

The Secretary
Competition Commission

April 7th. 2007

SUPERMARKET INQUIRY: TESCO'S SUBMISSION ON 'SMALL BUT SIGNIFICANT INCREASE IN PRICES'

The suggestion that catchment areas for large foodstores can normally extend to a 30-minute drive time is interesting in the light of Tesco's own usual approach to defining catchments for their own new large stores when preparing planning applications.

Over the past 30 years or so, I have often been involved in advising on such proposals, both on behalf of Tesco (and other major retailers) as well as for local planning authorities.

Much of this work has been concerned with identifying potential catchment areas and estimating the turnover likely to derive from various parts of these. While patterns in each case are influenced by local factors, such as the distribution of the population within the successive isochrones, Tesco's regular analysis is to indicate that 85 - 95 per cent of convenience sales will be drawn from places within 15 minutes drive of the prospective store, with at least three-quarters of that total being assigned to the 10-minute isochrone.

It follows that the prospective contribution from areas further afield will be only minimal in their contribution to total sales.

From an initial brief summary survey of the location of existing large Tesco stores in several areas of the country, I would estimate that besides having to by-pass competitive alternative stores of other operators, over half of customers travelling to a Tesco outlet from between 15 and 30 minutes drive time bands would also have to pass one or more existing Tesco outlets.

This must limit the extent to which individual stores attract in practice trade from customers travelling more than 15 minutes.

I hope that you may find this useful background information.