

APPENDIX 10.10

(referred to in paragraphs 2.149, 2.150, 2.151, 3.146, 3.147, 3.148, 4.146, 4.147, 4.148, 5.147, 5.148, 5.149, 6.9, 10.5, 10.27, 10.31, 10.32, 10.35, 10.37, 10.47, 10.72, 10.134, and 10.135)

Observations on the behaviour of suppliers of reference white goods relating to the recommending or suggesting of retail prices

1. We received observations about the behaviour of suppliers of reference white goods relating to the first complex monopoly situation (recommending or suggesting prices to be charged by dealers) from:

- (a) multiple retailers (ie those with five outlets or more), and mail order companies, in their responses to the postal questionnaires and in hearings with them;
- (b) statements made to our interviewers during the survey of small retailers;¹
- (c) further discussions with small retailers, following up (b); and
- (d) correspondence with the parties identified above and others.

We received a total of 352 observations, 87 relating to washing machines; 87 to tumble driers; 87 to dishwashers; and 91 to CFS equipment. We did not pursue 252 of them, either because they lacked sufficient detailed evidence for us to pursue them further (see paragraph 6.6) or because the points made were outside our terms of reference.

The remaining 100 observations, 27 relating to washing machines; 21 to tumble driers; 25 to dishwashers; and 27 to CFS equipment, and suppliers comments on them, are set out here. In some cases the supplier did not accept the facts as presented by the dealer and gave us a different account of events. In such cases we went back to the dealer; and his response is recorded below the supplier's comments.

Some retailers requested that their identities should not be revealed to the suppliers concerned. In all such cases and after careful consideration, we acceded to these requests (see paragraphs 6.7 and 6.8). We have identified these observations by the use of a code number (for example, SRS 123). We sought comments from the suppliers concerned but in most cases they declined to respond without being presented with a full account of the case, including the dealer's identity. In some cases we asked retailers to reconsider their requests for anonymity. None were willing to forgo it. In reaching our conclusions we relied on five of the 30 observations in which the dealer had not been named (because the supplier effectively accepted what the retailer had said). However we did not rely on the 25 remaining cases where the dealer wanted to remain anonymous nor in 22 other cases where there was a conflict of evidence between the dealer and the supplier which we were unable to resolve.

In 53 cases: 14 relating to washing machines, 11 to tumble driers, 14 to dishwashers, and 14 to CFS equipment, we accepted the dealer's account and relied on them in reaching our conclusions. Such cases are denoted here by an asterisk following the name or code number of the dealer.

¹See paragraph 6.11.

Washing machines

Emaco (AEG)

A1 ***Designkirk (Court Kitchens)****

(a) Dealer's observation

Designkirk (Court Kitchens), Stockton-on-Tees, said that the AEG representative had told him the rule of thumb was that he should not discount more than 6 per cent below the RRP for AEG washing machines.

(b) Supplier's response

Emaco told us that it was unable to comment on the detail of this allegation (regarding an incident at a date unspecified). AEG's current Area Manager had no recollection of any such discussion with this retailer. AEG suspected that the incident might have dated from the early 1990s and related to built-in AEG appliances. This was because, at that time, some retailers generally tended to sell AEG built-in products at a discount of around 6 per cent below AEG's RRP's. The AEG Area Manager might have mentioned that fact to Court Kitchens. However, that retailer would have been, and remained, free to offer even greater discounts.

A2 ***SRS 594***

(a) Dealer's observation

This retailer (SRS 594) said that the AEG representative had told him within the last 12 months (ie in 1994 or 1995), that AEG would not provide advertising support for washing machines offered at prices below the RRP's. He did not wish his identity to be divulged to the supplier since he thought this would not best serve his interests.

(b) Supplier's response

Emaco told us that it was unable to comment on the detail of this allegation because of the lack of information about the identity of the retailer or the AEG area representative concerned. It was possible that the unidentified AEG Area Manager might have declined to provide financial support from his limited promotional budget and that the retailer wrongly thought that this might be connected to his selling products at a discount from AEG's RRP.

A3 ***SRS 660***

(a) Dealer's observation

This retailer (SRS 660) told us that in 1995 the AEG area representative had threatened to withdraw supplies of AEG washing machines because he had advertised at discounted prices. He also said that in a separate incident, AEG had objected to its washing machines being advertised below RRP's and had threatened to stop supplying the retailer and withdraw his credit facilities. The retailer said that he would not like his comments to be attributed to him because he was concerned about the supplier's reaction.

(b) Supplier's response

Emaco told us that it was unable to comment on the detail of this allegation because of the lack of information about the identity of the retailer or the AEG area representative concerned. However, AEG confirmed that it had not withdrawn supply from any dealer over this period. Nor was AEG aware of any case of its having threatened to stop supplies or withdraw credit facilities on the grounds that reference white goods were being advertised below RRP's.

Emaco (Electrolux)

A4 *The Cooker Factory**

(a) Dealer's observation

Mr Allsop of The Cooker Factory, Glasgow, said that the Electrolux Area Manager had told him frequently that, while he might sell at whatever discount prices he chose, he must not advertise Electrolux washing machines below RRP's and that if he did not comply he would have difficulties in securing supply, and with his credit limit.

(b) Supplier's response

Emaco told us that the (named) Regional Sales Manager was no longer employed by Electrolux so it was not able to comment on the detail of this allegation. Electrolux thought it most unlikely that its Regional Sales Manager would have made those alleged repeated threats, let alone that Mr Allsop would have taken them seriously. Electrolux was always keen to gain support for joint advertising with its retail partners. It would often produce local advertisements to assist smaller retailers who did not have the administrative capabilities of their own. It was keen that advertisements should draw the consumer's attention to the Electrolux product's features.

(c) Dealer's response

Mr Allsop responded by telling us that he stood by everything he had told us.

A5 *SRS 312*

(a) Dealer's observation

This retailer (SRS 312) first said that Electrolux did not approve of retailers advertising discounted prices for washing machines and had suggested that he should not follow that course but offer encashable vouchers instead (but not necessarily for electrical goods stocked by him). The retailer said that he would not want his comments to be attributed to him as he 'did not wish to upset the supplier'. In February 1997, the retailer told us 'now the policy by Electrolux is not to advise any pricing structure to retailers'.

(b) Supplier's response

Emaco told us that it was unable to comment in detail on the allegation made in the retailer's first statement because of the lack of information which might enable it to identify the retailer or the Electrolux area representative concerned.

Emaco (Zanussi)

A6 *Gas Flair Ltd**

(a) Dealer's observation

Mr J Vizer, formerly Director of Gas Flair Ltd, Kingston upon Hull, told us that Zanussi had told him in the past that if he were to advertise its washing machines openly at discounted prices, there could be repercussions. Mr Vizer said that he conducted his business accordingly.

Mr Vizer said that he had met Zanussi's Regional Sales Manager in May 1996 and told her that he wished to sell Zanussi washing machines at discounted prices. The Regional Sales Manager had replied that Zanussi's policy was no longer as inflexible as it had been, particularly in view of the MMC's

current inquiries. She advised that Zanussi was not concerned with discounting at any level within the showroom, but that advertised discounts of more than £15 would present problems for Zanussi with other retailers.

(b) Supplier's response

Zanussi told us that it had written to Mr Vizor in June 1996 apologizing for any misunderstanding there may have been and making it clear that he was free to sell, advertise and display Zanussi products at whatever prices he chose.

Zanussi's Regional Sales Manager recalled that her discussions with Mr Vizor in May 1996 had touched on various points concerning Zanussi's strategy for improving sales. Mr Vizor had said that he was opening a store in the London area and had wanted to know what would be available from Zanussi in the way of stands and display materials. When he had asked about Zanussi's policy on pricing, he had been told that Zanussi did issue SRPs, but if he wanted to sell at a lesser margin that was up to him. Mr Vizor had also asked whether Zanussi would contribute financially to a retailer's 'premium offers', ie where a retailer offered the consumer a free gift on the purchase of a product. She had explained that if Zanussi was asked to contribute to one of these premium offers it preferred the value of the free gift to be no more than £15. But Zanussi did not insist on that price band. It was in this context that the figure of £15 had been discussed. Its Regional Sales Manager had not said that Zanussi would have problems if a retailer were to advertise discounts of more than £15.

If Mr Vizor wished to be more specific about his allegations of earlier pressure put on him by Zanussi in respect of his advertising Zanussi goods (for example, naming individuals and dates) then Zanussi might be able to investigate further. The statement that he had 'conducted his business accordingly' also implied that he had been purchasing and retailing Zanussi washing machines but not advertising it openly at discounted prices. Zanussi had therefore checked its records to see what volumes of washing machines and other products Gas Flair had actually purchased from Zanussi in recent years. These records showed that over the last 2½ years (to September 1996) Gas Flair had purchased one washing machine and one washer/dryer and no other reference white goods.

Zanussi was surprised that a dealer might have been under the impression that he would somehow suffer reprisals if he were to sell Zanussi products at discounted prices. Zanussi believed there could be very few white goods retailers who were not aware that they were legally free to sell, advertise and display their products at discounted prices.

(c) Dealer's response

Mr Vizor responded by telling us that Gas Flair had dealt with Zanussi over the years spasmodically, as a direct result of Zanussi's original pricing policy. Because of Zanussi's strong brand image and subsequent customer demand, Mr Vizor had attempted periodically, over approximately 20 years, to market Zanussi products, including some reference goods. Mr Vizor could not put dates or names to the various conversations he had had with Zanussi personnel, but he well remembered, on a number of occasions, that whenever he had discounted prices by even a modest amount, other local and national retailers had complained to Zanussi. Zanussi had consequently requested that he strictly adhere to their recommendations, particularly on advertised prices. Whenever he had 'stood out of line' the promotional monies that were available to other retailers had been withdrawn from him. These occurrences had been well in the past but had resulted in his low level of business with Zanussi. His statement that he 'conducted his business accordingly' meant that he did without its goods.

At the May 1996 meeting with Zanussi, 'premium offers' had been discussed and Mr Vizor agreed that the £15 had been mentioned in that context. However, both Mr Vizor and his secretary clearly recalled

the Zanussi representative stating that if he advertised Zanussi products at discounted prices of more than £15 it would create problems for Zanussi.

A7 **IKEA***

(a) Dealer's observation

IKEA told us that from July 1994 to January 1995 it had sold Zanussi washing machines at £5 or £10 below the RRP. It was IKEA's policy never to be beaten on price and where there was an equivalent sold in the market-place at a lower price IKEA would beat it. In order to maintain this policy all Zanussi products had been reduced. IKEA said that Zanussi had not been happy with this and there had been several oral communications, the result of which was that IKEA's prices had been realigned to match the RRP. No documentation existed. No pressures had been applied. IKEA said that Zanussi generally dictated that RRPs must be adhered to and IKEA accepted this in order to maintain a good relationship with the supplier.

(b) Supplier's response

Emaco told us that Zanussi had commenced trading with IKEA in the UK in July 1994. Zanussi's business with IKEA had grown since then and was now fairly substantial. IKEA-which, as far as Zanussi was aware, had not previously retailed any white goods-now stocked Zanussi products in all six of its UK stores.

During 1994/95 IKEA had run a promotion where it reduced its retail prices for Zanussi white goods by around £5 below Zanussi's SRPs. During that period Zanussi had been contacted by other retailers with stores in IKEA's catchment areas who had become aware of IKEA's promotion, including others who were operating price promises or policies of never knowingly being undersold by their retailing competitors. These retailers had voiced concerns about the low prices at which IKEA was selling Zanussi products. Some had indicated that they were taking action in terms of price-matching, or that they could not realistically be expected to continue to stock or sell the same volume of Zanussi products within their total range of white goods at such reduced margins. Zanussi had spoken to IKEA and had asked whether there were particular reasons why IKEA felt it necessary or advantageous to sell at below Zanussi's SRP. Zanussi had made it clear that IKEA was free to sell and advertise Zanussi products at whatever price it chose. It had also pointed out that other retailers were responding by price-matching, so any financial advantage IKEA had been hoping for in terms of increased sales volumes would probably be short-lived. IKEA had indicated that it would review the situation. That particular IKEA promotion had finished at the end of January 1995 and had not been rerun since.

No pressures of any kind had ever been put on IKEA to 'adhere to' RRPs. Zanussi's RRPs were suggested/recommended prices.

(c) Dealer's response

IKEA told us that its reductions had not been made as a promotion. It had decided to launch its Zanussi products below RRP and had intended that they would remain so. Competitors had become aware of the fact that IKEA was selling Zanussi goods at below RRPs and were not happy with this fact rather than that IKEA was offering a promotion. IKEA's intention had not been to increase sales volume, merely to honor its price promise to its customers. Responding to Emaco's comment that Zanussi had made it clear that IKEA was free to sell and advertise Zanussi products at whatever price it chose, IKEA commented 'The most important point here is that it was highly recommended that we return to suggested retail price and in no circumstances was it ever suggested that we could retail at whatever price we wanted'.

(a) Dealer's observation

Mr Halstead of Broadbent Television, Huddersfield, told us that Zanussi's Area Sales Manager had told him in early 1994 that he would have supply difficulties if he discounted Zanussi washing machines. She had also said that Zanussi would be opposed to Broadbent Television advertising these goods at discounted prices.

(b) Supplier's response

Emaco told us that this incident had arisen out of a concern on its representative's part that Broadbent Television's prices for washing machines (but not other reference white goods) were at levels which put the future of his business in doubt. At the time Broadbent Television had been advertising some Zanussi washing machines at prices which would have allowed him only a 5 per cent margin. When Zanussi's area representative had brought this to Mr Halstead's attention, she had not questioned his freedom to determine his own prices, nor did she recall having said anything which he might have taken as a threat to withhold future supplies. Zanussi would not be opposed to Broadbent Television advertising white goods at discounted prices.

(c) Dealer's response

Mr Halstead said that his white goods sales accounted for about 1 per cent of his turnover in 1994, and probably half of that would have been for washing machines. At that level of sales, even if the washing machines had been given away, his net profit would have been reduced by less than 10 per cent. At no time had any manufacturer, bank manager or marketing consultant ever questioned the survival of his company in relation to its pricing policy. If the Zanussi area representative had been so concerned about the future survival of Broadbent Television why had she not discussed these concerns with her manager? 'Alarm bells should have been ringing' and his level of credit Zanussi should have been urgently reviewed. Zanussi had not formally followed up the concerns of its area representative. In its letter of 15 April 1994 (responding to Mr Halstead's assertion that the area representative had said he would have supply difficulties if he discounted Zanussi products) Zanussi had made no mention of its concerns about the future survival of Broadbent Television, nor its ability to pay Zanussi's bills.

Mr Halstead queried how any 'outsider' could know what pricing structure would place his, or any other company's, future in doubt. Zanussi could, at any time, have asked for a copy of his trading accounts to verify his credit limits and company viability. Apparently its concern about the continued survival of Broadbent Television was not great enough to warrant such action. Mr Halstead fully accepted that Zanussi's letter of 15 April 1994 had stated that he was at liberty to determine and advertise his own prices for Zanussi products without threat of penalty from Zanussi.

(d) Supplier's further response

Emaco told us that there could have been a misunderstanding of the facts. Zanussi had no guidelines about what was an acceptable margin for advertising its products. Zanussi 'accepted' that dealers could sell, display and advertise its reference white goods at whatever prices they determined. Indeed, Mr Halstead had referred to a letter he had received from Zanussi in April 1994 which stated that he was at liberty to determine and advertise his own pricing policy (unfortunately, Zanussi had not been able to trace a copy of that letter). Zanussi agreed that Broadbent Television had not been a major source of direct business for Zanussi. But the area sales representative would have been, and remained, keen to keep (or even grow) Zanussi's business with Broadbent Television. Her concerns had not been so much about whether Broadbent Television was about to go into liquidation but rather that it might be selling white goods at such low prices because it was thinking of de-emphasizing or exiting that sector altogether to make more room in the shop for brown goods, Broadbent Television's core business.

A9 ***The Cooker Factory****

(a) Dealer's observation

Mr Allsop of The Cooker Factory, Glasgow, said that as at 1994 he obtained Zanussi products from its Scottish distributor, AAH Clyde Factors. In June 1994, Zanussi's Marketing Director had protested to AAH Clyde Factors at Mr Allsop advertising Zanussi washing machines at '£ASK' prices. The Marketing Director had said that Zanussi would meet the full costs of cancelling the advertisements if he would comply with Zanussi's RRP's. Mr Allsop had refused and his credit limit with Clyde Factors for Zanussi goods had been reduced.

(b) Supplier's response

Emaco told us that all Zanussi's sales of free-standing white goods in Scotland had formerly been made via its distributor, AAH Clyde Factors. With effect from 1 April 1996, however, those distribution arrangements had terminated in line with Zanussi's marketing strategy of moving towards direct trading with retailers. Zanussi had been doing direct business with Mr Allsop since 1 April 1996. Zanussi's Marketing Director had no recollection of having held any conversation with AAH Clyde Factors of the type alleged. Zanussi's Commercial Director had spoken with AAH Clyde Factors' Sales Manager who did not recall any such conversation either. Zanussi did not attempt to control the prices advertised by retailers and did not know why Mr Allsop might have thought otherwise. Furthermore, Zanussi understood that as at March 1996 The Cooker Factory's credit limit with AAH Clyde Factors had been far higher than Mr Allsop had stated.

(c) Dealer's response

Mr Allsop responded by telling us that he stood by everything he had told us.

A10 ***Pratt Bros****

(a) Dealer's observation

Mr Pratt of Pratt Bros, Leicester, told us that Zanussi had made it clear that he should maintain 'orderly marketing'. Early in 1994 the Zanussi representative had told him not to discount washing machines and had said that he would have a problem with deliveries unless he kept to RRP's.

(b) Supplier's response

Emaco told us that it had not been able to speak to Zanussi's former representative to ascertain what he had actually said or what he may have meant. The (named) representative was no longer employed by Zanussi.

A11 ***Comet***

(a) Dealer's observation

Comet told us that Zanussi was unhappy with offers of interest-free credit for a fixed period on washing machines and had threatened to withdraw margin support when such offers were made.

(b) Supplier's response

Emaco told us that Zanussi had never threatened to withdraw margin support from Comet, whether related to offers of interest-free credit or any other matters.

(c) Dealer's response

Comet responded by telling us that it did not have further tangible evidence. Nor was it able to identify specific dates on which its impressions had been received. It said that suppliers tended to convey their displeasure by telephone, rather than in writing. Comet's references to margin support were not necessarily limited to formal compensatory arrangements. Its concern was that suppliers would question the need for the retention of margins at existing levels if promotional price activity (by way of interest-free credit or otherwise) was undertaken.

A12 **SRS 30**

(a) Dealer's observation

This retailer (SRS 30) said that the Zanussi representative had asked him to raise his price on a washing machine, implying that if he did not do so he would have difficulty in obtaining Zanussi products. (This followed an alleged complaint to Zanussi by a (named) multiple retailer, whose price the retailer had aimed to match or beat.) The retailer (SRS 30) had refused to raise his price and threatened not to buy any more Zanussi products. Zanussi's representative had returned and told him that he could set what prices he liked as long as he did not advertise them. The retailer said that he had made his comments to the MMC in confidence and did not wish them to be attributed to him.

(b) Supplier's response

Emaco told us that it was unable to comment on the detail of this allegation because of the lack of information about the identity of the retailer, or the Zanussi area representative concerned. Nor was Zanussi aware of the complaint to Zanussi by the (named) multiple retailer to which this unidentified retailer alluded. Zanussi could confirm that, from time to time, it was contacted by retailers complaining about the low prices at which a competitor retailer was selling a particular model. Zanussi's response, if any, varied from case to case according to circumstances. The conversation with this unidentified retailer might well have followed such a contact. Retailers were free to sell Zanussi products at whatever price they wished. Zanussi did not believe that contacts of this type would be enough to stop or discourage dealers from continuing to advertise their prices should they so wish.

A13 **SRS 594**

(a) Dealer's observation

This retailer (SRS 594) said that in 1994 the Zanussi area representative had told him that Zanussi would not provide advertising support for washing machines offered at prices below the RRP. He did not wish his identity to be divulged to the supplier since he thought this would not best serve his interest.

(b) Supplier's response

Emaco told us that it was unable to comment on the detail of this allegation owing to the lack of information about the identity of the retailer, or the Zanussi area representative concerned. Zanussi did not attempt to control the prices advertised by retailers. It had made advertising support available to retailers without reference to whether or not models were being offered at price below RRP.

A14 **Mr D B Lever**

(a) Member of the public's observation

Mr D B Lever of Lytham St Anne's told us that the manager of the Apollo 2000 Superstore, Blackpool, had told him in December 1994 that Zanussi would not allow Apollo 2000 to set prices for its washing machines. Apollo 2000's manager had said to Mr Lever: 'If you know of a way in which we can sell these goods at prices which we fix, rather than the manufacturer, our managing director would love to hear from you.'

(b) Supplier's response

Emaco told us that Apollo 2000 surely knew that it was free to sell Zanussi products at whatever price it wished. The member of the public could have referred Apollo 2000 to the RPA. Faced with refusal by Apollo 2000's staff to reduce its prices for him, he could have threatened to take his custom to another retailer offering the same (or a competitive) model.

(c) Dealer's response

Apollo 2000 told us that the manager of its Blackpool store could not recall the specific incident alleged to have happened in December 1994 and had stated that such comments had never been said by him at any time as a manager of Apollo 2000. He was given total flexibility on retail pricing by his Head Office to reduce ticket prices if necessary to secure a sale; this had happened on numerous occasions with Zanussi products and could be proved by providing sample receipts.

GDA (Creda/Jackson)

A15 **Windsor Kitchen***

(a) Dealer's observation

Mr Lammont of Windsor Kitchen, Windsor, Berks, told us that in 1993 the Jackson representative had told him that he should not advertise Jackson washing machines at below the RRP, nor advertise a willingness to bargain or match a price because Creda did not like it.

(b) Supplier's response

GDA told us that the Jackson brand was introduced for, and was almost exclusively sold to, kitchen fitters and builders. (It had since been discontinued.) GDA considered it likely that what was actually said was that Creda would prefer the kitchen installer to give its discount against its charge for the installation of the kitchen or for the cabinetry rather than against the appliance.

(c) Dealer's response

Mr Lammont responded by telling us that Jackson was sold to kitchen specialists, ie shops not fitters. He could bargain or match a price but was not to advertise discounts in local papers.

GDA (Hotpoint)

A16 ***Custom Kitchen****

(a) Dealer's observation

Mr Price, of Custom Kitchen, Lowestoft, told us that three to five years ago he had been told by the (then) Hotpoint Business Development Manager that if he sold Hotpoint free-standing washing machines at a discount below its RRPs he would lose his retrospective 'margin support' of 10 per cent. On 29 November 1995 he had sought confirmation by telephone that this was still Hotpoint's policy. Hotpoint's present Business Development Manager had advised him that Hotpoint would feel that if he were to discount, he would no longer need his 'margin support' and it would be withdrawn. Subsequently the Business Development Manager withdrew this comment and asked him to raise any further questions with Hotpoint's legal department.

(b) Supplier's response

GDA told us that it had been unable to identify the person who was said to have spoken to Mr Price three to five years ago and therefore could not comment on the accuracy or otherwise of Mr Price's statement. Mr Price's description of events in November 1995 was regrettably correct. Hotpoint's Business Development Manager's comments had not been authorized and had been withdrawn. Mr Price remained free to price his products as he chose.

Pratt Bros*

(a) Dealer's observation (2)

Mr Pratt of Pratt Bros, Leicester told us:

A17 * Hotpoint would 'stand no messing about' with prices. It would allow him to offer £10 discount off its RRPs for washing machines but any deviation from this would result in a withdrawal of all or some retrospective discount; and

A18 *Hotpoint insisted that a full range of products was sold in the expectation that the RRP could be realized on fast-moving goods so compensating for low returns on slow-moving items.

(b) Supplier's response

GDA told us that Mr Pratt's business had now closed and it was not clear to what period the comments related. Regarding the two observations:

- (i) The reference to a retrospective discount was not consistent with Hotpoint's trading practices. Hotpoint had checked with its Sales Manager who had covered the area for the last three years. He had no recollection of any conversations along the lines of those indicated.
- (ii) Mr Pratt's comments on range stocking presumably referred to the Hotpoint Centre requirement to carry a range of products, but the system had in recent years become more flexible in relation to the selection of products.

(c) Dealer's response

Mr Pratt told us that he was still trading in brown electrical goods but had ceased selling white goods in September 1994. He stood by his original observation. He had nothing more to add to his comments other than 'they would say that, wouldn't they?'

A19 ***Bennetts (Retail) Ltd***

(a) Dealer's observation

Mr Jackson of Bennetts (Retail) Ltd (Bennetts), Norwich, told us that in the past Bennetts had been contacted by Hotpoint when it had promoted or advertised Hotpoint's washing machines below RRP's or promoted prices, or when Hotpoint products had been included in a promotion involving a voucher or discount coupon. Hotpoint had asked Bennetts not to promote or advertise its products in that way.

(b) Supplier's response

GDA told us that it had had no known contact with Mr Jackson himself on the question of promoted or advertised prices and it appeared that the events to which he referred had occurred a considerable time ago (probably five or six years). Hotpoint's contacts on the point in issue had been with Bennetts' white goods buyer and its Advertising and Publicity Director, and had taken place in the context of their routine fortnightly discussions.

At that time, Bennetts had run a few well-advertised voucher/coupon promotions which included best-selling Hotpoint products at substantial discounts. These promotions had taken place immediately prior to seasonal Hotpoint promotions, involving the same Hotpoint models. It appeared that the promotions had been launched by Bennetts' Advertising and Publicity Director without consulting the Hotpoint sales representative who was responsible for purchasing the necessary stocks. Hotpoint had supplied the stocks on the normal terms agreed with Bennetts and had continued to do so. Hotpoint's sales representative had, however, pointed out to Bennetts that it would probably be more successful in the long term if it were to run that type of promotion on end-of-line stocks rather than on best-selling models. Repeats of the promotions in question would inevitably have resulted in Bennetts being targeted by large multiple retailers, which had a strong presence in the region and monitored local advertising closely. Hotpoint said that the sales representative's comments had been limited to matters of promotional and advertising strategy; there had been no discussion of Bennett's displayed or transaction prices. There had been no similar discussion with Bennetts in the five or six years since then.

(c) Dealer's response

Mr Jackson told us that the facts as stated by him were correct but he regretted he could not give more details, or be more specific regarding dates when Hotpoint had contacted him in the past because so much time had now elapsed. It was correct to say that the discussions had taken place at least five or six years ago.

A20 ***The Cooker Factory***

(a) Dealer's observation

Mr Allsop of The Cooker Factory, Glasgow, told us that Hotpoint's Area Manager had made it plain to him on many occasions that if he advertised Hotpoint washing machines at below RRP's, Hotpoint would withdraw his retrospective discount and his status as a Hotpoint Centre.

(b) Supplier's response

GDA told us that it had made inquiries of Hotpoint's Area Manager. The Cooker Factory was a Hotpoint Centre and traded direct with Hotpoint on terms which were broadly similar to those of other small retailers.

Hotpoint's Area Manager had no recollection of making, and did not believe that he had made, the comments attributed to him.

(c) Dealer's response

Mr Allsop responded by telling us that he stood by everything he had told us.

A21 **Mr D B Lever**

(a) Member of the public's observation

Mr D B Lever of Lytham St Anne's told us that the manager of the Apollo 2000 Superstore, Blackpool, had told him in December 1994 that Hotpoint would not allow Apollo 2000 to set prices for washing machines. Apollo 2000's manager had said to him: 'If you know of a way in which we can sell these goods at prices which we fix, rather than the manufacturer, our managing director would love to hear from you.'

(b) Supplier's response

GDA told us that it had no way of verifying what a retailer said to a customer but Hotpoint understood that Apollo 2000's pricing policy was established at its Head Office and its Branch Managers informed accordingly. It thought a conversation of the nature suggested was unlikely. Hotpoint suspected that the reality underlying these complaints was rather different. It suggested that a retailer faced with a customer trying to bargain at the point of sale used the manufacturer as a convenient excuse to keep the discount to a minimum.

(c) Dealer's response

Apollo 2000 told us that the manager of its Blackpool store could not recall the specific incident alleged to have happened in December 1994, and had stated that such comments had never been made by him at any time as a manager of Apollo 2000. He was given total flexibility on retail pricing by his Head Office to reduce ticket prices if necessary to secure a sale; this had happened on numerous occasions with Hotpoint products and could be proved by providing sample receipts.

Hoover

A22 **UDA (Burnley) Ltd***

(a) Dealer's observation

Mr Scott, of UDA (Burnley) Ltd, Burnley, told us in late 1995 that two years previously the Hoover area representative had told him to increase his price for a Hoover washing machine. Since Hoover's ownership had changed in July 1995 there had been no objections to such discounting.

(b) Supplier's response

Hoover told us that UDA advertised the price at which it sold products. It did not negotiate on some form of discount off the advertised price. Hoover had observed that some customers were being lost in this way and had suggested to Mr Scott that if he increased his prices (on all his products) he would be able to negotiate and retain the customers' business. Mr Scott had told Hoover that his marketing philosophy was not to negotiate and that was the end of the conversation. No other such conversations or any other action had taken place.

(a) Dealer's observation

This large department store told us that on several occasions in 1993 it had received requests from suppliers' representatives to raise prices following complaints from other retailers. Several brands were involved, particularly Hoover. During 1994 there had been several incidents. For example, Hoover had contacted the store regarding washing machine prices following complaints by other retailers. Hoover had threatened to withdraw its demonstrator if the store refused to comply with Hoover's request. The retailer did not wish its identity to be divulged to the supplier since it thought this would not best serve its interests.

(b) Supplier's response

Hoover told us that as the retailer was requesting anonymity, the timing (of the incident) was unclear, and as no names of Hoover personnel had been provided, it was impossible for it to check whether there was any veracity to the alleged complaint. It was true that during 1993/94 Hoover, as a policy matter, had reduced the number of its in-store demonstrators. This was in no way connected with any threats to its retailers to reduce demonstrators but simply a strategic decision to manage its resources better.

A24 **SRS 594***(a) Dealer's observation*

This retailer (SRS 594) said that in 1994 the Hoover area representative had told him that Hoover would not provide advertising support for washing machines offered at prices below the RRP. The retailer did not wish his identity to be divulged to the supplier since he thought this would not best serve his interests.

(b) Supplier's response

Hoover told us that it could not identify the alleged conversation. It did share the cost of some local advertising with retailers when it was sponsoring a promotion. If a retailer did not want to participate in the promotion, there would be no reason for Hoover to contribute to his advertising costs. We contacted Hoover again for clarification of its response. Hoover replied that it did not believe such a conversation would have taken place. Withholding the information that would allow it to investigate this suggested to Hoover that the observation was not bona fide.

Miele**SRS 70****(a) Dealer's observations (2)*

This retailer (SRS 70) told us:

A25 * That Miele would not wish his store to advertise washing machines at discounted prices.

A26 * That Miele's local representative had commented on his store selling washing machines below the RRP because Miele did not want the image of the product to suffer, nor to promote a spiral of price undercutting. The retailer did not wish his identity to be divulged to the supplier since he thought this would not best serve his interests.

(b) Supplier's response

In response to the observation at case A25 Miele told us that if this retailer was referring to the use of

advertising material supplied by Miele he would be encouraged to use the MRPs to avoid falling foul of the Consumer Protection Act. On the observation at case A26, it was Miele's understanding that its local representative was not acting unlawfully in making such comments, provided he did not withhold supplies or penalize the retailer in any way should he insist on selling at a price other than MRP.

Neff

A27 **SRS 660**

(a) Dealer's observation

This retailer (SRS 660) said that Neff had objected to him advertising its washing machines below RRP's and had threatened to stop supplies and withdraw credit facilities. He said that he would not like his comments to be attributed to him if they were to be sent to the supplier because he was concerned about the supplier's reaction.

(b) Supplier's response

Neff told us that it denied and could not follow the allegation in the retailer's observation. Neff's share of the relevant markets was so small that it could not see how such an episode could have happened. But it could make no further comment unless more information was given about the retailer concerned, or the geographic location.

Tumble driers

Crosslee

B1 **Savacentre***

(a) Dealer's observation

Savacentre said that in September or October 1995 Crosslee had sought to reduce the discount at which Savacentre was selling Crosslee budget-price tumble driers.

(b) Supplier's response

Crosslee told us that it could not recall a specific conversation with Savacentre but the subject of prices and discounts was almost invariably discussed when its sales staff talked to buyers. In 1994 Savacentre had sought, and had been given, a reduction in buying price which was maintained throughout the following season even though volume targets were missed. Deliveries and prices had remained as normal each month save for a small cover charge which was agreed in October 1995 to cover the purchase of pallets.

(c) Dealer's response

Savacentre said that its comments were impressions and views. There was nothing in writing from Crosslee to substantiate these views.

Emaco (AEG)

B2 *Designkirk (Court Kitchens)**

(a) Dealer's observation

Designkirk (Court Kitchens), Stockton-on-Tees, said that the AEG representative had told him the rule of thumb was that he should not discount more than 6 per cent below the RRP for AEG tumble driers.

(b) Supplier's response

Emaco told us that it was unable to comment on the detail of this allegation (regarding an incident at a date unspecified). AEG's current Area Manager had no recollection of any such discussion with this retailer. AEG suspected that the incident might have dated from the early 1990s and related to built-in AEG appliances. This was because, at that time, some retailers generally tended to sell AEG built-in products at a discount of around 6 per cent below AEG's RRP's. The AEG Area Manager might have mentioned that fact to Court Kitchens. However, that retailer would have been, and remained, free to offer even greater discounts.

B3 *UDA (Burnley) Ltd**

(a) Dealer's observation

Mr Scott of UDA (Burnley) Ltd, Burnley, told us that in October 1995 the AEG representative had seen an AEG tumble drier in UDA's window priced at £259.99 although the RRP on the sale ticket was £349.99. The representative had telephoned to ask what Mr Scott was doing setting such a price.

(b) Supplier's response

Emaco told us that the AEG Area Manager confirmed contacting this retailer to point out the considerable difference between UDA's displayed price and AEG's SRP. The Area Manager had asked whether Mr Scott had made a mistake because the displayed price involved a very substantial discount compared with the RRP. The Area Manager had not asked the retailer to raise his prices, it being the retailer's decision what action (if any) to take.

B4 *SRS 594*

(a) Dealer's observation

This retailer (SRS 594) said that the AEG representative had told him in 1994 that AEG would not provide advertising support for tumble driers offered at prices below the RRP's. He did not wish his identity to be divulged to the supplier since he thought this would not best serve his interests.

(b) Supplier's response

Emaco told us that it was unable to comment on the detail of this allegation because of the lack of information about the identity of the retailer or the AEG area representative concerned. It was possible that the unidentified AEG Area Manager might have declined to provide financial support from his limited promotional budget and that the retailer wrongly thought this might be connected to his selling products at a discount from AEG's RRP.

B5 **SRS 660**

(a) Dealer's observation

This retailer (SRS 660) told us that in 1995 the AEG area representative had threatened to withdraw supplies of AEG tumble driers because he had advertised at discounted prices. He also said that, in a separate incident, AEG had objected to its tumble driers being advertised below RRP's and had threatened to stop supplying the retailer and withdraw his credit facilities. The retailer said he would not like his comments to be attributed to him if they were to be sent to the supplier because he was concerned about the supplier's reaction.

(b) Supplier's response

Emaco told us that it was unable to comment on the detail of this allegation because of the lack of information about the identity of the retailer or the AEG area representative concerned. However, AEG confirmed that it had not withdrawn supply from any dealer over this period. Nor was AEG aware of any case of its having threatened to stop supplies or withdraw credit facilities on the grounds that reference white goods were being advertised below RRP's.

Emaco (Electrolux)

B6 **The Cooker Factory***

(a) Dealer's observation

Mr Allsop of The Cooker Factory, Glasgow, said that the Electrolux Area Manager had told him frequently that, while he might sell at whatever discount prices he chose, he must not advertise Electrolux tumble driers below RRP's and that if he did not comply he would have difficulties in securing supply, and with his credit limit.

(b) Supplier's response

Emaco told us that the (named) Regional Sales Manager was no longer employed by Electrolux so it was not able to comment on the detail of this allegation. Electrolux thought it most unlikely that its Regional Sales Manager would have made those alleged repeated threats, let alone that Mr Allsop would have taken them seriously. Electrolux was always keen to gain support for joint advertising with its retail partners. It would often produce local advertisements to assist smaller retailers who did not have the administrative capabilities of their own. It was keen that advertisements should draw the consumer's attention to the Electrolux product's features.

(c) Dealer's response

Mr Allsop responded by telling us that he stood by everything he had told us.

B7 **SRS 312**

(a) Dealer's observation

This retailer (SRS 312) said first that Electrolux did not approve of retailers advertising discounted prices for tumble driers and had suggested that he should not follow that course but offer encashable vouchers instead (but not necessarily for electrical goods stocked by him). He said that he would not want his comments to be attributed to him as he 'did not wish to upset the supplier'. In February 1997, the retailer said, 'Now the policy by Electrolux is not to advise any pricing structure to retailers'.

(b) Supplier's response

Emaco told us that it was unable to comment in detail on the allegation made in the retailer's first statement because of the lack of information which might enable it to identify the retailer or the Electrolux area representative concerned.

Emaco (Zanussi)

B8 ***Gas Flair Ltd****

(a) Dealer's observation

Mr J Vizer, formerly Director of Gas Flair Ltd, Kingston upon Hull, told us that Zanussi had told him in the past that if he were to advertise its tumble driers openly at discounted prices, there could be repercussions. Mr Vizer said that he conducted his business accordingly.

Mr Vizer said that he had met Zanussi's Regional Sales Manager in May 1996 and told her that he wished to sell Zanussi tumble driers at discounted prices. The Regional Sales Manager had replied that Zanussi's policy was no longer as inflexible as it had been, particularly in view of the MMC's current inquiries. She advised that Zanussi was not concerned with discounting at any level within the showroom, but that advertised discounts of more than £15 would present problems for Zanussi with other retailers.

(b) Supplier's response

Zanussi told us that it had written to Mr Vizer in June 1996 apologizing for any misunderstanding there may have been and making it clear that he was free to sell, advertise and display Zanussi products at whatever prices he chose.

Zanussi's Regional Sales Manager recalled that her discussions with Mr Vizer in May 1996 had touched on various points concerning Zanussi's strategy for improving sales. Mr Vizer had said that he was opening a store in the London area and had wanted to know what would be available from Zanussi in the way of stands and display materials. When he had asked about Zanussi's policy on pricing, he had been told that Zanussi did issue SRPs, but if he wanted to sell at a lesser margin that was up to him. Mr Vizer had also asked whether Zanussi would contribute financially to a retailer's 'premium offers', ie where a retailer offered the consumer a free gift on the purchase of a product. She had explained that if Zanussi was asked to contribute to one of these premium offers it preferred the value of the free gift to be no more than £15. But Zanussi did not insist on that price band. It was in this context that the figure of £15 had been discussed. Its Regional Sales Manager had not said that Zanussi would have problems if a retailer were to advertise discounts of more than £15.

If Mr Vizer wished to be more specific about his allegations of earlier pressure put on him by Zanussi in respect of his advertising Zanussi goods (for example, naming individuals and dates) then Zanussi might be able to investigate further. The statement that he had 'conducted his business accordingly' also implied that he had been purchasing and retailing Zanussi tumble driers but not advertising it openly at discounted prices. Zanussi had therefore checked its records to see what volumes of tumble driers and other products Gas Flair had actually purchased from Zanussi in recent years. These records showed that over the last 2½ years (to September 1996) Gas Flair had purchased one washing machine and one washer/dryer and no other reference white goods.

Zanussi was surprised that a dealer might have been under the impression that he would somehow suffer reprisals if he were to sell Zanussi products at discounted prices. Zanussi believed there could be very few white goods retailers who were not aware that they were legally free to sell, advertise and display their products at discounted prices.

(c) Dealer's response

Mr Vizer responded by telling us that Gas Flair had dealt with Zanussi over the years spasmodically, as a

direct result of Zanussi's original pricing policy. Because of Zanussi's strong brand image and subsequent customer demand, Mr Vizor had attempted periodically, over approximately 20 years, to market Zanussi products, including some reference goods. Mr Vizor could not put dates or names to the various conversations he had had with Zanussi personnel, but he well remembered, on a number of occasions, that whenever he had discounted prices by even a modest amount, other local and national retailers had complained to Zanussi. Zanussi had consequently requested that he strictly adhere to their recommendations, particularly on advertised prices. Whenever he had 'stood out of line' the promotional monies that were available to other retailers had been withdrawn from him. These occurrences had been well in the past but had resulted in his low level of business with Zanussi. His statement that he 'conducted his business accordingly' meant that he did without its goods.

At the May 1996 meeting with Zanussi, 'premium offers' had been discussed and Mr Vizor agreed that the £15 had been mentioned in that context. However, both Mr Vizor and his secretary clearly recalled the Zanussi representative stating that if he advertised Zanussi products at discounted prices of more than £15 it would create problems for Zanussi.

B9 ***IKEA****

(a) Dealer's observation

IKEA told us that from July 1994 to January 1995 it had sold Zanussi tumble driers at £5 or £10 below lower than the RRP. It was IKEA's policy never to be beaten on price and where there was an equivalent sold in the market-place at a lower price IKEA would beat it. In order to maintain this policy all Zanussi products had been reduced. IKEA said that Zanussi had not been happy with this and there had been several oral communications, the result of which was that IKEA's prices had been realigned to match the RRP. No documentation existed. No pressures had been applied. IKEA said that Zanussi generally dictated that RRP's must be adhered to and IKEA accepted this in order to maintain a good working relationship with the supplier.

(b) Supplier's response

Emaco told us that Zanussi had commenced trading with IKEA in the UK in July 1994. Zanussi's business with IKEA had grown since then and was now fairly substantial. IKEA-which, as far as Zanussi was aware, had not previously retailed any white goods-now stocked Zanussi products in all six of its UK stores.

During 1994/95 IKEA had run a promotion where it reduced its retail prices for Zanussi white goods by around £5 below Zanussi's SRPs. During that period Zanussi had been contacted by other retailers with stores in IKEA's catchment areas who had become aware of IKEA's promotion, including others who were operating price promises or policies of never knowingly being undersold by their retailing competitors. These retailers had voiced concerns about the low prices at which IKEA was selling Zanussi products. Some had indicated that they were taking action in terms of price-matching, or that they could not realistically be expected to continue to stock or sell the same volume of Zanussi products within their total range of white goods at such reduced margins. Zanussi had spoken to IKEA and had asked whether there were particular reasons why IKEA felt it necessary or advantageous to sell at below Zanussi's SRP. Zanussi had made it clear that IKEA was free to sell and advertise Zanussi products at whatever price it chose. It had also pointed out that other retailers were responding by price-matching, so any financial advantage IKEA had been hoping for in terms of increased sales volumes would probably be short-lived. IKEA had indicated that it would review the situation. That particular IKEA promotion had finished at the end of January 1995 and had not been rerun since.

No pressures of any kind had ever been put on IKEA to 'adhere to' RRP's. Zanussi's RRP's were suggested/recommended prices.

(c) Dealer's response

IKEA told us that its reductions had not been made as a promotion. It had decided to launch its Zanussi products below RRP and had intended that they would remain so. Competitors had become aware of the fact that IKEA was selling Zanussi goods at below RRP and were not happy with this fact rather than that IKEA was offering a promotion. IKEA's intention had not been to increase sales volume, merely to honour its price promise to its customers. Responding to Emaco's comment that Zanussi had made it clear that IKEA was free to sell and advertise Zanussi products at whatever price it chose, IKEA commented 'The most important point here is that it was highly recommended that we return to suggested retail price and in no circumstances was it ever suggested that we could retail at whatever price we wanted'.

B10 ***The Cooker Factory****

(a) Dealer's observation

Mr Allsop of The Cooker Factory, Glasgow, said that as at 1994 he obtained Zanussi products from its Scottish distributor, AAH Clyde Factors. In June 1994, Zanussi's Marketing Director had protested to AAH Clyde Factors at Mr Allsop advertising Zanussi tumble driers at '£ASK' prices. The Marketing Director had said that Zanussi would meet the full costs of cancelling the advertisements if he would comply with Zanussi's RRP. Mr Allsop had refused and his credit limit with Clyde Factors for Zanussi goods had been reduced.

(b) Supplier's response

Emaco told us that all Zanussi's sales of free-standing white goods in Scotland had formerly been made via its distributor, AAH Clyde Factors. With effect from 1 April 1996, however, those distribution arrangements had terminated in line with Zanussi's marketing strategy of moving towards direct trading with retailers. Zanussi had been doing direct business with Mr Allsop since 1 April 1996. Zanussi's Marketing Director had no recollection of having held any conversation with AAH Clyde Factors of the type alleged. Zanussi's Commercial Director had spoken with AAH Clyde Factors' Sales Manager who did not recall any such conversation either. Zanussi did not attempt to control the prices advertised by retailers and did not know why Mr Allsop might have thought otherwise. Furthermore, Zanussi understood that as at March 1996 The Cooker Factory's credit limit with AAH Clyde Factors had been far higher than Mr Allsop had stated.

(c) Dealer's response

Mr Allsop responded by telling us that he stood by everything he had told us.

B11 ***Pratt Bros****

(a) Dealer's observation

Mr Pratt of Pratt Bros, Leicester, told us that Zanussi had made it clear that he should maintain 'orderly marketing'. Early in 1994 the Zanussi representative had told him not to discount tumble driers and had said that he would have a problem with deliveries unless he kept to RRP.

(b) Supplier's response

Emaco told us that it had not been able to speak to Zanussi's former representative to ascertain what he had actually said or what he may have meant. The (named) representative was no longer employed by Zanussi.

B12 **Comet**

(a) Dealer's observation

Comet told us that Zanussi was unhappy with offers of interest-free credit for a fixed period on tumble driers and had threatened to withdraw margin support when such offers were made.

(b) Supplier's response

Emaco told us that Zanussi had never threatened to withdraw margin support from Comet, whether related to offers of interest-free credit or any other matters.

(c) Dealer's response

Comet responded by telling us that it did not have further tangible evidence. Nor was it able to identify specific dates on which its impressions had been received. It said that suppliers tended to convey their displeasure by telephone, rather than in writing. Comet's references to margin support were not necessarily limited to formal compensatory arrangements. Its concern was that suppliers would question the need for the retention of margins at existing levels if promotional price activity (by way of interest-free credit or otherwise) was undertaken.

B13 **SRS 594**

(a) Dealer's observation

This retailer (SRS 594) said that in 1994 the Zanussi area representative had told him that Zanussi would not provide advertising support for tumble driers offered at prices below the RRP's. He did not wish his identity to be divulged to the supplier since he thought this would not best serve his interests.

(b) Supplier's response

Emaco told us that it was unable to comment on the detail of this allegation because of the lack of information about the identity of the retailer or the Zanussi area representative concerned. Zanussi did not attempt to control the prices advertised by retailers. It had made advertising support available to retailers without reference to whether or not models were being offered at price below RRP's.

B14 **Mr D B Lever**

(a) Member of the public's observation

Mr D B Lever of Lytham St Annes told us that the manager of the Apollo 2000 Superstore, Blackpool, had told him in December 1994 that Zanussi would not allow Apollo 2000 to set prices for its tumble driers. Apollo 2000's manager had said to Mr Lever: 'If you know of a way in which we can sell these goods at prices which we fix, rather than the manufacturer, our managing director would love to hear from you'.

(b) Supplier's response

Emaco told us that Apollo 2000 surely knew that it was free to sell Zanussi products at whatever price it wished. The member of the public could have referred Apollo 2000 to the RPA. Faced with refusal by Apollo 2000's staff to reduce its prices for him, he could have threatened to take his custom to another retailer offering the same (or a competitive) model.

(c) Retailer's response

Apollo 2000 told us that the manager of its Blackpool store could not recall the specific incident alleged to have happened in December 1994 and stated that such comments had never been said by him at any time as a manager of Apollo 2000. He was given total flexibility on retail pricing by his Head Office to reduce ticket prices if necessary to secure a sale, this had happened on numerous occasions with Zanussi products and could be proved by providing sample receipts.

GDA (Hotpoint)

B15 *Custom Kitchen**

(a) Dealer's observation

Mr Price, of Custom Kitchen, Lowestoft, told us that three to five years ago he had been told by the (then) Hotpoint Business Development Manager that if he sold Hotpoint free-standing tumble driers at a discount below its RRP he would lose his retrospective 'margin support' of 10 per cent. On 29 November 1995 he had sought confirmation by telephone that this was still Hotpoint's policy. Hotpoint's present Business Development Manager had advised him that Hotpoint would feel that if he were to discount, he would no longer need his margin support and it would be withdrawn. Subsequently the Business Development Manager withdrew this comment and asked him to raise any further questions with Hotpoint's legal department.

(b) Supplier's response

GDA told us that it had been unable to identify the person who was said to have spoken to Mr Price three to five years ago and therefore could not comment on the accuracy or otherwise of Mr Price's statement. Mr Price's description of events in November 1995 was regrettably correct. Hotpoint's Business Development Manager's comments had not been authorized and had been withdrawn. Mr Price remained free to price his products as he chose.

Pratt Bros*

(a) Dealer's observation (2)

Mr Pratt of Pratt Bros, Leicester told us:

B16 * Hotpoint would 'stand no messing about' with prices. It would allow him to offer £10 discount off its RRPs for tumble-driers but any deviation from this would result in a withdrawal of all or some retrospective discount; and

B17 *Hotpoint insisted that a full range of products was sold in the expectation that the RRP could be realized on fast-moving goods so compensating for low returns on slow-moving items.

(b) Supplier's response

GDA told us that Mr Pratt's business had now closed and it was not clear to what period the comments related. Regarding the two observations:

- (i) The reference to a retrospective discount was not consistent with Hotpoint's trading practices. Hotpoint had checked with its Sales Manager who had covered the area for the last three years. He had no recollection of any conversations along the lines of those indicated.
- (ii) Mr Pratt's comments on range stocking presumably referred to the Hotpoint Centre requirement to carry a range of products, but the system had in recent years become more flexible in relation to the selection of products.

(c) Dealer's response

Mr Pratt told us that he was still trading in brown electrical goods but had ceased selling white goods in September 1994. He stood by his original observation. He had nothing more to add to his comments other than 'they would say that, wouldn't they?'

B18 *Bennetts (Retail) Ltd*

(a) Dealer's observation

Mr Jackson of Bennetts (Retail) Ltd (Bennetts), Norwich, told us that in the past Bennetts had been contacted by Hotpoint when it had promoted or advertised Hotpoint's tumble driers below RRP's or promoted prices, or when Hotpoint products had been included in a promotion involving a voucher or discount coupon. Hotpoint had asked Bennetts not to promote or advertise its products in that way.

(b) Supplier's response

GDA told us that it had had no known contact with Mr Jackson himself on the question of promoted or advertised prices and it appeared that the events to which he referred had occurred a considerable time ago (probably five or six years). Hotpoint's contacts on the point in issue had been with Bennetts' white goods buyer and its Advertising and Publicity Director, and had taken place in the context of their routine fortnightly discussions.

At that time, Bennetts had run a few well-advertised voucher/coupon promotions which included best-selling Hotpoint products at substantial discounts. These promotions had taken place immediately prior to seasonal Hotpoint promotions, involving the same Hotpoint models. It appeared that the promotions had been launched by Bennetts' Advertising and Publicity Director without consulting the Hotpoint sales representative who was responsible for purchasing the necessary stocks. Hotpoint had supplied the stocks on the normal terms agreed with Bennetts and had continued to do so. Hotpoint's sales representative had, however, pointed out to Bennetts that it would probably be more successful in the long term if it were to run that type of promotion on end-of-line stocks rather than on best-selling models. Repeats of the promotions in question would inevitably have resulted in Bennetts being targeted by large multiple retailers, which had a strong presence in the region and monitored local advertising closely.

Hotpoint said that the sales representative's comments had been limited to matters of promotional and advertising strategy; there had been no discussion of Bennett's displayed or transaction prices. There had been no similar discussion with Bennetts in the five or six years since then.

(c) Dealer's response

Mr Jackson told us that the facts as stated by him were correct but he regretted he could not give more details, or be more specific, regarding dates when Hotpoint had contacted him in the past because so much time had now elapsed. It was correct to say that the discussions had taken place at least five or six years ago.

B19 *The Cooker Factory*

(a) Dealer's observation

Mr Allsop of The Cooker Factory, Glasgow, told us that Hotpoint's Area Manager had made it plain to him on many occasions that if he advertised Hotpoint tumble driers at below RRP's, Hotpoint would withdraw his retrospective discount and his status as a Hotpoint Centre.

(b) Supplier's response

GDA told us that it had made inquiries of Hotpoint's Area Manager. The Cooker Factory was a Hotpoint Centre and traded direct with Hotpoint on terms which were broadly similar to those of other small retailers. Hotpoint's Area Manager had no recollection of making, and did not believe that he had made, the comments attributed to him.

(c) Dealer's response

Mr Allsop responded by telling us that he stood by everything he had told us.

B20 *Mr D B Lever*

(a) Member of the public's observation

Mr D B Lever of Lytham St Annes told us that the manager of the Apollo 2000 Superstore, Blackpool, had told him in December 1994 that Hotpoint would not allow Apollo 2000 to set prices for its tumble driers. Apollo 2000 manager had said to him: 'If you know of a way in which we can sell these goods at prices which we fix, rather than the manufacturer, our managing director would love to hear from you'.

(b) Supplier's response

GDA told us that it had no way of verifying what a retailer said to a customer but Hotpoint understood that Apollo 2000's pricing policy was established at its Head Office and its Branch Managers informed accordingly. It thought a conversation of the nature suggested was unlikely. Hotpoint suspected that the reality underlying these complaints was rather different. It suggested that a retailer faced with a customer trying to bargain at the point of sale used the manufacturer as a convenient excuse to keep the discount to a minimum.

(c) Dealer's response

Apollo 2000 told us that the manager of its Blackpool store could not recall the specific incident alleged to have happened in December 1994 had stated that such comments, had never been made by him at any time as a manager of Apollo 2000. He was given total flexibility on retail pricing by his Head Office to reduce ticket prices if necessary to secure a sale; this had happened on numerous occasions with Hotpoint products and could be proved by providing sample receipts.

Hoover

B21 *SRS 594*

(a) Dealer's observation

This retailer (SRS 594) said that in 1994 the Hoover area representative had told him that Hoover would not provide advertising support for tumble driers offered at prices below the RRP. He did not wish his identity to be divulged to the supplier since he thought this would not best serve his interests.

(b) Supplier's response

Hoover told us that it could not identify the alleged conversation. It did share the cost of some local advertising with retailers when it was sponsoring a promotion. If a retailer did not want to participate in the promotion, there would be no reason for Hoover to contribute to his advertising costs.

We contacted Hoover again on 15 July 1996 for clarification of its response. Hoover replied that it did not believe such a conversation would have taken place. Withholding the information that would allow it to investigate this suggested to Hoover that the observation was not bona fide.

Dishwashers

Emaco (AEG)

C1 *Designkirk (Court Kitchens)**

(a) Dealer's observation

Designkirk (Court Kitchens), Stockton-on-Tees, said that the AEG representative had told him the rule of thumb was that he should not discount more than 6 per cent below the RRP for AEG dishwashers.

(b) Supplier's response

Emaco told us that it was unable to comment on the detail of this allegation (regarding an incident at a date unspecified). AEG's current Area Manager had no recollection of any such discussion with this retailer. AEG suspected that the incident might have dated from the early 1990s and related to built-in AEG appliances. This was because, at that time, some retailers generally tended to sell AEG built-in products at a discount of around 6 per cent below AEG's RRP's. The AEG Area Manager might have mentioned that fact to Court Kitchens. However, that retailer would have been, and remained, free to offer even greater discounts.

C2 *UDA (Burnley) Ltd**

(a) Dealer's observation

Mr Scott of UDA (Burnley) Ltd, Burnley, told us that in July 1995 the AEG representative had seen an AEG 315 Slimline dishwasher in UDA's window priced at £329.99 compared with the RRP of £399.99. The representative had telephoned him to say that a 'national account' had complained about the low price and asked him to increase it. Mr Scott complied.

(b) Supplier's response

Emaco told us that the AEG Area Manager confirmed contacting this retailer to point out the considerable difference between the retailer's displayed price and AEG's SRP and to ask whether he had made a mistake. The displayed price had seemed odd since it was actually, at or below, the retailer's cost price. The Area Manager had not asked the retailer to raise his prices, it being the retailer's decision what action (if any) to take.

(b) Dealer's response

Mr Scott responded by telling us that it was not true that the representative was only concerned about a low price being shown. He had told Mr Scott that a national account had complained. UDA wanted to clear the AEG dishwasher as it was old stock.

C3 *SRS 594*

(a) Dealer's observation

This retailer (SRS 594) said that the AEG representative had told him in 1994 that AEG would not provide advertising support for dishwashers offered at prices below the RRP's. He did not wish his identity to be divulged to the supplier since he thought this would not best serve his interests.

(b) Supplier's response

Emaco told us that it was unable to comment on the detail of this allegation because of the lack of

information about the identity of the retailer or the AEG area representative concerned. It was possible that the unidentified AEG Area Manager might have declined to provide financial support from his limited promotional budget and that the retailer wrongly thought this might be connected to its selling products at a discount from AEG's RRP.

C4 **SRS 660**

(a) Dealer's observation

This retailer (SRS 660) told us that in 1995 the AEG area representative had threatened to withdraw supplies of AEG dishwashers because he had advertised at discounted prices. He also said that, in a separate incident, AEG had objected to its dishwashers being advertised below RRP's and had threatened to stop supplying the retailer and withdraw his credit facilities. The retailer said that he would not like his comments to be attributed to him if they were to be sent to the supplier because he was concerned about the supplier's reaction.

(b) Supplier's response

Emaco told us that it was unable to comment on the detail of this allegation because of lack of information about the identity of the retailer or the AEG area representative concerned. However, AEG confirmed that it had not withdrawn supply from any dealer over this period. Nor was AEG aware of any case of its having threatened to stop supplies or withdraw credit facilities on the grounds that reference white goods were being advertised below RRP's.

Emaco (Electrolux)

C5 **The Cooker Factory***

(a) Dealer's observation

Mr Allsop of The Cooker Factory, Glasgow, said that the Electrolux Area Manager had told him frequently that, while he might sell at whatever discount prices he chose, he must not advertise Electrolux dishwashers below RRP's and that if he did not comply he would have difficulties in securing supply, and with his credit limit.

(b) Supplier's response

Emaco told us that the (named) Regional Sales Manager was no longer employed by Electrolux so it was not able to comment on the detail of this allegation. Electrolux thought it most unlikely that its Regional Sales Manager would have made those alleged repeated threats, let alone that Mr Allsop would have taken them seriously. Electrolux was always keen to gain support for joint advertising with its retail partners. It would often produce local advertisements to assist smaller retailers who did not have the administrative capabilities of their own. It was keen that advertisements should draw the consumer's attention to the Electrolux product's features.

(c) Dealer's response

Mr Allsop responded by telling us that he stood by everything he had told us.

C6 **SRS 312**

(a) Dealer's observation

This retailer (SRS 312) first said that Electrolux did not approve of retailers advertising discounted prices

for dishwashers and had suggested that he should not follow that course but offer encashable vouchers instead (but not necessarily for electrical goods stocked by him). He said that he would not want his comments to be attributed to him as he 'did not wish to upset the supplier'. In February 1997 the retailer told us, 'Now the policy by Electrolux is not to advise any pricing structure to retailers'.

(b) Supplier's response

Emaco told us it was unable to comment in detail on the first allegation made by the retailer because of the lack of information which might enable it to identify the retailer or the Electrolux area representative concerned.

Emaco (Zanussi)

C7 ***Gas Flair Ltd****

(a) Dealer's observation

Mr J Vizer, formerly Director of Gas Flair Ltd, Kingston upon Hull, told us that Zanussi had told him in the past that if he were to advertise its dishwashers openly at discounted prices, there could be repercussions. Mr Vizer said that he conducted his business accordingly.

Mr Vizer said that he had met Zanussi's Regional Sales Manager in May 1996 and told her that he wished to sell Zanussi dishwashers at discounted prices. The Regional Sales Manager had replied that Zanussi's policy was no longer as inflexible as it had been, particularly in view of the MMC's current inquiries. She advised that Zanussi was not concerned with discounting at any level within the showroom, but that advertised discounts of more than £15 would present problems for Zanussi with other retailers.

(b) Supplier's response

Zanussi told us that it had written to Mr Vizer in June 1996 apologizing for any misunderstanding there may have been and making it clear that he was free to sell, advertise and display Zanussi products at whatever prices he chose.

Zanussi's Regional Sales Manager recalled that her discussions with Mr Vizer in May 1996 had touched on various points concerning Zanussi's strategy for improving sales. Mr Vizer had said that he was opening a store in the London area and had wanted to know what would be available from Zanussi in the way of stands and display materials. When he had asked about Zanussi's policy on pricing, he had been told that Zanussi did issue SRPs, but if he wanted to sell at a lesser margin that was up to him. Mr Vizer had also asked whether Zanussi would contribute financially to a retailer's 'premium offers', that is where a retailer offered the consumer a free gift on the purchase of a product. She had explained that if Zanussi was asked to contribute to one of these premium offers it preferred the value of the free gift to be no more than £15. But Zanussi did not insist on that price band. It was in this context that the figure of £15 had been discussed. Its Regional Sales Manager had not said that Zanussi would have problems if a retailer were to advertise discounts of more than £15.

If Mr Vizer wished to be more specific about his allegations of earlier pressure put on him by Zanussi in respect of his advertising Zanussi goods (for example, naming individuals and dates) then Zanussi might be able to investigate further. The statement that he had 'conducted his business accordingly' also implied that he had been purchasing and retailing Zanussi dishwashers but not advertising it openly at discounted prices. Zanussi had therefore checked its records to see what volumes of dishwashers and other products Gas Flair had actually purchased from Zanussi in recent years. These records showed that over the last 2½ years (to September 1996) Gas Flair had purchased one washing machine and one washer/dryer and no other reference white goods.

Zanussi was surprised that a dealer might have been under the impression that he would somehow suffer

reprisals if he were to sell Zanussi products at discounted prices. Zanussi believed there could be very few white goods retailers who were not aware that they were legally free to sell, advertise and display their products at discounted prices.

(c) Dealer's response

Mr Vizor responded by telling us that Gas Flair had dealt with Zanussi over the years spasmodically, as a direct result of Zanussi's original pricing policy. Because of Zanussi's strong brand image and subsequent customer demand, Mr Vizor had attempted periodically, over approximately 20 years, to market Zanussi products, including some reference goods. Mr Vizor could not put dates or names to the various conversations he had had with Zanussi personnel, but he well remembered, on a number of occasions, that whenever he had discounted prices by even a modest amount, other local and national retailers had complained to Zanussi. Zanussi had consequently requested that he strictly adhere to their recommendations, particularly on advertised prices. Whenever he had 'stood out of line' the promotional monies that were available to other retailers had been withdrawn from him. These occurrences had been well in the past but had resulted in his low level of business with Zanussi. His statement that he 'conducted his business accordingly' meant that he did without its goods.

At the May 1996 meeting with Zanussi, 'premium offers' had been discussed and Mr Vizor agreed that the £15 had been mentioned in that context. However, both Mr Vizor and his secretary clearly recalled the Zanussi representative stating that if he advertised Zanussi products at discounted prices of more than £15 it would create problems for Zanussi.

C8 **IKEA***

(a) Retailer's observation

IKEA told us that from July 1994 to January 1995 it had sold Zanussi dishwashers at £5 or £10 below than the RRP. It was IKEA's policy never to be beaten on price and where there was an equivalent sold in the market-place at a lower price IKEA would beat it. In order to maintain this policy all Zanussi products had been reduced. IKEA said that Zanussi had not been happy with this and had been several oral communications, the result of which was that IKEA's prices were realigned to match the RRP. No documentation existed. No pressures had been applied. IKEA said that Zanussi generally dictated that RRP's must be adhered to and IKEA accepted this in order to maintain a good working relationship with the supplier.

(b) Supplier's response

Emaco told us that Zanussi had commenced trading with IKEA in the UK in July 1994. Zanussi's business with IKEA had grown since then and was now fairly substantial. IKEA-which, as far as Zanussi was aware, had not previously retailed any white goods-now stocked Zanussi products in all six of its UK stores.

During 1994/95 IKEA had run a promotion where it reduced its retail prices for Zanussi white goods by around £5 below Zanussi's SRPs. During that period Zanussi had been contacted by other of retailers with stores in IKEA's catchment areas who had become aware of IKEA's promotion, including others who were operating price promises or policies of never knowingly being undersold by their retailing competitors. These retailers had voiced concerns about the low prices at which IKEA was selling Zanussi products. Some had indicated that they were taking action in terms of price-matching, or that they could not realistically be expected to continue to stock or sell the same volume of Zanussi products within their total range of white goods at such reduced margins. Zanussi had spoken to IKEA and had asked whether there were particular reasons why IKEA felt it necessary or advantageous to sell at below Zanussi's SRP. Zanussi had made it clear that IKEA was free to sell and advertise Zanussi products at whatever price it chose. It had also pointed out that other retailers were responding by price-matching, so any financial advantage IKEA had been hoping for in terms of increased sales volumes would probably be short-lived. IKEA had indicated that it would review the situation. That particular IKEA promotion had finished at

the end of January 1995 and had not been rerun since.

No pressures of any kind had ever been put on IKEA to 'adhere to' RRP's. Zanussi's RRP's were suggested/recommended prices.

(c) Dealer's response

IKEA told us that its reductions had not been made as a promotion. It had decided to launch its Zanussi products below RRP and had intended that they would remain so. Competitors had become aware of the fact that IKEA was selling Zanussi goods at below RRP's and were not happy with this fact rather than that IKEA was offering a promotion. IKEA's intention had not been to increase sales volume, merely to honour its price promise to its customers. Responding to Emaco's comment that Zanussi had made it clear that IKEA was free to sell and advertise Zanussi products at whatever price it chose, IKEA commented 'The most important point here is that it was highly recommended that we return to suggested retail price and in no circumstances was it ever suggested that we could retail at whatever price we wanted'.

C9 ***The Cooker Factory****

(a) Dealer's observation

Mr Allsop of The Cooker Factory, Glasgow, said that as at 1994 he obtained Zanussi products from its Scottish distributor, AAH Clyde Factors. In June 1994, Zanussi's Marketing Director had protested to AAH Clyde Factors at Mr Allsop advertising Zanussi dishwashers at '£ASK' prices. The Marketing Director had said that Zanussi would meet the full costs of cancelling the advertisements if he would comply with Zanussi's RRP's. Mr Allsop had refused and his credit limit with Clyde Factors for Zanussi goods had been reduced.

(b) Supplier's response

Emaco told us that all sales of Zanussi free-standing white goods in Scotland had formerly been made via its distributor, AAH Clyde Factors. With effect from 1 April 1996, however, those distribution arrangements had terminated in line with Zanussi's marketing strategy of moving towards direct trading with retailers. Zanussi had been doing direct business with Mr Allsop since 1 April 1996. Zanussi's Marketing Director had no recollection of having held any conversation with AAH Clyde Factors of the type alleged. Zanussi's Commercial Director had spoken with AAH Clyde Factors' Sales Manager who did not recall any such conversation either. Zanussi did not attempt to control the prices advertised by retailers and did not know why Mr Allsop might have thought otherwise. Furthermore, Zanussi understood that as at March 1996 The Cooker Factory's credit limit with AAH Clyde Factors had been far higher than Mr Allsop had stated.

(c) Dealer's response

Mr Allsop responded by telling us that he stood by everything he had told us.

C10 ***Pratt Bros****

(a) Dealer's observation

Mr Pratt of Pratt Bros, Leicester, told us that Zanussi had made it clear that he should maintain 'orderly marketing'. Early in 1994 the Zanussi representative had told him not to discount dishwashers and had said that he would have a problem with deliveries unless he kept to RRP's.

(b) Supplier's response

Emaco told us that it had not been able to speak to Zanussi's former representative to ascertain what he had actually said or what he may have meant. The (named) representative was no longer employed by Zanussi.

C11 **Comet**

(a) Dealer's observation

Comet told us that Zanussi was unhappy with offers of interest-free credit for a fixed period on dishwashers and had threatened to withdraw margin support when such offers were made.

(b) Supplier's response

Emaco told us that Zanussi had never threatened to withdraw margin support from Comet, whether related to offers of interest-free credit or any other matters.

(c) Dealer's response

Comet responded by telling us that it did not have further tangible evidence. Nor was it able to identify specific dates on which its impressions had been received. It said that suppliers tended to convey their displeasure by telephone, rather than in writing. Comet's references to margin support were not necessarily limited to formal compensatory arrangements. Its concern was that suppliers would question the need for the retention of margins at existing levels if promotional price activity (by way of interest-free credit or otherwise) was undertaken.

C12 **SRS 594**

(a) Dealer's observation

This retailer (SRS 594) said that in 1994 the Zanussi area representative had told him that Zanussi would not provide advertising support for dishwashers offered at prices below the RRP. He did not wish his identity to be divulged to the supplier since he thought this would not best serve his interests.

(b) Supplier's response

Emaco told us that it was unable to comment on the detail of this allegation because of the lack of information about the identity of the retailer, or the Zanussi area representative concerned. Zanussi did not attempt to control the prices advertised by retailers. It had made advertising support available to retailers without reference to whether or not models were being offered at price below RRP.

C13 **Mr D B Lever**

(a) Member of the public's observation

Mr D B Lever of Lytham St Anne's told us that the manager of the Apollo 2000 Superstore, Blackpool, had told him in December 1994 that Zanussi would not allow Apollo 2000 to set prices for its dishwashers. Apollo 2000's manager had said to Mr Lever: 'If you know of a way in which we can sell these goods at prices which we fix, rather than the manufacturer, our managing director would love to hear from you.'

(b) Supplier's response

Emaco told us that Apollo 2000 surely knew that it was free to sell Zanussi products at whatever price it

wished. The member of the public could have referred Apollo 2000 to the RPA. Faced with refusal by Apollo 2000's staff to reduce its prices for him, he could have threatened to take his custom to another retailer offering the same (or a competitive) model.

(c) Dealer's response

Apollo 2000 told us that the manager of its Blackpool store could not recall the specific incident alleged to have happened in December 1994 and had stated that such comments had never been said by him at any time as a manager of Apollo 2000. He was given total flexibility on retail pricing by his Head Office to reduce ticket prices if necessary to secure a sale; this had happened on numerous occasions with Zanussi products and could be proved by providing sample receipts.

GDA (Creda)

C14 Windsor Kitchen*

(a) Dealer's observation

Mr Lammont of Windsor Kitchen, Windsor, Berks, told us that in 1993 the Jackson representative had told him that he should not advertise Jackson dishwashers at below the RRP, nor advertise a willingness to bargain or match a price because Creda did not like it.

(b) Supplier's response

GDA told us that the Jackson brand was introduced for, and was almost exclusively sold to, kitchen fitters and builders. (It had since been discontinued.) GDA considered it likely that what was actually said was that Creda would prefer the kitchen installer to give its discount against its charge for the installation of the kitchen or for the cabinetry rather than against the appliance.

(c) Dealer's response

Mr Lammont responded by telling us that Jackson was sold to kitchen specialists, ie shops not fitters. He could bargain or match a price but was not to advertise discounts in local papers.

GDA (Hotpoint)

C15 Custom Kitchen*

(a) Dealer's observation

Mr Price, of Custom Kitchen, Lowestoft, told us that three to five years ago he had been told by the (then) Hotpoint Business Development Manager that if he sold Hotpoint free-standing dishwashers at a discount below its RRPs he would lose his retrospective 'margin support' of 10 per cent. On 29 November 1995 he had sought confirmation by telephone that this was still Hotpoint's policy. Hotpoint's present Business Development Manager had advised him that Hotpoint would feel that if he were to discount, he would no longer need his 'margin support' and it would be withdrawn. Subsequently the Business Development Manager withdrew this comment and asked him to raise any further questions with Hotpoint's legal department.

(b) Supplier's response

GDA told us that it had been unable to identify the person who was said to have spoken to Mr Price three to five years ago and therefore could not comment on the accuracy or otherwise of Mr Price's statement. Mr Price's description of events in November 1995 was regrettably correct. Hotpoint's Business Development Manager's comments had not been authorized and had been withdrawn. Mr Price remained free to price his products as he chose.

Pratt Bros*

(a) Dealer's observation (2)

Mr Pratt of Pratt Bros, Leicester told us:

C16 * Hotpoint would 'stand no messing about' with prices. It would allow him to offer £10 discount off its RRP's for dishwashers but any deviation from this would result in a withdrawal of all or some retrospective discount; and

C17 * Hotpoint insisted that a full range of products was sold in the expectation that the RRP could be realized on fast-moving goods so compensating for low returns on slow-moving items.

(b) Supplier's response

GDA told us that Mr Pratt's business had now closed and it was not clear to what period the comments related. Regarding the two observations:

- (i) The reference to a retrospective discount was not consistent with Hotpoint's trading practices. Hotpoint had checked with its Sales Manager who had covered the area for the last three years. He had no recollection of any conversations along the lines of those indicated.
- (ii) Mr Pratt's comments on range stocking presumably referred to the Hotpoint Centre requirement to carry a range of products, but the system had in recent years become more flexible in relation to the selection of products.

(c) Dealer's response

Mr Pratt told us that he was still trading in brown electrical goods but had ceased selling white goods in September 1994. He stood by his original observation. He had nothing more to add to his comments other than- 'they would say that, wouldn't they?'

C18 ***Bennetts (Retail) Ltd***

(a) Dealer's observation

Mr Jackson of Bennetts (Retail) Ltd (Bennetts), Norwich, told us that in the past Bennetts had been contacted by Hotpoint when it had promoted or advertised Hotpoint's dishwashers below RRP's or promoted prices, or when Hotpoint products had been included in a promotion involving a voucher or discount coupon. Hotpoint had asked Bennetts not to promote or advertise its products in that way.

(b) Supplier's response

GDA told us that it had had no known contact with Mr Jackson himself on the question of promoted or advertised prices and it appeared that the events to which he referred had occurred a considerable time ago (probably five or six years). Hotpoint's contacts on the point in issue had been with Bennetts' white goods buyer and its Advertising and Publicity Director, and had taken place in the context of their routine fortnightly discussions.

At that time, Bennetts had run a few well-advertised voucher/coupon promotions which included best-selling Hotpoint products at substantial discounts. These promotions had taken place immediately prior to seasonal Hotpoint promotions, involving the same Hotpoint models. It appeared that the promotions had been launched by Bennetts' Advertising and Publicity Director without consulting the Hotpoint sales representative who was responsible for purchasing the necessary stocks. Hotpoint had supplied the stocks

on the normal terms agreed with Bennetts and had continued to do so. Hotpoint's sales representative had, however, pointed out to Bennetts that it would probably be more successful in the long term if it were to run that type of promotion on end-of-line stocks rather than on best-selling models. Repeats of the promotions in question would inevitably have resulted in Bennetts being targeted by large multiple retailers, which had a strong presence in the region and monitored local advertising closely.

Hotpoint said that the sales representative's comments had been limited to matters of promotional and advertising strategy; there had been no discussion of Bennett's displayed or transaction prices. There had been no similar discussion with Bennetts in the five or six years since then.

(c) Dealer's response

Mr Jackson told us that the facts as stated by him were correct but he regretted he could not give more details, or be more specific, regarding dates when Hotpoint had contacted him in the past because so much time had now elapsed. It was correct to say that such discussions had taken place at least five or six years ago.

C19 ***The Cooker Factory***

(a) Dealer's observation

Mr Allsop of The Cooker Factory, Glasgow, told us that Hotpoint's Area Manager had made it plain to him on many occasions that if he advertised Hotpoint dishwashers at below RRP's, Hotpoint would withdraw his retrospective discount and his status as a Hotpoint Centre.

(b) Supplier's response

GDA told us that it had made inquiries of Hotpoint's Area Manager. The Cooker Factory was a Hotpoint Centre and traded direct with Hotpoint on terms which were broadly similar to those of other small retailers. Hotpoint's Area Manager had no recollection of making, and did not believe that he had made, the comments attributed to him.

(c) Dealer's response

Mr Allsop responded by telling us that he stood by everything he had told us.

C20 ***Mr D B Lever***

(a) Member of the public's observation

Mr D B Lever of Lytham St Anne's told us that the manager of the Apollo 2000 Superstore, Blackpool, had told him in December 1994 that Hotpoint would not allow Apollo 2000 to set prices for dishwashers. Apollo 2000's manager had said to him: 'If you know of a way in which we can sell these goods at prices which we fix, rather than the manufacturer, our managing director would love to hear from you.'

(b) Supplier's response

GDA told us that it had no way of verifying what a retailer said to a customer but Hotpoint understood that Apollo 2000's pricing policy was established at its Head Office and its Branch Managers informed accordingly. It thought a conversation of the nature suggested was unlikely. Hotpoint suspected that the reality underlying these complaints was rather different. It suggested that a retailer faced with a customer trying to bargain at the point of sale used the manufacturer as a convenient excuse to keep the discount to a minimum.

(c) Dealer's response

Apollo 2000 told us that the manager of its Blackpool store could not recall the specific incident alleged to have happened in December 1994, and had stated that such comments had never been made by him at any time as a manager of Apollo 2000. He was given total flexibility on retail pricing by his Head Office to reduce ticket prices if necessary to secure a sale; this had happened on numerous occasions with Hotpoint products and could be proved by providing sample receipts.

Hoover

C21 **SRS 594**

(a) Dealer's observation

This retailer (SRS 594) said that in 1994 the Hoover area representative had told him that Hoover would not provide advertising support for dishwashers offered at prices below the RRP. The retailer did not wish his identity to be divulged to the supplier since he thought this would not best serve his interests.

(b) Supplier's response

Hoover told us that it could not identify the alleged conversation. It did share the cost of some local advertising with retailers when it was sponsoring a promotion. If a retailer did not want to participate in the promotion, there would be no reason for Hoover to contribute to his advertising costs.

We contacted Hoover again for clarification of its response. Hoover replied that it did not believe such a conversation would have taken place. Withholding the information that would allow it to investigate this suggested to Hoover that the observation was not bona fide.

Miele

SRS 70*

(a) Dealer's observations (2)

This retailer (SRS 70) told us:

C22 * That Miele would not wish his store to advertise dishwashers at discounted prices.

C23 * That Miele's local representative had commented on his store selling dishwashers below the RRP because Miele did not want the image of the product to suffer, nor to promote a spiral of price undercutting. The retailer did not wish his identity to be divulged to the supplier since he thought this would not best serve his interests.

(b) Supplier's response

In response to the observation at case C22 Miele told us that if this retailer was referring to the use of advertising material supplied by Miele he would be encouraged to use the MRPs to avoid falling foul of the Consumer Protection Act. On the observation at case C23, it was Miele's understanding that its local representative was not acting unlawfully in making such comments, provided he did not withhold supplies or penalize the retailer in any way should he insist on selling at a price other than MRP.

C24 **SRS 594***

(a) Dealer's observation

This retailer (SRS 594) told us that in 1994 he had complained to the Miele area representative about the discounted price of a dishwasher being offered by a competitor. The representative had undertaken to speak to the competitor about it. The retailer did not wish his identity to be divulged to the supplier since he thought this would not best serve his interests.

(b) Supplier's response

Miele told us that it did not require its dealers to sell Miele models at particular prices and it did not seek to influence the transaction price. However, Miele encouraged dealers to maximize the profit they made when selling its products, so that they refrained from demanding more 'margin' from Miele. In this respect, Miele would have expected its representative to speak to the competitor concerned and that he would have done so was in line with this policy.

Neff

C25 **SRS 660**

(a) Dealer's observation

This retailer (SRS 660) said that Neff had objected to him advertising its dishwashers below RRP and had threatened to stop supplies and withdraw credit facilities. He said that he would not like his comments to be attributed to him if they were to be sent to the supplier because he was concerned about the supplier's reaction.

(b) Supplier's response

Neff told us that it denied and could not follow the allegation in the retailer's observation. Neff's share of the relevant markets was so small that it could not see how such an episode could have happened. But it could make no further comment unless more information was given about the retailer concerned, or the geographic location.

CFS equipment

Beko

D1 **03**

(a) Dealer's observation

This multiple retailer (03) told us that it had proposed to retail a Beko NC 751 fridge-freezer at £229.99 during a sale. Beko had queried this because it believed the retailer could achieve a higher price. Neither the supplier nor the retailer took any further action as a result of this conversation. The retailer requested that its identity should not be divulged to the supplier since to do so would not best serve its interests.

(b) Supplier's response

Beko told us that at no time had it stated that the fridge-freezer must be sold at £249.99. It had informed the retailer that the retail price before sale was £249.99. The margin the retailer required had been based on this price (the retailer's decision). Beko had previously reduced its selling price to the retailer in order to maintain a retailer's margin when selling at £249.99 since the product had previously been retailed at £269.99. The sale price of £229.99 was discussed because:

- (i) Beko could not reduce its selling price to the retailer to support the retailer's target margin; this was

to be made clear to the retailer; and

- (ii) the product sales exceeded expectations and Beko would have had very little excess stock in the UK. The lead time in obtaining more stock was two to three months. At £229.99, sales would have increased and Beko would not have been able to obtain stock in time to support the sale. Beko's brand and the retailer would have been embarrassed at the limited stock available and customers disappointed when they were not able to purchase the product.

The outcome of the conversation was that the retailer accepted that Beko could not reduce the selling price at which it sold the goods to the retailer and the sale would proceed at £229.99 explaining to consumers that there was limited stock.

Beko said that its objective had not been to influence the retail price but to ensure that there was no misunderstanding about the price at which it sold the goods to the retailer, and that stock would be available for the sale period.

Emaco (AEG)

D2 *The Cooker Factory**

(a) Dealer's observation

Mr Allsop of The Cooker Factory, Glasgow, told us that in November 1993 the Scottish General Manager of AEG had told him to stop advertising AEG CFS equipment at discounted prices. He had refused and found it difficult to obtain supplies.

(b) Supplier's response

Emaco told us that the alleged incident which apparently had taken place in November 1993, would have been well before AEG became part of the Emaco. The (named) AEG Area Sales Manager was no longer employed by AEG, so AEG was unable to comment on the detail of this allegation. However, AEG's Regional Manager recalled a visit to Mr Allsop of The Cooker Factory in 1993. On that occasion Mr Allsop had said that AEG had an insignificant market share and was of no ongoing interest to his business, other than possibly for end-of-line models. AEG had never withheld or threatened to withhold supplies from The Cooker Factory. Indeed, under the ownership of Emaco, AEG had been making efforts to stimulate business with The Cooker Factory, notably by offering staff training and trying to establish a greater display presence. Unfortunately, AEG's efforts had had little effect. Mr Allsop continued to take the line that the AEG brand had no real potential for him.

Mr Allsop's might have been confusing the fact that AEG had periodically had shortages of refrigeration products, causing supply difficulties with all dealers. He may also have been confusing the fact that AEG had declined to provide The Cooker Factory with financial assistance to advertise sales below RRP's. However, AEG did not attempt to control the prices advertised by retailers.

(c) Retailer's response

Mr Allsop responded by telling us that he stood by everything he had told us.

D3 *Designkirk (Court Kitchens)**

(a) Dealer's observation

Designkirk (Court Kitchens), Stockton-on-Tees, said that the AEG representative had told him the rule of thumb was that he should not discount more than 6 per cent below the RRP for AEG CFS equipment.

(b) Supplier's response

Emaco told us that it was unable to comment on the detail of this allegation (regarding an incident at a date unspecified). AEG's current Area Manager had no recollection of any such discussion with this retailer. AEG suspected that the incident might have dated from the early 1990s and related to built-in AEG appliances. This was because, at that time, some retailers generally tended to sell AEG built-in products at a discount of around 6 per cent below AEG's RRP's. The AEG Area Manager might have mentioned that fact to Court Kitchens. However, that retailer would have been, and remained, free to offer even greater discounts.

D4 **SRS 594**

(a) Dealer's observation

This retailer (SRS 594) said that the AEG representative had told him within the last 12 months (ie in 1994 or 1995), that AEG would not provide advertising support for CFS equipment offered at prices below the RRP's. He did not wish his identity to be divulged to the supplier since he thought this would not best serve his interests.

(b) Supplier's response

Emaco told us that it was unable to comment on the detail of this allegation because of the lack of information about the identity of the retailer or the AEG area representative concerned. It was possible that the unidentified AEG Area Manager might have declined to provide financial support from his limited promotional budget and that the retailer wrongly thought that this might be connected to his selling products at a discount from AEG's RRP.

D5 **SRS 660**

(a) Dealer's observation

This retailer (SRS 660) told us that in 1995 the AEG area representative had threatened to withdraw supplies of AEG CFS equipment because he had advertised at discounted prices. He also said that in a separate incident, AEG had objected to its CFS equipment being advertised below RRP's and had threatened to stop supplying the retailer and withdraw his credit facilities. The retailer said that he would not like his comments to be attributed to him because he was concerned about the suppliers' reaction.

(b) Supplier's response

Emaco told us that it was unable to comment on the detail of this allegation because of the lack of information about the identity of the retailer or the AEG area representative concerned. However, AEG confirmed that it had not withdrawn supply from any dealer over this period. Nor was AEG aware of any case of its having threatened to stop supplies or withdraw credit facilities on the grounds that reference white goods were being advertised below RRP's.

Emaco (Electrolux)

D6 **The Cooker Factory***

(a) Dealer's observation

Mr Allsop of The Cooker Factory, Glasgow, said that the Electrolux Area Manager had told him

frequently that, while he might sell at whatever discount prices he chose, he must not advertise Electrolux CFS equipment below RRP's and that if he did not comply he would have difficulties in securing supply, and with his credit limit.

(b) Supplier's response

Emaco told us that the (named) Regional Sales Manager was no longer employed by Electrolux so it was not able to comment on the detail of this allegation. Electrolux thought it most unlikely that its Regional Sales Manager would have made those alleged repeated threats, let alone that Mr Allsop would have taken them seriously. Electrolux was always keen to gain support for joint advertising with its retail partners. It would often produce local advertisements to assist smaller retailers who did not have the administrative capabilities of their own. It was keen that advertisements should draw the consumer's attention to the Electrolux product's features.

(c) Dealer's response

Mr Allsop responded by telling us that he stood by everything he had told us.

D7 **SRS 312**

(a) Dealer's observation

This retailer (SRS 312) first said that Electrolux did not approve of retailers advertising discounted prices for CFS equipment and had suggested that he should not follow that course but offer encashable vouchers instead (but not necessarily for electrical goods stocked by him). The retailer said that he would not want his comments to be attributed to him as he 'did not wish to upset the supplier'. In February 1997 the retailer told us, 'Now the policy by Electrolux is not to advise any pricing structure to retailers'.

(b) Supplier's response

Emaco told us that it was unable to comment in detail on the first allegation made by the retailer because of the lack of information which might enable it to identify the retailer or the Electrolux area representative concerned.

Emaco (Tricity Bendix)

D8 **GUS***

(a) Dealer's observation

GUS told us that in the autumn of 1994 it had complained to Tricity Bendix about another (named) mail order company which was selling a CFS product below the recommended prices given by Tricity Bendix to mail order retailers. Tricity Bendix then agreed to reduce the cost price to a level that allowed GUS to reduce its selling price to match that of its competitor.

(b) Supplier's response

Emaco told us that it had found a fax sent to GUS which may have related to the CFS product in question. Following a discussion with GUS, Tricity Bendix had agreed to make a cash contribution to it. Tricity Bendix had no record of how GUS might have used that contribution (which would have been paid by way of a credit note).

Emaco said it had already explained to the MMC how the Emaco brands conducted negotiations with mail order retailers. Emaco had explained that target catalogue prices discussed with GUS were not MRRPs as Emaco understood that term; they were not prices at which Emaco recommended that the product be sold (by the particular mail order retailer or by retailers generally) once the mail order retailer's catalogue was issued.

(c) Dealer's response

GUS told us that it was its belief that Tricity Bendix had agreed to reduce the cost price of the model in question following GUS's complaint. GUS showed us a letter from Tricity Bendix of 30 June 1994 which stated 'further to our telephone conversation today, I would like to confirm the revised cost price of the [model in question] for autumn/winter 1994'.

D9 ***The Cooker Factory****

(a) Dealer's observation

Mr Allsop of The Cooker Factory, Glasgow, told us that in October 1994 Tricity Bendix's representative had come unexpectedly to his premises and had threatened to ask the wholesaler supplying him to withdraw supplies because he had advertised a Tricity fridge/freezer at a cheaper price than a competitor's price.

(b) Supplier's response

Emaco told us that The Cooker Factory did not have a direct account with Tricity Bendix. Tricity Bendix believed that The Cooker Factory bought most of its stock from BDC, a distributor.

Tricity Bendix had been unable to comment on the detail of this allegation given that the sales representative responsible for the area at that time had retired. However, Tricity Bendix understood that, at that time, BDC's trade price for the particular model of the fridge/freezer (including VAT) was such that a retail sale at the price advertised by The Cooker Factory would not have allowed it to cover its costs. The sales representative might well have brought that fact to Mr Allsop's attention.

(c) Dealer's response

Mr Allsop responded by telling us that he stood by everything he had told us.

Emaco (Zanussi)

D10 ***Gas Flair Ltd****

(a) Dealer's observation

Mr J Vizer, formerly Director of Gas Flair Ltd, Kingston upon Hull, told us that Zanussi had told him in the past that if he were to advertise its CFS equipment openly at discounted prices, there could be repercussions. Mr Vizer said that he conducted his business accordingly.

Mr Vizer said that he had met Zanussi's Regional Sales Manager in May 1996 and told her that he wished to sell Zanussi CFS equipment at discounted prices. The Regional Sales Manager had replied that Zanussi's policy was no longer as inflexible as it had been, particularly in view of the MMC's current inquiries. She advised that Zanussi was not concerned with discounting at any level within the showroom, but that advertised discounts of more than £15 would present problems for Zanussi with other retailers.

(b) Supplier's response

Zanussi told us that it had written to Mr Vizer in June 1996 apologizing for any misunderstanding there may have been and making it clear that he was free to sell, advertise and display Zanussi products at whatever prices he chose.

Zanussi's Regional Sales Manager recalled that her discussions with Mr Vizer in May 1996 had touched on various points concerning Zanussi's strategy for improving sales. Mr Vizer had said that he was opening a store in the London area and had wanted to know what would be available from Zanussi in the way of stands and display materials. When he had asked about Zanussi's policy on pricing, he had been told that Zanussi did issue SRPs, but if he wanted to sell at a lesser margin that was up to him. Mr Vizer had also asked whether Zanussi would contribute financially to a retailer's 'premium offers', ie where a retailer offered the consumer a free gift on the purchase of a product. She had explained that if Zanussi was asked to contribute to one of these premium offers it preferred the value of the free gift to be no more than £15. But Zanussi did not insist on that price band. It was in this context that the figure of £15 had been discussed. Its Regional Sales Manager had not said that Zanussi would have problems if a retailer were to advertise discounts of more than £15.

If Mr Vizer wished to be more specific about his allegations of earlier pressure put on him by Zanussi in respect of his advertising Zanussi goods (for example, naming individuals and dates) then Zanussi might be able to investigate further. The statement that he had 'conducted his business accordingly' also implied that he had been purchasing and retailing Zanussi CFS equipment but not advertising it openly at discounted prices. Zanussi had therefore checked its records to see what volumes of CFS equipment and other products Gas Flair had actually purchased from Zanussi in recent years. These records showed that over the last 2½ years (to September 1996) Gas Flair had purchased one washing machine and one washer/dryer and no other reference white goods.

Zanussi was surprised that a dealer might have been under the impression that he would somehow suffer reprisals if he were to sell Zanussi products at discounted prices. Zanussi believed there could be very few white goods retailers who were not aware that they were legally free to sell, advertise and display their products at discounted prices.

(c) Dealer's response

Mr Vizer responded by telling us that Gas Flair had dealt with Zanussi over the years spasmodically, as a direct result of Zanussi's original pricing policy. Because of Zanussi's strong brand image and subsequent customer demand, Mr Vizer had attempted periodically, over approximately 20 years, to market Zanussi products, including some reference goods. Mr Vizer could not put dates or names to the various conversations he had had with Zanussi personnel, but he well remembered, on a number of occasions, that whenever he had discounted prices by even a modest amount, other local and national retailers had complained to Zanussi. Zanussi had consequently requested that he strictly adhere to their recommendations, particularly on advertised prices. Whenever he had 'stood out of line' the promotional monies that were available to other retailers had been withdrawn from him. These occurrences had been well in the past but had resulted in his low level of business with Zanussi. His statement that he 'conducted his business accordingly' meant that he did without its goods.

At the May 1996 meeting with Zanussi, 'premium offers' had been discussed and Mr Vizer agreed that the £15 had been mentioned in that context. However, both Mr Vizer and his secretary clearly recalled the Zanussi representative stating that if he advertised Zanussi products at discounted prices of more than £15 it would create problems for Zanussi.

D11 ***IKEA****

(a) Dealer's observation

IKEA told us that from July 1994 to January 1995 it had sold Zanussi CFS equipment at £5 or £10 below the RRP. It was IKEA's policy never to be beaten on price and where there was an equivalent sold in the market place at a lower price IKEA would beat it. In order to maintain this policy all Zanussi products

had been reduced. IKEA said that Zanussi had not been happy with this and there had been several oral communications, the result of which was that IKEA's prices had been realigned to match the RRP. No documentation existed. No pressures had been applied. IKEA said that Zanussi generally dictated that RRP's must be adhered to and IKEA accepted this in order to maintain a good relationship with the supplier.

(b) Supplier's response

Emaco told us that Zanussi had commenced trading with IKEA in the UK in July 1994. Zanussi's business with IKEA had grown since then and was now fairly substantial. IKEA-which, as far as Zanussi was aware, had not previously retailed any white goods-now stocked Zanussi products in all six of its UK stores.

During 1994/95 IKEA had run a promotion where it reduced its retail prices for Zanussi white goods by around £5 below Zanussi's SRPs. During that period Zanussi had been contacted by other retailers with stores in IKEA's catchment areas who had become aware of IKEA's promotion, including others who were operating price promises or policies of never knowingly being undersold by their retailing competitors. These retailers had voiced concerns about the low prices at which IKEA was selling Zanussi products. Some had indicated that they were taking action in terms of price-matching, or that they could not realistically be expected to continue to stock or sell the same volume of Zanussi products within their total range of white goods at such reduced margins. Zanussi had spoken to IKEA and had asked whether there were particular reasons why IKEA felt it necessary or advantageous to sell at below Zanussi's SRP. Zanussi had made it clear that IKEA was free to sell and advertise Zanussi products at whatever price it chose. It had also pointed out that other retailers were responding by price-matching, so any financial advantage IKEA had been hoping for in terms of increased sales volumes would probably be short-lived. IKEA had indicated that it would review the situation. That particular IKEA promotion had finished at the end of January 1995 and had not been rerun since.

No pressures of any kind had ever been put on IKEA to 'adhere to' RRP's. Zanussi's RRP's were suggested/recommended prices.

(c) Dealer's response

IKEA told us that its reductions had not been made as a promotion. It had decided to launch its Zanussi products below RRP and had intended that they would remain so. Competitors had become aware of the fact that IKEA was selling Zanussi goods at below RRP's and were not happy with this fact rather than that IKEA was offering a promotion. IKEA's intention had not been to increase sales volume, merely to honour its price promise to its customers. Responding to Emaco's comment that Zanussi had made it clear that IKEA was free to sell and advertise Zanussi products at whatever price it chose, IKEA commented 'The most important point here is that it was highly recommended that we return to suggested retail price and in no circumstances was it ever suggested that we could retail at whatever price we wanted'.

D12 ***The Cooker Factory****

(a) Dealer's observation

Mr Allsop of The Cooker Factory, Glasgow, said that as at 1994 he obtained Zanussi products from its Scottish distributor, AAH Clyde Factors. In June 1994, Zanussi's Marketing Director had protested to AAH Clyde Factors at Mr Allsop advertising Zanussi CFS equipment at '£ASK' prices. The Marketing Director had said that Zanussi would meet the full costs of cancelling the advertisements if he would comply with Zanussi's RRP's. Mr Allsop had refused and his credit limit with Clyde Factors for Zanussi goods had been reduced.

(b) Supplier's response

Emaco told us that all Zanussi's sales of free-standing white goods in Scotland had formerly been made

via its distributor, AAH Clyde Factors. With effect from 1 April 1996, however, those distribution arrangements had terminated in line with Zanussi's marketing strategy of moving towards direct trading with retailers. Zanussi had been doing direct business with Mr Allsop since 1 April 1996. Zanussi's Marketing Director had no recollection of having held any conversation with AAH Clyde Factors of the type alleged. Zanussi's Commercial Director had spoken with AAH Clyde Factors' Sales Manager who did not recall any such conversation either. Zanussi did not attempt to control the prices advertised by retailers and did not know why Mr Allsop might have thought otherwise. Furthermore, Zanussi understood that as at March 1996 The Cooker Factory's credit limit with AAH Clyde Factors had been far higher than Mr Allsop had stated.

(c) Dealer's response

Mr Allsop responded by telling us that he stood by everything he had told us.

D13 ***Pratt Bros****

(a) Dealer's observation

Mr Pratt of Pratt Bros, Leicester, told us that Zanussi had made it clear that he should maintain 'orderly marketing'. Early in 1994 the Zanussi representative had told him not to discount CFS equipment and had said that he would have a problem with deliveries unless he kept to RRP's.

(b) Supplier's response

Emaco told us that it had not been able to speak to Zanussi's former representative to ascertain what he had actually said or what he may have meant. The (named) representative was no longer employed by Zanussi.

D14 ***Comet***

(a) Dealer's observation

Comet told us that Zanussi was unhappy with offers of interest-free credit for a fixed period on CFS equipment and had threatened to withdraw margin support when such offers were made.

(b) Supplier's response

Emaco told us that Zanussi had never threatened to withdraw margin support from Comet, whether related to offers of interest-free credit or any other matters.

(c) Dealer's response

Comet responded by telling us that it did not have further tangible evidence. Nor was it able to identify specific dates on which its impressions had been received. It said that suppliers tended to convey their displeasure by telephone, rather than in writing. Comet's references to margin support were not necessarily limited to formal compensatory arrangements. Its concern was that suppliers would question the need for the retention of margins at existing levels if promotional price activity (by way of interest-free credit or otherwise) was undertaken.

D15 **SRS 594**

(a) Dealer's observation

This retailer (SRS 594) said that in 1994 the Zanussi area representative had told him that Zanussi would not provide advertising support for CFS equipment offered at prices below the RRP's. He did not wish his identity to be divulged to the supplier since he thought this would not best serve his interests.

(b) Supplier's response

Emaco told us that it was unable to comment on the detail of this allegation owing to the lack of information about the identity of the retailer, or the Zanussi area representative concerned. Zanussi did not attempt to control the prices advertised by retailers. It had made advertising support available to retailers without reference to whether or not models were being offered at price below RRP's.

D16 **Mr D B Lever**

(a) Member of the public's observation

Mr D B Lever of Lytham St Anne's told us that the manager of the Apollo 2000 Superstore, Blackpool, had told him in December 1994 that Zanussi would not allow Apollo 2000 to set prices for its CFS equipment. Apollo 2000's manager had said to Mr Lever: 'If you know of a way in which we can sell these goods at prices which we fix, rather than the manufacturer, our managing director would love to hear from you.'

(b) Supplier's response

Emaco told us that Apollo 2000 surely knew that it was free to sell Zanussi products at whatever price it wished. The member of the public could have referred Apollo 2000 to the RPA. Faced with refusal by Apollo 2000's staff to reduce its prices for him, he could have threatened to take his custom to another retailer offering the same (or a competitive) model.

(c) Dealer's response

Apollo 2000 told us that the manager of its Blackpool store could not recall the specific incident alleged to have happened in December 1994 and had stated that such comments had never been said by him at any time as a manager of Apollo 2000. He was given total flexibility on retail pricing by his Head Office to reduce ticket prices if necessary to secure a sale; this had happened on numerous occasions with Zanussi products and could be proved by providing sample receipts.

D17 **Mr D B Lever**

(a) Member of the public's observation

Mr D B Lever of Lytham St Anne's told us that on a visit to NORWEB's Superstore in Blackpool in December 1994, NORWEB's staff had told him that Zanussi would not allow NORWEB to set prices for Zanussi CFS equipment: Zanussi dictated what prices should be charged.

(b) Supplier's response

Emaco told us that NORWEB surely knew that it was free to sell Zanussi products at whatever price it wished. Mr Lever could have referred NORWEB to section 9(1) of the RPA. Faced with refusal by NORWEB's to reduce its prices for him, he could have threatened to take his custom to another retailer offering the same (or a competitive) model.

(c) Retailer's response

NORWEB told us that it set prices centrally and advised its stores accordingly. Goods on display were always ticketed at those prices, but store staff were permitted a limited amount of discretion to offer customers a discount in order to clinch a sale. The permitted degree of discretion varied from time to time, and in certain circumstances the earnings of staff or store managers might be adversely affected if discretionary discount exceeded certain levels.

NORWEB did not instruct store staff how to fend off customers seeking to bargain, and certainly would not tell them to state that suppliers dictated prices that should be charged. Nevertheless, it might be the case that, in the past, store staff had, in isolated cases, used the manufacturers as a convenient excuse to keep discounts to a minimum.

GDA (Creda)

D18 ***M & H Kitchen and Bathroom Design****

(a) Dealer's observation

Mr Dawson of M & H Kitchen and Bathroom Design, Walton-on-the-Hill, Stafford, told us that the local Creda (named) sales representative had said that if Mr Dawson wished to sell Creda built-in CFS equipment offering the facility of the Creda Club Account (extended credit) he must invoice the customer at the full RRP.

(b) Supplier's response

GDA told us that sales of CFS equipment represented a relatively small part of Mr Dawson's business. Creda's local representative recollected that Mr Dawson had, at the relevant time, only limited experience of selling CFS equipment on extended credit. It appeared to GDA that he had been unclear as to the explanation provided by Creda: the representative had explained that whilst Mr Dawson would normally offer discounts on his kitchens, the effect of offering a discount *and* interest-free credit (for which Mr Dawson would have to pay a fee) would be to offer a double discount, and thereby erode Mr Dawson's margin. The Creda representative did not believe that he had told the retailer he must invoice the customer at the full RRP but rather, he had pointed out that it was not to the retailer's advantage to offer both.

(c) Dealer's response

Mr Dawson responded by telling us that it appeared that his and the Creda local representative's recollection of the events differed. He had certainly understood the representative's comments to mean that the full RRP should be charged when using Creda's extended credit. Mr Dawson went on to say that it was possible for time to distort memories and he did not have any written proof one way or the other.

D19 ***Windsor Kitchen****

(a) Dealer's observation

Mr Lammont of Windsor Kitchen, Windsor, Berks, told us that in 1993 the Jackson representative had told him that he should not advertise Jackson CFS equipment at below the RRP, nor advertise a willingness to bargain or match a price because Creda did not like it.

(b) Supplier's response

GDA told us that the Jackson brand was introduced for, and was almost exclusively sold to, kitchen fitters and builders. (It had since been discontinued.) GDA considered it likely that what was actually said was that Creda would prefer the kitchen installer to give its discount against its charge for the installation

of the kitchen or for the cabinetry rather than against the appliance.

(c) Dealer's response

Mr Lammont responded by telling us that Jackson was sold to kitchen specialists, ie shops not fitters. He could bargain or match a price but was not to advertise discounts in local papers.

GDA (Hotpoint)

D20 ***Custom Kitchen****

(a) Dealer's observation

Mr Price, of Custom Kitchen, Lowestoft, told us that three to five years ago he had been told by the (then) Hotpoint Business Development Manager that if he sold Hotpoint free-standing CFS equipment at a discount below its RRP he would lose his retrospective 'margin support' of 10 per cent. On 29 November 1995 he had sought confirmation by telephone that this was still Hotpoint's policy. Hotpoint's present Business Development Manager had advised him that Hotpoint would feel that if he were to discount, he would no longer need his 'margin support' and it would be withdrawn. Subsequently the Business Development Manager withdrew this comment and asked him to raise any further questions with Hotpoint's legal department.

(b) Supplier's response

GDA told us that it had been unable to identify the person who was said to have spoken to Mr Price three to five years ago and therefore could not comment on the accuracy or otherwise of Mr Price's statement. Mr Price's description of events in November 1995 was regrettably correct. Hotpoint's Business Development Manager's comments had not been authorized and had been withdrawn. Mr Price remained free to price his products as he chose.

Pratt Bros*

(a) Dealer's observation (2)

Mr Pratt of Pratt Bros, Leicester told us:

D21 *Hotpoint would 'stand no messing about' with prices. It would allow him to offer £10 discount off its RRPs for CFS equipment but any deviation from this would result in a withdrawal of all or some retrospective discount; and

D22 *Hotpoint insisted that a full range of products was sold in the expectation that the RRP could be realized on fast-moving goods so compensating for low returns on slow-moving items.

(b) Supplier's response

GDA told us that Mr Pratt's business had now closed and it was not clear to what period the comments related. Regarding the two observations:

- (i) The reference to a retrospective discount was not consistent with Hotpoint's trading practices. Hotpoint had checked with its Sales Manager who had covered the area for the last three years. He had no recollection of any conversations along the lines of those indicated.
- (ii) Mr Pratt's comments on range stocking presumably referred to the Hotpoint Centre requirement to carry a range of products, but the system had in recent years become more flexible in relation to the selection of products.

(c) Dealer's response

Mr Pratt told us that he was still trading in brown electrical goods but had ceased selling white goods in September 1994. He stood by his original observation. He had nothing more to add to his comments other than 'they would say that, wouldn't they?'

D23 ***Bennetts (Retail) Ltd***

(a) Dealer's observation

Mr Jackson of Bennetts (Retail) Ltd (Bennetts), Norwich, told us that in the past Bennetts had been contacted by Hotpoint when it had promoted or advertised Hotpoint's CFS equipment below RRP's or promoted prices, or when Hotpoint products had been included in a promotion involving a voucher or discount coupon. Hotpoint had asked Bennetts not to promote or advertise its products in that way.

(b) Supplier's response

GDA told us that it had had no known contact with Mr Jackson himself on the question of promoted or advertised prices and it appeared that the events to which he referred had occurred a considerable time ago (probably five or six years). Hotpoint's contacts on the point in issue had been with Bennetts' white goods buyer and its Advertising and Publicity Director, and had taken place in the context of their routine fortnightly discussions.

At that time, Bennetts had run a few well-advertised voucher/coupon promotions which included best-selling Hotpoint products at substantial discounts. These promotions had taken place immediately prior to seasonal Hotpoint promotions, involving the same Hotpoint models. It appeared that the promotions had been launched by Bennetts' Advertising and Publicity Director without consulting the Hotpoint sales representative who was responsible for purchasing the necessary stocks. Hotpoint had supplied the stocks on the normal terms agreed with Bennetts and had continued to do so. Hotpoint's sales representative had, however, pointed out to Bennetts that it would probably be more successful in the long term if it were to run that type of promotion on end-of-line stocks rather than on best-selling models. Repeats of the promotions in question would inevitably have resulted in Bennetts being targeted by large multiple retailers, which had a strong presence in the region and monitored local advertising closely.

Hotpoint said that the sales representative's comments had been limited to matters of promotional and advertising strategy; there had been no discussion of Bennett's displayed or transaction prices. There had been no similar discussion with Bennetts in the five or six years since then.

(c) Dealer's response

Mr Jackson told us that the facts as stated by him were correct but he regretted he could not give more details, or be more specific, regarding dates when Hotpoint had contacted him in the past because so much time had now elapsed. It was correct to say that the discussions had taken place at least five or six years ago.

D24 ***The Cooker Factory***

(a) Dealer's observation

Mr Allsop of The Cooker Factory, Glasgow told us that Hotpoint's Area Manager had made it plain to him on many occasions that if he advertised Hotpoint CFS equipment at below RRP's, Hotpoint would withdraw his retrospective discount and his status as a Hotpoint Centre.

(b) Supplier's response

GDA told us that it had made inquiries of Hotpoint's Area Manager. The Cooker Factory was a Hotpoint

Centre and traded direct with Hotpoint on terms which were broadly similar to those of other small retailers.

Hotpoint's Area Manager had no recollection of making, and did not believe that he had made, the comments attributed to him.

(c) Dealer's response

Mr Allsop responded by telling us that he stood by everything he had told us.

D25 **Mr D B Lever**

(a) Member of the public's observation

Mr D B Lever of Lytham St Anne's told us that the manager of the Apollo 2000 Superstore, Blackpool, had told him in December 1994 that Hotpoint would not allow Apollo 2000 to set prices for CFS equipment. Apollo 2000's manager had said to him: 'If you know of a way in which we can sell these goods at prices which we fix, rather than the manufacturer, our managing director would love to hear from you.'

(b) Supplier's response

GDA told us that it had no way of verifying what a retailer said to a customer but Hotpoint understood that Apollo 2000's pricing policy was established at its Head Office and its Branch Managers informed accordingly. It thought a conversation of the nature suggested was unlikely. Hotpoint suspected that the reality underlying these complaints was rather different. It suggested that a retailer faced with a customer trying to bargain at the point of sale used the manufacturer as a convenient excuse to keep the discount to a minimum.

(c) Dealer's response

Apollo 2000 told us that the manager of its Blackpool store could not recall the specific incident alleged to have happened in December 1994, and had stated that such comments had never been made by him at any time as a manager of Apollo 2000. He was given total flexibility on retail pricing by his Head Office to reduce ticket prices if necessary to secure a sale; this had happened on numerous occasions with Hotpoint products and could be proved by providing sample receipts.

D26 **Mr D B Lever**

(a) Member of the public's observation

Mr D B Lever of Lytham St Anne's told us that on a visit to NORWEB's Superstore in Blackpool in December 1994, NORWEB's staff had told him that Hotpoint would not allow NORWEB to set prices for its CFS equipment: Hotpoint dictated what prices should be charged.

(b) Supplier's response

GDA told us that it had no way of verifying what a retailer said to a customer but Hotpoint understood NORWEB's pricing policy was established by its Head Office which advised its stores accordingly. It thought that a conversation of the nature suggested was unlikely.

Hotpoint suspected that the reality underlying these complaints was rather different. It suggested that a retailer faced with a customer trying to bargain at the point of sale used the manufacturer as a convenient excuse to keep the discount to a minimum.

(c) Dealer's response

NORWEB told us that it set prices centrally, and advised its stores accordingly. Goods on display were always ticketed at those prices, but store staff were permitted a limited amount of discretion to offer customers a discount in order to clinch a sale. The permitted degree of discretion had varied from time to time, and in certain circumstances the earnings of staff or store managers might be adversely affected if discretionary discount exceeded certain levels.

NORWEB did not instruct store staff how to fend off customers seeking to bargain, and certainly would not tell them to state that suppliers dictated prices that should be charged. Nevertheless, it might be the case that in the past store staff had, in isolated cases, used the manufacturers as a convenient excuse to keep discounts to a minimum.

Neff

D27 ***SRS 660***

(a) Dealer's observation

This retailer (SRS 660) said that Neff had objected to him advertising its CFS equipment below RRP's and had threatened to stop supplies and withdraw credit facilities. He said that he would not like his comments to be attributed to him if they were to be sent to the supplier because he was concerned about the supplier's reaction.

(b) Supplier's response

Neff told us that it denied and could not follow the allegation in the retailer's observation. Neff's share of the relevant markets was so small that it could not see how such an episode could have happened. But it could make no further comment unless more information was given about the retailer concerned, or the geographic location.