

# WELLINGTON MARKET COMPANY PLC

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Our Ref: CB/hl

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FAO: Mr T Oyler, Inquiry Secretary  
Groceries Inquiry  
The Competition Commission  
Victoria House  
Southampton Row  
LONDON  
WC1B 4AD

Dear Sir

**Re: Wellington Market Company Plc  
submission to the Competition Commission**

*Background:*

Wellington Market Company Plc (WMCo) is UK's leading market operator – established around 150 years ago and operating 40 markets many of which are under contracts from local councils. WMCo currently supplies trading space to some 3000 market traders, each of which is a small business in it's own right. We estimate our traders support some 6000 local jobs. WMCo is also a major investor in the retail markets industry. It holds some 15 million of capital investment in market halls and sites throughout the UK.

WMCo believes the referral of the groceries sector to the Competition Commission is long overdue and welcomes the opportunity to illustrate the negative impact that consolidation of the groceries sector into the “big four” supermarket chains has had on consumers and the retail markets industry. WMCo believes a strategic review of food policy in the UK is long overdue and this referral is the first step to correcting the imbalance and preventing similar problems in the non-food sector. The Tesco, Asda/Walmart, Morrisons/Safeway and Sainsburys chains now allegedly control over 85% of the UK's groceries sector and their continuing dominance will exert a profoundly negative influence upon shoppers, the UK economy and the environment. The referral is an opportunity to redress the balance.



### *WMCo experience:*

Over the last decade WMCo has experienced and is continuing to see a reduction in the number of its stalls occupied by traders, largely as a result of competition from the supermarket chains and their dominance of the groceries and fresh foods sector – traditionally a mainstay of the markets industry. The percentage of stalls now occupied by greengrocers and fruiterers is substantially less than 10 years ago. Combined with this the average age of traders is increasing because so few youngsters are entering an industry where profit margins cannot be maintained. Nowadays it is rare for there to be a waiting list for stalls on a market (unlike even 5 years ago) and the number of existing businesses that are being expanded and sold-on is negligible. In short, the retail markets industry has been pushed into freefall by the thinly-disguised predatory procurement and market share policies of supermarkets.

If this were restricted to the groceries sector it might be bearable but in the last 3 years as they have achieved saturation of that sector they have switched their efforts to applying the same techniques to non-food by introducing own brand designer clothing lines and white goods to increase sales turnover. This has been enabled by recent relaxation in planning controls and consequently the remaining 80% of the (reduced) market businesses are now under threat. We can see little likelihood that this trend will be halted.

The argument can be made that such competition is good for the consumer as it forces prices down, and indeed government statistics suggest that food prices are now 7% lower in real terms than 5 years ago. That argument ignores the indirect impact upon the UK economy as a whole and the social impact of shrinking unemployment in an industry where reasonable profit margins cannot be maintained. The 2004 NABMA survey estimated that 95,000 people are employed in the UK retail markets industry and unless action is taken at national level we see the markets industry halving in size over the next 5 years. The groceries sector needs positive action to reverse this trend, and the non-food sector needs action to prevent the problems being replayed there.

### *Impact on other sectors of the economy:*

Consolidation of the groceries sector is not a problem unique to the retail markets industry – it affects primary producers due to buying policies, processors who must conform to the standardised supermarket presentation standards and distributors who are bypassed by centralised distribution chains. This trend is apparent despite the retail markets industry managing to maintain (on average) a 20% discount over a comparable shopping basket of supermarket-bought groceries. This discount can be maintained due to the industry's low operating overheads but the purchasing power of supermarkets is making it increasingly difficult for traders to source products because the wholesale groceries industry has contracted. Direct purchasing by supermarkets has forced down farm gate prices and supermarket centralised distribution has made it increasingly uneconomic for traders to travel to the few wholesale markets that manage to survive. Combined with this are onerous contract conditions imposed upon groceries producers by the supermarket chains.



Retail consolidation of the groceries sector has been responsible for an unprecedented rise in “food miles” and the environmental impact they represent. Centralised distribution systems and the air freighting of non-seasonal foods are diluting the government’s attempts to reduce climate change per the Kyoto protocol. It is pointless for the HM government to pursue a carbon reduction strategy whilst not requiring the retail industry to make a proportionate contribution.

Consolidation of the groceries sector in supermarkets has also meant:

- Reduced revenue for market authorities (i.e. Councils) as fewer retail markets means less income from stall rents
- Reduced retail diversity in town centres – accelerating the “clone town” effect.
- Reduced economic “churn” within the local economy as the “shoppers pound” is remitted out of the local economy and back to head office as profits. Sales turnover not recycled within the local producer/supplier base dilutes attempts to create sustainable local economies and promote social-inclusion.
- Reduced local employment as supermarkets seek to drive down costs by expanding their self-serve aisles, inevitably employing fewer persons per square metre of sales space than the independent retailers who they have forced out of business.

So in conclusion:-

The consolidation of the groceries sector does not just affect operators like ourselves – producers, processors, distributors and the wholesale industry are suffering as well. The indirect economic benefits of a thriving independent retail sector need to be addressed through a national policy that encourages retail diversity and what better illustration could there be that a well run market?

Yours faithfully

Chris Barber  
Development Director