Supplementary evidence submission from the Scottish Grocers’ Federation

1. Following the Health and Sport Committee meeting on the 10th March 2010 at which the Scottish Grocers’ Federation (SGF) provided oral evidence, we would like to submit additional written evidence to clarify our position regarding measures included in the Alcohol etc. (Scotland) Bill.

2. We felt it would be helpful to reiterate our views on the controversial issue of price and promotional restrictions as proposed in the Bill.

- SGF believes that regulatory interventions should be taken only where there is clear evidence that the proposed measure will have the desired effect – we are not clear that this is the case with the price and promotional provisions of the Alcohol etc. Bill

- SGF believes that a low set minimum price could redress competitive imbalances in the alcohol and grocery market in Scotland, but that the same benefits could be achieved with a ban on below cost selling which would be less intrusive.

- A high set minimum price would harm the responsible majority of consumers; it would also encourage cross border shopping and fuel the spread of the illegal black market.

- Measures proposed to restrict promotional mechanics like multi-buys and in-store advertising of alcohol promotions are likely to be more damaging to the small shop sector than minimum pricing and these proposals are not being adequately scrutinised in the passage of legislation.

3. SGF is committed to our role as a partner in addressing alcohol related harm in Scotland and have played a pivotal role in rolling out initiatives preventing underage purchasing of alcohol that are making a real difference to communities across Scotland.

4. SGF believes in the fundamental principle that regulatory interventions need to be firmly grounded in a clear evidence base and that the social benefits have to be carefully weighed against the evidence of regulatory burden or harm on businesses that contribute jobs, wealth and service to the Scottish economy and communities.

5. We respect the expert evidence that has been produced that demonstrates that Scotland has significant challenges to overcome related to the misuse and over consumption of alcohol. However the evidence showing Scotland’s alcohol harm problems is not justification, in itself, for the far reaching interventions proposed by the Alcohol etc. Bill.

6. The evidence has to show that the measures proposed will have the desired impact and will change consumption behaviour and cultural attitudes. We do not believe that that the evidence available to MSPs is compelling and therefore caution must be taken in pursuing these interventions.
7. We are frustrated that political debate surrounding the Alcohol etc. Bill has been dominated by discussions on the issue of minimum pricing, this debate has served in our view to minimise debate on the other proposals that will cause greater harm to the commercial and competitive interests of smaller retailers in the market place. Nonetheless we understand that we must be clear in our view on this issue.

8. Minimum pricing set at the correct level could result in competitive benefits for small shops. Small retailers have suffered significantly from the anti-competitive impact of aggressive discounting strategies in the alcohol category. The use of alcohol as a loss leader has changed consumer shopping habits and been a major factor in the declining number of operators present in the Scottish alcohol and grocery retail market.

9. Minimum pricing set at the right level could have similar effects to a restriction on below cost selling. However, we are unconvinced that a minimum price set at 40 pence would achieve the desired behavioural changes and public health objectives.

10. To bring about significant health benefits we believe the unit price would be required to be set significantly higher which would lead to a range of harmful impacts:

- Increase the cost of groceries for the majority of the Scottish population that consume alcohol responsibly
- Cross border shopping to the North of England which would have damaging and lasting consequences for small retailers particularly those located in the south and central regions of Scotland.
- The growth of “white van man”, as consumers turn to illegal channels to purchase alcohol to avoid higher prices.
- Boost the sale of alcohol by the internet and mail order.

11. The Bill’s provisions to ban multi buy promotions, impose restrictions on in-store advertising and advertising taking place within the vicinity of the store present a bigger concern to smaller shops than minimum pricing. Also these provisions will have far greater harmful impact on us than our supermarket competitors.

12. One of the few means by which small shops can communicate value to their customers is via the use of promotions. Multi-buy and pack based promotions communicate value, and challenge preconceptions that the shop is more expensive than supermarkets. These promotions, at prices likely to be above suggested minimum price levels, are vital and beneficial to customers and the industry.

13. Also window bills and promotional leaflets represent the only realistic method of advertising the stores offer and value proposition. Restrictions in these areas will reduce the opportunity to attract customers from larger competitors and perpetuate a commercial advantage for the biggest players.
14. We know that there are certain promotion types in supermarkets, especially linked to events and holidays that achieve prices well below a price that could be matched in the smaller shop sector. We believe that there is a clear mechanic for restricting these types of activities that are out of control. Our proposal is to ban below cost selling of alcohol defined as below the cost of duty and VAT on the product.

15. This measure is targeted at the worst excesses of discounting behaviour that is wholly unjustified on competition grounds and sends the wrong signal about a responsible attitude to alcohol retailing.

John Drummond
Chief Executive
Scottish Grocers’ Federation
29 March 2010