

Title **A Survey the Opinions of Suppliers on Business Practices
between Large-scale Retailers and Suppliers**

ชื่อเรื่อง **การสำรวจความคิดเห็นของซัพพลายเออร์ต่อข้อปฏิบัติ
ทางธุรกิจของผู้ค้าปลีกขนาดใหญ่**

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Abstract

The purpose of this research is to survey the opinions of suppliers on business practices between large-scale retailers and suppliers who supply goods to the five large-scale retailers – Tesco Lotus, Big C, Carrefour, Makro and 7-Eleven. The data is collected from 374 suppliers on four major sectors, fresh food, dry goods and dry food, electronics appliances, and general goods, which responded 731 questionnaires. The questionnaires consisted of 44 business practices and based on five-point Likert scale, ranging from “1 - strongly unfair”, “2 – somewhat unfair”, “3 – neither fair or unfair”, “4 – somewhat fair”, and “5 – strongly fair”. An in-depth interview with 15 suppliers was conducted to find out the level of satisfaction, define a certain unfair practices, and address the imbalance power between large-scale retailers and suppliers, including focus group between suppliers. The findings of this study indicated the majority of opinions of suppliers are somewhat unfair business practices (34 %). The next is neither fair or unfair (30 %), strongly unfair (20 %), somewhat unfair (20 %), strongly unfair (12%), and strongly fair (4%) of business practices, respectively. And the results from in-depth interview suppliers indicated the 3 main problems that concern with retailers: 1) the Act of Legislation to protect suppliers is unclear, 2) the rate of entry fee that suppliers paid to retailers is increasingly high every year and without reasonable, and 3) retailers are no standard fixing selling price of product.

Keywords : Business Practices, Unfair Trade Practices, Suppliers, Large Scale Retailers,
Buyer Power, Buyer Bargaining Power

บทคัดย่อ

จุดประสงค์ของงานวิจัยนี้คือการสำรวจความคิดเห็นของซัพพลายเออร์ต่อข้อปฏิบัติทางธุรกิจของผู้ค้าปลีกรายใหญ่ ซึ่งซัพพลายเออร์เหล่านี้ได้ส่งสินค้าให้กับ 5 ผู้ค้าปลีกรายใหญ่ – เทสโก้ โลตัส บิ๊กซี คาร์ฟูร์ แม็คโคร และ 7-อีเลเฟ่น ข้อมูลถูกเก็บจาก 374 ซัพพลายเออร์ใน 4 หมวดสินค้าหลัก ได้แก่ หมวดสินค้าอาหารสด สินค้าแห้งและอาหารแห้ง สินค้าเครื่องใช้ไฟฟ้า และสินค้าทั่วไป ซึ่งแบบสอบถามถูกตอบกลับมาทั้งหมด 731 ชุด แบบสอบถามประกอบด้วย 44 ข้อของข้อปฏิบัติทางธุรกิจโดยใช้ 5 ระดับของ Likert scale โดยเริ่มจาก “1 – ไม่เป็นธรรมอย่างมาก” “2 – ไม่เป็นธรรม” “3 – ไม่แน่ใจ” “4 – เป็นธรรม” และ “5 – เป็นธรรมอย่างมาก” รวมทั้งมีการสัมภาษณ์เชิงลึกกับ 15 ซัพพลายเออร์เพื่อค้นหาระดับของความพึงพอใจข้อปฏิบัติทางธุรกิจที่ไม่เป็นธรรม และระบุถึงความไม่สมดุลย์ของอำนาจระหว่างซัพพลายเออร์กับผู้ค้าปลีกรายใหญ่ รวมทั้งมีการจัดสัมมนาประชุมกลุ่มย่อยของซัพพลายเออร์ ผลศึกษาพบว่า ส่วนใหญ่ในความคิดเห็นของซัพพลายเออร์มีความไม่เป็นธรรมทางข้อปฏิบัติทางธุรกิจร้อยละ 34 รองลงมาคือไม่แน่ใจ ร้อยละ 30 เป็นธรรมร้อยละ 20 ไม่เป็นธรรมอย่างมากร้อยละ 12 และเป็นธรรมอย่างมากร้อยละ 4 ตามลำดับ และผลจากการสัมภาษณ์ซัพพลายเออร์สรุปว่า ปัญหาที่เกิดขึ้นสำหรับพวกเขาและต้องการการแก้ไขเร่งด่วนได้แก่ 1) พ.ร.บ.ค้าปลีกคุ้มครองซัพพลายเออร์ยังไม่มีผลชัดเจน 2) การเรียกเก็บค่าธรรมเนียมต่างๆ ของผู้ค้าปลีกรายใหญ่ มีอัตราเพิ่มสูงขึ้นทุกปี โดยไม่มีความสมเหตุสมผล 3) การกำหนดราคาขายของผู้ค้าปลีกรายใหญ่ ยังไม่มีกฎเกณฑ์มาควบคุมให้เกิดความเป็นธรรม

คำสำคัญ : ข้อปฏิบัติทางธุรกิจ ข้อปฏิบัติทางการค้าที่ไม่เป็นธรรม ซัพพลายเออร์ ผู้ค้าปลีกรายใหญ่
อำนาจของผู้ซื้อ อำนาจในการต่อรอง

Introduction

Nowadays, the situation of Thai retail industry has been seen an intense competition, and only a few major large-scale retailers control the retail market. Large-scale retailers gain the ability to manipulate the price and quantity of goods they buy or sell because there are only a few players in the market. They gain more power both as buyers and sellers. As the retail giants become larger, the numbers of small retailers are shrinking fast. Hundreds of thousands have been displaced and many suppliers find it hard to survive. Where large-scale retailers are, in many respects, delivering a good deal for consumers and raising their detrimental effect on suppliers. If unchecked, these practices will distort the supply chain and probably harm the interests of consumers eventually. Thus, it needs immediate actions to address the relationships between large-scale retailers and their suppliers. For the reasons given, we conducted a survey research to find out the level of satisfaction and the opinion of suppliers under terms of fair and unfair business practices between large-scale retailers and suppliers.

Purpose of the Study

The purpose of this research is to survey the opinions of suppliers on business practices between large-scale retailers and suppliers who supply goods to the five large scale retailers – Tesco Lotus, Big C, Carrefour, Makro, and 7-Eleven.

Objectives

The following two objectives are addressed in this study:

1. To survey the opinions of suppliers on business practices of large scale retailers.
2. To identify the major issues related to unfair business practices and the level of satisfaction of suppliers.

Definition of Terms

1. **Large - scale retailers** – means an entrepreneur that engages in retail sales of goods that are used by general consumers on a daily basis or owns a store with a store floor space that reaches or exceeds a predetermined level. (Guidelines, 2006)

2. **Suppliers** – means an entrepreneur that supplies a large-scale retailer or its franchisees with goods for their own sale or sale on consignment, excluding any such entrepreneur whose bargaining position is recognized as not being inferior to that of the large-scale retailer in question. (Guidelines, 2005)

3. **Slotting Allowances**– also called slotting fees, refer to fees that manufacturers pay retailers in order to have their products being carried by the retailers. The fees include shelf – space fees, display fees, pay-to-stay fees, failure fees, etc. (Wong, 2006)

4. **Unfair Trade Practice** under section 29 of Thai Trade Competition Act - a business operator shall not carry out any act which is not free and fair competition and has the effect of destroying, impairing, obstructing, impeding or restricting business operation of other business operators or preventing other persons from carrying out business or causing their cessation of business. (Trade Competition Act, 1999)

Assumption

The study was based on the following assumptions:

1. The participants for this study were randomly selected from suppliers on four major sectors (fresh food, dry goods and dry food, electronics appliances, and general goods).
2. The data collected from suppliers who supply goods to only the five large-scale retailers- Tesco Lotus, Big C, Carrefour, Makro and 7-Eleven.

3. Questionnaire design is provided by the Trade Competition Committee of the Board of Trade of Thailand. It is based on the study of unfair trade practices of competition authorities of UK, Japan, Korea, Taiwan and Australia.

4. Results were based on the data reported in the questionnaires consisted 46 business practices and completed by the suppliers selected from four sectors.

Significant of the Study

The significant of the study was based on the followings:

1. To enhance fair trade and consumer welfare.
2. To build literature and contribute to knowledge of fair competition.

Literature Review

The retail industry in Thailand has changed dramatically over the past ten years, with the balance of traditional and modern trade reversing positions. Now the modern trade retailers account for roughly over 50 percent of the market. It is a fragile situation for Thai retailers. Foreign investors have expanded aggressively, expanding the market quickly and making many enemies. From the late 1980s through the 1990s several European retailers successfully entered the food retailing market in Thailand (Carrefour, Makro, Casino's Big C, and Tesco Lotus) and also Jusco from Japan. They have strived to expand their stores, improve logistic efficiency, and have increasingly been launching private label brands. ACNielsen reported that private label goods had a growth rate of 35 percent making Thailand the fifth fastest growing market in the world for PL, although they have only attained one percent of the market value of goods sold (an estimated 1.52 billion baht) (Shannon, 2009). Total hypermarket sales (Carrefour, Tesco Lotus, Casino's Big C, and Makro) in 2002 were around US\$ 3.6 billion, growth roughly 12 percent on year. ACNielsen's retail tracking had shown growth at a stable eight to nine percent with reached 10 percent as of the end of July 2003 (Shannon, 2009).

Thailand has been one of the fastest growing retail markets in the world over the past decade. This growth has mainly come from foreign investment, and has therefore been more revolutionary than evolutionary. The retail food market in Thailand can be divided into four major sub-sectors: supermarkets, hypermarkets, convenience store chains, and traditional of fresh markets. In 2007 the Thai hypermarket sector was dominated by Tesco Lotus (UK) in Thailand, had a total of 476 outlets, including Tesco Express and other formats, with sales over THB 108 billion. Consider

Tesco's expansion from 12 hypermarkets in 1997 to 75 hypermarkets by November, 2008. And 7-Eleven had a total of 4,766 convenience stores and was the nearest competitor in terms of revenue with THB 77.3 billion as of November 2008 (Shannon, 2009).

Overview of Five Large-Scale Retailers

Thailand retail food sector 20001 reported that in the first half of 2001, multinational hypermarket and discount stores added 100,000 square meters of new retail space, compared with 70,000 in the same period in 2000. Big C (France) and Tesco Lotus (UK) accounted for 95 percent of the growth. Carrefour (France) will have spent USD 44 million on opening of new outlets by the end of 2001. Cash and carry chain, Siam Makro (The Netherlands), has added about 150,000 square meters of new retail space in the past four years. Convenience stores increased around six percent in food sales with stable growth rate of around ten percent. The largest convenience store chain, CP 7-Eleven, maintained its growth rate of 200 new stores a year added to its existing 1,720 outlets (Kiefner, 2002).

Tesco Lotus

Tesco Lotus has been the most aggressive of market expansion, both in full sized hypermarkets and most recently with discount convenience stores, 18 percent of the modern trade and six percent of the total retail market share in Thailand. Tesco Lotus has increasingly expanded exports by sourcing in Thailand and plans to continue to expand with 100 Lotus Express outlets, 20 supermarkets and 12 hypermarkets, six full sized and six of their smaller Value store formats (Bangkok Post, 2008b).

Carrefour

Carrefour expanded rapidly and was seen as Tesco Lotus' main competitor for the first three years upon entering the Thai market. Carrefour's expansion slowed dramatically, allowing Tesco Lotus and Big C to widen the gap in terms of the number of stores. Carrefour offers a large section of meats and produce that resembles a wet market more than a supermarket, although all the food retailers have emphasized fresh foods (Shannon, 2009).

Big C

Big C has been one of the most aggressive expansions of stores, new formats, and private label brands. Leader Price was launched in 2002 with a size of 1,000 square meters, which were reduced to 300 square meters for mini branches and 700 square meters for standard branches. The newly launched Mini Big C format utilized floor space of 200 square meters and carried roughly 50 percent PL, similar to Tesco Express. In terms of hypermarkets, the company is launching what

they call their fourth generation (4G) stores, aiming to offer a fun shopping experience with low prices, which they hoped will attract younger shoppers. The new 4G store is more like a shopping development than a hypermarket – 78,108 square meters in total, 9,412 for sales area, 3,500 square meters of shopping plaza and 1,400 square meters food court. Sales in 2006 were up 9.1 percent over 2005, earnings up 12.8 percent. In this regard, Big C appears to moving towards being an entertainment complex and landlords (The Nation, 2007g).

Table 1: Five Large-Scale Retailers in Thailand: year of entry and number of outlets.

Store Type	Year entered	Outlets	Outlets	Outlets
	In Thailand	1997	2002	2007
Hypermarkets				
Tesco Lotus	1994 (Tesco 1998)	12	43	69 full sized hypermarkets, 27 smaller “Value” hypermarkets
Big C (Casino)	1993 (Casino 1999)	19	33	54
Makro	1989	15	21	41
Carrefour	1996	6	17	27
Supermarket				
Tesco (Talad) Supermarket	2003	-	-	39
Convenience Store				
7-Eleven	1989	180	2,100	4,300
Discount Convenience Stores				
Tesco Express	2001	-	8	320
Mini Big C	2007	-	-	35
Total		232	2,222	4,912

Source: Shannon, R. 2009. “The Transformation of Food Retailing in Thailand, 1997 – 2007.” *The Asia Pacific Business Review*. 15, 1.

Makro

Makro describes itself as a “cash and carry” operation, but cash and carry is a redundant concept, as Thailand has traditionally been cash based society. The shrinking traditional trade potentially affects Makro more than other retailers, as they position themselves as a wholesaler. Makro has stated plans to open Retailer Centers at each location in efforts to help traditional grocery retailers improve their competitiveness. The company’s policy is to open five stores per year, yet the retail regulations restricted this (Shannon, 2009).

7-Eleven

The franchise owner in Thailand is the Charoen Pokphand (CP) Group, which in turn grants franchises to operators. 7-Eleven has the fourth largest number of stores after the U.S.A., Japan, and Taiwan; there are 4,300 stores in Thailand, which 1,500 stores in Bangkok. 7-Eleven has worked to differentiate itself using First, Best, Only (FBO), which aims to get exclusive rights to certain brands. 7-Eleven has rolled out a smart card system (e-purse), books and magazines under the name Booksmile, a catalogue with roughly 1,000 items, a bill payment counter service, and even the ability to buy airline tickets from within the stores. Store expansion continues to be rapid, and private label brands have also been launched, in addition to ready to eat foods. Seven-Eleven looks poised to continue to expand, although they are now facing new competition from Tesco Express, Mini Big C, CP Fresh and Tops Daily. This appears to be the segment showing the most explosive growth in the near future due to being easier to open, both financially and in terms of avoiding much of the current focus of regulations (Shannon, 2009).

Competition Regulations and Buyer Power in Thailand

There were complaints on the unfair trade practices in the wholesale and retail business in Thailand. The complaints were made by suppliers on discount stores concerning the unfair trade practices, which were not usual trade practices in the area of entrance fee, rebate, house brand, distribution center, roll back, etc. Following a number of complaints relating to unfair trade practices between large-scale retailers and suppliers, the Trade Competition Commission assessed whether the Thai Trade Competition Act was able to address these kinds of unfair practices (Cheung, 2008). The Thai Trade Competition Act which has been enforced since April 30, 1999 has main provisions about abuse of dominant position, merger that may result in monopoly or unfair competition, collusion that may restrict competition, and unfair trade practices (Trade Competition Act, 1999).

According to Yodmuangcharoen (2007), Director-General of Department of Internal Trade and Secretary-General of the office of the Trade Competition Commission, concluded that:

“In order to promote competition in retail business under our responsibility, we introduce “the Guidelines concerning Trade Practices between Modern Trade and Suppliers under Section 29 of the Trade Competition Act” in October 2006 (Guidelines 2006). The Guidelines (2006) is aimed at providing the criteria of trade practices in retail business sector which are unfair and impede competition, especially trade practices between modern trade and suppliers. It is also corresponds to Section 29 of the Trade Competition Act of 1999 which prohibits any business operator from conducting or participating in any action that is not fair and free competition and that results in destroying, impairing, obstructing, impeding or restricting the business operation of other business operators or preventing other persons from carrying out business or causing their cessation of business.”

The Guidelines (2006) is based on the major principles of fair trade practices, which are accepted as moral business principles, that there shall be:

- no coercion
- no discrimination
- no restriction
- clear criteria and
- advance agreement

The types of Guidelines (2006) are:

- unfair setting of price
- unfair receipt of economic benefits
- unfair returning of goods
- unfair consignment sales contracts
- unfair conditions to purchase
- unfair assignment of work to employees of suppliers
- unfair refusal to receive specifically-ordered goods
- other unfair trade practices

According to a survey of Cheung in European and Asian countries, found that the governments in South Korea, Japan, Taiwan and the United Kingdom had paid more attention to manage the relationship between the big retailers and suppliers. A few big retailers have a high bargaining power over suppliers and the traditional trade. He suggested that the Thai government improve the guidelines on trade practices in this respect because the large retailers have grown stronger at the expense of the suppliers and consumers. Cheung (2008) stated that the regulation should balance the power of the large-scale retailers and their suppliers and set a standard for the whole industry.

Methodology

The researchers used a field survey research to survey the opinions of suppliers on business practices between large-scale retailers and suppliers who supply goods to the five large scale retailers – Tesco Lotus, Big C, Carrefour, Makro and 7-Eleven. Data collected from 374 suppliers on four major sectors, fresh food, dry goods and dry food, electronics appliances, and general goods, which responded 731 questionnaires. The questionnaires had two sections: the first section consisted of 44 business practices and based on five-point Likert scale, ranging from “1 - strongly unfair”, “2 – somewhat unfair”, “3 – neither fair or unfair”, “4 – somewhat fair”, and “5 – strongly fair”. The second section consisted of five questions asked about general information of suppliers. Data were entered into the SPSS program to analyze the findings. The statistical analysis was used in this study was descriptive (mean and percentage) to find the level of satisfaction of suppliers on business practices.

The mean of level of satisfaction of suppliers:

1.00 – 1.80 = strongly unfair

1.81 – 2.60 = somewhat unfair

2.61 – 3.40 = neither fair or unfair

3.41 – 4.20 = somewhat fair

4.21 – 5.00 = strongly fair

An in-depth interview with 15 suppliers was conducted to find out the level of satisfaction, define a certain unfair practices, and address the imbalance power between large-scale retailers and suppliers. The researchers had a focus group of suppliers, who responded the questionnaires, to exchange information, problem, opinion, and recommendation about unfair business practices between large-scale retailers and suppliers.

Finding Results

The findings of this study indicated the majority of opinions of suppliers are somewhat unfair business practices (34 %). The next is neither fair or unfair (30 %), somewhat fair (20 %), strongly unfair (12%), and strongly fair (4%) of business practices, respectively (figure 1).

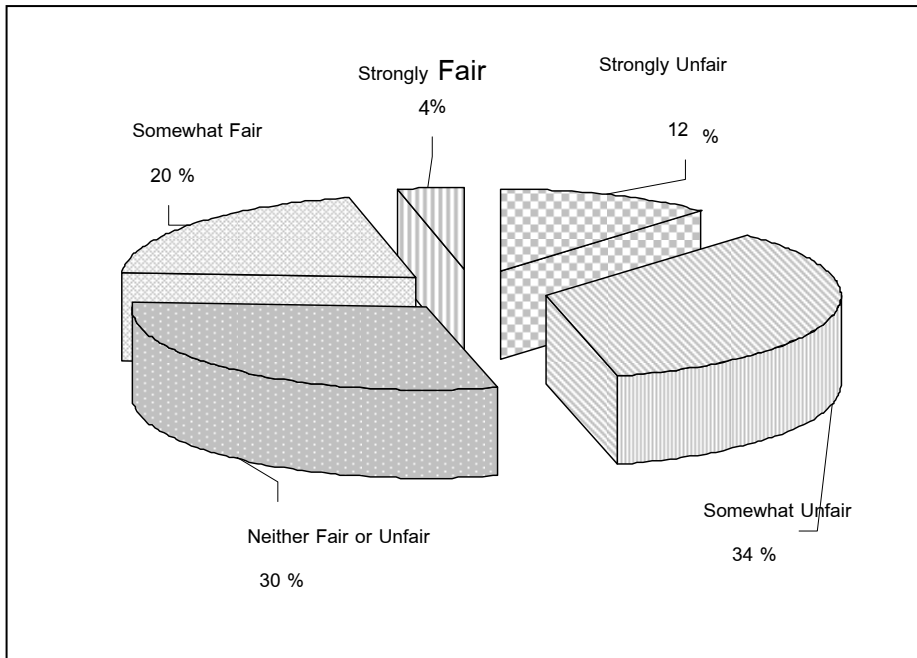
Figure 1: Supplier Satisfaction on Overall Business Practices

Table 2 showed the mean of the opinion of suppliers on 44 business practices between large-scale retailers and suppliers with 11 categories: 1) the term of business contained four items, mean was 2.92 and the level of satisfaction was neither fair or unfair. 2) Price contained five items, mean was 2.52 and the level of satisfaction was somewhat unfair. 3) Contribute to marketing cost contained 16 items, mean was 2.51 and the level of satisfaction was somewhat unfair. 4) Payment contained one item, mean was 3.65 and the level of satisfaction was somewhat fair. 5) Goods return contained six items, mean was 2.43 and the level of satisfaction was somewhat unfair. 6) Coercion to purchase contained two items, mean was 2.49 and the level of satisfaction was somewhat unfair. 7) Assignment of work to employees of suppliers contained two items, mean was 2.56 and the level of satisfaction was somewhat unfair. 8) Refusal of receive special ordered products contained one item, mean was 2.50 and the level of satisfaction was somewhat unfair. 9) Unfavorable treatment in response to refusal contained four items, mean was 2.28 and the level of satisfaction was somewhat unfair. 10) Consignment agreement contained one item, mean was 2.80 and the level of satisfaction was neither fair or unfair. And 11) Promotion without reasonable notice contained two items, mean was 2.56 and the level of satisfaction was somewhat unfair.

Table 2: Mean of the Opinion of Suppliers on Business Practices between Large-Scale Retailers and Suppliers

Categories	Mean	Level of Satisfaction
Term of Business	2.92	Neither fair or unfair
1. The terms of business between our company and retailers are in writing	2.80	Neither fair or unfair
2. A reasonable time of notice is given by retailers if there is any change of business terms.	3.00	Neither fair or unfair
3. Changes of business terms are in writing.	3.00	Neither fair or unfair
4. The standard terms of business offered by retailers to our company or to other suppliers (in the same category) are available at the request of our company and to any Supplier in that category.	2.89	Neither fair or unfair
Price	2.52	Somewhat unfair
5. Retailers require our Company to reduce the agreed price (or increase the agreed margin discount) for products without giving "Reasonable Notice" in writing or before the relevant supplies of that product are made.	2.55	Somewhat unfair
6. Retailers sell our product below the prices we sell to them without good reasons/justification.	2.46	Somewhat unfair
7. Retailers coerce us to sell them a price lower than our standard normal wholesale price without good justification.	2.50	Somewhat unfair
8. Retailers sold goods at a reduced price, then coerce our Company into lowering the selling price by the amount necessary to cover the loss of profit resulting from the discount sales.	2.50	Somewhat unfair
9. Retailers sell product below cost with intention to reduce competition in the market.	2.57	Somewhat unfair
Contribute to Marketing Cost	2.51	Somewhat unfair
10. Our company is coerced to offer additional discounts for products for a certain period of time on the occasion of the retailer's launching a new store, branch improvement, branch anniversary, etc	2.62	Neither fair or unfair
11. Our company is coerced to pay a target rebate even though the retailers can not achieve the target.	2.39	Somewhat unfair

Categories	Mean	Level of Satisfaction
12. Our company supports retailers for advertisement promotion by way of cash or product discounts (additional sales margin).	2.57	Somewhat unfair
13. Our company pays (or additional sales margin discount) Retailers for: <ul style="list-style-type: none"> - artwork or packaging design - consumer or market research - hospitality for the Retailer's staff - renovation of the store has nothing to do with your company's products 	2.57	Somewhat unfair
14. Our company pays cash (or additional sales margin discount) for shelf-space.	2.51	Somewhat unfair
15. Without any relationship with promotion, our company pays (or additional sales margin discount) for better positioning of our Company's products.	2.64	Neither fair or unfair
16. Without any relationship with promotion, our company pays (or additional sales margin discount) for an increase in the allocation of shelf space for our company products.	2.47	Somewhat unfair
17. Our company pays for "Entry Fee" in order to sell at the retailers' place with good reasons given by retailers.	2.67	Neither fair or unfair
18. The "Entry Fee" that our company paid reflects a reasonable risk that our products may not able to be sold at the retailer's store.	2.60	Somewhat unfair
19. The "Entry Fee" our company paid is not mentioned in the written terms of business agreement with retailers.	2.51	Somewhat unfair
20. Our Company pays for "Entry Fee" for new products./ models, which are similar to the current products. The change is minor and quality and quantity remain unchanged	2.50	Somewhat unfair
21. Without prior written agreement, our company pays (or additional sales margin discount) to compensate the retailers when profits from the sales of our company's products are lower than expected.	2.35	Somewhat unfair
22. Without prior written agreement or not due to our negligence or default, our company pays cash (or additional sales margin discount) to Retailer to cover the lost of products supplied by our company.	2.38	Somewhat unfair
23. Without prior written agreement or not due to our negligence or default, our company pays (or additional sales margin discount) to cover any wastage of our company's product incurred at the Retailer's store.	2.75	Neither fair or unfair

Categories	Mean	Level of Satisfaction
Payment	3.65	Somewhat fair
24. Retailers pay to our company for products delivered within a reasonable time after the date of our invoice.	3.65	Somewhat fair
Goods Return	2.43	Somewhat unfair
25. Without any prior agreement or consent of our company, return our company's products.	2.46	Somewhat unfair
26. Without prior written agreement of product return, retailers purchases big lot of products with volume discount. Then return the unsold units.	2.29	Somewhat unfair
27. Without prior written agreement, retailers coerce to return of our products (or demand compensation) because the fall of market value of similar products.	2.27	Somewhat unfair
28. Retailers return our company's product for the purpose of inventory adjustment at the end of a month or at the end of financial term.	2.53	Somewhat unfair
29. Retailers return our Company's products for reasons of refurbishment of stores or a re-design of the display areas.	2.51	Somewhat unfair
30. With prior consent of product return from our company, retailers return of our company's product but do not pay for damage costs for some of the damaged or dirty units.	2.51	Somewhat unfair
Coercion to Purchase	2.49	Somewhat unfair
31. Retailers coerce our company to purchase products from them (Retailers), e.g. gift or promotion items.	2.57	Somewhat unfair
32. Retailers coerce our company to purchase services such as service of business information via the internet or B2B e-commerce which have service fees.	2.41	Somewhat unfair
Assignment of Work to Employees of Suppliers	2.56	Somewhat unfair
33. Without prior written agreement or consent of our company, retailers coerce our company to dispatch employees to assist with the ordinary operations of retailers.	2.60	Somewhat unfair
34. Retailers coerce our company to pay special expenses when sending our employees to work at the Retailers' place without good reason.	2.51	Somewhat unfair

Categories	Mean	Level of Satisfaction
Refusal of receive special ordered products	2.50	Somewhat unfair
35. Retailer refuses to receive our company's product which is specially made (specific standard, designs, types, etc) for the retailer in accordance with the sales agreement.	2.50	Somewhat unfair
Unfavorable Treatment in response to refusal of request Unfavorable Treatment in response to refusal of request	2.28	Somewhat unfair
36. Delay payment for products delivered	2.26	Somewhat unfair
37. Violate the sales agreement	2.28	Somewhat unfair
38. Reduction of trade volume or suspension of trade	2.26	Somewhat unfair
39. Display of our products in less favorable place where they are less noticeable to consumers than before	2.32	Somewhat unfair
Consignment Agreement	2.80	Neither fair or unfair
42. Retailers coerce our company to accept a consignment agreement with the terms and margin same as a normal sales agreement. (e.g. typical sales margin for consignment sales is lower than credit sales).	2.80	Neither fair or unfair
Promotion without Reasonable Notice	2.56	Somewhat unfair
43. When cash payment (or additional sales margin discount) is required from retailers in supporting a promotion, a reasonable notice is given to our company.	2.66	Neither fair or unfair
44. When Retailers order big lot of products for promotion at a lower price, then not able to sell all of them (over-order), they sell the left over stock at a price higher than the promotion price but do not compensate our company for any product over-ordered.	2.46	Somewhat unfair

The results from in-depth interview

An in-depth interview with 15 suppliers was conducted to find out the level of satisfaction, define a certain unfair practices, and address the imbalance power between large-scale retailers and suppliers. The results indicated that four main concerns of suppliers:

- Stronger and stronger buyer power (bargaining power) of large scale retailers = unfair treatments.
- Various kind of charges and hidden trading costs.
- A climate of fear
- Force to participate in promotion activities.

Suppliers suggested the solution of business practices as followings:

- Improve the current Guideline 2006.
- Need specific and standard method to calculate all kind of charges.
- Activities that do not contribute to suppliers' products brand building should not be charged.
- Below cost selling must come with good justification.
- Need supports from government to address the issues.

Conclusions

The findings of this study indicated the majority of opinions of suppliers are somewhat unfair business practices (34 %). The next is neither fair or unfair (30 %), somewhat fair (20 %), strongly unfair (12%), and strongly fair (4%) of business practices, respectively. There were top 10 opinions of suppliers with unfair business practices (table 3) and top five opinions of suppliers with fair business practices (table 4).

Table 3: The top 10 opinions of suppliers with unfair business practices

Order No.	Unfair Business Practices
1	Upon refusal of request, retailer reduces trade volume or suspense of trade.
2	Upon refusal of request, retailer delays payment for products delivered.
3	Without prior written agreement, retailers coerce to return of our products (or demand compensation) because the fall of market value of similar products.
4	Without prior written agreement of product return, retailers purchases big lot of products with volume discount. Then return the unsold units. Including upon refusal of request, retailer violates the sales agreement.
5	For the advertisement supports, the cash payment (or additional sales margin discount) does not bring in advertising/promotion value of our products or not directly helpful to promote the image of our company or products.
6	Without prior written agreement, our company pays (or additional sales margin discount) to compensate the retailers when profits from the sales of our company's products are lower than expected.
7	For the advertisement supports, the cash payment (or additional sales margin discount) is excess of the cost actually required for it. Including upon refusal to request, retailer display of our products in less favorable place where they are less noticeable to consumers than before.

Order No.	Unfair Business Practices
8	Without prior written agreement or not due to our negligence or default, our company pays cash (or additional sales margin discount) to retailers to cover the lost of products supplied by our company.
9	Retailers coerce our company to accept a consignment agreement with the terms and margin same as a normal sales agreement. (e.g. typical sales margin for consignment sales is lower than credit sales).
10	Retailers coerce our company to purchase services such as service of business information via the internet or B2B e-commerce which have service fees.

Table 4: The top 5 opinions of suppliers with fair business practices

Order No.	Fair Business Practices
1	Retailers pay to our company for products delivered within a reasonable time after the date of our invoice.
2	Changes of business terms are in writing.
3	A reasonable time of notice is given by retailers if there is any change of business terms.
4	The standard terms of business offered by retailers to our company or to other suppliers (in the same category) are available at the request of our company and to any supplier in that category.
5	The terms of business between our company and retailers are in writing.

There are three major issues related to unfair business practices that suppliers consider should be modified.

1. Unclear Retail Trade Regulation to protect suppliers.
2. Without good justifications, large-scale retailers tend to raise the “additional fees” each year.
3. Setting unfair selling price, lacking of rules or policies to control large-scale retailers manipulating the price.

Recommendations

The findings of this study support the original recommendations of the study of Trade Competition Committee of the Board of Trade of Thailand (2008) and Cheung (2008). Their recommendations can be summarized as below:

1. Forming a “Wholesale and Distribution Committee” with the mission of promoting fair trade practices.
2. Providing seminars or workshops for suppliers with regard to trade practices.
3. Encouraging more studies on business practices between large-scale retailers and suppliers.
4. Revising the Guidelines (2006) by:
 - 4.1 Clear definition of large-scale retailers
 - 4.2 Requiring that retailers must have written and legally binding agreements with each and every supplier. Terms of business must be clearly defined. A reasonable time must be given to suppliers if there is any change of terms and changes must be in writing.
 - 4.3 Including an “overarching fair dealing provision”
 - 4.4 Prohibiting large-scale retailers from making “retrospective adjustments” to terms of supply.
 - 4.5 Prohibiting large-scale retailers from holding suppliers liable for losses due to shrinkage.
 - 4.6 Requiring large-scale retailers to provide notice of and reasons for de-listing suppliers or significantly reducing suppliers’ business.
 - 4.7 Requiring large-scale retailers to enter into “binding arbitration agreement” to resolve any dispute with suppliers under the New Guidelines.
 - 4.8 Requiring large-scale retailers to establish an in-house “compliance officer” whose only responsibility will be to ensure compliance with the New Guidelines, with a direct reporting line to the audit committee of the Board.
 - 4.9 Requiring large-scale retailers to keep written records of all agreements with suppliers on terms of supply.

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