Association of Convenience Stores

6 June 2006

T.J. Oyler, Esq.,
Competition Commission
Victoria House
Southampton Row
London
WC1B 4AD

Dear Mr Oyler

Please find attached comments from the Association of Convenience stores (ACS) regarding the issues to be considered as part of the Competition Commission's inquiry into the grocery market. We trust these will be helpful to you. In particular, we are keen to work with the Commission to gain information about the independent convenience store sector, and our paper includes suggestions about how this may be done.

In discussions with you I have offered to meet to discuss our views and the role of the convenience store sector in the grocery market, and I would re-iterate our desire to meet to discuss these issues at your convenience.

Yours sincerely

James Lowman
Director of Public Affairs

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COMPETITION COMMISSION – GROCERY MARKET INVESTIGATION

ISSUES PAPER FROM THE

ASSOCIATION OF CONVENIENCE STORES

June 6th 2006

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This paper has been produced on behalf of the Association of Convenience Stores (ACS), which is supported in this work by the Federation of Wholesale Distributors (FWD) and the Scottish Grocers' Federation (SGF). The FWD and SGF reserve the right to submit additional evidence independently of ACS.

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Introduction

The Association of Convenience Stores

This document is submitted by the Association of Convenience Stores Limited ("ACS") – hereinafter "we" or "us". We are located at Federation House, 17 Farnborough Street, Farnborough, Hampshire GU14 8AG. Our website may be found at http://www.thelocalshop.com.

We are the principal trade body representing UK convenience stores, having been founded in our present form in 1995 and now representing over 32,000 convenience stores, roughly 60 per cent of the UK total of about 54,000. The turnover of the convenience store sector is estimated at just over £23 billion per annum, and some 10 million UK consumers regularly use convenience stores, implying an annual average expenditure per consumer of some £2,300 per annum or about £44 per week.

Although we are by some way the largest representative body for convenience stores, we are not the only such body. Large numbers of our members are also members of other bodies, particularly the National Federation of Retail Newsagents (NFRN). Furthermore, among our larger members are wholesalers, some of whom also own or operate convenience stores. The wholesale members are in general members not only of ACS but also of the Federation of Wholesale Distributors (FWD). Because the structure of the convenience sector and its representation is somewhat complex, we attach as Appendix 1 a description of the sector and of the types of player in it. We hope that this will help the Commission to orientate its search for relevant evidence; we will be pleased throughout the inquiry to assist the Commission in locating sources of information where we cannot provide it ourselves. Because we have no means of distinguishing the interests of ACS members from those non-members who also operate convenience stores, we propose to offer evidence and argument for the convenience store sector as a whole. It seems to us highly unlikely that the interests of members and non-members would be different.

What is a convenience store?

Our website sets out a brief description of what a convenience store is, and we reproduce that description here.

> **Size and opening hours**: The store must be under 3,000 sq ft (280 sq m) and open for long hours every day of the week. (Shops under 280 sq m are not limited as to Sunday trading hours.)
>
> **Main business activity:** All stores must retail food and drink, for consumption off the premises, as their main business activity.
>
> **Product categories:** A group of fourteen products have been identified as being central to the offering of a convenience store. It must sell at least eight of these core products to qualify as a "true" convenience store. These categories are as follows:

Table 1: convenience store core product groups

Alcohol (note 1)	Confectionery	Food-to- go
Fresh fruit/vegetables	Household/non-food	Milk/dairy
National Lottery	Newspapers/magazines	Bread/bakery products
Health and Beauty	Packaged groceries	Savoury snacks
Soft drinks	Tobacco	

Note 1: for consumption off-premises

Types of convenience store

The scale of operation and the ownership of convenience stores is diverse. Stores range from those operated by a sole trader or husband-and-wife team to much larger stores owned by substantial groups or multiples. We normally distinguish five principal types of store, described below along with the percentage of convenience stores and the percentage of total sales through convenience stores that each type represents:

Table 2: breakdown of convenience store types and sales - 2006[1]

Store type	**Percentage of stores**	**Percentage of sales**
Co-operative (e.g. United Co-op, The Co-operative Group)	49.2	29.2
Forecourts (dealer and company-owned)	24.8	33.1
Multiples (convenience specialists and some supermarket based chains)	17.0	15.1
Symbols, Franchise and Fascias (e.g. SPAR, Londis, Bestway)	4.6	12.4
Non-affiliated independents	4.4	10.3
Total	**100**	**100**

Source: The Knowledge Store from IGD

The Commission may not be wholly familiar with the concept of a Symbol Group or what it does for a convenience retailer, so at Appendix 2 we attach a description, as supplied to the OFT, of one symbol group offering, that of Palmer & Harvey.

Retailers, wholesalers and suppliers

While ACS is primarily retail-orientated, it has a vital interest in the wholesale sector. Unlike the supermarket groups, which are essentially vertically integrated and have no reliance on third party wholesalers, the convenience store retailing is critically dependent on wholesalers. If the wholesale segment is in some way weakened, the retail segment suffers too, and *vice versa.* As we have said, some of our largest members are both wholesalers and retailers. With this in mind,

[1] Data for 2006 will be available shortly.

ACS expects to work closely with wholesaler members and with the FWD throughout the Competition Commission inquiry.

ACS also has direct working relationships with some 20 or so major product suppliers known collectively as the Premier Club. Premier Club members contribute to the financing of ACS and include, for example, Nestlé, Procter & Gamble, Unilever, Diageo, Cadburys, Gallaher and Camelot. In the words of ACS' website, "the aim of the partnership is to build sustainable relationships for the future benefit and protection of our retail members and the convenience sector at large."

Supporting the Commission's investigation

At a meeting between the Commission and a number of main parties held on May 19th 2006, the Commission chairman remarked that there had been adverse comment in some quarters as to the need for the current inquiry. For the avoidance of doubt we wholeheartedly welcome the inquiry. As the Commission may be aware, it was in large part our appeal to the Competition Appeals Tribunal in late 2005, when the OFT first declined to make a market investigation reference, that brought about current proceedings. We know that the Commission's processes will make strenuous demands on the slender resources available to us, but the issues which we urge should be investigated are of vital importance, not just to convenience store operators and their wholesalers but above all to consumers. We are anxious to play a full part in the Commission's investigation.

We recognise, of course, that with over 50,000 convenience stores operating in the UK, it will be impossible for the Commission to obtain evidence from, or to consult, all of them. However, we are anxious to help the Commission in any way we can to ensure that the full spectrum of convenience store ownership and operation is represented in the inquiry.

It seems to us feasible for the Commission to deal directly with the Co-ops and other multiple stores, with the symbol groups, and (probably) with the forecourt store operators. If any difficulties arise here, we should be happy to help with contacts or sources of advice.

The main problem arises with the 28,000 or so independent stores in ACS membership and the 20,000 or so independents that are not ACS members: these collectively account for between £7 billion and £8 billion of sales per annum. Although they are not a uniform group they can in our view be meaningfully segmented for purposes of analysis, and we believe we can assist the Commission greatly in this task. We propose to construct, preferably in consultation with Commission staff, a number of models that accurately reflect the diversity of those convenience stores that the panel cannot realistically deal with directly. We accept that any such discussion is at the moment difficult for Commission staff, but we are ready to help as soon as necessary.

For background statistics we draw the Commission's attention to The Knowledge Store[2], which provides, among other products and services, a database of information about grocery retailers. The Knowledge Store estimates a breakdown of independent grocery stores of up to 3,000 sq ft of sales area as in Table 3 below:

Table 3: breakdown of independent grocery stores by sales area

Sales area	No. of stores	Percentage of stores
< 500 sq ft	20,307	43
500 – 999 sq ft	18,314	39
1,000 – 1,499 sq ft	5,447	12
1,500 – 2,499 sq ft	2,323	5
2,500 – 2,999 sq ft	629	1
Total	**47,020**	**100**

Source: The Knowledge Store, the Independent Grocery Retail Database, 2005/06.

The Knowledge Store also estimates a breakdown of weekly sales turnover. The number of independent grocery stores for which The Knowledge Store has turnover records is somewhat smaller than in Table 3 – a total of some 40,000 rather than 47,000. But we include the breakdown, for illustrative purposes only, in Table 4.

Table 4: breakdown of independent grocery stores by weekly sales value

Sales value	No. of stores	Percentage of stores
<£3,000	7,823	20
£3,000 - £4,999	11,478	29
£5,000 - £9,999	12,861	32
£10,000 - £14,999	4,417	11
£15,000 - £29,999	2,680	7
£30,000 - £99,999	382	1
£100,000 - £999,999	68	<1
Total	**39,709**	**100**

Source: The Knowledge Store, the Independent Grocery Retail Database, 2005/06.

It seems to us probable that most of the "missing" 7,000 records are in the smallest turnover category.

These two breakdowns, approximate though they are, may form a useful basis for segmentation and for modelling. Shortly after this paper reaches the Commission we hope to start discussions with Commission staff on this proposition.

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[2] http://www.theknowledgestore.co.uk

Recent developments

There has been noticeable recent consolidation in the convenience store sector.

Acquisitions

Among the supermarket groups, Tesco and Sainsbury's have both developed their own convenience stores and are now the leading operators of multiple outlets in the sector. In part this reflects the development of new outlets but both companies have also acquired convenience store groups, with Tesco acquiring substantially more stores than Sainsbury's, as Table 5 shows:

Table 5: supermarket convenience store acquisitions

Date	Acquiring business	Acquired business	Number of stores
January 2003	Tesco	T&S Stores	1,215
February 2004	Sainsbury's	Bells Stores	54
March 2004	Tesco	Adminstore	45
August 2004	Sainsbury's	Jacksons	114
November 2004	Sainsbury's	JB Beaumont	6
April 2005	Sainsbury's	SL Shaw	5
Total			**1,439**

Source: Europe Economics from IGD

Both companies also continue to acquire individual convenience stores.

There have also been acquisitions of some convenience store chains by other convenience store chains, most noticeably by the Co-op Group, individual Co-op societies and Musgrave.

The acquisitions identified above have generally been of larger convenience stores with higher revenue. We have no evidence to suggest that the smallest convenience stores have been especially targeted for take-over.

Symbol groups

Symbol group membership is increasing, as Table 6 shows. Between 2003 and 2004 there was a redefinition of the term symbol group by The Knowledge Store, which resulted in a sharp one-off increase in numbers for 2004, but even allowing for that the growth in symbol group membership has been steady since 2000.

Table 6: growth in symbol group membership

Year	Independents	Multiples
2000	6,058	903
2001	6,155	1,020
2002	6,283	1,088
2003	6,587	1,207
2004	11,408	1,334
2005	11,003	1,397
2006	11,643	1,392

Source: The Knowledge Store and IGD

Although moves into symbol group membership imply no change of ownership, they do represent consolidation in respect of branding and wholesale trading relationships.

Stores exiting the convenience sector

There has been a steady decline in recent years in the number of wholly independent stores, i.e. those which are not owned by a group and have no affiliation with a symbol group or other buying group. The numbers are again affected by a reclassification between 2003 and 2004 of some stores from unaffiliated independent into symbol groups, but the overall trend is nevertheless clearly visible. Table 7 gives the details.

Table 7: decline in numbers of unaffiliated independent stores

Year	No. of stores
2000	35,500
2001	34,250
2002	33,787
2003	32,900
2004	28,220
2005	26,873
2006	25,893

Source: The Knowledge Store and IGD

Forecourt stores

The number of forecourt convenience stores has declined as filling stations have closed. Numbers of forecourt stores in operation since 2000 are shown in Table 8 below.

Table 8: numbers of forecourt convenience stores

Year	No. of stores
2000	9,386
2001	9,367
2002	9,437
2003	9,005
2004	8,375
2005	8,112
2006	7,837

Source: The Knowledge Store and IGD

The ownership position is as follows:

- The oil majors themselves are the largest owners of forecourt convenience stores: Esso have 631, Shell 611, Total 519 and BP 411.
- Tesco is by some way the leading grocery multiple in forecourts, with 406 stores in ownership and a further 130 in partnership with Esso.
- Among the other supermarket groups, Morrison's own 274 forecourt stores, Sainsbury's 243, Somerfield 169 and ASDA 164.
- Convenience store groups operate but do not own forecourt stores. SPAR operates 302, Londis and Mace 200 each, and Costcutter 55.
- Nearly 5,300 forecourt stores, well over half the total, are owned and operated by independent petrol retailers.

Implications for competition policy

The OFT has said that it regards the convenience store sector as having low barriers to entry. That may well be so, but if, as we suggest, the convenience store sector is far from homogeneous, and we suggest that competition analysis needs to take into account whether the barriers are low at every level of entry, and, if not, whether there are barriers to expansion for those players who enter on a small scale..

The limited analysis we have done suggests that the economic model for a supermarket-owned convenience store is very different from that of an independently-owned convenience store. The buyer power of supermarkets, which we comment on later, is the principal distinguishing feature. In addition an issue for investigation is whether the prices paid by supermarkets for convenience stores, and the investments subsequently made in them, require such stores to be cross-subsidised by profits made in the superstores themselves

The viability of the wholesaling function also needs to be part of the wider competition analysis. When convenience stores drop out of the wholesale supply chain by virtue of becoming integrated with a supermarket group, the wholesaler left behind is weakened by loss of retail volume and by the diminished buying power and reduced scope to exploit economies of scale that the loss of volume entails. The wholesaler's weakness is then visited upon the remaining retailers that he serves. The effect is made worse by the fact that it is the *larger* convenience stores which have disappeared from the independent wholesalers' activities.

It may be argued that wholesalers (and indeed retailers) may then offset some or all of their disadvantages by consolidation among themselves. No doubt some economies can thereby be achieved, but it is for closer examination to determine whether they would be sufficient to sustain an effectively competitive convenience retailing sector. Apart from the question of whether a tendency towards monopoly in convenience sector wholesaling is a good thing, the fact remains that, even if all convenience sector grocery buying were channelled through one single entity, its equivalent turnover at retail would still be less than that of Tesco (at £23 billion retail equivalent *versus* roughly £30 billion).

Summary of the issues

At this stage we merely summarise what we see as core issues for the Commission to investigate. We develop each in more detail later in the paper.

The essential issue the Commission needs to address is whether the supermarket groups are accumulating and exercising market power in ways that, in the words of the legislation, prevent, restrict or distort competition. While we acknowledge that the Commission needs to establish *whether* this is the case, we contend that it *is*. We say that anti-competitive practices are visible here and now and that if they are left unchecked the effects will only worsen. Below the level of this general proposition, we see the list of issues as follows:

Market definition

We suggest the Commission needs first to explore whether there is one simple definition to cover what is meant by the portmanteau term "the grocery market". We contend that competition takes place across the grocery market as a whole and that there is a wide range of business formats which have developed to meet a variety of consumers' requirements. Store size has relevance for some analyses (it has arguably served the Commission well for inquiries affecting supermarkets) but is not by itself a viable definition of part of the grocery market. Market definitions vary at the levels of supplier, wholesaler, retailer and consumer.

Buyer power

The issue for the Commission to determine is whether any player or groups of players enjoy sufficient buyer power to be able to prevent, restrict or distort competition. Our view is that supermarket groups do enjoy buyer power on that scale and that they use it with both the object and effect stated. Those disadvantaged include independent wholesalers and retailers and the generality of consumers. There may be (and we suspect there are) distributional impacts which disadvantage particular consumer groups.

Pricing behaviour

We have identified, and we suggest the Commission needs to investigate, the **below-cost selling** by supermarkets, on more than a promotional basis, of certain grocery products and of certain non-grocery products, particularly fuel. The below-cost selling of fuel, and the coupling of groceries with fuel through voucher schemes, is clearly aimed at attracting footfall into supermarkets and away from rival suppliers of both groceries and fuel.

Even where below-cost selling is not obvious, we have identified **local price-flexing** as pervasive. This practice involves lowering prices where competition is more intense and increasing prices where it is less so.

Although we are far from the only body to highlight such practices, ACS has always struggled to gather hard evidence to support complaints because of the difficulty of obtaining data on supermarket buying prices. Indeed, as we see it, the grocery sector is characterised by **non-transparency of buying prices**. It is for the Commission, which has statutory powers to compel the production of relevant evidence, to establish (a) the extent of below-cost selling and price flexing and (b) whether such non-transparency is by itself a feature of the market that has the object or effect of preventing, restricting or distorting competition.

While it may be true that barriers to entry in the convenience sector are low, it is for consideration whether the existence of supermarket buying power effectively erects **barriers to expansion**. Does the system contrive to keep the big players big and the small ones small?

Distributional effects

It is sometimes argued that, where supermarkets have effectively caused convenience stores to close, the disadvantages to some consumers have been offset by gains to others, so that consumers as a whole are no worse off. This is to ignore distributional effects. Our view is that less mobile consumers, who tend to be older and poorer, are particularly disadvantaged by the effects of the anti-competitive practices that we observe. We do not *necessarily* see an urban/rural divide at work: The store modelling we propose would capture relevant distinctions.

The impact of acquisitions of convenience store groups by supermarket groups

The issue here is whether acquisitions already completed now prevent, restrict or distort competition in any of the market segments that the Commission identifies as meaningful. We accept entirely that the Commission cannot re-run merger investigations, but contend that its assessment of market features may legitimately include recent merger impacts.

One such feature that we urge the Commission to explore is the **diminution of consumer choice** which occurs, post-acquisition, when an independent convenience store is replaced by a supermarket-format convenience store. We shall be bringing forward evidence on this point in due course.

Land banks and planning issues

At this stage we have no direct evidence or complaint to offer on land banks. However, if the Commission establishes that supermarkets are hoarding land and that they are working the complex planning system in such a way as to exploit and buttress their market power, then we object.

This list of primary issues is as complete as we can make it at this stage, but we may well identify other issues (or have them identified to us) as the inquiry proceeds. We now go on to develop the issues outlined above.

Market definition

The OFT terms of reference specify the supply of groceries by retailers in the United Kingdom as the starting point for the inquiry but it is for the Commission to reach its own conclusions on market definition. One of the Commission's first tasks will thus be to make an assessment of the relevant market or markets for the purpose of the inquiry. That will involve consideration of both the grouping of products and the appropriate geographic area within which competition can be expected to take place.

Product market

In previous inquiries into the grocery sector the Commission, using the "hypothetical monopolist'" test, has concluded that one-stop shopping and secondary or top-up shopping constitute separate segments of the wider market for groceries.[3] One-stop shopping has generally been considered to require a minimum outlet size of 1,400 square metres in order to meet customer expectations on range of products, and this has led to market definitions being expressed in terms of the size of the retail outlets. The Commission has taken the view that stores with less than 1,400 square metres are principally meeting shoppers' requirements for secondary or top-up shopping and that there is some competition between mid-range sized stores and the large one-stop shop outlets. At the lower end of the size range shops of 280 square metres and less which we (and others) classify as convenience stores have been regarded by the Commission as being outside "the competitor set".[4]

Our view is that, whilst the classification of the market in terms of size of outlet is convenient and bears some correspondence with interactions in the grocery market as a whole, it is too simple an approach to a market in which there is a wide range of factors which affect consumers' decisions on where to shop and a wide range of business responses to meeting consumers' needs.

The factors which influence consumers include price, range and quality of grocery products, location, accessibility, hours of opening, levels of service and access to non-grocery products. Different types of outlet provide different bundles of these characteristics in order to attract and retain customers. These can range from shops principally selling single products like butchers and bakers, shops like newsagents which sell groceries as a secondary line of business, delicatessens selling speciality groceries, small outlets catering for a very local market, often with extended opening hours (the group in which the bulk of our membership lies), and up through the various sizes of supermarket providing a wide product range and drawing customers from a wider area.

In our view, whilst there is market segmentation in response to different patterns of consumer behaviour there is also strong linkage between market segments so that competition effectively takes place across the whole range of grocery retail outlets. A packet of cornflakes bought from

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[3] The most recent relevant Competition Commission report is Somerfield plc and Wm Morrison Supermarkets plc. September 2005

[4] One distinguishing feature of this smaller size group is that they are exempt from the limitations on Sunday trading in England and Wales.

the corner shop is a packet of cornflakes that that customer will not be buying from the supermarket and *vice versa*. A price increase by the independent baker that puts his price (allowing for convenience and quality factors) above that of the supermarket will lead to loss of sales. In that sense the small baker and the superstore are in the same market.

The Commission has commented in previous reports that, while supermarkets provide a constraint on the prices set by smaller outlets, the prices in smaller outlets do not constrain the supermarkets.[5] In our view that is a comment on a distortion of competition, not a reason for defining the markets as separate. It is the supermarkets' ability to exert this one-way pressure on smaller operators which is leading to progressive reduction in competition across the market as a whole.

The value that consumers place on the different factors listed above is an important determinant of consumer behaviour, and it is consumer behaviour that in our view leads to segmentation of the market. Consumers are prepared to make a trade-off between, say, price and accessibility, or between product range and quality. One-stop shopping and top-up or convenience shopping is one way of categorising different behaviour patterns but it would be wrong to conclude that these represent different markets which are met largely or exclusively through different types of retail outlet.

Large supermarkets quite clearly cater for both types of shopper. We estimated (in our response to the OFT's consultation in 2005) that over 40 per cent of convenience sales take place in stores larger than 280 square metres. Equally there will be some shoppers for whom the local convenience store provides all their grocery requirements.

The continued existence of a variety of different types of grocery outlet is an important element in ensuring that consumers have a choice of how best to meet their shopping requirements. Growth of one retail format at the expense of others may occur as a result of competition but if this leads to a position of dominance by one format which can be used to hasten the decline of others then choice will be reduced and, in the end, consumers will suffer.

Geographic market

The geographic dimension of the grocery market needs to be addressed from both the demand and the supply side.

On the demand side, we suggest that consumers' requirements are essentially local. The relevant market area is defined according to accessibility, whether by foot, bicycle, public transport or car. In previous reports the Commission has adopted an approach to geographic market definition based on isochrones representing travel time to shopping facilities. We consider that this is a good approach. The appropriate geographic boundaries may vary between city, town and rural areas and in relation to relative income levels. We suggest that the Commission

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5 Somerfield plc and Wm Morrison Supermarkets plc. September 2005, paragraph 6.33 et seq.

should look at a range of these types of market in order to assess the present level of competition at local level and to assess the way in which competition and choice of outlet has changed over the past decade.

It is at this local level that market dominance by individual players or types of player is most immediately apparent, with high market shares and the ability to use practices such as below-cost selling and local price flexing to stifle competition. The ability of larger operators to offer non-grocery products such as petrol, tobacco, books and CDs and electrical goods alongside groceries is a further factor which may accelerate their dominance. We comment later on the connections between the grocery market and non-grocery products.

On the supply side the situation is different. A high proportion of the grocery products sold in even the smallest shops are not sourced locally. National and international companies provide most of the manufactured products on the shelves, and national and international marketing of fresh food products is increasingly the norm. On the supply side, therefore, the relevant geographic scope for the grocery market is, at least, the United Kingdom as a whole and, in some respects, may be even wider.

It is in this wider geographic market for supplying groceries to retail outlets that the less visible but more insidious effects of growing market dominance occur. The effect of the increasing buying power of the large supermarkets is outlined in more detail below.

Buyer power

It is the buyer power of supermarkets which in our view raises the most serious competition concerns. The relevant market for considering buyer power would appear to be the wholesale supply of groceries.

Supermarkets' buying advantages

The 2000 Competition Commission report on supermarkets recorded that:

> "… we believe that any main party with more than an 8 per cent share of grocery purchases for resale from its stores, and accordingly all the major buyers (Asda, Safeway, Sainsbury, Somerfield and Tesco), are, for the most part, able to control their relationships with suppliers to their own advantage, whilst the smaller multiples are not able to do so to anywhere near the same extent." (paragraph 2.458)

The CC report analysed differences in prices paid by eleven grocery retailers for suppliers' top five lines. Tesco was found to pay the lowest prices; Budgens was found to pay 11 per cent more on average.

The results of a supplier questionnaire discussed in the CC's 2003 Safeway report suggest that supermarkets increased their buying power over time:

> "Although responses varied widely, the balance of the responses was that suppliers' negotiating strength with each of the main parties [Asda, Morrison, Sainsbury and Tesco] had weakened over the last four years, especially against Asda and Tesco." (paragraph 6.76)

During research we carried out for the submission we sent to the OFT in May 2005, we encountered further support for the view that supermarkets routinely obtain better buying prices. Our current view is that the gap has widened since the Commission reported in 2000, and that for the genuinely independent wholesalers it now lies between 14 and 16 per cent. We acknowledge, of course, that the disparity in buying terms probably varies by product: independent buyers may well obtain comparable terms for newspapers (because of peculiarities in newspaper wholesaling arrangements) but we are certainly of the view that supermarkets enjoy a significant buying advantage in core grocery products.

Impacts on competition – views of the OFT and the CC

The question then arises: if the major supermarket groups enjoy buyer power with suppliers, are there reasonable grounds for suspecting that the buyer power of supermarkets prevents, restricts or distorts competition in convenience grocery retailing?

A theoretical answer is provided, at least in part, by an OFT research paper by Dobson *et al* on buyer power.[6] This paper explicitly recognises the distortions to retail competition that may result from unequal buying power at the wholesale level (the emboldening in the following quotations is ours):

> "… buyer power is likely to be unequal among buyers (e.g. due to firm-size differences), in which case its exercise may exacerbate differences in downstream competitive positions, consequently **distorting competition** (e.g. leading to the withdrawal of smaller firms)." (p.6)

> "… buyer power can potentially undermine both upstream competition between suppliers and **distort downstream competition** when it serves to exaggerate differences in competitive positions." (p.37)

Section 7 of the paper by Dobson *et al* discusses in some detail the nature of this distortion to competition. The relevant quotation is given in full because of its pertinence to the case of supermarkets competing for convenience grocery retailing:

> "… when power is asymmetrically distributed between buyers, say due to firm size or order size differences, then there are concerns that those with greater bargaining power will be able to negotiate substantial discounts from suppliers compared to other less significant buyers. This may in turn **distort the nature of downstream (retail) competition**, where the lower costs for key buyers translates into competitive advantage over other firms when they act as sellers.
>
> In the context of retailing, for example, a dominant firm may be able to negotiate substantial discounts on wholesale prices and then use these lower prices as a basis for exercising selling power in the retail market, where it might seek to reduce competition by acting in a predatory manner, forcing smaller retailers to withdraw from the market, allowing it to gain market share, which serves to reinforce its bargaining power and competitive advantage over other retailers. For the dominant retailer, this can represent a virtuous circle where a cost advantage can be used to increase its market share advantage which can in turn be used to gain an even larger cost advantage over rivals, etc. But for suppliers and other retailers they are equivalently caught in a vicious circle. For suppliers, once they give discounts to a dominant buyer then this is only likely to yield the buyer a greater competitive advantage in its downstream market which in turn will increase its bargaining power forcing suppliers to give even greater discounts. For the other retailers, they face the problem of a declining competitive position, being unable to negotiate the same discounts as the dominant firm, with their profitability consequently suffering and their long-term viability undermined.
>
> The overall effect of this process on consumers is not certain, but they may ultimately lose out through reduced choice of retailers as well as increased prices if the dominant retailer is able eventually to set higher prices without the prospect of weakening its stranglehold on the market." (p.28)

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[6] Paul Dobson, Mike Waterson and A Chu, "The Welfare Consequences of Buyer Power", OFT Research Paper 16, 1998

These concerns about buyer power may particularly arise in retailing:

> "… most recent attention in regard to buyer power has focused on that in the context of retailing, not least since it is this sector which has seen such rapid consolidation (especially relative to corresponding consolidation at the supplier level) and where evidence has emerged of a shift from supplier domination to buyer domination in the supply chain. It is also the case that in this sector there is wide scope for a variety of buyer-induced practices, which may be potentially anticompetitive, and more general concern that the exercise of buyer power may not only distort competition at the supplier level, but also at the downstream level **where retail competition itself may be restricted and distorted**." (p.33)

In brief, the OFT's research suggests that the exercise of upstream buyer power by supermarkets has the potential to distort competition in downstream markets.

The impact on consumers

Consumers may lose out from a reduction in competition if upstream buyer power allows a few firms to establish market power in the downstream market. Once firms have established a dominant position, they may be in a position to raise prices above competitive levels and/or cut back on product range or number of retail outlets, thereby damaging consumer choice.

However, we need also to consider the possibility that consumers benefit because supermarkets achieve better buying terms from their suppliers and pass these savings on through lower retail prices.

Where the market for the supply of a particular product is monopolistic or oligopolistic, supermarket buyer power may have the beneficial effect of reducing the ability of grocery products manufacturers to exploit their market power. But what happens in practice depends at least partly on the nature of competition between suppliers of groceries, which may differ from one grocery product to another.

For grocery products where supply is competitive it seems unlikely that consumers will benefit overall from supermarket buyer power. We say this because if supermarkets start to squeeze supplier prices through the exercise of buyer power, suppliers who were previously making no more than a normal level of profit before (as would happen in an effectively competitive market) will no longer be able to do so. Over time, this would become unsustainable, leading to one of two possible effects, which the CC recognised in its 2003 Safeway report:

> "The consequences of uncompetitive prices [resulting from buyer power] may include **'waterbed' effects** (where suppliers seek to recoup the lower prices they receive from large retailers through higher prices to smaller grocery retailers) or a further general weakening of some suppliers' bargaining positions, with the result that some grocery manufacturers are likely to find **investment in new products or innovative manufacturing techniques more difficult or no longer possible**." (paragraph 1.20)

We agree that the waterbed effect does not require suppliers to react to supermarket buying power only by raising prices to other buyers. The 2003 Safeway report concluded that while there was little evidence of an immediate or short-term waterbed effect, this was not the case in the longer term:

> "From the evidence available to us, we take the view that there may be some water-bed effect for some classes of suppliers, especially over the longer term." (paragraph 2.248)

Customers shopping at supermarkets will gain to the extent that supermarkets pass through their better buying terms into lower retail prices. On the other hand, customers shopping at other grocery stores will lose out by paying higher retail prices. If (and only if) supermarkets pass through 100 per cent of their greater buying discount these two effects cancel out, then, in theory, and ignoring distributional effects, consumers as a whole are neither better nor worse off.

Leaving aside distributional effects (though they can be significant) we still need to ask whether supermarkets pass through 100 per cent of the savings from their better buying prices. We are doubtful about this. When is market power ever exercised, over the long term, to the benefit of consumers? What profit-maximising retailer buying on significantly better terms than rivals would not undercut rivals while retaining in the form of higher profits some of the savings achieved? One would have to wear very rose-tinted spectacles to believe that all the benefits would pass through to consumers.

If customers in independent grocery stores pay higher prices set to offset the supermarkets' better buying terms, but customers shopping at supermarkets gain by a lesser amount because supermarkets do not pass on all their savings from superior buying, then consumers *as a whole* will be worse off.

Our advisors, Europe Economics[7], have carried out calculations on the potential scale of the consumer detriment, and we would be happy to share these with the Commission. In brief, the calculations show that under the hypothetical assumptions used, consumers could end up paying £1 billion more every year for their groceries as a result of supermarket buyer power. Over a period of 10 years this would give a total discounted consumer detriment of £8 billion. Greater transparency of buying prices would enable Europe Economics' calculations to be applied to real data rather than being hypothetical.

The impact on independent wholesalers

We voiced to the OFT concern that the acquisition of convenience stores by supermarkets may undermine the viability of the buying groups and wholesalers serving the remaining convenience stores. If these groups lose members and scale advantages, continued expansion by the

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[7] http://www.europe-economics.com

supermarkets will further weaken competitive constraints on supermarket behaviour in the convenience retailing sector. To quote the Institute of Grocery Distribution (IGD) [8]:

> "For many years, convenience retailers have sought to overcome the limitations of fragmented store ownership through the development of various organisations, all intended to deliver benefits for members through buying, the support services or political influence.
>
> With large numbers of convenience stores changing ownership, the influence of the organisations can be undermined, to the detriment of those remaining in membership."

Such effects can (and in our view do) create a vicious circle in which loss of volume to supermarkets raises costs in the independent sector, leading to further price increases, further loss of volume, an accelerating decline in the independent sector, and a reduction in its ability to exert a competitive constraint on supermarkets.

Europe Economics has carried out some illustrative calculations of how these effects might work, again using speculative assumptions. Their purpose is simply to illustrate the concepts and to highlight the need for more rigorous investigation. We would be happy to share this work with the Commission.

A powerful weapon which supermarkets are able to wield against suppliers is the threat to de-list, i.e. not to stock a particular product or range of products. Independent wholesalers have no such equivalent bargaining power.

Impacts on consumer choice

The Commission may wish to investigate the practice of "category management", which, so far as we are aware, is practised by all major supermarket groups across a wide variety of products. Category management is an arrangement under which a supermarket group will hand over to key suppliers in defined product categories responsibility for managing supplies of that category in-store: in other words the supplier determines what quantities of which product are required and arranges such supplies accordingly. Naturally, the supplier pays the supermarket for the privilege of category management. The effect on product range is predictable: the supplier's own products are preferred, with the result that product availability is determined as much by supplier considerations as by consumers. Where supermarkets acquire convenience stores, the restriction of consumer choice is especially noticeable: their range of line items is characteristically some way smaller than is available in an independent or symbol group convenience store of equivalent size.

The buyer power that the supermarket groups may enjoy, and the ways in which they exercise such power (which we now comment on) are issues that we strenuously urge the Commission to investigate.

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8 IGD, *Consolidation in convenience retailing: examining the implications*, December 2004, p.151

Pricing behaviour

In this section of our paper we outline a number of ways in which we have found that supermarket pricing behaviour restricts, prevents or distorts competition with the independent convenience store sector, to the detriment of consumers. Much of what we are able to say at this stage is anecdotal: this is partly because of the near-total non-transparency of buying prices as between supermarkets and independent wholesalers; and partly because our membership is so diffuse. We would hope to improve on anecdote as the Commission's inquiry proceeds.

Below-cost selling and price flexing in grocery items

Below-cost selling

In our evidence to the OFT in 2005 we drew attention to a number of grocery products on which we felt sure that supermarkets were selling at below cost on more than a promotional basis. Reliable evidence, of course, is hard to come by, since the buying terms that supermarkets enjoy from major suppliers are extremely difficult to establish with certainty.

However, we were able to offer the OFT some evidence in relation to Easter Eggs, where we suggested that Tesco and ASDA were pricing at about 50 per cent below likely cost – very substantially more than the average supermarket/independent differential of around 10 to 15 per cent that is thought to prevail across groceries as a whole. A number of our members are now saying, after the experience of Easter 2006, that they are considering not stocking Easter Eggs next year.

A substantially similar position prevails in spirits in the pre-Christmas period. In the lead up to Christmas 2005 ASDA sold 1 litre bottles of Bells, Gordon's, Bacardi and Baileys priced at two for £20. This *selling price* is significantly lower than an independent wholesaler's *buying price*, as Table 9 shows:

Table 9: comparison of ASDA selling prices and wholesaler buying prices

Product	ASDA selling price	Wholesaler A's Buying price	Difference	
			£	%
Bells	8.51	11.53	3.02	26.2%
Gordon's	8.51	10.34	1.83	17.7%
Bacardi	8.51	11.13	2.62	23.5%

All prices are net of VAT

Price flexing

Price flexing has been described by the CC itself as the practice of lowering prices where competition is more intense, and increasing prices where it is less so. In 2005 we provided the OFT with evidence of price flexing in three parts of the UK:

- Withernsea, East Yorkshire, January – February 2004: Tesco plc ran a voucher promotion offering £8 off with every £20 spent. This promotion ran for four weeks.
- Bellshill, nr. Glasgow, May 2005: Tesco plc ran a voucher promotion offering £10 off with every £30 spent.
- Hull, East Yorkshire, also 2005: Tesco plc ran the same promotion as above, offering £10 off for every £30 spent.

Superstores generally claim a gross margin of between 25 and 28 per cent. It follows that a non-product specific promotion such as those described above, offering discounts of 33 per cent in two cases and 40 per cent in the other, must – all other things being equal – take the price below cost. Not only is such activity below-cost selling, but it is clearly a predatory act especially where it is targeted at competitors other than other supermarket multiples. In the case of Withernsea, the promotion could only have been targeted at taking sales from the independent retailer operating in the area.

Local information from Withernsea suggested that the voucher promotion there was devised to secure the competitive position of Tesco against a successful independent operator, Proudfoot.

be defined as having strong competition under the Competition Commission's 2000 test.

As the Commission has noted, price-flexing of this nature does not benefit consumers, because those who have less choice of retail outlets do not benefit from lower prices. In this instance, the threat created to the very survival of the independent operator in question meant that Tesco might have brought about a position where competition would be reduced, and where it would then be able to flex its prices upwards to the detriment of local consumers.

Anecdotal evidence suggested that similar promotions have been run in other cities in the United Kingdom. In this issues paper, however, our principal purpose is not to deal exhaustively with the issue but to highlight it as one for the Commission to explore.

Below-cost selling in related markets - fuel

We were gratified to hear at the Commission meeting on May 19th that the Panel would look at connections between grocery and other markets which influence the operation of the grocery market. One particular issue we wish to highlight – though not the only one – is below-cost pricing of fuel by hypermarkets. We drew the OFT's attention to this problem in the 2005 consultation in a 16-page paper which we would be happy to forward complete to the Commission.

A very brief summary of our conclusions in relation to unleaded petrol is as follows:

> "The figures [in table 1.3] indicate that on the national average figures hypermarket retailers traded with a negative margin from the week beginning 7th May. However, using the methodology as detailed [in schedule 2] to calculate a minimum operating cost for a forecourt site, we can identify 47 of the 70 weeks surveyed in which it is highly possible that hypermarkets were trading at a loss. (see table 1.4). This includes one continuous period of 15 weeks, ….and one continuous period of 13 weeks…."

Similar conclusions apply to ULSD (ultra-low sulphur diesel) fuel:

> "The figures [in Table 1.1] indicate that on the national average figures hypermarket retailers traded with a negative margin from the week ending (w/e) 1st October 2004 to the week ending 29th October 2004. There is a further period showing a negative margin in the two weeks from w/e March 11th…..[U]sing the methodology as detailed in schedule 2 to calculate a minimum operating cost for a forecourt site, we can identify 35 of the 70 weeks surveyed in which it is highly possible that hypermarkets were trading at a loss. This includes a continuous 15 week period commencing in w/e 30th July 2004."

Discounted pump prices, whose sole purpose appears to be to attract footfall to the hypermarkets at busy shopping times, are frequently buttressed by vouchers which add to the incentives to shoppers to visit the hypermarket.

> "…The use of the linked discount voucher has become a feature of fuel retailing. Tesco, ASDA and Sainsbury have all operated fuel discount vouchers schemes in the last 18 months….. These provide the hypermarket shopper with a voucher for money off a fuel purchase, usually on the basis of a pence per litre discount…. The use of vouchers has the effect of further discounting the retail price of fuel. In a market place where the relationship between cost price and selling price is potentially giving rise to competitive concerns the use of vouchers exacerbates the problem."

Even superficial research of local markets (shared with the OFT in 2005) shows that the practice of price flexing takes place in relation to fuel as well as to groceries. As an example, three J Sainsbury fuel hypermarkets were examined in different towns within a short drive of one another. The results are shown in Table 10 below.

Table 10: local fuel price flexing

Town	Price (litre ULSD)	Features of Market
Farnham	86.9	Strong local competition
Alton	89.9	Limited local competition
Basingstoke	86.9	Strong local competition

While such a snapshot does not purport to be definitive proof, it does suggest that superstores can (and indeed do) make prices depending on local competition, and that others have to take prices from them.

Refusal to supply

We have some anecdotal evidence that some suppliers limit product availability to non-supermarket buyers at launch times. We recognise that different independent wholesalers may take different views about the promotional items they wish to carry – but there is no smoke without fire: the difficulties that some of our members describe are, along with other anecdotal evidence, consistent with the exercise of supermarket buying power over suppliers and thence over independent wholesalers. We will be happy to share such evidence as we have with the Commission as the inquiry proceeds, but the Commission itself is in a much better position to assess whether the evidence we have is merely a symptom of a much deeper-rooted problem.

Land banks and planning issues

The issues of land banks and the operation of the planning system more generally have been identified by the OFT as areas for concern.

We do not at this stage have any evidence to offer on whether supermarket groups are hoarding land and on the effects that this may have on competition. However, if land hoarding is merely another example of the accretion and exercise of market power by supermarkets, then on those grounds we do object.

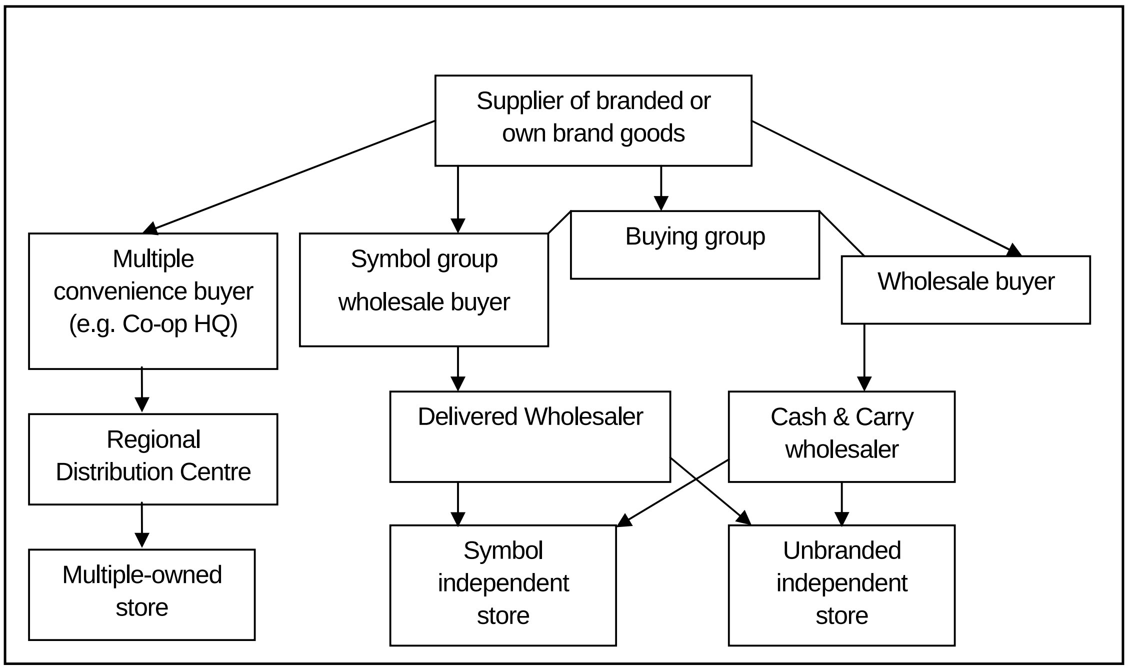
We are also exercised by the operation of the planning system. In its present form it appears to us needlessly complex and costly to deal with – but the supermarket groups appear to have the resources and expertise to use this to their advantage. On occasions, through Section 106 'planning gain' agreements, superstore development can take place despite contradicting published Local Plans. Superstores can ride roughshod over local authorities less well-resourced than the companies in terms of both planning expertise and finance. In addition the planning guidance issued by Government does not allow the competition impact of developments on the local retail market to be taken into account. Overall, the planning regime may restrict, prevent and distort competition between supermarkets and other grocery retailers. We are aware that the Scottish Grocers' Federation already has significant material to put to the Commission on the subject of planning, and we at ACS expect to develop further evidence and argument as the investigation proceeds.

We welcome the fact that the Commission will investigate such issues and will play whatever part we can in assisting.

Appendix 1: the make-up of the convenience store sector

Figure 1 below illustrates the structures through which convenience stores other than those owned by the Big Four supermarket groups are supplied.

Figure 1: supply chain in the "non Big Four" convenience segment



Notes on Figure 1:

1. In the convenience store sector almost all goods will be supplied by a manufacturer to the retailer or wholesaler, rather than being collected by the buyer from the manufacturer.
2. Not all wholesalers or symbol groups are part of a larger buying group.
3. Buying groups may or may not physically handle products – these may go directly to members of the buying group.
4. Unbranded independents are more likely to be supplied primarily through cash & carry outlets, while symbol group stores are more likely to be supplied primarily by "delivered wholesalers", i.e. those which offer a delivery service.
5. Some manufacturers deliver direct to independent or multiple stores, particularly in fresh products. Currently all newspapers and magazines are delivered by separate wholesalers contracted directly by the publisher.

The CC will no doubt wish to gain information from each part of the supply chain. We suggest that contact with businesses in this supply chain is best achieved as follows.

Multiples: These businesses are best contacted directly by the CC, and indeed many may already have been approached for information.

Co-ops: These businesses too are best contacted directly by the CC. We would expect that The Co-operative Group will be liaising with the CC over information requests from co-operative societies.

Symbol groups: These businesses likewise are best contacted directly by the CC. The CC should be aware that members of symbol groups are generally independent businesses, and that detailed information relating to sales and costs in these businesses will not be available to symbol group head offices. However, symbol group head offices do generally hold data relating to the types of businesses within their membership, and from this it may be possible to establish a useful segmentation of symbol group stores.

Other wholesalers: These businesses may be contacted directly by the CC. Some groups of wholesalers are made up of small local operators. The Federation of Wholesale Distributors may be able to assist in identifying these groups. Head offices of groups such as this may be able to advise on how best to form a credible segmentation of the wholesale market.

Unbranded independents: As we have said in the main body of this document, these businesses are hard to contact, and, even if effectively contacted, may not have detailed sales or cost information readily to hand to provide to the CC. They do not always have EPoS systems. ACS' own ability to provide financial information on these stores is, accordingly, limited. There are just over 3,000 independent members of ACS who join the Association individually, i.e. as distinct from joining ACS through a symbol group. However ACS cannot claim that this group of 3,000 members is typical or representative of the wider market of unbranded independents. This is because many of these stores are smaller newsagents, and not fully fledged convenience stores.

The wider grocery market

There are a large number of specialist retailers – greengrocers (8,000), butchers (7,500), bakers (3,800), farm shops (1,400), fishmongers (600), and about 1,000 others – whose competitive position is probably very little different from that of convenience stores but who are nevertheless not part of the convenience sector as we have defined it and are not represented by ACS.

We would advise the Commission to make contact with the following trade associations as appropriate:

– The National Association of Master Bakers

– The National Federation of Meat and Food Trades

– The Guild of Fine Food Retailers

Appendix 2: a sample Symbol Group offering

Background
In 1998 Palmer & Harvey McLane Ltd introduced a dedicated team of retail specialists to assist their independent customers to develop the retail potential of their business through the Supershop and Your Store Symbol concepts. The acquisition of the Mace symbol group two years later offered a highly respected fascia in the established convenience sector, and with the introduction of the highly successful Mace Express format P&H now offers a professional retail solution for every market sector. From the impulse based CTN, across the emerging convenience sector and forecourts to the full blown convenience store, P&H have a retail support package that can develop sales, improve profitability, and bring the increased professionalism in today's highly competitive market.

Introduction
Take a look at your competition. What makes the multiple operators in both the convenience and forecourt sectors successful? You would agree it's professionalism, investment, retailing discipline, product group management and marketing.

With P&H Symbol you will keep your independence but will be part of a group that really can develop your business for the challenges that lie ahead.

Professional retail solutions
P&H now offers you a professional retail solution for every market sector. From the impulse based CTN, across the emerging convenience sector and forecourts to the full blown convenience store, P&H have a retail support package that can develop sales, improve profitability, and bring increased professionalism in today's highly competitive market.

Supershop
The Supershop development package is especially designed for impulse CTN. Maximising the core retailing strengths whilst adopting merchandising and promotional techniques that will drive the impulse potential that exists.

Current membership: 270
Membership fee: £20 per week
Minimum weekly turnover: circa £5,000

Your Store
In the main confined to Scotland and N Ireland, the Your Store symbol group has a dedicated support package that encompasses the market sectors of both Mace and Mace Express in these regions.

Current membership: 135
Membership fee: £35 per week
Minimum weekly turnover: circa £8,000

Mace Express
Designed to develop retail business within the CTN or forecourt diversifying into limited convenience retailing - but

backed with the full support of the parent brand, Mace.

Current membership: 100
Membership fee: £35 per week
Minimum weekly turnover: circa £8,000

Mace

The complete support package for the 'full blown' convenience store operator. Everything the retailer needs to maximise the potential business development of the store.

Current membership: 245
Membership fee: £35 per week
Minimum weekly turnover: circa £10,000

A retail partnership

P&H Symbol is all about a working partnership with the professional retailer who is dedicated to maximise their outlets potential, increase its profitability and ensure a viable and sustainable business.

Retailer support

With P&H Symbol the retailer retains his/her independence and identity but benefits from a dedicated Symbol Manager that is with the retailer every step of the way, lending practical support including:

- Initial presentation of benefits and costs
- Site survey - *analysis of trading history / trading patterns / ranges*
- Demographic survey - *to establish strengths, weaknesses and opportunities*
- Cluster Solution - *CICA socio demographic info. determining category strengths*
- Trading profile - *Category space versus turnover and profitability analysis*
- Range recommendations
- Business proposals
- Sales projections

- Refurbishment proposals
- Return on Capital Investment summary
- Scale drawings
- Access to preferred shopfitter
- Contract management of project
- Liaison with third party suppliers
- Assistance with off licence application
- Stock and planogram requirements
- Merchandising
- Completion of small projects using existing equipment
- Imagery installation
- Opening 'fun day'
- Ongoing business development meetings
- Access to the P&H finance schemes preferential rates

Understanding your business

Before recommending any changes or investment we will analyse your business and identify the opportunities that exist. The P&H symbol management team will prepare proposals and by working together we can help maximise the potential of your business. It could be as simple as a change to your store layout, or a complete refurbishment with EPoS, we have the solutions. Access to funding could be available via the P&H finance package.

The cost effective entry into symbol retailing

P&H Symbol offers retailers an extremely cost effective entry into symbol retailing, providing the following benefits:

- Enhanced purchasing terms from P&H and its subsidiary companies
- A competitive discount structures across all product categories
- A 3 weekly exclusive symbol promotional programme including excellent consumer offers from top brand leaders

* Full colour point of sale material
* Free consumer leaflets
* Exclusive loyalty bonus schemes for disciplined retailing -'the more you buy the more you earn'
* A complete range of category 'blueprints' and planograms installed and maintained to ensure the retailer stocks the right products and maintains retailing discipline
* An exclusive symbol 'Retailer Reward Scheme' that can earn the retailer up to an extra 2.5% annual retrospective discount paid on the total of the participating manufacturers purchases via P&H and its subsidiary companies
* Free entry into the symbol annual holiday incentive scheme where the winners are taken on an all exclusive 5 star package to Cyprus
* YP SPRINT EPoS finance package which couples preferential leasing rates with an annual cash back bonus worth up to £5,000 over 5 years, means that EPoS has never been more affordable.
* Exclusive quarterly ORD from ACE, the P&H third party drop shipment scheme
* Dedicated retailer support teams
* Retail business advisors
* Access to Mace own label products
* Mace work-wear and branded goods

All designed to develop retail sales and increase profitability.

Training is the key to professionalism

Every P&H symbol retailer has access to a 'Trading Standards and Operations Manual', an essential tool to understanding - store operations, business development, personnel and employment legislation. It also contains staff training guides and checklist.

NVQ training is provided via 'protocal' learning.' Introduced in November 2000 over 206 candidates from 82 stores were enrolled by January 2001, and a further 172 stores had registered their interest.

Group training is provided at regional level by the P&H external training department.

The future of symbol

As the strength of the convenience sector confidence continues to grow, more and more of our retailers are investing in their business, but they demand the best whilst wanting value for their money. For this reason P&H have launched Mace Express "Vision".

A concept store that utilises up to the minute materials, finishes, design features and merchandising techniques.

The Mace blue and style of logo will be retained but set on fascia that is manufactured in a brushed aluminium finish. This "silver" theme is continued throughout the store interior and complimented by the blue on the counter and pelmet detail. The refrigeration equipment will also follow this silver and blue theme.

The wooden floor softens the theme of a complete 'turn key' refurbishment package that will have huge aesthetic appeal for the consumer. All backed by the latest technology and retailing techniques. With constant attention to business development through increased professionalism and high standards.

From the professional CTN retailer right through to the latest design innovation of Mace, P&H has a turn-key package designed to bring the Retail Solutions for the 21st century.