

The Groceries Market Inquiry

Memorandum by Paul Holmes, MP for Chesterfield

Consultation with the managers and owners of small shops in my constituency has revealed widespread concern about the future of small retailers in the UK groceries market.

The groceries market is being distorted by predatory pricing. Large retailers offer, and aggressively promote, certain products at a price less than that for which smaller retailers can purchase them, even through the competitive distribution networks such as that operated by Spar. When large retailers sell key products at below cost, small retailers, no matter how much they invest in their staff or their store, are unable to compete on these important lines.

Predatory pricing has a significant impact on retail communities, as smaller traders are being put out of business because they are unable to compete with larger retailers' anti-competitive pricing practices. This is at a time when retailers are already under substantial financial pressure because key costs, i.e. staff, rents and energy, are increasing at rates well in excess of inflation.

Supermarkets claim they are benefiting the consumer by delivering more choice at lower prices. Whilst this may have some element of truth in the short term, similar arguments were put forward when predatory pricing was used during the introduction of supermarket petrol forecourts. Some years on the consumer now has less choice and pays more.

Furthermore, the extensive resources at the disposal of supermarkets allow them opportunities not open to smaller retailers. The ability to finance large teams of in-house lawyers enables supermarkets to identify loopholes in legislation, particularly relating to planning and licensing.

For example, supermarkets have been reported to have appealed certain planning decisions, knowing that the high cost of defending puts local authorities in an extremely difficult position when justifying the use of significant public funds. Some authorities choose not to fully defend the appeal on cost grounds, a situation that would not occur with smaller retailers.

Another example is where planning is granted to establish "express" format stores on the basis of restricted trading hours, only for significant legal resources to be subsequently employed to extend hours as it is easier to do so just after the store has started trading.

The larger supermarkets become, the more resources they have available to them to exploit legislative detail. While their action may be legal, it is not being conducted within the spirit of the law.

In addition to larger retailers' practice of predatory pricing and exploitation of legislative detail, the location of their stores on the outskirts of towns is drawing customers away from town centres and causing a drop in the footfall of smaller, more centrally located retailers.

If action is not taken to level the playing field in which groceries retailers compete, in the coming years we will see a radical transformation of Britain's town centres to the detriment of the consumer. Though already well underway, it isn't too late to halt this transformation.