

Retailers refuse Sodexo passes

Raghavendra Kamath / Mumbai Jan 08, 2012, 00:44 IST

The most popular meal passes have started to fail. From the last week of December — at the peak of the shopping season — food retail chains stopped accepting Sodexo passes for the items bought by shoppers.

Players like Pantaloon Retail, Reliance Retail, Spencer's, Tata-run Trent and Aditya Birla Retail have joined hands to stop accepting these passes.

The reason: Retailers think they cannot pay 2.9-3.4 per cent of the total bill that Sodexo charges as commission. Besides, handling of passes and a waiting period of almost a month to get their money are also a deterrent at a time when consumer spending is on a decline.

"From December 28, we have decided to accept only cash, credit cards, gift cards, electronic credit, pre-paid credits and our own coupons. The cost of physically handling Sodexo passes is too high. If they have an e-credit or pre-paid card facility, we don't have a problem," said a spokesperson of Pantaloon Retail, which runs over 150 Big Bazaar and Food Bazaars stores in the country.

Around two per cent of Big Bazaar's sale is through Sodexo passes. Pantaloon has already informed its customers it will not accept Sodexo passes.

"Besides the 3.5 per cent loss, it is becoming difficult to handle the passes, take them to

collection centres and manage the security issues," he added.

Vineet Kapila, CEO of Spencer's, which discontinued accepting Sodexo this week, asks: "Since retail is a low-margin business, why give such commissions?" He added that a "sizeable" portion of Spencer's sales were through Sodexo.

Food and grocery retail has a net margin of 2-3 per cent, while products like apparel and accessories carry higher margins. Kapila says such passes should be applicable only to non-food retail.

When contacted, a Sodexo spokesperson said a reply would be possible only on Sunday. However, a leading news website quoted Sodexo as saying that it was entirely the decision of retailers and the company would not like to comment on the decision.

Some retailers say handling credit and pre-paid cards is more viable, given the slowdown in consumer spending and lower revenues.

"Banks charge 1.5-2 per cent and you get money within a couple of days. In the case of pre-paid cards, you get funds the same day. So, we prefer those," said a senior executive of a Mumbai-based retail chain.

Source: Business Standard

Vox populi – on meal vouchers

"...Too many parties get to make money at the cost of the Employee – too good an opportunity to pass up..."

"...I still wonder why people claiming to be TAX-PAYER and hence good citizen subscribe to these sodexo coupons only to make general purchase. Isn't it a corrupt practice? And for what!! Merely 600 Rs."

"...Use the meal cards given by various banks. These are just prepaid cards and are only accepted in eating joints and grocery stores and hence cannot be used for any other purpose..."

Camp Card's Suggestions

Meal vouchers are mostly misused and can pose legal problems. The cost of managing meal vouchers far exceeds the tax benefits. The larger questions are

- 1. Why does the govt. provide tax exemptions at all?*
- 2. Why specify tax exemption when paid through vouchers?*

We believe that a government's intention is to motivate companies to provide a healthy meal to their employees as done in various countries. It's proven that this increases productivity of the employee and hence the company and economy benefit.

Meal vouchers come into picture when they can ensure that the tax free benefit is indeed used as per law. Since, they have failed to do so; we suggest companies provide a healthy meal to their employee in office (free/subsidized). An electronic card like ours brings in SAVINGS, TRANSPARENCY AND CONVENIENCE