

**Sent:** 06 June 2006

**To:** Groceries

**Subject:** Competition Commission Investigation into Supermarkets and the Non food Groceries Report

Dear all,

I am writing in my capacity as Chairman and Chief Executive of AIM, representing nearly 1,000 independent music companies.

We welcome the investigation into the non food Groceries market, and would like to draw your attention to the situation with smaller companies in the music industry, supplying CD's for retail into the UK high street.

The entrance of supermarkets into music retailing in the early nineties has caused considerable erosion to the traditional purveyors of music on CD – specialist multiples and independent high street retailers alike, with a consequentially damaging effect on smaller producers who rely on specialists for their business.

Supermarkets offer a relatively tiny range of chart only CD's at low prices, hurting the industry at many levels, but particularly smaller companies. Product is frequently offered as a loss leader to create foot traffic into the general store, which means that other conventional music retailers are unable to compete on price, inevitably losing a valuable proportion of their turnover to the supermarkets, and often leaving their overall retail offering unviable as a business. Hundreds of independent retailers have closed down as a result.

The inclusion of supermarket sales of CD's into the chart has further skewed the control of the CD market into the hands of the four multinationals, who use their market power and scale benefits to dominate this sector. Chart positions are secured by the retail distribution of products into the supermarkets, which have a consequential effect on airplay, and other marketing activities, tending to lead to a pre-determined result. As supermarkets control

As a result, the range of music available at retail in this country has been reduced, at the expense of consumer choice, retail diversity and radio formats, and independent music companies have found it increasingly difficult to compete in this harsh retail environment.

Countries in the EU have an obligation to ensure that cultural diversity is not adversely affected by global business behaviour, and we believe that the music industry and its consumers are poorly served as a result of the increasing domination of global brands and business practises which have turned music into a commodity, and less of a creative and cultural good.

We therefore strongly believe that CD's should be included in the forthcoming investigation, and remain available for further consultation if and as required.

With best regards

Alison Wenham  
Chairman and Chief Executive

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