

CHECKING OUT THE SUPERMARKETS II

COMPETITION IN RETAILING

Further copies of this report are available from
Colin Breed MP, Liberal Democrat Consumer Affairs Spokesperson
House of Commons, London SW1A 0AA
Tel (020) 7219 2588 • Fax (020) 7219 5905

London, May 1998
Updated March 2003

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SUMMARY

Over the past thirty years a characteristic of British life has been the dramatic growth of supermarkets, the result of business enterprise, laissez-faire planning policies and a soft competition policy.

The dominance of large supermarket chains affects every area of our lives – economically, socially, environmentally and culturally. While supermarkets have undoubtedly brought many benefits, their dominance creates problems. The underlying issue is that untrammelled market forces and poorly identified ‘consumer interests’ frequently run counter to sustainable development. Awareness of this is growing rapidly. It is time for debate to ensure that the changes of the next thirty years are in the public interest and are sustainable on a global basis.

This report examines the problems of supermarket dominance. The body of the report was written in 1998, and its recommendations and research are still pertinent to today’s discussions about the problems surrounding the supermarket culture we find ourselves embroiled in now. The first section of the report is an update that seeks to put the report in the context of recent developments. Above all it shows that the 1998 recommendations have been ignored, and the failure to address the range of issues raised has been to the detriment of our society. In particular, it stresses the anti-competitive nature of the dominant market position of the major chains, Sainsbury’s, Tesco, Asda and Safeway. Consumers and producers alike find their choices limited.

The planning and environmental issues raised by apparently inexorable supermarket growth are analysed, as are the difficulties faced by the rest of the retailing sector, particularly other food shops, and the corresponding decline of town centres and of villages. Unregulated supermarket expansion would ultimately lead to the closing down of virtually all independent shops.

The report examines the uneasy relationship between supermarkets and their suppliers, particularly in horticulture and agriculture, and the problems caused by increasing supermarket control of, and intervention in, the market. Vibrant – and sustainable – economies are undermined by current supermarket sourcing and distribution policies.

A fundamental problem is that supermarkets at present regard their duty to shareholders and consumers as sourcing in the cheapest market, often outside the UK, regardless of social or environmental issues. In the short term this destroys local economies. In the long term it will destroy national food industries, as markets are switched from one country to another, with particularly damaging results for developing countries.

Finally, the report stresses the problems supermarket dominance is creating for the disadvantaged shopper – the elderly, the less mobile, and those without private transport – and surveys the issues created by the supermarket-led shift to a twenty-four-hour day and seven-day working week.

Policy recommendations are included at the end of each section.

The author of the 1998 report, Dr. Shayne Mitchell, is an academic and translator. Having lectured at Cambridge and London Universities, she is now engaged on research into current political and social issues. The author of the 2003 update is Kate McGavin, Research Assistant to Colin Breed MP

ACKNOWLEDGEMENTS

Many people have given generously of their time and expertise. We would like to thank in particular John Beasley, Adrian Bebb, Vanessa Buckle, Phil Clapp, Douglas Cook, Derek Cooper, Clio Cornish, the Council for the Protection of Rural England (Dorset), Caroline Cranbrook, Berwyn Evans, Dave Flinton, John Gillespie, Nicolas Graham, Joan Hardingham, Clare Hargreaves, Helen Hills, Vicki Hird, Gregor Hutcheon, Professor Tim Lang, Lawrence Mallinson, Ian Martin, Richard Martin, Gordon Mitchell, Patricia Mitchell, Shuna Mitchell, George Monbiot, Deborah Moss, Jules Pretty, Peter Riley, Byron Rogers, Marilyn Small, Clifford Sparrowhawk, Nikki Thompson, Josephine Webb, David Wheeler, Emma Wilson, Alan Wyle, the staff of the House of Commons Library and of Westminster Business Library and those whose professional commitments meant they remain anonymous. We are especially grateful to the cartoonists and to *The Oldie* magazine for allowing us to reproduce the cartoons on pp. 3 and 27.

1 INTRODUCTION

The supermarket revolution has brought many benefits: variety, cheapness, cleanliness, efficiency, convenience meals. Supermarkets have widened enormously the range of food we eat and broadened our horizons.

Yet as the supermarket chains grow every large, doubts emerge. As far back as 1995 *Off Our Trolleys?*, a report into the hypermarket economy, noted that ‘for the first time in the post-war period, there is open questioning about the food retailers’ public image and financial performance’. It continued: ‘Supermarkets have for decades been presented as prime examples of how market forces benefit consumers and shareholder... Now there is a healthily growing debate about whether this wasn’t a false perception.’¹

Although the majority of the population depend on supermarkets for food and much other shopping, many people have begun to question the dominance of supermarkets and the implications this has for society as a whole and local economies in particular.

This report concentrates on the four main players, Sainsbury’s, Tesco, Asda and Safeway, since it is they who have the greatest impact and influence.

Since there was last talk of a Safeway takeover back in 1997 there have been significant changes in the supermarket sector. In June 1999 Wal-Mart paid £6.9bn for Asda, Tesco passed the £1bn pre-tax profit mark, and Morrison joined the FTSE-100 for the first time.

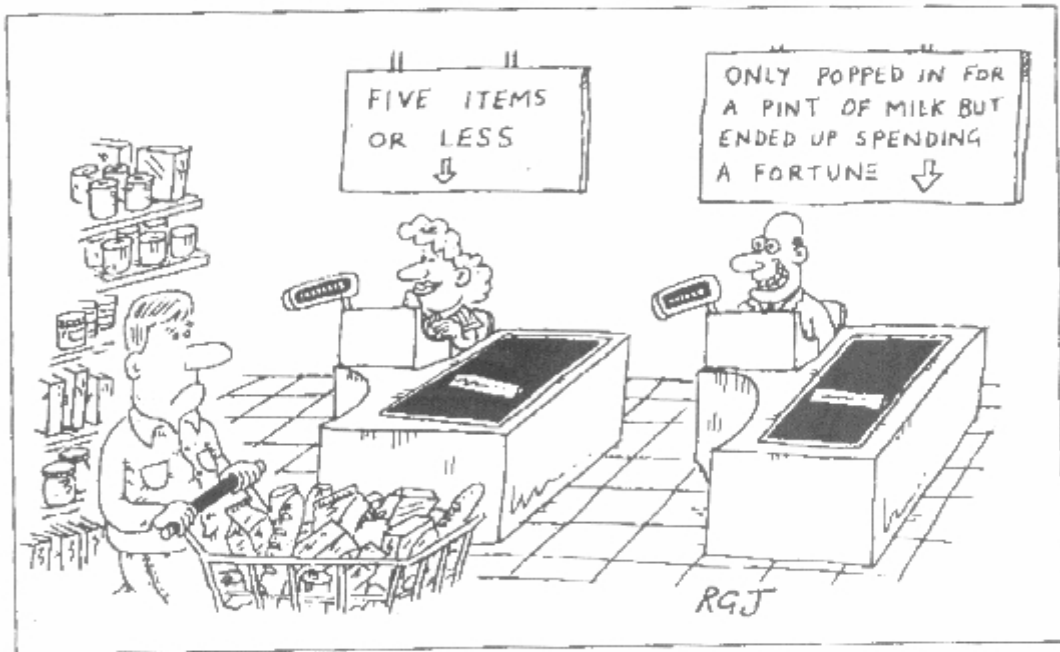
Right now, the battle is once more on to secure the takeover of Safeway. The bidders have included the financial firm Kohlberg, Kravis Roberts & Co (KKR) (who later retracted their bid) and a consortium headed by the boss of BHS Philip Green, along with Sainsbury’s, Tesco, Asda and the original bidder Morrison’s.

There has been much speculation about how this cookie will crumble: was Sir Ken Morrison’s opening all-share bid too low? How would suppliers be affected if ‘the big four’ became ‘the big three’? How will the referral of all bids excepting Philip Green’s offer to the Competition Commission affect the outcome?

It seems an opportune moment to re-evaluate the predictions and predicaments that this report touched on in 1998. The real issues surrounding the Safeway situation right now are: how have our attitudes changed to grocery shopping in the last five years? How has the relationship of the worker, the supplier and the shareholder to the supermarkets changed? Have the problems of pollution, packaging and pricing been solved, or have they been augmented by other concerns?

Colin Breed MP

¹ Hugh Raven and Tim Lang with Caroline Dumonteil, *Off Our Trolleys? Food retailing and the hypermarket economy*, London 1995 (Institute for Public Policy Research), p.3.



2 ATTITUDES TO FOOD: Healthy Options and the Growth of Organic

There is unlikely to be any strong public opinion voiced about the proposed takeover of Safeway. Whoever wins the bid, the outcome will not be a reduction in the concentration of supermarkets and we will not be required to rethink our shopping habits. It seems likely that Safeway customers will simply patronise the new owner, whoever that turns out to be.

However, it is worth assessing how our attitudes towards food have changed and have been changed by the food industry – over the last two or three years in particular – and to consider what has changed within the food retail industry. As discussed below, food poverty is becoming an issue of serious social concern, although at the same time disposable incomes are on the increase.

On the outside, the face of supermarket retail is largely unaltered, but inside the stores a new market that targets the health conscious has blossomed. There has been a culinary renaissance in the past few years with the coronation of numerous chefs with celebrity status, a burgeoning market in cookery books and programmes, and of course the steady development of the diet industry. The multi-billion pound obsession with healthy eating is the domain where supermarkets seek to rule supreme, but as is the case with so many of the superficially commendable projects that supermarkets make a big fanfare over supporting, there are two sides to the story.

The growth of the organic food market is the best indicator of this dichotomy. On the one hand there has been a massive 55% sales increase in organic food between 1998-99 and 1999-2000, which is well over the 2-3% sales increase that the food and drink industry can generally expect.² However, despite efforts from farmers and support groups to capitalise on this market through schemes such as nationwide farmers' markets, box schemes and direct sales, supermarkets have increased their share of the organic food market to 74% over the same period.

The commercialisation of the organic industry is cause for concern amongst organisations such as the Soil Association, which fears for the integrity of such foods as processed convenience products labelled organic become increasingly popular. Similarly, the organic market is rapidly diversifying, from the original staples of fruit and veg into milk, cereals and baby food, with big brands such as Heinz, Mars and Rank Hovis McDougall cashing in on this growth market.

Organic foods are successful because they chime with messages about environmental and personal health concerns. Organic should be good news for British farmers, but in reality the Government is failing to help promote the industry and 70% of organic food is imported, with only 2.3% of British agricultural land managed organically. Such figures show that, far from empowering British farmers and giving them a much needed bargaining chip in their relationship with supermarket buyers, organic foods in no way reflect their slogan 'Think Global, Eat Local'.

² www.organic-consultancy.com/articles/OGLIFE/0601.shtml

The market research firm Taylor Nelson/Sofres presents the profile of the organic shopper as health conscious, socially responsible, environmentally aware and affluent.³ The fact that these consumers are willing to pay an average of 15-20% more for their food makes them particularly attractive to the supermarkets (especially as wholesale prices have been in gradual decline), and highlights the second important trend in supermarket retail: the increasing focus upon the spending power of the rich at the expense of the poor.

Reports on supermarket pricing practices, such as the Competition Commission's *Supermarkets: A report on the supply of groceries from multiple stores in the United Kingdom* published in October 2000 often note that the major supermarkets' pricing policy includes the sale of goods such as milk and bread ('loss leaders') at below market price in order to attract shoppers away from smaller retail outlets that cannot afford such cuts. These low prices are made up for by the higher cost of other goods, particularly fruit and veg. Recent research from Friends of the Earth revealed that the price of a kilo of Cox apples was around 32% higher in supermarkets than on market stalls.⁴ Furthermore, the policy of supermarkets to buy up all the Grade 1 fruit and vegetables to prevent their sale by competitors continues to distort the market.

It is easy to conclude what the impact of these pricing policies upon poorer shoppers and pensioners must be. While supermarkets claim to be supporting campaigns such as the Government's drive to encourage the consumption of five portions of fruit and veg a day, their pricing policies clearly contradict their PR.

A 1997 survey by Sustain that compared the price of two food baskets – one healthy and one less so – in a deprived inner-London area and a wealthier suburb found that the healthier option cost more in both areas, but was most expensive in the deprived area.⁵ Last year, the think-tank Demos published its report *Inconvenience Food: The struggle to eat well on a low budget*, in which it called for a tax on fatty food. This well researched recommendation has found considerable support, and, along with clearer labelling on food packaging, could be a significant step towards improving the nation's diet. Opponents have suggested that it would do little more than further disadvantage poorer families and would act as another stealth tax. But the problem will not go away, and further discussion of options such as these is needed.

Furthermore, many supermarkets have introduced ranges targeted at children, which on close inspection are often disingenuous in their claims. For example, Sainsbury's Blue Parrot Café food range aimed specifically at children is in some cases more expensive and contains higher levels of salt and sugar than alternatives.⁶ Similarly, supermarkets have gone to extraordinary lengths to promote foods for children's lunchboxes, including individually packaging portions of fruit, which is unnecessarily wasteful and a marketing gimmick. Although much of the debate about the promotion of unhealthy foods for children focuses upon the evils of larger brands,

³ Ibid

⁴ Friends of the Earth Press Release: *Local Markets Offer a Better deal than Supermarket Merger*, 13.01.03

⁵ Lobstein, T. 1997, *Myths about food and low income "If they don't eat a healthy diet it's their own fault!"*, National Food Alliance (now Sustain); quoted in Friends of the Earth report, *Super markets or corporate bullies?*, 2003.

⁶ <http://news.bbc.co.uk/1/hi/business/2161634.stm>

supermarkets themselves are clearly cashing in on parental concern and using this as an opportunity to profit further.

It is clear, therefore, that supermarkets are involved in perpetuating the growing gap between the lifestyles and eating habits of the rich and poor. This division is not only a question of economics and affordability, but also (as the next chapter discusses) one of geography and access

The Government must do more to prevent the domination of supermarkets that is ultimately detrimental to the health of poorer individuals and to the well-being of small communities. Stringent policies must be developed that protect the producer, invest in organic farming, and regulate pricing policies that might be seen to disadvantage poorer shoppers.

3 PLANNING, POWER, & CODES OF PRACTICE

Over the last few years there have been some interesting developments in terms of the supermarket giants' relationship with the local communities in which they set up shop. The planning system, the range of goods sold by supermarkets, and the employer/employee and buyer/supplier relationship have developed to the detriment of small communities.

Walmart's acquisition of Asda in 1999 marked the beginning of a new retail chapter for supermarkets, as each followed the American company's practice of offering a wider range of products, such as electrical goods and clothing. This diversification means that a new supermarket in an area now leaves few sectors of the local retail infrastructure untouched by its presence.

At the same time, England has made no changes to the Planning Policy Guidelines (PPG6) of 1996, although the revisions to PPG13 *Transport* of 1999 elaborated on ways of integrating land use, planning and transport and reducing the necessity of travel. Scotland and Wales have slightly different regulations. In Wales the situation is a little better: if a new out-of-centre supermarket is 'likely to lead to the loss of general food retailing in the centre of small towns', then this is grounds for a refusal.⁷ In Scotland, the concept of need is not addressed and the situation is therefore broadly similar but a little worse than in England.

The Competition Commission report makes clear in paragraph 12.38 that the planning system in England is 'not designed to promote competition between retailers'. The Government has introduced a 'scale of need' system to assess the degree to which a new supermarket is needed by a local community. However, these regulations are unclear and are open to interpretation.

There has not been a sea-change since this report was first published in 1998, and the recommendations made then still stand. It seems clear from this that the British planning system should be looked at as a whole, and the Government must ensure that there are rigorous and clearly worded regulations that apply nationwide.

The destruction of local economies is still ongoing. Reports suggest that Britain lost around 30,000 local shops (approximately one fifth of the total number) between 1995 and 2000.⁸ 28,000 more outlets are under threat if the supremacy of the supermarkets continues unchecked, and by 2010 we could be down to two thirds of the local shops we had in 1995, marking the virtual extinction of many local institutions such as corner shops, grocers, post offices and pubs.

As this report noted in 1998, out of town supermarkets favour shoppers with their own transport, and this is reinforced by the fact that special offers found there are often on bulk buys. Recently, the encroachment on the convenience store sector that has been marked by Tesco's town centre 'Metro' shops and its purchase of the T&S Stores,

⁷ Office of Fair Trading, *Supermarkets: A report on the supply of groceries from multiple stores in the United Kingdom* (October 2000), Chapter 12 para 23.

⁸ New Economics Foundation report, quoted in *Ghost-town Britain looms*, John Carvel, The Guardian online, Monday December 16, 2002.

along with Sainsbury's 'Local' chain, has marked the further destruction of smaller retailers such as grocers and corner shops.

The New Policy Institute has published material that examines the problems and consequences of regeneration and planning projects that have consistently ignored the importance of nurturing socially inclusive elements of community life. It highlights some of the points made in the Department of Health's report *Improving Shopping Access for People Living in Deprived Neighbourhoods*, including the importance of protecting minority ethnic community retailers (who are often victims of crime) and the smaller grocery retailers.

Certainly the recent expansion of the supermarkets' brands into the service industries of banking, pharmacies, photo-developing and even divorce services to mention just a few, signals that little has been done to protect the heterogeneity necessary for healthy consumer relations. Consumer choice is rapidly becoming little more than a decision on which supermarket to choose, with over 95% of people doing their main shopping at a supermarket.⁹

The Government's policy towards the pharmaceuticals industry is particularly puzzling. Two years after the removal of price fixing privileges for chemists on over-the-counter drugs, the Government is now considering the Competition Commission's recommendation of a complete deregulation of pharmacies. The immediate advantage of open-market competition that this would afford supermarkets throws into relief the question of whether pharmacies' patrons are consumers or patients.

With 80% of their business coming from dispensing NHS prescriptions, pharmacies are an important part of the medical network and one that the Department of Health has plans to put to better use in order to reduce the pressure on GPs. However, if supermarkets are allowed to compete with independent outlets it is likely that the smaller businesses will lose out like any other retailer and the flexibility, expertise and personal service that they provide will be lost. By blurring the definition between a patient and consumer competitive pricing is made possible, but quality of service is sacrificed. As has been pointed out, this is not an instance of misty-eyed nostalgia but a serious case in point of how an important NHS service is in danger of being subsumed by consumer culture and commercial greed.¹⁰

However, it is not only the consumer who suffers from a reduction of choice and power – employees are also worse off working for supermarkets. Corporate Watch points out that supermarkets employ large numbers of unskilled women, students, school children and disabled workers, often paying them on 'starter rates' so that, with the high staff turnover that is characteristic of some of these workers, labour costs are kept to a minimum. Furthermore, workers' rights, for example to decline to work on Sundays or vote on an annual pay rise, have been eroded in many cases.

More supermarkets mean fewer and worse paid jobs, which is ultimately bad for the national economy. It also means that less money is remaining in local economies, increasing the burden on other areas of the national economy. Corporate Watch quotes a piece of research by the New Economics Foundation that claims that '£10

⁹ Op. Cit. Farming and Food, p.16.

¹⁰ <http://www.guardian.co.uk/supermarkets/story/0,12784,881285,00.html>

spent on a local organic box scheme in Cornwall generates £25 for the local economy [...] compared with £14 if spent in a supermarket'.¹¹

There are no specific regulations to protect supermarket employees. Although most of the major supermarkets recognise unions, the arrival of Walmart and an American work ethic brings with it unethical threats of its own. There has been a constant stream of accusations levied at Walmart concerning its anti-union stance and use of 'sweatshop' conditions in the Third World factories that supply some of their goods. Despite Walmart's denial of these claims, since Asda's merger with this American giant, the GMB union has seen its position threatened by the supermarket's reluctance to publicise its existence amongst new recruits. The union position in other supermarkets is already precarious, and it seems likely that, as is the case with all supermarket practices – from loyalty schemes to loss leading pricing strategies – others will follow where one leads. Homogeneity is the key to survival.

The Competition Commission report did recommend the introduction of a Code of Practice to preserve healthy relationships between suppliers and the supermarkets, but as is the case with much of the regulation applicable to supermarkets, it was too little too late. Despite the Commission's assessment that a voluntary code would not be adequate, it is optional, and supermarkets are allowed to draw up their own versions, resulting in a diluted document riddled with get-out clauses. To date there has not been a single referral under the Code.

The Commission itself acknowledged that there was a climate of fear amongst suppliers, and this Code cannot reverse such a pervasive feeling. It also concluded that all the big supermarkets operate the majority of 52 alleged practices, which means that they are acting against public interest. Many of these practices are now covered by the Code of Practice, but it remains to be seen whether the code will bring a fundamental change to the supplier/buyer relationship.

The Country Land and Business Association (CLA) has launched its own independent monitoring system, collecting information from suppliers and providing six monthly analyses of issues arising from the implementation of the Code. These reports, providing the CLA is able to persuade enough suppliers to talk about their relationships with buyers, will make interesting reading. However, there is a feeling that only 'an independent regulator and independent dispute mechanisms'¹² would safeguard competitiveness in the industry. This was a key recommendation of this very report when it was published in 1998.

The Policy Commission on the Future of Farming and Food argues that farm suppliers need to alter their perception of their relationship with major buyers and to see themselves in more business oriented terms. The 2002 report urges farmer to 'band together' to give them greater power, which in itself is not a new idea, but with the support of a permanent Food Chain Centre (another recommendation from the report), it could be possible to establish a better integrated, more transparent food chain. There are already some success stories – the Meat and Livestock Commission praised Waitrose's approach to sourcing its beef because it gave the farmer a good deal and

¹¹ Corporate Watch, *What's Wrong with Supermarkets?*, Feb 2002.

¹² Ibid

reduced price fluctuation without compromising the quality of beef available to the consumer.¹³

¹³ Op.Cit., Policy Commission, pp.30-31.

4 POLLUTION, PACKAGING, & PRICING

i. Pollution

Since the publication of this report in 1998 there has been little change in Government legislation or supermarket practice to try to bring down pollution levels caused by the excessive levels of transportation ('food miles') used to supply supermarkets with foodstuffs from around the world. Corporate Watch quotes insane statistics, such as the fact that 129 million litres of milk was imported into Britain in 1997, while 270 million litres were exported.¹⁴

Even within Britain, 'locally sourced' often means that produce has travelled across the country: local suppliers are still not being used extensively enough by supermarkets. Despite its claims to have introduced measures to 'minimise further congestion and pollution' by improving the efficiency of its haulage fleet and cutting harmful emissions, Tesco makes no mention of cutting down on pollution and costs incurred from international deliveries.¹⁵ More must be done to encourage supermarkets to use biofuels and to source products locally.

ii. Packaging

Waste management is a hot topic of concern at the moment, with an EU Landfill Directive stating that waste dumped at landfill sites must be cut by two-thirds by 2015. With one-third of the 25 million tonnes of waste produced in Britain accounted for by packaging, supermarkets clearly have a role to play in reducing this total and reaching the EU target. DEFRA estimates that supermarkets alone generate 200,000 tonnes of compostable material every year, but encouraging the environmentally friendly disposal of such material has proved difficult. It is a depressing fact that Corporate Watch reports: 'supermarkets have persistently lobbied against returnable packaging as too labour intensive, refusing to stock it'.¹⁶

Recently however, packaging companies such as packagingtechnology.com have been looking into biodegradable packaging, including fruit trays, cling film and plastic nets all made from starch, which can be disposed of in the garden and acts as a fertiliser. Tesco now packages its organic fruit range this way, and if the project is successful then this could be a significant step towards bringing packaging waste levels under control.

Furthermore, there has been talk of introducing a 9p tax on plastic bags that would be passed on to the consumer, forcing them to rethink their attitude to supermarket carrier bags. Supermarkets have been broadly supportive of this idea, which has been a success in the Republic of Ireland, and could greatly reduce the 10bn bags a year that we use in Britain. However, as Safeway pointed out, there is already a packaging levy on the weight of plastic bags that is passed on to the consumer. If the Irish system was adopted then this would be a double tax.

¹⁴ Op.Cit., Corporate Watch.

¹⁵ www.tesco.com

¹⁶ Corporate Watch; *What's Wrong with Supermarkets?*, www.corporatewatch.org.uk

It seems therefore that waste management is one area where there could soon be some significant developments. The Environment Secretary Margaret Beckett has announced the Government's intention to launch a new strategy for sustainable consumption and production (SCP) to cut waste, reduce consumption of resources and minimise damage to the environment.

iii. Pricing

Many critics of the food retail industry were disappointed with the conclusions reached by the Competition Commission report on pricing practices. The Curry Report criticised the report for excluding non-edible crops, such as flowers and pot plants, and concluded that, without an independent mediation service, the Code would have little effect.¹⁷

The Commission concluded that, while some pricing policies gave rise to a complex monopoly situation, there was little evidence to support fears that British supermarkets make excessive profits or that consumers pay a higher price on goods in general.

The Competition Commission Report found that:

- a) 'The burden of cost increases in the supply chain has fallen disproportionately heavily on small suppliers such as farmers'.
- b) 'That the practice of persistent below-cost selling when conducted by Asda, Morrison, Safeway, Sainsbury and Tesco, ie those parties with market power, operates against the public interest'.
- c) 'That Asda, Booth, Budgens, the Co-ops, Safeway, Sainsbury, Somerfield, Tesco and Waitrose adopted pricing structures and regimes that, by focusing competition on a relatively small proportion of their product lines, restrict active competition on the majority of product lines'.
- d) 'There appeared to us to be a climate of apprehension among many suppliers in their relationship to the main parties [...] (52 alleged practices), when carried out by any of the major buyers, adversely affect the competitiveness of some of their suppliers with the result that the suppliers are likely to invest less and spend less on new product development and innovation, leading to lower quality and less consumer choice. This is likely to result in fewer new entrants to the supplier market than otherwise'.

Despite these conclusions, and despite acknowledging the damaging effects of price flexing, the Competition Commission concluded that, on the whole, these practices do not operate against the public interest or seriously threaten the supply chain. However, Tesco's and Sainsbury's use of the new WorldWide Retail Exchange (WWRE) whereby suppliers bid for a contract, undercutting each other until the lowest price is offered, suggests that supermarkets are becoming progressively more mercenary towards their suppliers.

¹⁷ Op.Cit., Policy Commission, pp.31-32.

Furthermore, the Curry Report predicts that, if consumers continue to demand higher quality, more choice, novelty, and more pre-prepared foods, then the importance of price as a limiting factor will decline. This will give 'supermarkets, food service chains and major processors significant influence both over consumers and farmers'.¹⁸

Such conclusions are astonishing, and it might be argued that the Competition Commission asked the wrong questions. The picture that emerges from the vivid illustrations of many suppliers and independent shop owners is of a way of life on the brink of total collapse at the feet of the supermarket monoliths. The question should not be whether it is possible to negotiate superficial regulations with the industry (such as a voluntary code of practice), but if this kind of situation is worth maintaining. If the supermarket system is demonstrably detrimental to the environment and the supplier, and does not actively benefit the consumer in the long-term, then is such an industry, which is good only for the companies and their shareholders, worth supporting?

¹⁸ *Farming & Food: a sustainable future*, Policy Commission on the Future of Farming and Food (Jan 2002), p.16.

5 CONCLUDING REMARKS

The supermarket oligarchy needs to be curbed, and to do this the Government must take a more integrated view of the effects of policies that have emphasised the importance of consumer choice over all other factors for too long.

The Government's view is still somewhat Janus-like – looking one way towards the future with its wider problems of a nutritional poverty gap and the prohibitively powerful figure cut by the supermarket buyer; while in the other direction lies the history of consistently insufficient regulations on planning and codes of practice that can be easily overridden by the politically influential supermarket bosses. These two contrasting scenarios need to be brought together.

The Curry Report outlines the many opportunities that it sees are available to farmer to diversify and change their management systems to give them greater power. The Report argues that the Government 'should reward farmers for the public good they provide', but that it's job is 'to facilitate change – not to fund stagnation'.¹⁹ The Government must work harder to redress the balance between protecting and developing the farming industry.

Greater collaboration between the Department for Trade and Industry and the Department of Health would also be beneficial. Access to affordable and readily available healthy foods must be assured for all social groups, not least because a healthy population places less strain on our health services and benefits producers of such foodstuffs. Similarly, the numbers of independent pharmacies must be carefully monitored, because once lost they will prove difficult to re-establish and a crucial local outlet for health advice and medicines could be lost.

What follows is a report written in 1998 that includes detailed recommendations as to how to tackle the problems brought by supermarkets, the vast majority of which have not been addressed by the Government.

¹⁹ The Curry Report, p.18.

6 HEALTHY COMPETITION?

Monopoly and oligopoly

Together Sainsbury's, Tesco, Asda, Safeway and Morrison's account for 80 per cent of the UK food market. In 1998 this figure was 67 per cent, excluding Morrison's, which was less than 6 per cent. This was and still is the highest retail concentration within the EU.

Market Share of leading supermarket chains

<u>Store</u>	<u>%age Share</u>	<u>No of Stores</u>	<u>Pre-Tax Profit</u>
Tesco	25.8%	730	£1.2bn
Sainsbury's	17.4%	463	£571m
Safeway	10%	480	£355m
Asda	16%	258	Not available
Morrison's	6%	119	£243m ²⁰

The industry's own annual review notes that 'continued market concentration' is a principal feature of the sector.²¹ In autumn 1997 the proposed Asda/Safeway merger brought the competition issue to the fore. A merger would create Britain's largest supermarket chain, with more than 25 per cent of the market in Scotland and the north, the legal definition of a monopoly.

A principal obstacle to the merger was in fact fear of refusal of permission on competition grounds. Secret talks with the Office of Fair Trading (OFT) continued for three months, with some advisers giving the merger no more than a 10 per cent chance of approval.²²

At present the OFT and Department of Trade and Industry are responsible for monitoring and acting on anti-competitive practices. They may pass cases to the Monopolies and Mergers Commission (MMC), following which the Secretary of State has powers to impose remedies. Both the authorities and the regime will change with the new Competition Act.

Consumer choice currently lies between a small number of supermarkets, an oligopoly. Just as concentration of the media in a few hands causes alarm – see the February 1998 House of Lords debate on the Competition Bill – so the concentration of food retailing is increasingly questioned.

Local monopolies

²⁰ All the retail market analysts have slightly different figures, but the trend is clear.

²¹ *Grocery Retailing* 1997 (Institute of Grocery Retailing).

²² 'Safeway and Asda plan £9bn merger', *Sunday Times*, 28 September 1997.

According to a guide to the grocery retail industry, ‘the shopper nowadays typically has a choice of several superstores within a short drive [sic]’.²³ The reality can be very different. In rural areas there is usually just one accessible supermarket. Many towns have only one or two chains. In Cambridge, for example, Sainsbury’s, with the only town-centre and edge-of-town stores, has long had a monopoly. There ‘going to Sainsbury’s is synonymous with going shopping, Cambridge has recently acquired

two out-of-town Tesco stores, but as a cycling city-centre resident remarked, ‘they might as well be on the moon’.

Nationally no supermarket chain exceeds the 25 per cent share of the market which would require investigation. But on a regional level and, above all on a local level, they do. A breakdown of retailer share in the UK according to the eleven television regions shows that Tesco’s and Sainsbury’s combine share of the market is 57 per cent in London and the South, and 58 per cent in east England. Another study gave similar results for France: of some 1,300 natural shopping area, about 400, one third, had only one supermarket.²⁴

Retail competition – or the lack of it – takes place at an essentially local level. Most supermarkets have far more than 25 per cent of the local market. That supermarkets create local monopolies is City orthodoxy. ‘The key point’ (in a Deutsche Morgan Grenfell study) ‘is that a new superstore creates a local monopoly.’²⁵

Regional and local monopolies are increased by the regional nature of the supermarket chains. Sainsbury’s and Tesco are predominantly southern, Asda predominantly northern. Safeway is strong in Scotland and Outer London.

Even where there is a choice, people as a rule shop at the same supermarket, the closest, and are unlikely to travel to a more distant one. The UK National Shoppers’ Survey shows that the vast proportion of main food shopping comes from customers in the immediate catchment area. Consumer inertia also plays a large part, with a reluctance to switch stores. In a 1992 survey of European consumers, 84 per cent of those asked declared that they had not switched supermarkets in the past year.²⁶

According to the OFT, ‘a monopoly is defined... as a situation where a company supplies or purchases 25 per cent or more of all the goods or services of a particular type in the United Kingdom or a defined part of it.’ The OFT specifically notes that ‘local monopolies can therefore be examined’.²⁷

The local monopolies that supermarkets enjoy over good retailing urgently require such examination.

Discouraging the competition

²³ *The Grocery Retailing Revolution*, London 1995 (London Economics) (sponsored by Tesco), p.9.

²⁴ AGB (1994) and IRI-Secodip.

²⁵ UK Superstores: Middlemarch and the 2% Theory, London 1997.

²⁶ *Consumer Attitudes and the Supermarket*, Washington DC 1992 (Food Marketing Institute).

²⁷ An Outline of United Kingdom Competition Policy, London 1995, p.5.

Supermarkets themselves are reluctant to open new stores where competitors are established, and the presence of competitors is a strong factor in decisions on where to locate. In one case in central London, the presence of a competitor discouraged a supermarket from applying for planning permission. Conversely, supermarkets will open in new areas in order to establish a presence and discourage competitors.

Supermarket chains have also been known to undermine attempts to build rival stores. Safeway contributed covertly to the Stop the Store Alliance against an application by Sainsbury's in north London.²⁸ Safeway also approached the Western Isles Council in Lewis in the Hebrides to propose that the council promise to refuse permission for the Co-op to build a rival store in return for £375,000 worth of sports facilities.²⁹

The planning system itself makes it unlikely that supermarkets will be built close to existing ones. Sites are rationed to levels of 'need' and planners are reluctant to encourage competition with established shopping centres.

Supermarkets are also keen to discourage competition from rival forms of retailing, such as Us-style 'warehouse clubs' where small retailers and shoppers pay an annual membership to shop in low-cost warehouses. Tesco, Sainsbury's and Safeway – normally competitors – joined forces to challenge three cases where planning permission had been granted for clubs. They succeeded in having draft planning guidance changed in their favour.³⁰

The supply chain: an abuse of power?

The huge market power of the large chains threatens the independence, even the survival, of smaller manufacturers and retailers. The chains have much greater bargaining power than small retailers, an issue examined by an OFT research paper.³¹

A *Financial Times* report points out that 'the smaller manufacturer could be constrained by economics from developing relationships with the major multiples [supermarkets]' and stresses the 'growing gap in capability between large and small retailers'. It asks: 'Has the nature of retailing so changed that the application of competition law becomes relevant?'.³²

At the time of the proposed Asda/Safeway merger, which would have reduced the leading players to three, the business press pointed out that it was already 'highly dangerous' for a manufacturer to risk being delisted, that is taken off the shelves of a major chain because it would not accept a price cut.³³

²⁸ 'Rivals paid activists to halt new Sainsbury's', *The Times*, 24 October 1997.

²⁹ 'Don't rob the poor to feed the richest', *Guardian*, 18 March 1997.

³⁰ *The Times*, 24 July 1993, *Financial Times*, 29 October 1993, quoted in *Off Our Trolleys?*, pp. 27-28.

³¹ P. Dobson and M. Waterson, *Vertical Restraints and Competition Policy*, London 1996, citing Dawson and Shaw, *The Changing Character of Retailer-Supplier Relationships*.

³² Christine Fiddis, *Manufacture-Retailer Relationships in the Food and Drink Industry*, London 1997 (Financial Times Retail and Consumer Publishing).

³³ 'There Asda to be another way for sake of competition', *Daily Telegraph*, 30 September 1997.

In agriculture the relationship between supplier and buyer is also changing. Farmers are concerned that supermarkets are seeking control over production, foreseeing ‘the day when a Tesco or a Sainsbury farmer would produce only what his supermarket boss told him to, including, for the beef farmer, what bull to use and what day to sell his finished cattle.’³⁴

Within the UK market economy, the effect of the dominance of the large supermarket chains seems more akin to a command economy.

Diminishing suppliers

Supermarkets prefer to deal with a few suppliers. The 1997 European Fresh Produce Convention heard predictions from experts that in the future each retail giant would limit its preferred distributors to ‘no more than three per commodity, in other words, three suppliers of apples, three suppliers of tomatoes, three suppliers of cauliflowers, and so on’.³⁵ One supermarket chain was rumoured to be reducing the number of its carrot suppliers from seven to just four.³⁶

As supermarkets already sell 57 per cent of food in the UK, the question arises whether control of the food chain by so few companies is desirable. There is the risk of ‘a long-term dependency culture’.³⁷

Vertical agreements

Supermarket chains are coming to dominate the whole supply chain. With the distribution revolution of the 1980s, they took over the bulk of deliveries to their stores. Increasingly they also control manufacture, even agriculture. This vertical control distorts the market and creates barriers for suppliers and manufacturers. The merit of the food industry being dominated by a few large multinational companies, with vertically integrated operations controlling all stages of the food chain, is debatable.

Vertical agreements in general require regulation. Their omission in the Competition bill as it stands has already provoked vigorous debate in the House of Lords.

Stifling entrepreneurship

Supermarket dominance makes life difficult for new and small food producers. Almost all specialized food producers start out by selling to small local shops.

Such shops provide not only outlets for the product but an opportunity for producers to acquire trading skills to expand into a wider market. When supermarkets undermine local shopping networks, potential retail outlets are lost and enterprise and entrepreneurship stifled.

³⁴ ‘The supermarket syndrome’, *Glasgow Herald*, 17 November 1997. See also chapter 5.

³⁵ ‘Choose your partners’, *The Grower*, 6 March 1997.

³⁶ *The Grower*, 23 October 1997, p. 5.

³⁷ Tim Lang, ‘Farming Today’, BBC Radio 4, 12 December 1997.

Own-label

‘Own-label’, or supermarkets’ own products, highlights the potential problems with supermarket control of the supply chain. Over recent years, own-label has grown remarkably, from a cheap and nasty image to a reputation for quality and value. They represent 42 per cent of grocery sales (1997), far more than elsewhere in the EU.³⁸

Much of this obviously benefits the consumer. But it is easy to overlook the negative, anti-competitive aspects.

This dominance of own-label, and its tendency to mimic the leading brand, has two anti-competitive effects. First secondary brands, that is, brands apart from the brand-leader, decline.³⁹ Second, the pressure on brands to manufacture own-label leads to ‘conflicting priorities, erosion of brand strength and a more complicated relationship with the retailer’, as the *Financial Times* report expresses it. ‘Manufacturers have a very definite choice for the future: invest in becoming a dominant brand or become a low-cost own-label supplier.’⁴⁰

One (anonymous) food producer explained his catch-22 predicament when developing new lines. He depends on supermarkets to stock his products. ‘But if it’s successful, they’ll produce it under their own label, put it in the prime slot, and put yours on the bottom shelf.’

The stress on own-label puts supermarkets in an ambivalent position in relation to suppliers: they are not just customers, but competitors too, selling their own products. This raises questions of anti-competitiveness since they have access to confidential information about product launches and strategies. The downward cost pressure on brands also discourages research and product development, which will ultimately restrict consumer choice.⁴¹

Look-alikes

So-called ‘look-alikes’, own-brands which mimic the name, packaging and design of a leading brand, raise further competition questions. Their success depends on encouraging the shopper into thinking they are buying the original, or that the product is made by the brand manufacturer – or shares in its quality. Supermarkets argue that they do not intend to mislead shoppers, but this begs the question why they use look-alike packaging.

The House of Lords debate on the Competition bill has urged action against look-alikes. Meanwhile Tesco’s announcement that it will discontinue look-alike packaging is to be welcomed.⁴²

³⁸ AGB Superpanel. For the EU comparison, see *The Grocer*, 8 May 1993.

³⁹ W. Dobson, *The Economic Welfare Implications of Own Label Goods*, Nottingham 1997.

⁴⁰ Fiddis, *Manufacturer-Retailer Relationships in the Food and Drink Industry*.

⁴¹ *Ibid.*

⁴² *Hansard*, 23 February 1998, cols. 520-25.

Loss-leaders and predatory pricing

'Loss-leaders', products sold at less than cost price, help supermarkets maintain their low-price image. However, loss-leaders and predatory pricing, where goods are sold below normal profit margins (except as a limited-period product promotion) with the intention of damaging nearby businesses, damage smaller manufacturers, who cannot offer as highly discounted prices, and smaller shops, who cannot compete on price.

The 1981 Monopolies and Mergers Commission *Discounts to Retailers* enquiry agreed that the practice had adverse effects on small retailers, but decided that this was outweighed by the benefits to consumers of lower supermarket prices.

Other countries have acted against predatory pricing. France implemented the 'Loi Galland' in January 1997 to forbid the sale of goods at less than cost price. The law is intended to protect smaller manufacturers from being overlooked by large retail groups. In Spain the Trade Law (Regulation 7.1996) regulates discount offers and the price system for basic goods.⁴³

In Ireland the 'groceries order' pricing legislation makes it illegal to sell below cost, though this is not always adhered to.⁴⁴ In future, in the UK predatory pricing will be subject to EU jurisprudence.

Profits

Supermarket profits in Britain are much higher than elsewhere. An industry review comments that food retailing is 'extremely lucrative', with the operating margins of the top grocery supermarkets averaging 'well above European and US standards'. In 1995 operating margins averaged 6.5 per cent, nearly three times that of French retailers.⁴⁵

Competition thus does not appear to be working to the benefit of the consumer, who is paying more for food. It is the shareholder, not the shopper, who benefits most.

Regulation

The 1980s saw two enquiries into competition in retailing: *Competition and Retailing* (OFT, 1985) and *Discounts to Retailers* (MMC, 1981), mentioned above. *Competition and Retailing* concluded that competition in food retailing was strong and there was no evidence for pressure on food manufacturers from supermarkets. *Discounts to retailers* accepted that charging different wholesale prices to different customers damaged small retailers but considered that there was insufficient cause for action.

⁴³ *A Comparison of Independent Retailers in Western European Countries*, Northborough 1997 (Euro PA).

⁴⁴ *Ibid.*

⁴⁵ *Supermarkets and Superstores*, ed. R. Caines, London 1996 (Market Report, Keynote), p. 38. The same point is made by Burke and Shackleton, *Trouble in Store. UK Retailing in the 1990s*, London 1996 (Institute of Economic Affairs), p. 22.

We would argue that the issues need re-examination. Seventeen and thirteen years have passed since the reports. Given the fast-growing power of the supermarkets, and the tough line taken by other European countries, past OFT and MMC conclusions appear recklessly laissez-faire.

In the public interest?

One area of competition law which merits close examination is the definition of 'public interest'. For the past decade this has been defined narrowly, equated with price and market forces – the so-called 'Tebbit doctrine'.

Previously, however, a broader view was taken. In 1982 the MMC rejection of competing bids for the Royal Bank of Scotland by the Hongkong & Shanghai and the Standard Chartered Banks showed much greater concern with the potential effects on Scotland than with anti-competitive effects. Particular concern was expressed, for example, that it would 'weaken the public life and leadership of [Edinburgh] and the country [Scotland]'.⁴⁶ It is time to broaden the definition of public interest where supermarkets are concerned.

Competition or cosy cohabitation?

Cosy co-existence rather than real competition often seems to characterise the relationship between the leading chains. They act in remarkably similar ways. The introduction of 'loyalty cards' is an example. There is a lack of real choice between them: none offers products labelled free of genetically modified organisms; all refuse to stock milk in returnable glass bottles. They engage in similar anti-competitive business practices (eg listing fees, exclusive purchasing of own label). 'Their behaviour increasingly resembles the synchronised swimming in the Olympics.'⁴⁷

The Fair Trading Act defines 'complex monopolies' as where 'a group of companies, which together have 25 per cent or more of the market, all behave in some way that adversely affects competition'. The OFT points out that 'complex monopolies can exist even if the companies involved do not have an explicit agreement to cooperate'.⁴⁸

A recent *Financial Times* review of food retailing asks whether 'the bubble is about to burst for retailers, as competition authorities are now reviewing competition policy?'⁴⁹ European Union policy itself is becoming stricter with the Commission blockage of a proposed merger between Kesko and Tuko in Finland. This is 'the first time that a merger has been blocked in a consumer goods retail market and is likely to guide general policy on how mergers will be viewed in the future'.⁵⁰

Not only do supermarkets frequently enjoy local monopolies, but the big four supermarkets would appear to constitute a classic complex monopoly.

⁴⁶ The Hongkong & Shanghai Banking Corporation. Standard Chartered Bank Ltd. The Royal Bank of Scotland Group Ltd. London 1982 (MMC).

⁴⁷ *Off Our Trolleys?*, p. 37

⁴⁸ *An Outline of United Kingdom Competition Policy*, p.5.

⁴⁹ Fiddis, *Manufacturer-Retailer Relationships in the Food and Drink Industry*.

⁵⁰ *Ibid.*

RECOMMENDATIONS

- ❖ The House of Commons Select Committee on Trade and Industry should inquire into the competition implications of the dominance of the major supermarket chains
- ❖ Competition law should reflect the fact that local and regional monopolies exist in food retailing
- ❖ Given that competition policy is intended to provide efficiency for consumers, environmental factors should be included in the application of competition policy
- ❖ The definition of ‘public interest’ in the application of competition law should be widened
- ❖ Competition authorities should be required to act on the criterion of public interest rather than merely have regard to it
- ❖ The Competition Bill should be amended to include anti-competitive vertical agreements
- ❖ Legislation against predatory pricing on the lines of the French ‘Loi Galland’ should be introduced

7 INEXORABLE EXPANSION?

Planning and environment

In the 1980s ‘a virtually free-for-all on retail planning’⁵¹ permitted unprecedented levels of out-of-town development. In belated recognition of the economic and environmental impact of such development, planning policy changed in 1993 when the Department of Environment’s revised Planning Policy Guidance (PPG 6) placed increased importance on the role of town centres and set up the ‘sequential’ test for new retail shopping development: town-centre supermarkets are to be preferred to edge-of-town, and edge-of-town to out-of-town.

However, there is a risk that PPG 6 may be diluted, particularly as Lord Sainsbury, who gave £2 million to the Labour Party in the run-up to the 1997 general election, is thought to have ‘successfully lobbied Blair to soften the party’s hard line on out-of-town developments’.⁵²

Moreover, PPG 6 has not solved the problem. Dozens of new supermarkets continue to be built every year and existing ones enlarged. In 1996, there were 158 town-centre supermarkets under construction or with planning consent, 119 out-of-town.⁵³ The retail consultants Verdict estimate that the number of superstores will grow by 25 per cent over the next five years.⁵⁴ In 1996/97 Sainsbury’s, for example, opened 18 new stores and 22 extensions.⁵⁵ The supermarket chains keep expanding in order to protect or increase their market share.

There are still numerous planning permissions outstanding and the major chains hold substantial reserves of land in anticipation of development opportunities arising from any weakening of regulatory checks.

Supermarket advantage?

PPG 6 has weaknesses. The principle of out-of-town development continues to be endorsed. A supermarket may put in an application for a large development, then demonstrate that no town-centre site is big enough. Development is not to be permitted if ‘demonstrable harm’ will be done to the ‘vitality and viability’ of a town centre. But ‘demonstrable harm’ continues to be hard to prove. And developers have more resources at their disposal to make their case than do local communities and councils.

Moreover, at present the wider impact on the rural hinterland is not regarded as a material consideration, although the DTI Minister with Responsibility for Small Businesses, Mrs Barbara Roche, has indicated that the Government regards consideration of the impact on rural economies as ‘absolutely vital’.⁵⁶

⁵¹ *Hansard*, 2 July 1997, co. 228.

⁵² *Sunday Business*, 15 March 1998.

⁵³ *Shopping Centres in the Pipeline*, Hillier Parker, September 1996.

⁵⁴ Superstores to see most growth’, *Financial Times*, 30 April 1996.

⁵⁵ Facts about J Sainsbury plc, 1997.98.

⁵⁶ As far as we are concerned the local planning authority should not only be concerned with the impact on existing town centres, but also on the rural economy – and that is absolutely vital. I know my colleagues in environment are very, very aware of that. ‘Transcript of minister’s reply to C.

At present the retail impact assessment required as part of the planning application is commissioned by the applicant. While not impugning the independence of consultants, they⁶ may be under pressure to give a particular slant. For example, the assessment for an application by Tesco for Saxmundham, Suffolk, consistently understated the number of shops in local market towns and claimed that ‘no other town or village centre is likely to be materially affected’. But a parallel survey by Caroline Cranbrook, a local resident, found that of 81 food shops in the area, 67 thought that the profitability of their businesses would be threatened or destroyed in the short or long term by the proposed development; only 2 were unconcerned.⁵⁷

Local authorities can be reluctant to turn down applications where they consider that the case for refusal may be hard to sustain at appeal. The large supermarket chains have every financial incentive to find and exploit the weakest parts of the planning system.

The problem is caused in part by the nature of the UK planning system. In contrast to the rest of Europe, the UK operates a planning system with a presumption in favour of development: a supermarket is free to put in an application for wherever it chooses. Elsewhere local structure and development plans are more robust.

Other countries have chosen to take a stronger line: in 1993 France called a moratorium on out-of-town superstore developments with the Loi Raffarin (see p. 16).

Supermarket expansion

Restrictions on new out-of-town superstores have not meant an end to supermarket expansion. The supermarket chains have turned their attention to alternative forms of expansion: to new or extended town-centre stores, stores in previously uncolonised rural areas, and petrol station shops.

Enlarged or new town-centre supermarkets generate the same problems which triggered the 1993 change in planning guidance: congestion, pollution and harm to the local economy. A blanket acceptance of in-town retail development would be as damaging as past out-of-town developments. For example, a Sainsbury’s proposal for 38,000 square foot superstore with parking for 325 cars in central Brighton next to the railway station appears to threaten a thriving local economy and fits un4asily with the local structure plan.⁵⁸

The large chains are now seeking to move into rural and small market town areas such as Norfolk, Suffolk and Dorset.⁵⁹ The impact on such areas, damaging or destroying thriving local economies, bringing net employment loss and encouraging traffic including HGV delivery lorries, is huge, as the next chapter shows.

Cranbrook’s question at ‘Jobs at Risk – Rural Britain Deserves Better’ conference (Country Landowners’ Association), 22 October 1997.

⁵⁷ Tesco environmental assessment, 1997, p. 3. Caroline Cranbrook, *The Rural Economy and Supermarkets*, Great Glenham 1997, p.6.

⁵⁸ A Report by Brighton Urban Design and Development (BUDD) on the Outline Application by Wyncote Developers and J. Sainsbury’s plc to Develop the Brighton Station Site, Brighton 1997.

⁵⁹ Recent applications have included ones for North Walsham (Norfolk), Saxmundham (Suffolk) and Shaftesbury and Sherborne (Dorset).

The concept of combining a convenience store with a petrol station has grown fast. There is a risk that such stores enjoy unfair competitive advantage. Dutch law seeks to obviate this by insisting that petrol forecourt shops generate at least 50 per cent of their sales from petrol and diesel sales.⁶⁰

Planning gain or loss

‘Planning gain’, that is, roads or leisure facilities offered to local authorities, has become the norm in supermarket planning applications. It is based on Section 106 of the Town and Country Planning Act which allows a developer to ameliorate the impact of development. The House of Commons Environment Committee called current guidance for planning gain ‘muddled’.⁶¹ The area urgently requires clarification.

Road traffic and pollution

It is recognized that urgent action is required to curb traffic growth. Gavin Strang, Transport Minister, points out that ‘serious consequences will be the result in twenty years if we do not act now’.⁶²

Supermarkets, particularly out-of-town ones, generate traffic. They foster the weekly car-borne shopping trip. Seventy-five per cent of us now go shopping by car.⁶³ Supermarket determination to provide extensive car parking increases congestion, noise and pollution. Even in central London, supermarket planning applications include large car parks: an application by Sainsbury’s for a superstore at the Nag’s Head, Islington included 400 parking spaces.⁶⁴ A hopeful sign, however, is that supermarkets are beginning to test offering delivery services.⁶⁵

Supermarkets also generate vast amounts of delivery traffic, particularly heavy lorries. Centralized and ‘just-in-time’ distribution systems mean that food is often transported hundred of miles. A phenomenon of recent years for anyone travelling on a motorway early in the morning is the constant stream of supermarket lorries. A striking feature of motorways on the Continent is their absence: more food is locally sourced, supermarket chains are less dominant, lorry movement may be banned at weekends or night, and rail transport is used more.

RECOMMENDATIONS

- ❖ A public enquiry should be required for any application for a supermarket exceeding 6,000 square metres (as in the Loi Raffarin) (see p. 16)
- ❖ Consideration should be given to a moratorium on out-of-town superstore developments

⁶⁰ A Comparison of Independent Retailers in Western European Countries.

⁶¹ *Shopping Centres and Their Future*, Environment Committee, 4th report, London 1994, p. xvi.

⁶² ‘Traffic volume may grow by 84%, study says’, *Financial Times*, 15 October 1997.

⁶³ Department of Transport statistics 1996. See also Driven to Shop (SAFE Alliance).

⁶⁴ ‘Rivals paid activists to halt new Sainsbury’s’, *The Times*, 24 October 1997.

⁶⁵ ‘Shopping for food’, *Transport Retort*, Sept/Oct 1997 (Transport 2000).

- ❖ The definition of permissible floor space should be in proportion to the size of the local population centre rather than to national criteria
- ❖ Impact assessments for planning applications should be sufficiently robust for local authorities to avoid the risk of owing compensation for lost revenue should a refusal of permission be overturned on appeal
- ❖ Local development and structure plans should be encouraged and planning permission for supermarkets not granted where it contravenes such plans
- ❖ The phrase ‘demonstrable harm to the vitality and viability’ of a town centre in PPG 6 should be clarified and strengthened. The onus should be on the developer to demonstrate that harm will not be done
- ❖ Developers should be required to prove that the range of existing local facilities would not be reduced (on the lines of conservation area legislation, where new proposals must enhance or not adversely affect the built environment)
- ❖ In PPG 6 the local economy, in particular the rural economy, should be considered a ‘material consideration’ in all impact assessments associated with planning applications for supermarkets, to complement guidance given in PPG 7 (The Rural Economy) 6.11 and 12
- ❖ The issue of planning gain should be clarified
- ❖ Petrol forecourt shops should have to generate at least 50 per cent of sales from petrol and diesel
- ❖ Petrol stations should be taxed according to the size of storage tank
- ❖ Rating assessments of petrol forecourt shops should take into account the extra revenue
- ❖ Supermarkets should be required to charge a realistic fee for parking, based on the public transport costs of two adults and two children
- ❖ Rate relief for small food stores should be considered, on the lines of that already in place for village shops
- ❖ Night and Sunday/weekend driving by lorries should be restricted
- ❖ Delivery services by supermarkets should be encouraged

8 DAMAGING COMMUNITIES

High streets and villages

When a supermarket opens, shops close. An independent survey of the retail sector points out: 'The most consistent trend in food retailing to date has been the marked decline in the number of food outlets. Intense competition in a static food market has invariably forced the closure of many independent shops.'⁶⁶

The expansion of supermarkets and contraction of other shops is dramatic. Large food retailers saw their annual sales increase by almost 50 per cent between 1990 and 1995; small food retailers' sales remained static.⁶⁷ The gulf is expected to widen, with large retailers' sales increasing by one-third between 1996 and 2000 but small retailers' sales dropping.⁶⁸

This decline threatens the vitality and diversity of high streets and town centres, recognized as crucial for economic, social and cultural life. People believe that local shops are important: 62 per cent of those asked in a survey felt that they are a vital part of the community, and only 14 per cent preferred shopping out of town to the high street.⁶⁹

Nigella Lawson writes of her unease at moving to an area 'well served by supermarkets... but starved of the local shops that actually give one a sense of living in a community'. For her, 'a life without a friendly shopkeeper to whom one can chat over the purchase of a pint of milk is a pretty dismal life. No one wishes to be a non-person in his or her own community: it's isolating and it's lonely and it's civilised.'⁷⁰

Crisis in the towns...

In the past ten years alone almost 50,000 retail businesses have disappeared.⁷¹ An industry survey comments: 'There is growing concern about the dominance of the large grocery multiples which has severely affected trade in the High Street.'⁷²

Grocers have all but vanished; children learning French do not understand what an *epicerie* is. Butchers, bakers, fishmongers, greengrocers and florists are disappearing, fishmongers alone declining by a third in the 5 years between 1990 and 1995.⁷³

What this means in practice is clear in East Dulwich, South London. In 1992 Sainsbury's opened a branch at Dog Kennel Hill. The next three years saw the closure of a wealth of local shops, including five greengrocers and two butchers.⁷⁴

⁶⁶ Supermarkets and Superstores, p. 16.

⁶⁷ Large retailers: from 39,812 £m to 58,524 £m; small retailers: from 13,993 £m to 14,059 £m. Business Monitor SDA28, quoted in *Supermarkets and Superstores*, p. 10.

⁶⁸ Supermarkets and Superstores, p. 58.

⁶⁹ Gallup Organization Ltd, quoted in *Supermarkets and Superstores*, pp. 45, 47.

⁷⁰ *The Times*, 28 February 1995.

⁷¹ *Hansard*, 2 July 1997, col. 228.

⁷² Supermarkets and Superstores, p. 39.

⁷³ Retailing Enquiry, Mintel, 1996.

⁷⁴ List compiled by John Beasley.

The blight affecting the high streets of Britain is widely recognized, with market towns especially badly hit. A House of Commons debate on the problem stressed the pressure of ‘the extraordinary growth of out-of-town supermarkets’ and ‘the organized power of big commercial businesses such as Sainsbury’.⁷⁵

It can be possible for determined traders to win business back, particularly where there is a strong local identity and loyalty. After the opening of an out-of-town supermarket in Leominster devastated town centre shops, traders launched a ‘Loyal to Leominster’ campaign, with discounts and offers.⁷⁶ Some towns have appointed ‘town centre managers’. France appears to be in the lead: many towns have well-organized and energetic federations of local shopkeepers who seek to attract people back into town centres.

The 1994 Environment Committee report, *Shopping Centres and their Future*, addressed the issue of the detrimental effects of shopping centres and out-of-town stores and made a number of recommendations to encourage the vitality of town centres. These require implementation.

... and in the country

Supermarket expansion also damages the viability of rural areas. The Cornwall Association of Village Shopkeepers carried out a survey to find out how existing businesses would be affected by a proposed superstore. It found that 202 jobs out of 270 were at risk, while many traders feared that their business would not survive. The opening of a large edge-of-town Sainsbury’s in Bedford in 1994 affected village shops throughout north-west Bedfordshire. Turnover in one shop ten miles away went down by three-quarters.⁷⁷

A new supermarket will close all village shops within a 7-mile radius, estimates Alan Wyle of the Sussex Rural Community Council. The farm shop at Aldercarr Farm in Suffolk saw takings plummet by half in the week Tesco opened outside Stowmarket, five miles away; the two local greengrocers have since closed.⁷⁸

A Suffolk survey demonstrated that a Tesco plan to build a 16,000 square feet supermarket outside Saxmundham would have closed down ‘a wide range of choices and opportunities currently available to local people and visitors: the choice to buy locally distinctive produce, the opportunity to work (548 people were employed by the food outlets alone), and the provision of shopping facilities for low income groups and people without cars.’⁷⁹

The Suffolk survey reveals crucially the sophisticated – and vulnerable – nature of local economies. The author, Caroline Cranbrook, describes ‘the connections between local businesses and local producers’ – sandwiches bought from an Aldeburg baker contained lettuce from a greengrocer neighbour supplied by a local wholesaler

⁷⁵ *Hansard*, 2 July 1997, cols. 219-31 (226, 220).

⁷⁶ Leominster’s traders play the loyalty card in attempt to trump out-of-town supermarket’, *Independent*, 2 March 1996.

⁷⁷ Pax Stores, Harrold, personal communication. The shop has since closed.

⁷⁸ Mrs Joan Hardingham, personal communication.

⁷⁹ *The Rural Economy and Supermarkets*, p. 1.

supplied by local farmers. The meat came from three different butchers who bought meat from at least five local farmers and wholesalers.

Money thus remains in the local economy. The system is environmentally sustainable. Caroline Cranbrook likens the local economy to a coral reef: it teems with life, but once destroyed cannot be recreated.

Village shops fulfil a crucial social, economic and cultural role. Their importance for fostering a sense of community and belonging cannot be over-estimated – customers are greeted by name, news and gossip is exchanged, children learn social skills, tickets for local events are sold, noticeboards provide information and advertise offers and wants. The shops have great economic and social potential; grocery deliveries to elderly people – an increasingly needed social service – or bases for telecentres.

Supermarket advantage

Small shops operate on much tighter margins than supermarkets. A typical convenience store has profits of around 1-2 per cent, compared to around 7 per cent for superstore chains, which benefit from greater buying power and economies of scale.

Superstores also benefit from the uniform business rate as they have a far higher turnover per square foot. Smaller shops have more difficulty complying with regulations, on unit pricing, for example, or on packaging waste. Superstores – which in any case use more packaging – can easily recover waste on site but smaller stores may not be able to.

Alternatives

Other European countries ‘recognize the negative aspects of this threat [to small shops and town centres] and are prepared to adapt existing legislation or introduce new legislation to protect the neighbourhood food store’.⁸⁰

The Netherlands has taken perhaps the strongest measures to support small and medium food retailers. Until 1995 food retailers were not allowed at all in edge-of-town retail parks. Local authorities are given the final say in whether development is permitted. The presumption is that smaller local food retailers have a positive influence on the quality of community life and that large food stores away from housing have a negative one.⁸¹

France is a particularly interesting example. As early as 1973 it implemented the ‘Loi Royer’ to enable local authorities to veto the construction of supermarkets over 1,000 square metres; the intention was to aid small shops. Between 1993 and 1996 all authorizations for large supermarkets were suspended. In 1996 the ‘Loi Raffarin’ extended the scope of the ‘Loi Royer’, requiring a public enquiry on any outlet

⁸⁰ *A Comparison of Independent Retailers in Western European Countries.*

⁸¹ *Ibid.*

exceeding 6,000 square metres. The aim, declared the Secretary of State, was to defend 'social and economic cohesion and the fabric of society'.⁸²

Spain has similarly recognized the consequences of store concentration, estimating that each new hypermarket causes the closure of 25 small shops. The recent Trade Law (Regulation 7.1996) seeks to improve the balance between large and small retailers, in particular by giving regional governments the authority to give permission for large stores.⁸³

One-stop shopping

With intense competition in food sales, supermarket chains are seeking increased market share by moving into non-food areas – which also have the advantage of greater profit margins. It is estimated that over £29 billion is generated by food retailers in non-food sales.⁸⁴

Post offices, hairdressers, travel agents, books, music and videos, televisions and electrical goods, dry-cleaning, coffee shops and creches are now commonplace.

Banking and financial services are a recent move. This reduces choice, as other outlets and locations disappear.

Petrol retailing by supermarkets is typical of the impact on other economic sectors. In just 8 years supermarkets have achieved a leap from 8 per cent to 22 per cent of the motor fuel market, largely through discounting prices below cost. This threatens the survival of independent garages, often in rural areas already drained of services. Such garages usually have repair workshops, providing employment and serving local needs. More than 2,000 garages are estimated to have closed in the past year, with the loss of 10,000 jobs, and the Retail Motor Industry Federation warns that of 18,500 petrol retailing sites in 1995, fewer than 10,500 may remain beyond the year 2000. The OFT is expected to recommend a curb to extreme price-cutting.⁸⁵

Similarly, the supermarket move into newspapers and magazines is claimed to threaten 10,000 newsagents with failure in the next three years.⁸⁶ Loss of home delivery will mean a loss of choice and of employment. Moreover supermarkets offer only popular publications – *Hello*, but not the *Pigeon Fanciers' Gazette* – whereas newsagents will order any magazine.

Particularly threatened by supermarkets is the home delivery of milk, since supermarkets sell milk cheaply, even as a loss-leader. The growing population of old and less mobile people depends on delivery rounds, which often supply bread and other groceries too. The erosion of home delivery would not only reduce choice but also remove an invaluable social service. As a former milkman and social worker put it, 'the result will be more people being found dead in their own homes'.

⁸² Ibid.

⁸³ Ibid.

⁸⁴ Supermarkets and Superstores, p. 6.

⁸⁵ 'Petrol stations driven to close by price war', *The Times*, 2 January 1998.

⁸⁶ London Economics report, 1997.

Over-the-counter medicines is another area which supermarkets are eager to capture. Such medicines are one area where Retail Price Maintenance (RPM) still applies, with the intention of protecting community pharmacies. Asda has led a spirited campaign against RPM, challenging the law on occasion.

One-stop life

Will one-stop shopping become a one-stop life? According to Neil Mason, a retail analyst at Mintel, the possibilities are boundless. 'Once you've got people through the door, the sky's the limit. 'GPs' surgeries, dentists and opticians could become widespread.⁸⁷

Even government and spiritual services are provided. Proposals to raise the turnout at local elections suggest that polling stations be sited at supermarkets,⁸⁸ while autumn 1997 saw a harvest festival service at an Asda store near Reading.⁸⁹

Supermarket diversification means social contraction. We can increasingly satisfy all our shopping requirements in a one-stop shop, leaving the high street and village – and their social and cultural life – to die.

We need to ask whether it is desirable or healthy for a few supermarket chains to move into so many areas of our existence not just as shoppers but as patients or voters. Is it wise to blur the boundary between customer and citizen.

RECOMMENDATIONS

- ❖ The recommendations of the 1994 Environment Committee report *Shopping Centres and their Future* should be implemented
- ❖
- ❖ Town-centre shops affected by an edge-of-town or out-of-town development should be eligible for a rates review
- ❖ The uniform business rate should be reviewed to increase rates charged to superstores
- ❖ Small food shops should receive rate relief on the lines of that established for village shops
- ❖ Any future levy to fund the Food Standards Agency should not be uniform but weighted in favour of smaller outlets
- ❖ The OFT should ensure a code of practice to curb extreme price-cutting of petrol and diesel by supermarkets and to provide support for rural filling stations
- ❖ Town centre partnership schemes and town centre management teams should be promoted
- ❖ Community pharmacies should be safeguarded
- ❖ Moving post office into supermarkets should be discouraged

⁸⁷ 'Supermarkets bank on the world', *Independent*, 27 September 1997.

⁸⁸ *The Times*, 27 December 1997.

⁸⁹ 'Faithful celebrate life of a cauliflower', *Independent*, 29 September 1997.

- ❖ Marketing funding should be redirected to provide advice and training for small retailers, in particular advice on information technology. Grants should be available towards the cost of IT
- ❖ Consideration should be given to exempting shops under a given floor space from regulations (excluding health and safety) with which they are ill-equipped to deal
- ❖ Grants to village shops for refurbishment and for updating equipment should be encouraged
- ❖ Telecentres in village shops should be promoted

See also the planning recommendations in chapter 3



9 'UNREASONABLE AND UNSEASONABLE' The producers' predicament

Tesco, Sainsbury's, Asda and Safeway together now account for 80 per cent of the UK food market. The result is a decline in other outlets for produce and the closure of greengrocers, wholesalers and wholesale markets – the viability of New Covent Garden wholesale fruit and vegetable market itself is in doubt. Wholesalers are replaced by large packing stations. This lack of competition is unhelpful for producer and consumer alike. Moreover, the supermarkets' demand for large volumes of standard produce on a continuous basis is changing the nature of horticulture and agriculture.

In the Tamar valley in Cornwall the decline of small shops as a result of supermarket expansion has resulted in the closure of many small horticultural operations.⁹⁰ In Suffolk, Mrs Joan Hardingham of Aldercarr Farm near Stowmarket has given up her lifelong practice of sending root vegetables to market in London. Selling to supermarkets is impossible, since the farm does not produce large enough quantities.

Growers complain that supermarket buyers seldom have experience of agriculture. The 1998 Marks & Spencer graduate recruitment brochure stresses as a selling point that managers will be responsible for areas they know little or nothing about: 'I was a trainee with very limited knowledge of fruit and vegetables but my role for the next three months was as an expert in a new line of products.' 'When I first joined the Meat Products Department, I didn't know topside from silverside.'

An abuse of power?

Supermarkets dominate the market for fruit and vegetables, buying almost two-thirds of the total British potato crop, for example.⁹¹ The results are not always benign.

'The Price is Wrong', a BBC Panorama documentary, examined 'the peculiar and significant role played by fresh produce in the machinations of retail strategists'. It argued against supermarket retail dominance.⁹² The programme-makers struggled to find a grower prepared to be identified. Dan Neuteboom, a Suffolk farmer willing to risk being 'blown out' (the strangely violent language of supermarkets for delisting suppliers), likened the supermarket/supplier relationship to a master/slave relationship. He cited predatory pricing to undercut smaller competitors, demands for retrospective rebates, and discrimination against British produce.

Growers are squeezed by the supermarket demand for cheap food. *The Grower*, the trade magazine, notes reports of buyers phoning round suppliers to ask their break-even price.⁹³ A letter complains about an advertisement from Sainsbury's 'where good food costs less', since therefore 'the grower is not being properly rewarded for his work in producing the crop to their standard.'⁹⁴ According to Mrs Hardingham of

⁹⁰ Debate on small retail shops, *Hansard*, 2 July 1997, col. 225.

⁹¹ 'The supermarket syndrome', *Glasgow Herald*, 17 November 1997.

⁹² 9 December 1996. The quotation is from *The Grower* editorial, 12 December 1996.

⁹³ Off at a tangent', *The Grower*, 3 July 1997, p. 39.

⁹⁴ *The Grower*, 23 October 1997, p. 11.

Alderscarr Farm, ‘they’ll give you a good price the first year, then the price goes down each year until you quit. They just go somewhere else.’

The Grower is full of ‘uncomfortable reminders of how the multiples exercise power over the industry’.⁹⁵ In autumn 1997 Lancashire growers complained to their MPs that the supermarkets’ grip on the fresh vegetable industry is so tight that they can change supplier virtually at will. They complained too of a lack of communication, with supermarkets cancelling orders abruptly and refusing to give a firm commitment in a programme for the coming year.⁹⁶ Promotions have to be funded by the producers. As another grower says, ‘All the talk is about loyalty cards, but they themselves aren’t loyal to anyone’.

A recent BBC ‘Food Programme’ was largely devoted to the subject.⁹⁷ Despite the difficulty that ‘talk to farmers and they’re full of grievances, bring out a microphone and they clam up’, three growers voiced their anxiety about what they regard as supermarket dictatorship. One thought that ‘their [supermarkets’] strength is so great, it’s time for the appointment of a regulator’.

Extra costs

Supermarkets create costs for growers, who usually have to pay for packaging, often from designated sources which may be dearer because the supermarket gets a payment from the manufacturer. Ever higher demands for packaging create difficulties for growers, as well as creating waste. One grower has been asked to pack raspberries in one layer. Supermarkets are notorious for changing specifications with little notice.

Cosmetic produce

Supermarkets make ever higher demands for uniformity. These ‘unachievable goals’ are ‘inconsistent, indefensible and rooted in ignorance’, even ‘a device for restricting supply when it suits them’.⁹⁸ Production of unblemished and uniform fruit and vegetables requires the increased use of chemicals, fast-rising – and unsustainable – water use and huge wastage at packing stations. Last year one supermarket insisted that Conference pears have the greater green background typical of Dutch pears – which is achieved through chemicals not permitted in the UK.⁹⁹ This stress on appearance over taste results in a loss of choice and quality for the consumer.

Increasingly supermarkets seek to lay down what growers may and may not do. Where this seeks to respond to consumer concern, this obviously has merit. Growers, however, point out that they have been obliged to grow varieties which do not suit the region and require greater pesticide use.¹⁰⁰

⁹⁵ Ibid., p. 5.

⁹⁶ ‘Lancs growers lobby MPs over supermarket bias’, *The Grower*, 23 October 1997.

⁹⁷ BBC Radio 4, 8 March 1998.

⁹⁸ ‘Up against the big battalions’, *The Grower*, 10 April 1997, p. 5.

⁹⁹ ‘The Food Programme’, BBC Radio 4, 6 March 1998.

¹⁰⁰ Ibid.

Agriculture and producers' clubs

What has happened in horticulture is beginning to happen in agriculture, particularly livestock. 'Producer clubs', where supermarket chains are linked directly to the farmer, are spreading. As far as they seek to respond to consumer concern about food safety, such initiatives are to be welcomed. But whether supermarkets should come to dominate and dictate terms in agriculture is debatable. This is particularly true given that a present cost is the bottom line. As an East Anglian farmer remarked in a BBC 'Food Programme' on meat and supermarkets, 'they're just there to buy as cheaply as possible'.¹⁰¹ Moreover, there is a lack of regulation and uniformity to supermarket production protocols, which can seem arbitrary.

The increasing involvement of supermarkets in agriculture is clear in the farming press, where reports of supermarket activity and intervention now loom large. Many articles and letters express farmers' dismay at how producer clubs appear to function: 'Supermarkets are tightening the noose around our necks', 'Tesco club members plan closed meeting to discuss grievances', 'Tesco in beef data row', 'Producer clubs mean weak prices' are typical headlines.

One effect of supermarket dealing directly with farmers will be the decline of livestock markets throughout the UK. If direct arrangements become the norm, there will be little place for such markets – and thus no external reference point for price.

Unseasonal price

Supermarkets increasingly seek to provide all varieties of fruit and vegetables all year round, regardless of season. Domestic production is undermined while the environmental impact in transport – 'food miles' – and in energy and chemicals for growing is immense. It takes 2.5 litres of aviation fuel to fly 1 lb of strawberries from California.¹⁰²

Supermarkets claim to be merely responding to customer demand. But in reality it is they who choose to create awareness of and demand for unseasonal and exotic produce. The BBC documentary 'Mange tout' about peas imported from Zimbabwe showed how Tesco deliberately set out to increase the market in face of customer ignorance and lack of interest.¹⁰³

Sourcing produce in poorer countries where labour costs may be less and regulations laxer can be convenient for supermarkets. But it may be unsustainable in agricultural and environmental terms for the supplying countries. Supermarkets also fail to address the question of whether it is socially and environmentally responsible to promote such demands. An Exeter University report on energy use and food proposes

¹⁰¹ 'The Food Programme', BBC Radio 4, 1 February 1998.

¹⁰² 'Off at a tangent', *The Grower*, 3 July 1997, p. 39. On food-miles and pollution, see Angela Paxton, *The Food Miles Report. The dangers of long distance food transport*, London 1996 (SAFE Alliance), and H. Aslin (Women's Environmental Network), 'The long-distance food trade'. *Clean Air*, vol. 27.

¹⁰³ Modern Times series, 26 February 1997.

that if a supermarket has a choice of suppliers for any product, it should seek to buy from the nearest one.¹⁰⁴

‘Unseasonal produce’ also reduces the demand for UK produce. Despite its temperate climate and excellent growing conditions, the UK has become a net importer of food, especially fruit and vegetables. The ‘huge gap’ between the value of imported and home-grown fruit widened further in 1996-97, with the value of imported fruit £1.5 billion, that of home-grown fruit only £240 million.¹⁰⁵ Imports are bad for the economy, increasing the trade gap.

Imports damage British horticulture. Strawberries again: the English strawberry season of 1996 saw 1,000 tonnes imported from California and 12,000 from Spain.¹⁰⁶ Even potatoes are increasingly sourced abroad.¹⁰⁷ The plight of English apple producers has been well publicized. In 1997 it was only the high profile of the English Cox Campaign that ensured that English apples continued to be available in supermarkets rather than the imported less sweet – but more convenient – ones favoured by the supermarkets. The Campaign chair commented that: ‘There’s good support from the consumer but it’s difficult for them to find Cox in stores.’¹⁰⁸

Whose choice?

Coxes would appear to be an example of supermarkets putting their own convenience above customer preference. The disappearance of white celery is another. When one supermarket turned to imported green celery, ‘the rest followed like lemmings’, according to an NFU spokesman, who believed that the less tasty green celery ‘had been foisted on the UK public on the premise that it was better quality than white celery, when it really only had a longer shelf-life.’¹⁰⁹

Local produce

Supermarkets seldom stock local produce. Local shops do. In Ludlow, 82 per cent of food shops sold some local produce, while 55 per cent sold more than 70 per cent local produce.¹¹⁰ The author of a Suffolk survey was ‘astonished’ to discover the amount of local produce sold: 81 food shops were selling 195 named local products and more than 100 unnamed ones.¹¹¹

In Campbeltown, on the south-west tip of the Kintyre peninsula in Scotland, in a rich agricultural area, the Tesco supermarket stocks little local produce. In January cauliflowers came from Italy, celery from Israel. The only local Argyll products were

¹⁰⁴ Exeter University, Energy and Environmental Department, 1997, reported in *The Scotsman*, 19 December 1997.

¹⁰⁵ MAFF, Basic Horticultural Statistics for the United Kingdom, Calendar and Crop Years 1986-1996, quoted in ‘Fruit trade gap widens’, *The Grower*, 21 August 1997.

¹⁰⁶ Kerry Rankine, *How Green are Our Strawberries?*, London 1997 (SAFE Alliance).

¹⁰⁷ Chris Emerson, *Potatoes, People and Pollution*, London 1998 (SAFE Alliance).

¹⁰⁸ *The Grower*, 23 October 1997.

¹⁰⁹ ‘Research too late for celery’, *The Grower*, 2 October 1997, p. 10: also ‘Multiples cold-shoulder English celery’.

¹¹⁰ *Ludlow Food Shops Survey*, Ludlow 1995 (Ludlow Green Party).

¹¹¹ Cranbrook, *The Rural Economy and Supermarkets*, p. 4.

whisky and cheese. Scottish products were sparse: butter, water, biscuits, eggs, jam, fish, convenience meals by McIntosh of Dyce – and of course oatcakes and shortbread. Honey labelled as Scottish was packed in Wales. This is not because of a paucity of local and Scottish foods: McIlchere's, a grocer and baker in the town, offers a wide selection including five local cheeses. John Gillespie, the manager, says there is 'a strong demand' for local products.

Local produce is sustainable produce. It makes fewer demands on the earth's resources. It fits the stress on sustainability promoted by the United Nations Rio di Janeiro conference and recently recognized by the agriculture sub-group of the UK Round Table on Sustainable Development when it examined food retailing.¹¹²

Price as the bottom line: the cost

The fundamental problem is that supermarkets at present regard their duty to shareholders and consumers as buying in the cheapest market, frequently abroad, regardless of social or environmental issues. In the short term this destroys local economies; in the long term it will destroy national food industries, as markets are switched from one country to another.

Mark Dady, a Tesco produce buyer, describes his technical team as constantly 'popping into' different countries 'to make sure that we couldn't be doing a better job for our customers by trading with another supplier'.¹¹³

In global terms, it is accepted that unregulated market forces rarely promote sustainable development. Analysis of the environmental and social impacts of sample product chains have begun to reveal the extent of externalized costs that are not carried through to the consumer. Consumers thereby enjoy 'cheap' goods at a high cost to producers and, often, damage to the environment. This is an important area for continuing research. Meanwhile, there are positive steps which could be taken immediately.

Other options

Concern about supermarket dominance coincides with concern about the quality of the food we eat. In December 1997 the *Guardian* ran four days of front-page stories about alarm about aspects of 'The Food Revolution'.¹¹⁴ There is a sense that a basic right to good food – as to clean air and water – is being eroded. A Friends of the Earth campaign, the Campaign for Real Food, reports 'unprecedented' interest while still in the planning stage.¹¹⁵

Supermarket dominance of sales of fruit and vegetables, dairy products, eggs, bread and cake, etc, diminishes choice for suppliers and consumers and makes it harder to enjoy locally sourced food.

¹¹² 'The Role of Food Retailing in Promoting Sustainable Agriculture', Round Table Agriculture Sub-Group Seminar, 16 September 1997.

¹¹³ 'Mange Tout', *Modern Times*, BBC 26 February 1997.

¹¹⁴ 15-18 December 1997.

¹¹⁵ Adrian Bibb, Friends of the Earth.

A number of initiatives have sprung up to promote what the Soil Association calls 'Local Food Links': food co-operatives, community-owned farms and box schemes, where a box of produce is delivered regularly. Bath has pioneered a highly successful monthly farmers' market, which has great potential throughout the UK. A 1998 conference on farmers' markets attracted more than 200 participants, the majority from local authorities.¹¹⁶

It is in the supermarkets' interest to encourage such schemes. In Bath the farmers' market, on the same former railway station site as a Sainsbury's store, has received encouragement from Sainsbury's, which regards it as bringing in trade. This is similar to the situation in France, where market stalls are to be found in the entrances and car parks of hypermarkets.

Given the demand for local food, it would be profitable for supermarkets to promote local food more, perhaps making a feature of it in the way that they are currently promoting organic produce.

To date, alternative forms of produce marketing and smaller producers have received little official support.¹¹⁷ MAFF tends to represent the interests of large farmers, not those of consumers/citizens, and is widely felt to be, as the *Economist* puts it, 'a conspiracy of producers against consumers'.¹¹⁸

Traditional street markets can suffer from lack of investment and commitment from local authorities, while establishing new markets is needlessly difficult. In Cornwall, Saltash Town Council had to postpone the opening of a local market with strong local support and EU funding because of the – largely theoretical – risk of prosecution for obstruction of the highway.

RECOMMENDATIONS

- ❖ A Select Committee investigation of food retailing in the UK should be established, with particular emphasis on the relationship between supermarkets and their suppliers
- ❖ A retail regulator should be appointed
- ❖ Greater support should be given to small-scale horticulture and agriculture and to organic farming
- ❖ Greater funding and advice should be available to assist the distribution and marketing of local produce and encourage producer co-operatives
- ❖ Funding should be redirected to help establish, maintain and extend regional and local food groups to provide marketing support
- ❖ Local authorities should be encouraged and finance to set up farmers' markets
- ❖ Supermarkets should be encouraged to develop national policies for sourcing local products
- ❖ Planning permission for supermarkets should include a condition that a certain amount of floor-space be devoted to locally sourced food

¹¹⁶ 'Farmers' Markets Conference' (Soil Association and Women's Environmental Movement) Spitalfield, London, 16 March 1998.

¹¹⁷ 'The Role of Food Retailing in Promoting Sustainable Agriculture', Round Table Agriculture Sub-Group Seminar, 16 September 1997.

¹¹⁸ 'Miffed at MAFF', *Economist*, 13 December 1997.

- ❖ New supermarkets should be encouraged or required to allow local sellers of produce to set up stalls outside or in their car parks
- ❖ Existing open-air and covered street markets should be safeguarded and promoted. They should not be relocated to less central and convenient sites

10 JOB SATISFACTION?

Employment

Job creation?

Applications for planning permission for supermarkets trumpet the jobs they will create. Not mentioned are the – more numerous – jobs which will be lost when local shops close. In Suffolk, 81 local food shops around Saxmundham employ 548 people.¹¹⁹

Supermarkets mean a net loss in employment: they depend on efficiency and economies of scale and so inevitably create fewer jobs than they destroy. Supermarket annual reports stress their ‘efficiency’ in terms of total revenue divided by number of employees; in smaller local shops, that revenue would be spread over more employees.

Local shops generate local employment: accountants, solicitors, window-cleaners, carpenters, decorators, plumbers, and so on. When shops close because of supermarket competition, the local economy suffers. Moreover, money generated by local shops largely remains in the local economy, that generated by a supermarket almost all leeches out. It is the local community which loses.

Job Satisfaction

Supermarkets are keen to demonstrate that they offer satisfying and well-paid work.¹²⁰ While it is true that supermarket chains offer opportunities and training, it is difficult to deny the repetitive and tedious nature of much supermarket work. A report on grocery retailing employment prepared for Tesco says nothing about job satisfaction or interest in its long chapter on ‘the nature of employment’.¹²¹

Most positions are unskilled, filling shelves or operating checkouts. There is little opportunity for progress, as most managers are recruited as graduates. Indeed, ‘shelf-filling’ and ‘working on the checkout’ are proverbial for low-status and unrewarding work.

Supermarkets do not pay especially generously. In 1996, average hourly earnings for shopfloor employees of the largest four supermarkets averaged £4.¹²²

As the Tesco report stresses,¹²³ supermarkets are also at the vanguard of the shift towards part-time work; they rely on female, youth and OAP employment. About 70% of Safeway employees are part-time.¹²⁴ While it is true that part-time work suits

¹¹⁹ Cranbrook, *The Rural Economy and Supermarket*, p. 4.

¹²⁰ For example, *The Economics of Employment in Grocery Stores*. A Report for Tesco Stores Ltd, London 1995 (London Economics).

¹²¹ *Ibid.*, p. 16.

¹²² Income Data Services, September 1996, quoted in *Jobs and the local economy*, London 1996 (SAFE Alliance).

¹²³ *The Economics of Employment in Grocery Retailing*. A report for Tesco Stores Ltd, London 1995, p. 13 (London Economics).

¹²⁴ Quoted in *Jobs and the local economy*.

some, the supermarkets do not also offer many full-time opportunities. There are also serious disadvantages with part-time work: fewer employment rights and no pensions and unemployment benefit for those who earn below the lower earnings limit for National Insurance.

Supermarket Sunday opening has been ‘bad news’ for shopworkers, who often do not receive premium rates and may be pressurized into working on Sundays.¹²⁵ Twenty-four-hour opening is a matter of concern for the shopworkers’ union, USDAW, because of the risks to employees, especially women travelling home after late shifts.¹²⁶ Sweden, in contrast, has a trade union agreement stipulating that food cannot be sold between midnight and 6 am.¹²⁷

The corporate and anonymous nature of the large supermarket chain can be a dispiriting and frustrating one to work in. Asda’s corporate culture, for example, has been described as one where shopworkers have been expected to entertain customers by juggling and wiggling in hoola-hoops, ‘bullied’ into buying £12.99 sweatshirts featuring a cartoon bear named after Archie Norman, denied free drinking water in the staff canteen, and refused a Christmas bonus if they have been on maternity leave.¹²⁸ Some stores have a policy of not employing men with beards. After a man with a beard was turned down for a storeroom job at a Safeway supermarket, a company spokesman said: ‘The rules do not allow for the unorthodox or unconventional’.¹²⁹

There is a risk that the larger the supermarkets become, the greater control they will have over their staff and the fewer alternative opportunities there will be in retailing.

RECOMMENDATIONS

- ❖ Legislation should protect premium payments for Sunday/anti-social hours work. Employees should not be pressurized into signing new contracts incorporating possible Sunday work
- ❖ Removal of the lower earning limit on National Insurance contributions would create rights to pensions and benefits for part-time workers

¹²⁵ Greater Manchester Low Pay Unit, August 1996.

¹²⁶ For more on 24-hour opening, see the following chapter.

¹²⁷ A Comparison of Independent Retailers in Western European Countries.

¹²⁸ ‘Hold on a minute... why Asda workers trip on Norman’s wisdom’. *Observer*, 29 June 1997.

¹²⁹ ‘Beard costs job’, *The Times*, 24 October 1997.

11 EVERY LITTLE HELPS? Supermarkets and society

Food for all?

The choice offered by supermarkets can be illusory for those with restricted mobility: the elderly, disabled people, those with young children, and the one third of households who do not have a car. Several recent studies have stressed how such people are excluded.¹³⁰

Often the opening of an out-of-town superstore leads to the closure of a centrally located supermarket owned by the same chain. This makes for difficulties for those who cannot reach the out-of-town store. This occurred in Evesham, where Tesco closed its town-centre store c. 1990.

Supermarket chains are keen to open in affluent middle-class areas. The result can be so-called 'food deserts', residential areas with little or no provision for food shopping, such as Hyde outside Manchester.

Sunday opening – the seven-day working week

The Sunday Trading Act of 1994 permitted limited Sunday opening by supermarkets and other larger shops. Debate in Parliament had been made urgent by the widespread disregard to supermarkets for the law in the weeks before Christmas 1993. Though there has been little investigation into the results of deregulation, Sunday trading is 'primarily a car-borne activity', has not increased overall sales, and benefits out-of-town stores to the detriment of town centres.¹³¹ Traffic, noise, pollution and congestion levels are now comparable to a weekday.

Sunday opening was, and remains, debated. The Act was passed by a narrow majority of 18, while 61 per cent of respondents to a Harris Research Centre survey had earlier agreed that 'it is nice to have one day a week when the streets are quiet'.¹³² A 1996 survey revealed that 45 per cent of respondents never shop on a Sunday; of these, 21 per cent are morally opposed to Sunday trading.¹³³

In Spain, growing noise and congestion resulted in the 1992 Law of Commerce which limited retailers to opening for a maximum of 12 holiday days a year. This also benefited smaller retailers, who had suffered from the lack of restriction on opening hours.

The 24-hour day

¹³⁰ David Piachaud and Josephine Webb, *The Price of Food Missing Out on Mass Consumption*, London 1996 (London School of Economics, STICERD Occasional Papers 20); *Out of Town Superstores and the Older Carless Shopper*, London 1992 (Age Concern); *Your Food, Whose Choice?*, London 1996 (National Consumer Council).

¹³¹ Sunday Trading. The Implications. 1996: Two Years On, London 1996 (Healey & Baker)

¹³² *Public Attitudes to Sunday Trading*, 1986.

¹³³ Sunday Trading. The Implications. 1996: Two Years On.

The 1994 Deregulation and Contracting Out Act removed restrictions on shop opening hours. Michael Forsyth, the minister responsible, announced that it was ‘good news for shoppers and shopkeepers’.¹³⁴

The supermarkets are in the vanguard of a move towards a 24-hour day. The days before Christmas 1996 saw 24-hour opening by a number of supermarkets, to widespread dismay reported in the national and local press. Sainsbury’s, for example, now has 46 stores open through Friday nights.¹³⁵

Twenty-four-hour store opening is not necessarily good news. It generates noise, traffic and light pollution, and increases energy demands, especially for refrigeration (freezers and chill cabinets are otherwise covered at night) and lighting. Lorry deliveries continue through the night. Experts warn of the physical and psychological stresses of a 24-hour day lacking a sense of shared, ‘common’ time, and social and medical studies show that irregular work patterns and shift work have detrimental effects on family and social life.¹³⁶

In Spain, which saw an increase in 24-hour opening some years ago, it has been necessary to bring in regulations to protect people against noise during unsocial hours. Openings have decreased.¹³⁷

In its move towards Sunday, holiday and 24-hour opening the UK appears to be out of step with the rest of the European Union, as demonstrated by the 1996 resolution of the European Parliament on Sunday work which noted ‘the special character of Sunday as a day of rest’.

RECOMMENDATIONS

- ❖ Planning permission for out-of-town or edge-of-town supermarkets should be given only if frequent, reliable and affordable public transport is available
- ❖ Where planning permission is granted for an out-of-town or edge-of-town superstore, it should be made a condition that any town-centre supermarket owned by the chain remain open
- ❖ An enquiry into the effects of Sunday trading should be set up
- ❖ There should be no extension on the hours stores are permitted to open on Sunday
- ❖ Local councils should have authority to restrict 24-hour opening by supermarkets

¹³⁴ Home Office news release, 30 November 1994.

¹³⁵ ‘Late-night supermarkets, where you can shop until baby drops off’, *Sunday Telegraph*, 17 August 1997.

¹³⁶ *The Effects of Shiftwork on Health, Social and Family Life*, Dublin 1980 (European Foundation for the Improvement of Living and Working Conditions).

¹³⁷ A Comparison of Independent Retailers in Western European Countries.



'No, I don't want a bag or cashback and I haven't got a car park voucher or a loyalty card. I just want to pay for the newspaper and get on with my life'