2011, "Heinz hits out at home brands". *Sydney Morning Herald*, November 22, p.1.

HBC, 2010. "Hudson's Bay Company: Our History". Available on-line at: http://www2.hbc.com/hbcheritage/history/overview.asp (Accessed 18 January 2011).

Heberling, M. E. 1993."The rediscovery of modern purchasing". *Journal of Supply Chain Management.* 24, 4.

Hsing-Chau Tseng, Hui-Lien Tung, Chi-Hsiang Duan, 2010. “Mapping the intellectual structure of modern leadership studies”, *Leadership & Organisation Development Journal,* Vol 31 Iss. 1, pp 57-70.
Jensen, R. 1992. “A Study of the Economic Indicators Used by the Industrial Supplies Office”. University of Queensland. Brisbane
Kidd, A. 2005. “The Definition of Procurement”. CIPSA, Melbourne.
Nielsen Company, 2011. “Mixed Weather and Football – free Summer sees Retail – Grocery Growth Dips.” Nielsen Company. Available on-line at: http://www.nielsen.com/uk/en/insights/press-room/2011-news/mixed-weather-football-free-summer-sees-retail-grocery-growth-dip.html
Parthesius, R. 2010. *Dutch Ships in Tropical Waters: The development of the Dutch East India Company (VOC) shipping network in Asia 1595-1660*. Amsterdam University Press, Amsterdam, The Netherlands.
Plucknett, T. 1956. *A History of the Common Law.* 5th Ed. Butterworth and Co (Publishers) Ltd. London.
Qingyi, H; Hijs, V; Hansen, K and Anderson, E. 2012. “Wal-Mart’s Impact on Supplier Profits.” *Journal of Marketing Research*, Vol 49, No 2, pp 131-143.
Roberts, J. 1980. *The Pelican History of the World.* Penguin Books Ltd. Harmondsworth
Sendjaya, S. and Pekerti, A. 2010. “Servant leadership as antecedent of trust in organisations”, *Leadership & Organisation Development Journal,* Vol. 31 Iss: 7, pp 643-663.
Shen, F. 1996. *Cultural Flow Between China and the Outside World Throughout History*. Foreign Language Press. Beijing.
Simon, H. 1957. *Administrative Behaviour.* 2nd Ed. Macmillan. New York, NY.
Speedy, B. 2012. “Discount Price War savages Woolies.” *The Weekend Australian*, April 21-22, pp 25, 35.
Spraakman, G. and Margret, J. 2005. “The Transfer of Management Accounting Practices from London Counting Houses to the British North American Fur Trade”. *Accounting, Business & Financial History* Vol. 15 No 2, 101-119.
Tuchman, B. 1996*. The Proud Tower: A Portrait of the World Before the War 1890-1914*. Ballantine Books, New York.

Vauban, Seigneur (Sébastion Le Prestre), 1685. Letter of Vauban to Louvois. Staff Association du Personnel. Retrieved: 28 September 2007 from: www-staff-assoc.cern.ch.
Webster, A. 1990. “The Political Economy of Trade Liberalization: The East India Company”. Charter Act of 1813. *Economic History Review*: XLIII, 3, 404-419