

[Roland fined £4 million for illegally preventing online price discounts](#)

Background

When online resellers have the freedom to price items independently this leads to healthy competition – rivals strive to offer the best deal for customers and people can shop around for a better deal.

However, if a supplier dictates to its resellers a specific minimum price that they cannot drop below, or tries to stop them from selling at a reduced price, rival resellers are blocked from competing on price and customers lose out. This practice is known as Resale Price Maintenance (RPM) and is illegal.

We recently fined Roland, a supplier of electronic music equipment, £4 million for breaking the law by manipulating online resale prices in this way.

What Roland did

Between 7 January 2011 and 17 April 2018, Roland set minimum prices for its electronic drum kits, related components and accessories and told resellers not to sell below these prices.

It used price-monitoring software to police the minimum pricing policy. This software monitored online prices to make sure resellers were selling at or above the prices Roland specified.

In order to make sure that resellers kept to these prices, Roland threatened (and sometimes applied) sanctions against those who advertised and sold at lower prices. For example, Roland removed key discounts off the trade price for certain resellers.

These sanctions were clearly seen as a commercial risk to resellers who may otherwise have decided to offer lower prices. One reseller noted that if it 'advertised Roland products at less than the suggested retail price' it 'would lose some of the discounts' from Roland.

Many resellers understood that Roland's pricing policy meant that they could not sell below the minimum price and that this may breach competition law. For example, in response to a request from Roland to price at the minimum price, a reseller replied '#notallowedtomapbutkindado lol x'.

Many resellers used price monitoring software themselves and often reported on one another, letting Roland know when others were dropping their price.

Price monitoring software, when used correctly, should benefit competition by encouraging firms to undercut rivals. In this instance, the software was misused as a tool for Roland to help keep resellers' prices artificially

high.

How Roland broke the law

RPM is illegal because it cheats people out of a fair deal. It involves a supplier enforcing a minimum price, and therefore restricting the possibility of discounts – rather than allowing resellers to compete on prices.

In this case, some of Roland's senior employees were aware that the practice of setting a minimum resale price was wrong. For example, one senior Roland employee noted in an internal email that they had to be very careful about talking to resellers about resale prices as Roland could be leaving itself 'wide open for an investigation by the competition authorities' stating that they were 'not copying this message more widely – it is too dangerous due to the sensitive content.'

Despite knowing what they were doing was wrong, Roland continued to enforce RPM, and took various measures to hide its wrongdoing. For example, Roland staff at times avoided creating written records and stated in an internal document 'Admin – Reiterate – Delete all Text messages/emails. No more emails re price.' and communicated this policy to resellers either orally or through 'code'. Also, on occasions, Roland staff deleted written communications about this policy.

What action we took

We fined Roland £4 million for breaking the law. The fine was increased because senior management was involved, and because the illegal behaviour was judged to be intentional – staff knew what they were doing was wrong and tried to hide it.

Roland admitted to breaking the law, and cooperated with the CMA's investigation, and its fine was reduced to reflect this.

What the lessons are

There are a number of lessons that businesses can learn from this case, including the following:

- It is illegal for a supplier to interfere with a reseller's ability to set their own prices independently.
- The consequences of breaking competition law can include fines of up to 10% of a business's global turnover.
- The CMA has sophisticated means of gathering evidence even where companies have tried to hide their actions by deleting communications.

- If you are ever asked not to put something down in writing you should be suspicious as it could relate to something illegal. If so, you should seek legal advice and seriously consider whether to report the matter to the CMA.
- Directors and senior staff have a special responsibility to be well informed on competition law and make sure their companies are behaving legally.
- Attending compliance training alone isn't sufficient to be compliant – you must actively comply with the law.
- As a reseller you can also be investigated for breaking the law if you are found to have co-operated with a minimum pricing policy. If a supplier tries to make you comply with a minimum pricing policy you should refuse and point them to our guidance and consider reporting them to us. Resellers may also face enforcement action such as fines.

What you can do

This case shows that it's important for suppliers and resellers to review their pricing practices so they don't risk entering into illegal agreements. Some of the ways to do this are to:

- Create a culture of compliance – everyone in your business must understand what they need to do to stay on the right side of competition law.
- Read our [60-second summary on RPM](#) and watch our video – both give pointers to help businesses avoid breaking the law.

[Video](#)

- If you have information on other companies in your industry that may have been involved in an anti-competitive arrangement, you should consider [reporting it to us](#) or calling us on 020 3738 6000.
- If you think your business has been involved in RPM, seek independent legal advice and notify the CMA as soon as possible – you may benefit from lenient treatment by being the first to come forward to the CMA.