

## **FURTHER EVIDENCE SUPPORTING OUR VIEW THAT THERE IS A NATIONAL GEOGRAPHIC MARKET (12 DECEMBER 2006)**

The CC has started in this Inquiry from the assumption that there is a local market for grocery retailing, as shown by comments made in the Issues Statement and the CC's Economic Roundtable on "Local Competition".<sup>1</sup> But this assumption is based on intuition – "...*intuitively you would expect competitive conditions to vary locally...*" – rather than a robust test based on actual data.

The correct approach to defining the market, as set out in the CC's Market Investigation Guidelines, is by using the hypothetical monopolist ("*HM*") or "*SSNIP*" test (a SSNIP is a small but significant and non-transitory increase in price). The CC has stated that it will apply the SSNIP test "*wherever feasible*".<sup>2</sup>

This paper reports the results of a formal application of the SSNIP test to the hypothesised "local market" around 20 Tesco "one stop" stores using actual data and conservative assumptions on customer locations and shopping behaviour. These 20 stores are located in both urban and rural areas. For the purpose of this paper, we use the CC's previous definition of the local market – 10 minute isochrones around stores in urban areas and 15 minute isochrones around stores in rural areas – and the CC's set of effective competitors (all stores above 1,400 sq. m with the exception of the discounters, M&S, Budgens and Iceland).<sup>3</sup>

The results show that the SSNIP test fails in each of these 20 areas, so for these areas the CC's previous market definition is incorrect. Moreover, even if all isochrones were increased by 5 minutes, the SSNIP test fails a second time – so even these wider isochrones would not be local markets either. We believe that these results are conservative since we have ignored the effect of stores below 1,400 sq. m, even though our view is that these are part of the same market as one stop stores. These results support our view that there is a chain of substitution between overlapping catchments.<sup>4</sup>

We have not looked at every store in the country. However, we believe that the SSNIP is likely to fail in many other areas. It is particularly likely that it will fail in urban centres, since there are typically many stores just outside any hypothesised local market, so customers would often find it easy to switch. The results are likely to be weaker in rural areas where there may be towns a considerable distance from any other centre, and where customers' ability to switch may be more limited. Nevertheless, several of the areas that we report below as failing the SSNIP test are rural areas, so it is not possible to draw wider conclusions without carrying out the SSNIP test for every hypothesised local market.

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<sup>1</sup> See for example, Issue 8(b) of the Issues Statement "[w]hether any aspect of the structure of any **local market** for groceries, or any aspect of the conduct of grocery retailers or consumers in the market for groceries... affects competition in one or more **local markets** for groceries..." (emphasis added) .

<sup>2</sup> CC, Market Investigation Guidelines, paragraph 2.2.

<sup>3</sup> This is without prejudice to our previous view that these assumptions are incorrect.

<sup>4</sup> The CC's Market Investigation Guidelines state that it will consider whether chains of substitution exist (see paragraph 2.31).

There are three conclusions that can be drawn from this analysis.

- At a minimum, the relevant catchment sizes are likely to be significantly larger in many areas than the CC's previous definition has suggested.
- When taken in conjunction with the other available evidence, in particular the national strategies of retailers and our analysis of local concentration and PQRS, this analysis supports a finding of a national geographic market.
- Before it makes a finding on market definition, it is essential that the CC should carry out the SSNIP test for each potential local market, since our results show that it is feasible to do so, and that the CC's previous local market definition is likely to fail the SSNIP test in many locations.

We would be happy to discuss any of the results or methodology in this paper with the CC.

The remainder of this paper sets out the approach to and the results of the SSNIP tests.

### **1. THE SSNIP TEST FAILS (AT LEAST TWICE) IN THESE 20 AREAS, SHOWING THAT IN THESE AREAS THE CC'S PREVIOUS MARKET DEFINITION IS INCORRECT**

In the remainder of this section, we provide the results of a direct application of the SSNIP test to 20 example areas.

This section first shows that the SSNIP test is the appropriate test for this exercise, drawing on the CC's Market Investigation Guidelines. It then sets out the methodology that we have employed. Finally, it reports the results. We first apply the CC's previous isochrone definitions. The SSNIP test fails in each of the 20 locations. Following the CC's Market Investigation Guidelines, we then widen the isochrone by 5 minutes in each location and re-apply the SSNIP test. The SSNIP test continues to fail in each location.

### **The appropriate test for determining the extent of the local market is set out in the CC's Market Investigation Guidelines**

Whether the shopping decision is a local one is not the appropriate formal test for delineating the geographic market. The correct test is set out at paragraphs 2.2 and 2.24 of the CC's Market Investigation References guidelines:

*"The generally accepted conceptual approach to market definition, used in many jurisdictions, is the SSNIP test (also known as the hypothetical monopolist test). The Commission will adopt this approach wherever it is feasible to do so." (paragraph 2.2)*

*"In considering the geographic market, the test looks at whether a SSNIP of the products in the relevant product market in a narrowly defined region would be profitable. If a SSNIP would not be profitable, for instance because customers switch to products in neighbouring areas, then these areas are added to the market and the procedure is repeated. The relevant market is*

*defined as the smallest area in which a hypothetical monopolist (HM) could sustain a SSNIP profitably.” (paragraph 2.24)*

The CC has not, to our knowledge, investigated formally whether the SSNIP test holds for the local markets that it has identified in previous inquiries into the sector.<sup>5</sup> This is an important omission because it appears the CC is working simply from “intuition” that the market should be local based on the observation that customers shop locally, rather than using actual data to perform the SSNIP test.

A proper application of the SSNIP test would show that, at the very least, the geographic markets in many areas are significantly wider than the CC has previously suggested – if not national. To investigate this in detail, we have applied the SSNIP test to 20 example local catchment areas. Each of these fails the SSNIP test at least twice.

### **The methodology requires two main steps – estimating switching levels and calculating the change in profit**

We consider the HM of one stop shopping – one stop shop sales made in stores above 1,400 sq. m from the CC’s list of effective competitors (i.e. excluding M&S, the discounters, Budgens and Iceland). The trade-off implied by the SSNIP test is a simple one. Will the profit that an HM loses as a consequence of customers switching to another local area in response to the SSNIP be more than offset by the additional profit that it earns from customers that do not switch? If yes, the SSNIP test fails and this is not a local market. If no, the SSNIP test passes – this is a local market.

To implement the SSNIP test we have undertaken two steps.<sup>6</sup>

- First, we have estimated the proportion of customers that would be likely to switch from one local area to another in the event of a 5% price increase.<sup>7</sup>
- Second, having estimated the proportion of customers that would be likely to switch, we have evaluated whether the price increase would be profitable given the margin that the HM would lose on forgone sales compared to the increased margin on retained sales.

The analysis is by nature based upon hypothetical circumstances but it is the analysis required to engage the CC on the argument that markets are local.

The hypotheticals are however grounded in empirical fact. The analysis uses data on the actual locations of customers and stores, the cost of customers’ travel time, and

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<sup>5</sup> The CC conducted a partial investigation into the existence of a chain of substitution during *Safeway*. The CC argued that the geographic market was limited to 10 and 15 minute catchment areas around one-stop shops because often the isochrones had to be extended to “25 minutes or more in order to bring in another fascia” and “the overwhelming majority of a store’s sales come from within a 10-minute radius” (see paragraphs 5.318 and 5.319). For the purpose of market definition, we note that the relevant question is whether enough customers would use another store, not whether they would use another fascia. This paper tests whether these arguments hold in the 20 areas reported and finds they do not.

<sup>6</sup> These cover the points raised in paragraph 2.12 of the CC’s Market Investigation Guidelines.

<sup>7</sup> This is consistent with the CC’s proposed approach in paragraph 2.8 of the Market Investigation Guidelines, where it states that it will “normally use 5% for the SSNIP test”.

customers' basket sizes, to determine whether in each individual case the SSNIP test is passed or failed. This allows a finely detailed assessment – we consider the decisions of households in every Census Output Area in the hypothesised local market around each store. This involves considering the decisions of 8,000 to 108,000 households around each store depending on the individual population in that area.

We describe our approach in further detail below.

*Estimating the proportion of customers that would switch*

To estimate the proportion of customers that would switch, we have made some simplifying conceptual assumptions that we believe are consistent with the spirit of the SSNIP test and make its application more straightforward. We also believe that these assumptions are conservative in that they tend to underestimate the impact on the profits of the HM from raising prices.

- **The hypothesised local market uses the CC's previous market definition for one stop shopping.** To begin with, we assume that the local market around a one stop store is a 10 minute isochrone in urban areas and a 15 minute isochrone in rural areas. This is without prejudice to our views that these isochrones are too small even to describe customer shopping patterns accurately and that the market is national.
- **The analysis explores “one stop shopping” only and uses the CC's effective competitor set.** The isochrone sizes referred to above relate to the CC's previous market definition of the “weekly one stop shop” – relating to stores above 1,400 sq. m only. We use the CC's list of effective competitors, so exclude smaller stores and the larger stores of M&S, the discounters, Budgens and Iceland. This is without prejudice to our view that we compete with all rivals and with smaller stores.
- **All customers shop at their nearest store.** This is a conservative assumption given the changing reality of a more mobile and time poor society, especially the increase in single person households and the increasing use of the internet. We make this assumption for two reasons. First, under the SSNIP test all stores within the hypothesised local market are operated by the HM and do not have different offers. Second, implicit in the concept of a local market is that customers prefer to shop locally.
- **All stores in the hypothesised market raise their price by 5%.** If the HM owns more than one store in the catchment area, we assume that the price of all of its stores increase by 5%. This is the correct approach when applying the SSNIP test.
- **Customers switch in response to a price increase if the extra transport costs from switching are lower than the price increase.** A customer faced with a 5% increase in the price of their grocery shopping would switch provided that the savings associated with obtaining cheaper shopping baskets are greater than by the costs associated with travelling to a more distant store. For example, if a customer's average weekly shopping bill was £50, a 5% increase in its price would result in a customer paying an additional £2.50 per

week. This customer would switch to a store outside of its catchment area if the costs that the customer incurred by doing so amounted to less than £2.50.<sup>8</sup>

For example, suppose that the customer mentioned above incurs a cost of £1.20 to travel to and from the nearest store inside the catchment area and a cost of £2.00 to travel to and from the nearest store outside the catchment area – a difference of £0.80.<sup>9</sup> If his nearest store inside the catchment area increased its prices by more than £0.80, the customer would be better off going to the store outside of the catchment area. In this example, the customer would switch because a 5% increase on his average weekly shop of £50 would amount to £2.50 – £1.70 more than the extra cost of travelling.

We have used an estimate of the cost of travel time based on an analysis that we commissioned in relation to the drivers of store choice. This is the only estimate of the cost of travel time that we are aware of that is based on customers' actual grocery shopping behaviour. Using information about the store choices that customers actually make (based on TNS Superpanel data) compared to the options that they had available to them (based on our database of stores), it is possible to evaluate the savings that customers forgo when they are unwilling to travel to a more distant, but cheaper, store. This analysis controls for a host of other relevant factors such as size, range, quality and other store characteristics.

- **Customers switch their entire basket.** It is assumed that if customers switch, they switch their entire one stop shopping basket to the new store. This is implicit in the concept of a market for weekly one stop shopping (which we do not think matches reality)– since customers are assumed to value the benefits of a one stop shop and not to split their purchases.
- **We do not consider the effect on non one-stop shop purchases.** The HM of one stop shopping cannot distinguish between raising prices to one stop shop customers and to other customers. If the HM raised prices across the store, it would lose customers to other mid-range and convenience stores within the isochrone – since these are not part of the relevant market. We do not consider this effect, since it would add a considerable layer of complexity. However, we believe that this is a conservative assumption since such customers would be likely to switch to stores within the isochrone and there are many such stores, so exacerbating the negative impact on the HM's profits.

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<sup>8</sup> This is consistent with the approach set out in paragraph 2.25 of the CC's Market Investigation Guidelines.

<sup>9</sup> In line with the assumption that a customer would prefer to shop at its nearest store, we assume that customers shop in the catchment area only if they are located closer to a store within the catchment than they are to a store outside of the catchment area.

- **There is variation across customers.** Customers have different basket sizes and are located in different places relative to stores. Customers which have larger baskets will be more likely to switch in response to a SSNIP – the cost of travel is a fixed cost, but the impact of a SSNIP on a £100 basket (£5) is twice as much as the impact of a SSNIP on a £50 basket (£2.50). Customers that would only have to travel 1 minute more to the nearest store outside the hypothesised local market (compared to the nearest store within the market) would be more likely to switch than customers who would have to travel an extra 10 minutes. Consequently, whether an individual customer would switch depends on two factors.
  - First, we use geographic information at the Census Output Area (“*COA*”) level to work out how far different customers are from stores. There are over 200,000 COAs in the country accounting for on average around 200 households in each area, so this is a fine-grained analysis (it is the smallest available measure of area). This allows us to be confident that the calculations of the extra distance that customers would be prepared to travel to avoid a SSNIP are highly accurate.
  - Second, we use an appropriate distribution of one-stop shop basket sizes in our analysis. The HM monopolises one stop shopping, so we use the TNS Superpanel data to identify the distribution of the size of one-stop shopping baskets by assuming that a one-stop shop is a basket that represents 60% or more of a customer’s average weekly shopping expenditure, and finding the distribution of such baskets by size. We have split the distribution into £5 bands and treated all customers in that band as having baskets the size of the mid-point of the band, so that all customers in the £35-£40 band are assumed to have baskets of £37.50. We assume that all COAs have the same distribution of basket sizes within them. The results are not materially different if a threshold of 70% or 80% of average weekly shopping expenditure is used. Further details can be found in Annexe 1.

Using the above approach for all COAs, we can estimate the proportion of customers that would switch to a store outside of the HM’s catchment area if the HM increased its prices by 5%.<sup>10</sup>

*Evaluating whether the price increase would be profitable*

After a SSNIP, the HM loses the margin that it would have made on the customers that switch, but earns a higher margin on those customers that do not. By applying these margins to the data on the proportion of customers that would switch, we can determine whether the SSNIP would be profitable.

We use data on Tesco’s store margins to understand this trade-off. The appropriate margin depends upon the extent to which it would be possible for the HM to reduce

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<sup>10</sup> We do not explore whether the cellophane fallacy holds. Given the CC’s finding in 2000 that the market was “broadly competitive” and the OFT’s finding in its Reasons to Refer that prices have fallen, we do not think that there is any evidence that prices are currently above the competitive level.

its costs as a consequence of serving fewer customers over the course of, say, a year (the length of time implicit in the SSNIP test’s approach to a “non-transitory” price increase).<sup>11</sup>

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The estimate of profit loss will also be conservative given that we sell non-food products as well. Some customers that switch their grocery basket in response to an increase in grocery prices will also switch their non-grocery spend as well.<sup>12</sup> This is a further reason to believe that the results we report are an underestimate of the true constraints on the hypothetical monopolist.

### **The results show that the SSNIP test fails at least twice in each of these 20 areas**

As case studies, we report results for 20 Tesco stores above 1,400 sq. m. 14 stores are in urban catchment areas and 6 stores are in rural catchment areas.<sup>13</sup> Table 1 shows that the stores cover a range of different catchment areas, both in terms of the number of households, the number of stores within them, and whether they are in urban or rural areas.

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<sup>11</sup> See paragraph 2.7 of the CC’s Market Investigation Guidelines.

<sup>12</sup> The TNS data on basket sizes reported above covers only “classic grocery” including items such as toothpaste, but does not include non-food purchases such as clothes or TVs.

<sup>13</sup> These stores were not randomly selected (nor were they specially) but do cover a range of areas and catchment sizes.

Name of area based on Tesco store at centre of isochrone	Urban or rural	One-stop stores within 10 mins (urban) and 15 mins (rural) (including the HM at the centre)	Households within 10 (urban) and 15 mins (rural)
SUDBURY	rural	2	20,342
BLANDFORD FORUM	rural	1	13,198
DOWNHAM MARKET	Rural	1	10,073
CULVERHOUSE CROSS	Rural	8	107,435
HOLBEACH	Rural	2	15,319
TIPTREE	Rural	6	27,283
TAUNTON	urban	5	28,220
CARMARTHEN	urban	2	8,136
HAVERFORDWEST	urban	3	8,342
BARNSTAPLE	urban	2	14,500
TIVERTON BLUNDELLS	urban	2	8,878
LLANELLI	urban	2	26,587
PORT TALBOT EAST BANK	urban	2	21,339
SOUTHAMPTON	urban	7	62,721
LEWISHAM	urban	4	60,909
SIDCUP	urban	2	33,787
CLAPHAM	urban	5	106,302
BRIXTON	urban	5	103,938
HAYES BULLS B/DGE	urban	2	24,335
NEW MALDEN	urban	3	43,834

Table 1: Catchment areas used in analysis using CC 2000 approach to One Stop stores

*Initial results based on the CC's catchment areas show that the SSNIP test fails in each of these 20 locations*

For each catchment area, we tested whether an HM of one-stop shopping would find it profitable to increase its prices by 5%. Figure 1 shows the net profit gain or loss associated with a 5% price increase per household using the HM stores before the price increase. For every catchment area, the HM makes a net loss. In other words, the

SSNIP test fails in each of these locations and so the CC’s approach does not provide the appropriate local market definition.

The application of the SSNIP test can be illustrated graphically. As an example, the map below shows the area around Tesco’s Holbeach store, which is in a rural location. The hypothesised local market – defined by a 15 minute isochrone around the store – is shown by the black line. There are two stores in the catchment that would be owned by the HM if this were a local market – the Tesco store in Holbeach and a Morrison store in Pinchbeck. There are several stores outside the proposed local market – an Asda and a Somerfield in Boston, a Sainsbury in Spalding, and an Asda, Morrison and Co-op in Wisbech – to which customers could switch in the event that the HM were to raise prices by a SSNIP.

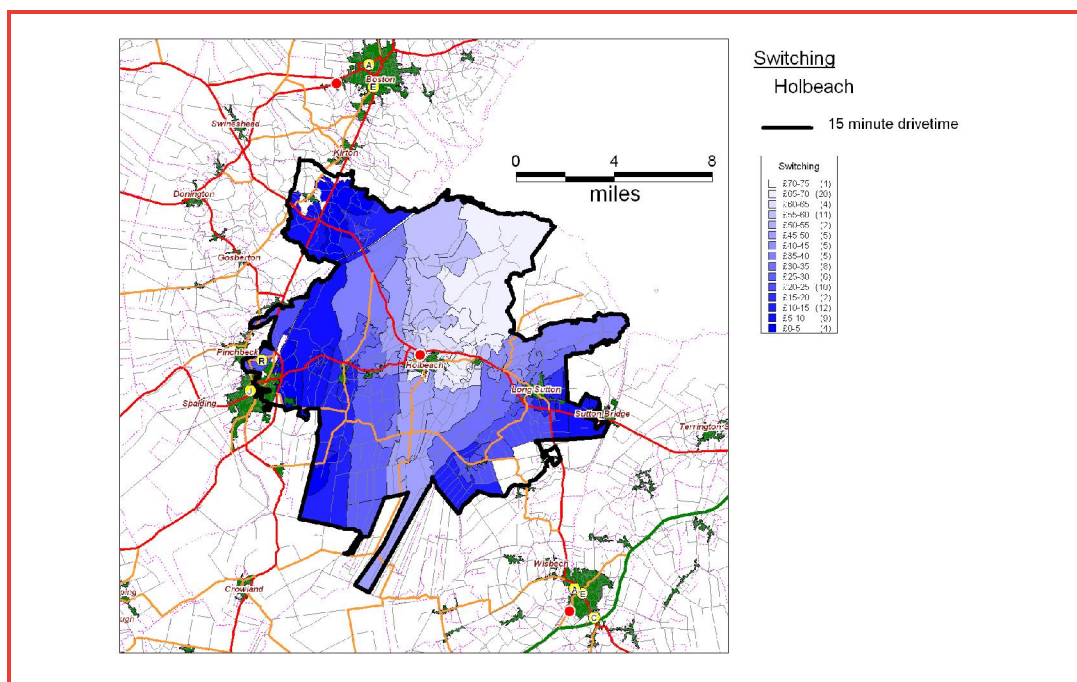


Figure 1: The application of the SSNIP test in Holbeach

Source: Tesco. (£70-75 denotes that all customers in that COA with baskets £72.50 and above would switch, £65-70 denotes that customers in that COA with baskets £67.50 and above switch and so on). Stores are given codes by fascia. Tesco = red circles, Asda = A, Morrison = R, Sainsbury = J, Somerfield = E, Waitrose = W. Only one stop shops are shown.

The application of the SSNIP test is shown by the blue shading of the COAs in the isochrone. The darker the shading, the greater is the proportion of households in the area that would switch to a store outside of the catchment area after a SSNIP. For the areas with the darkest shading, customers would switch if they had baskets above £2.50 (the mid-point of the £0-£5 band). For areas with the lightest shading, customers would switch only if they had baskets greater than £72.50 (the mid-point of the £70-£75 band).

It can be seen that there is more switching in the areas where customers have better access to store options outside the isochrone. In the north of the isochrone, many customers will switch to the stores in Boston in response to a SSNIP. In the west of the isochrone, many customers (originally shopping at the Morrisons in Pinchbeck)

will switch to Spalding. In the southeast of the isochrone, customers are more likely to be switching to stores in Wisbech. In the northeast of the isochrone, customers would have to travel a greater distance to their nearest store outside the isochrone, and it is only worth their while switching if they have larger baskets.

*The SSNIP test fails in each of these 20 cases even after widening the isochrones by 5 minutes*

This evidence shows that for these 20 stores, the 10 minute urban catchment areas and the 15 minute rural catchment areas fail the SSNIP test. The CC's Market Investigation References guidelines explain that:

*“If a SSNIP would not be profitable, for instance because customers switch to products in neighbouring areas, then these areas are added to the market and the procedure is repeated.”*

As the CC's guidelines suggest, we have widened the twenty urban and rural catchment areas by 5 minutes and repeated the SSNIP test. This would be more reflective of our view that wider isochrones would be more reflective of actual customer shopping behaviour. However, the results remain the same. The figures below show that all of these catchment areas continue, even on these wider catchment areas, to fail the SSNIP test. This means that these wider catchments cannot be local markets either – providing further evidence that the fact that customer shop locally is not sufficient to define a local market. We have not widened the isochrones further to consider yet wider markets but clearly to come to a definitive view this would be necessary.

*The analysis shows that the CC must carry out the SSNIP test itself in each area before making any conclusions on local markets*

This empirical analysis of market definition shows overwhelmingly that for these 20 stores, the CC's previous approach to defining the market does not pass the SSNIP test. These cannot be local markets – indeed, even when the isochrones are widened by a further 5 minutes the SSNIP test continues to fail. We believe that these results provide a prima facie case for the CC to apply the SSNIP test to every single local market that it proposes before drawing any conclusions on geographic market definition.

It is not sufficient to observe simply that customers shop locally – the options of each individual set of customers need to be examined. We have demonstrated that this approach is feasible and would be happy to assist the CC by discussing our approach and results at a staff meeting.

## **RETAILERS HAVE NATIONAL STRATEGIES**

Some academic commentators have professed to being confused by the national pricing policies of the majority of grocery retailers in the UK. The simplest way to resolve this confusion is to view the market as being national, as then the fact that firms price nationally is perfectly explicable. The reason for the confusion, we

believe, is that the academic models omit several key empirical factors. First, the academics seem to believe that competitive conditions vary considerably across locations. We disagree with this view. As shown above, the chain of substitution caused by customer switching will tend to smooth competitive conditions across the country. Moreover, there is a strong relationship between the population in an area and the total net sales area of grocery retailers in the area. This is shown below.<sup>14</sup>

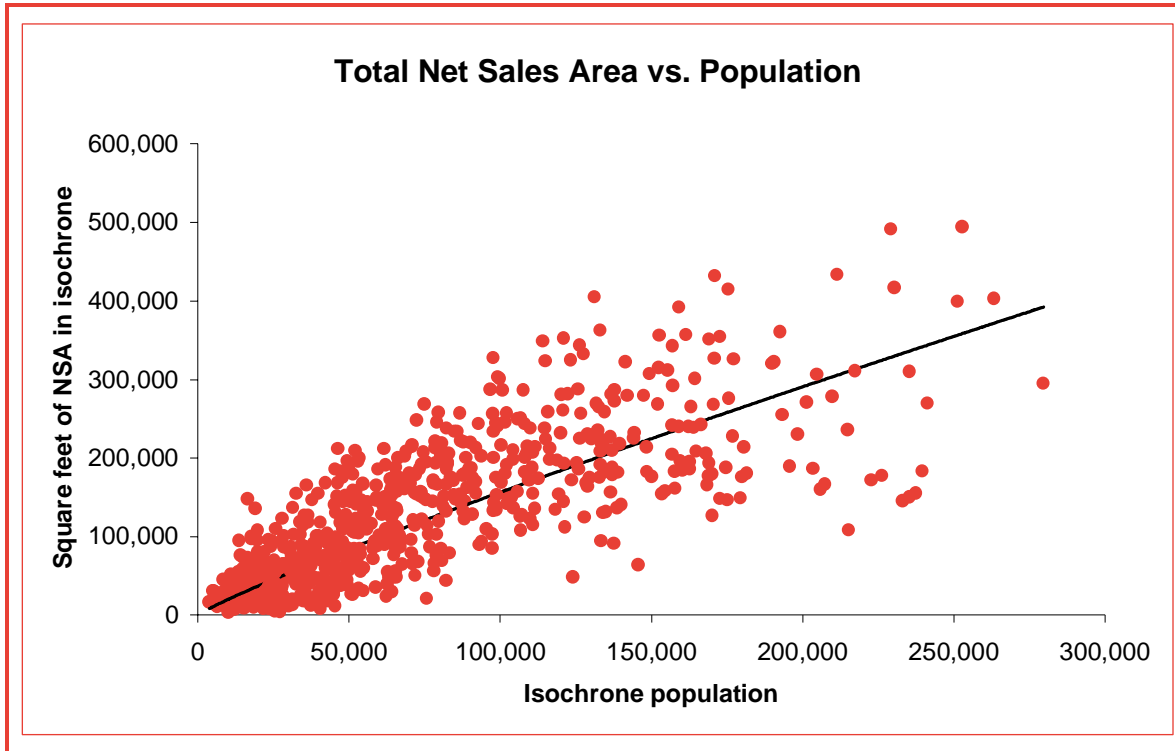


Figure 2: Relationship between total net sales area and population in local catchments (using CC isochrones, CC competitor fascia, and one stop shops only)

Source: Tesco.

Since the balance between supply and demand is broadly similar across all locations, we believe that it is likely that competitive conditions are broadly similar across all locations. There are no areas where there is a mass of population but little floorspace (where presumably the CC would expect to see higher prices), or areas where there are few people but a great amount of floorspace (where presumably the CC would expect to see lower prices). National pricing does not therefore represent an “enormous give up from a company’s point of view”.

Even if there were some limited variations in competitive conditions, it is not at all clear that it would be profitable for a retailer to take advantage of them. This is because there are costs that retailers would incur in carrying out local pricing. If these costs outweighed the extra profits from local pricing, the retailer would prefer to price nationally. There are two main sources of such costs.

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<sup>14</sup> Note that if the isochrones, store sizes and effective competitor sets were widened this relationship would be even stronger around the trendline. We believe that this provides further support for our view that there is a national grocery market including all stores regardless of size or fascia.

- **Local strategies can damage the brand.** Competitive constraints are primarily transmitted from one local catchment area to another via the willingness of customers to switch between them. Another way that competitive constraints can be transmitted is by the behaviour of the press and the fact that customers talk to each other. Customers learn about price differences from a number of sources including the national press (a brief glance at the Sunday supplements shows price information for a range of products) and each other (it is quite normal for customers to have friends and relatives that live outside of their local catchment area). Similarly, if customers learn about local variations in other aspects of our offer (e.g. marketing), they can become confused as to what our offer entails. This is particularly the case given that we have an online price checker and that our Tesco.com offer has exactly the same prices as in store.
- **Local strategies are not costless to implement.** Choosing the prices to set in different local areas would be an enormous undertaking even if it were technically possible for our systems to achieve this. We sell thousands of products in thousands of stores. To determine the appropriate prices for this many products in this many locations would require considerable resources. Local pricing also means that national advertising is difficult as it is not possible to refer to prices.

We believe that the established fact that the major retailers price nationally is because the costs that would be incurred in local pricing are greater than the benefits of pricing locally. This is a further factor supporting a national market and casting doubt on the existence of local markets.

#### **RETAILERS HAVE EXPANDED THROUGHOUT THE UK**

We have explained that another constraint on the ability of retailers in one local catchment area to raise their prices above the competitive level would be the willingness of retailers from another local catchment area to enter. We observed that a number of retailers have expanded their operations throughout the United Kingdom since 2000. This suggests that in the event of a SSNIP, retailers would be willing and able to expand their operations and render it unprofitable.

Further evidence of the ease of entry is provided in paragraphs 4.16 to 4.19 of our main submission. In that submission we also provide a map showing stores gained in the UK by retailers since 2000. If entry was difficult, one would expect to find more areas of “unmet demand” – that is, low levels of provision given the size of the population. This is not the case: provision rises with demand.

## ANNEXE 1: DISTRIBUTION OF BASKET SIZES

To calculate the extra cost that customers would incur as a consequence of a 5% price increase, we need to know the distribution of the size of baskets that are purchased in stores. Customers that purchase relatively large baskets would face relatively large absolute increases in the cost of their shopping compared to customers that purchase relatively small baskets.

To identify the distribution of basket sizes, we have used data from TNS on shopping behaviour in the UK. The data surveys the shopping behaviour of 15,000 households between January 2006 and March 2006 and is re-weighted to construct a representative dataset for the whole UK. Table 2 shows the basket size distributions for those baskets that represent at least 60%, 70% and 80% of a household's weekly expenditure on groceries purchased in different stores, to identify baskets that are most likely to represent a "one-stop shopping trip" as defined by the CC.

Basket ranges	60% criterion	70% criterion	80% criterion
£0 - £10	2.14%	1.47%	1.05%
£10 - £20	12.07%	9.91%	8.09%
£20 - £30	18.61%	16.82%	15.36%
£30 - £40	18.35%	18.06%	17.39%
£40 - £50	15.33%	16.08%	16.34%
£50 - £60	11.50%	12.56%	13.36%
£60 - £70	8.30%	9.29%	10.19%
£70 - £80	5.48%	6.27%	7.12%
£80 - £90	3.23%	3.73%	4.29%
£90 - £100	2.01%	2.33%	2.72%
> £100	11.50%	12.56%	13.36%

Table 2: Average basket size distributions of one-stop shopping trips, based on the 60%, 70%, and 80% criterion.

Source: TNS Superpanel. Data for fascia that would normally fall into the CC's definition of a one stop store namely Asda, Morrisons, Tesco Extra, Tesco Superstore, and Sainsbury Main Stores (using TNS nomenclature).

We have used 60% in the results as this is a conservative assumption. The distributions do not change radically if the definition is changed to relate to 70% or 80% of a household's weekly expenditure on groceries but would increase the chances of any particular hypothesised local market failing the SSNIP test.

*Submitted 12 December 2006*