

GLOBE AND MAIL –

OPINION

Grocers must focus on consumer trust, not deniability

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In December, Loblaw outed the industry about price fixing in bakery goods. This week, it was the Competition Bureau's turn.

According to the Bureau, everyone was in on the so-called "bread cartel." This price-fixing scheme, which allegedly lasted for 14 years, included major wholesalers such as Canada Bread Company Ltd., George Weston Ltd. and the major grocers Loblaw, Walmart Canada, Sobeys, Metro and Giant Tiger.

At wholesale, this represents most of the baked goods sold to Canadians every day. At retail, the companies involved represent 80 per cent of all foods sold directly to consumers. This is massive. The Bureau is suggesting that all these companies broke the law by colluding at both the wholesale and retail levels, in lockstep. In doing so, according to the Bureau, retail prices were inflated unjustifiably.

We can only imagine that when one oligopoly serves another, the temptation can be overwhelming – and some unfortunate decisions appear to have been made as a result. Even though these cases are challenging to uncover, we have seen such incidents in the past. This time, however, the Bureau alleges that the scheme was double-layered. Both manufacturing and retailing were heavily involved, with co-ordinated price strategies to manage margins and increase profits. This is extraordinarily disturbing. Based on what we know now, Canadians have every right to speculate about how other sections of the grocery store might also be affected by this type of collusion.

Both Sobeys and Metro rejected accusations of being part of illegal activities. One day before the Bureau's report came out, Metro's CEO stated that his company was not involved. It will be interesting to see what action these companies will now take. Loblaw responded initially with its well-known \$25 gift-certificate campaign, which is still going strong. Save-On-Foods decided to go with a similar strategy, days after Loblaw. Given that we knew little about the investigation at the time, Loblaw's giveaway served as a distraction; it was the only thing that most people were talking about. With what we know now, this will change. In fact, it must.

The Competition Bureau's allegations put the spotlight clearly on consumer trust. While most shoppers will likely forget about the inflated prices of baked goods, many others have limited means and believe, at the very least, that they deserve an industry which operates with integrity. As a result, consumers should expect to see changes.

In fact, grocers have already started to implement changes. Since the news first broke in December, countless food retailers have been intentionally offering attractive discounts on bread and baked goods.

Across the country, grocers have placed carts of these discounted items in front of their stores, to catch the attention of shoppers as they enter. This is one glaringly obvious way for the industry to offer something of an apology. But retailers should consider doing more.

A gift-certificate campaign is always welcome. Gift certificates don't discriminate. They help those who need the extra cash to eat, while others can give them to charity. There are potential advantages for the companies, as long as the intention is genuine. Loblaw's mea culpa and \$25 gift certificate came all at once. Given the confusion and the lack of information as to what had happened, this most likely worked to its advantage. Other grocers looking at extending their social licence with the public will now be facing a different audience who are much more informed and perhaps less tolerant.

STORY CONTINUES BELOW ADVERTISEMENT

Loblaw may have waited 14 years, but others waited 14 years and 42 days. It's these 42 days the others will need to explain. When it comes to public trust, time can either serve or destroy an organization. The whole thing is a public-relations mess and attempting to show plausible deniability may not be the best option .

Some inventive solutions could certainly help the industry. Giving away money is always popular. Either way, the collective betrayal many Canadians feel right now should be the focus of any new campaigns. Regardless of who was involved in or aware of the alleged scam, it is consumers who should be the focal point now.

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