

## 5 The views of other parties

5.1. This chapter summarises the views of other parties given for our inquiry. It includes the views of other parties which were published in the OFT report. These were of continued importance for our own inquiry, many of our respondents referring us to what they had said to the OFT.

### **Manufacturers**

5.2. In their inquiry, the OFT received evidence from 15 clothing and equipment manufacturers. They said they did not need to advertise prices, and Holmes McDougall's policy did not affect most of them directly. Most of them supported the policy. Their reasons were as follows:

- (a) The restriction on price advertising placed the emphasis on the quality of goods rather than their price.
- (b) The general appearance of the magazines was improved, and the belief was that this would lead to increased circulation and a better return for the advertiser.
- (c) Small specialist shops were protected from the effects of price-cutting by mail order firms, and it was in the interests of manufacturers to have the maximum number of outlets for their products. Specialist shops also tended to stock a wider range of products, but mail order firms concentrated on fast-moving, high-profit items.
- (d) The advice available to the customer from specialist shops was important.

Those opposed to the policy thought that it would reduce competition between retailers.

5.3. In our own inquiry we received evidence from 45 manufacturers. None was against the reference policy. Slightly less than one in three expressed views in its favour. It was generally clear from this evidence that the opposition to price advertising was not against the advertising of prices as such but against cut prices advertised by mail order houses. One manufacturer who believed in advertising his prices said that his object was to encourage the consumer either to write to him for a catalogue, retail price list and list of local stockists, or to encourage the consumer to visit the local stockist. He thought that the publisher Holmes McDougall was entitled to refuse advertisements containing prices if that was this publisher's choice.

5.4. Several manufacturers told us that mail order firms had neither the risk of keeping stock nor the burden of providing service. One said that specialist retailers had complained of unfair competition from the mail order firms, and another that a minority of these firms had threatened to cause a collapse of the market through the lower prices which their low margins enabled them to charge; manufacturers did not want the risk of depending upon a few large customers, and needed the retail trade as constituted at present in order to maintain output.

5.5. Other comments were that the absence of price information in advertisements made for a stable structure in the retail trade and a good geographical spread of outlets, it helped to ensure wide stocking, good service and the provision of expert advice, and it facilitated the purchase of goods of good quality rather than the cheapest goods. There were claims that customers did not buy on price, that magazines without an advertising content resembling mail order catalogues were more persuasive and that they gave a better image of the outdoor life.

## **Retailers**

5.6. Over 70 retailers gave the OFT their views. Almost 90 per cent (of whom the great majority were small- to medium-sized specialist retailers) supported Holmes McDougall's policy as they considered that price-cutting by mail order firms had been bad not only for their own businesses but also for the industry as a whole and for the consumer. The reasons for their views were as follows:

- (a) Specialist shops found it difficult to compete on price with mail order firms, which had lower overheads and did not have to maintain the same stock levels and product range. Moreover, many mail order operations concentrated on a narrow range of fast-moving, high-profit items.
- (b) Customers used specialist shops to seek advice and inspect or try on goods, and then bought the goods from a mail order firm. This was detrimental to the shops, and could in extreme cases lead to closure. A reduction in the number of retail outlets would be against the long-term interests of the consumer.
- (c) The service and advice offered by the specialist shops was important and was not available to the same extent when buying by mail order. Service and advice was particularly important for climbers for safety reasons.

5.7. According to the OFT report retailers with large mail order businesses relied heavily on the specialist magazines as a means of communicating their prices to potential customers before the restrictions on price advertising were imposed by Holmes McDougall in mid-1983. Several retailers of this kind gave the OFT their views on the merits of Holmes McDougall's new policy and described the changes they made in their mail order businesses in order to cope with the new conditions. Several were in favour of the restriction on price advertising, and several were against it. Whatever the view about the restriction, the main method of adapting successfully to the new conditions was by developing catalogue selling.

5.8. The restriction was supported by Field and Trek, one of the large retailers with a mail order business, and this firm believed that its catalogue was a more effective sales medium than price advertising in magazines. Another large firm, Cotswold Camping, was adversely affected at first, but later found that trading conditions and its own margins had improved as a result of the restriction. When this firm was obliged to change its advertising methods it produced a catalogue which included prices, and in its advertisements in the specialist magazines it invited potential customers to write or telephone for the catalogue. The advertisements showed that discount prices were available.

5.9. Blacks and Scout Shops, which at the time of the OFT inquiry were the two largest chains of specialist retail shops, told the OFT that they opposed Holmes McDougall's policy on principle because it restricted the customer's freedom of choice. Both concentrated on developing their catalogues, and Scout Shops also stopped advertising in magazines. Neither was adversely affected by the policy.

5.10. Scout Shops thought that mail order firms were capable of offering adequate safety advice to customers, and pointed out the prominence given to the availability of expert advice in its own catalogue. Blacks said that many mail order customers were experts who did not need advice, that specialist shops would not necessarily provide more advice than mail order companies, and that there should in any case be minimum risk when using the products of reputable manufacturers. Blacks believed that price was not the dominant factor in the customer's decision on where to buy; personal service and shopping locally were also important factors.

5.11. Four other retailers with substantial mail order operations told the OFT that they had been adversely affected by the policy change and that they opposed it. One of the four was Taunton Leisure and Camping. This firm started selling own-brand goods, but said that they were expensive to buy, since manufacturers would only supply them in relatively large numbers, and required larger advertisements to draw the attention of customers to their existence. A small firm with most of its business in mail order also considered this option, but found the

necessarily large outlay prohibitive. This firm also tried to counteract the effect of Holmes McDougall's policy by producing an improved price list, and by advertising that it would match any price offered elsewhere, but neither measure was effective. This firm and another firm tried advertising in *Practical Camper* but neither found this method effective. Another small firm could not afford to produce a catalogue and produced a simple price list instead. The new policy was unsuccessful, and the firm eventually went out of business. However, a representative of the firm subsequently expressed the opinion that Holmes McDougall's policy was beneficial to established companies, particularly those with good catalogues, but that others had suffered and it would be very difficult for any new mail order company to enter the market.

5.12. Of the 77 retailers who gave us evidence, about one-third were in favour of the reference policy. Two were against it and the remainder expressed no definite views. The retailers included a small number of mail order firms, some of which were in favour of the policy. Of the mail order firms only Taunton Leisure and Camping had been adversely affected.

5.13. Taunton Leisure and Camping told us that it spent a great deal on advertising and its profits were suffering from the restriction on advertising. It continued to supply own-brand goods and to advertise the prices of these. It believed that publishers following the reference policy did so under pressure from large manufacturers who were important advertisers. It sold below manufacturers' suggested retail prices and said that they had exerted pressure because they did not want their suggested retail prices to be undercut. The firm believed that manufacturers should negotiate direct with retailers who undercut their suggested retail prices rather than use the device of the restriction on prices in advertisements. Some manufacturers accepted substantial orders from Taunton Leisure and Camping; others were prepared to refuse to supply Taunton Leisure and Camping when it undercut their suggested retail prices, a practice which the firm believed to be illegal. The firm told us that a number of its customers wrote to it and to the specialist magazines concerned to complain about the adoption of the reference policy.

5.14. A retailer in favour of the policy said that without the widespread dissemination of prices, there were no guidelines to help assess whether margins were too generous. Another argument was that manufacturer's brochures gave no indication of suggested retail prices so time was wasted at the counter filling in prices for the customer.

5.15. The arguments in favour of the policy are summarised below, and are followed by an account of our discussions with two large retailers, Cotswold Camping and Alpine Sports, both of which were in favour of the policy.

5.16. The point most frequently made was that the reference policy discouraged customers from using specialist shops to choose goods and obtain advice about them before buying them at cut price from mail order houses. Several specialist retailers said that their sales benefited if discounted prices were not immediately obvious to the consumer.

5.17. Other points were:

- (a) Those who wanted cut prices and did not need expert advice could get what they wanted by postal shopping.
- (b) Margins could be held because there was less price transparency. One firm said that margins were not particularly good, and specialist retailers needed to charge the manufacturers' recommended mark-up of 55 per cent in order to cover overheads.
- (c) The policy protected the structure of the retail trade from what was described by some as unfair competition. Mail order firms possessed commercial advantages which specialist retailers did not. The very large mail order firms could discount high volume items because of the better terms for these which they obtained from manufacturers. Mail order firms

did not keep stock, and one witness claimed that they fulfilled orders only up to 28 days later, so they could use the customer's advance payments in the meanwhile. They did business from cheaper premises, and their staffing levels were lower.

- (d) Loss of specialist retail outlets would have adverse effects. The consequent loss of expert advice would affect the safety of consumers, particularly those who bought specialised mountaineering equipment. There would also be adverse effects on quality, choice, the range of stocks and the availability of outlets needed by manufacturers.

5.18. We discussed the reference policy with Cotswold Camping, whose earlier views are shown in paragraph 5.8, and we found that the refusal of advertisements containing prices continued to have this firm's support for a number of reasons. The firm believed that the presentation and advertising standards of the magazines which followed the reference policy had improved. The public had a choice of specialist magazines, and if there were a demand for price advertising the circulation of magazines following the reference policy would fall. Cotswold Camping told us that in fact there was very little pressure either from customers or from within the trade for a return to price advertising. A return would be potentially disastrous. A few retailers would try to achieve high turnover on a very limited range of products. Availability of these products might be disrupted since manufacturers required forward orders, often up to six months before delivery, and would not be able to cope with sudden surges in demand. Another disadvantage to the customer in price advertising had been that the customer often found that the prices were out of date as not all retailers were careful to keep the information in their advertisements up to date. Even if prices were shown in advertisements, the best course for customers looking for the cheapest possible price was to use the telephone. Cotswold Camping told us that it updated its catalogue prices regularly and was always ready to sell at the published price.

5.19. We also discussed the reference policy with a former employee of Alpine Sports, another large retailer, which also sells by mail order. The information we were given is summarised below. The firm's policy during the 1970s was to cut prices and operate on low margins for popular or high volume lines, a policy described to us as a wide based form of loss leading. We were told that most retailers shared this policy during the period, but when inflation increased towards the end of it the major retailers insisted on larger trade discounts from the manufacturers, and the manufacturers conceded more than they could afford and became short of money for product development.

5.20. Alpine Sports was placed in receivership in 1982 and was reformed under new ownership in 1983. The new company identified the need to control margins as important. Instead of cutting prices the new company now concentrated on providing service and expert knowledge. The aim of its advertising was to expand the market by improving standards in the trade and raising overall awareness of the range of products available. The reference policy was beneficial all round. Manufacturers were able to sell at reasonable prices and earn sufficient for reinvestment and development. Retailers were rendered more concerned with the performance and suitability of a product, though retail prices were still good value. Finally, customers received a more honest service, and the visual quality of the magazines had improved.

**Views of trade associations  
and other bodies with an  
interest in camping, climbing  
and walking**

5.21. The Camping and Outdoor Leisure Association (COLA) is the trade association of the camping and outdoor leisure industry; it has over 300 members, and represents manufacturers, retailers and companies providing services. COLA was unable to give the OFT a view on Holmes McDougall's policy as it represented companies likely to have widely differing attitudes to the policy. However, COLA told us that in the view of its Council Holmes McDougall's policy had no effect on members' businesses. COLA supports the view that publishers should have the right to accept or reject any advertising at their discretion.

5.22. The British Direct Marketing Association (which represents mail order firms among others) told the OFT that it accepted that there were ways of circumventing policies such as Holmes McDougall's, but such policies nevertheless remained wrong in principle since they placed obstacles in the way of customers seeking price information, which was one of the most important factors in any purchase. The association feared the spread of such policies to other areas and believed that in general they were not in the customer's interest.

5.23. The OFT received evidence from a number of organisations with an interest in camping, climbing and walking. Some told the OFT that they opposed Holmes McDougall's policy. It was the belief of the National Consumer Council that competition was likely to be distorted, and consumers' interests prejudiced if price information about some types of goods were withheld from consumers. It was therefore wrong for one type of trader to prevent another type of trader from advertising price information. The Long Distance Walkers Association told the OFT that the policy restricted the freedom of choice of its members when buying equipment. Consumers required as much information as possible, including prices, before deciding from which kind of outlet to buy. They might opt for the personal service offered by a shop, or for the low prices of a mail order firm. Mail order firms also catered for consumers who did not have access to shops. If price information were available, the consumer would not invariably opt for the lowest prices.

**British Mountaineering  
Council**

5.24. The British Mountaineering Council (BMC) told us that it did not believe that the inclusion of 'normal' price information in advertisements for mountaineering equipment had any bearing on the safety of climbers, but if cut price information came to play a substantial part in the advertisements and led to the demise of specialist retailers the safety of climbers could be seriously affected. Specialist retailers were vulnerable to cut price competition from mail order houses in specialist climbing equipment, as they made their money on such items as rucksacks and tents and their margins on the specialist equipment were low. There was a danger that free cut price advertising by mail order houses would lead to a concentration of the specialist business in their hands, while specialist retailers would have to close or stock a more general range of goods. We discussed these opinions with the BMC, and the BMC also gave us descriptions of its role and the role of specialist retailers in preventing mountaineering accidents.

5.25. The BMC represents the United Kingdom on the world body of mountaineering, the International Union of Alpinist Associations (IUAA). There are British Standards for a few items of mountaineering equipment, but in the main standards for the equipment both at home and abroad are set by the IUAA. The BMC is responsible for testing equipment in this country and issuing IUAA standards for it, and for policing imported goods. In the BMC's opinion no serious climber would buy equipment not to a IUAA standard.

5.26. The BMC said that specialist shops for climbing equipment had an important role as gathering places and information centres for climbers. The shops were often run by climbers, and they had an essential role in offering expert advice on mountaineering equipment. Much of the equipment was technically complicated and expert advice on its use and fitting was needed if it was to be safe. Advice was particularly important for novices. The BMC thought that mail order houses could not offer this level of service as they did not possess the staff or resources necessary.

5.27. The BMC provided us with figures showing the main causes of incidents in the mountains of England and Wales for 1983 and 1984.

TABLE 5.1 Mountain team incident report: main causes of incidents in England and Wales, 1983 and 1984

		1983	1984
Slips fell walking	Footwear satisfactory	71	104
	Probably caused by smoothed soles	17	41
Slips fell walking on snow	Main cause probably no crampons or axe	8	13
		10	8
Falls while rock climbing/abseiling	Roped	17	21
	Solo	16	11
Falls while snow/ice climbing or abseiling	Roped	1	2
	Solo	2	12
Belay or runner failure	Climbing	2	2
	Abseiling	2	3
Fall of rock or avalanche	Rock fall	6	6
	Snow avalanche	0	2
Inexperience or ignorance or poor judgment resulting in collapse or benighted exhaustion or being lost	Summer — Apr–Oct	87	78
	Winter — Nov–Mar	21	42
Suicide or attempted suicide		11	13

Source: Mountain and Cave Rescue handbook.

The BMC said that the figures could not show whether the accidents were the result of defective advice by retailers. However, it was the BMC's view that bad equipment was the most serious safety problem in mountaineering and fell walking.

#### Camping and Caravanning Club

5.28. The Camping and Caravanning Club told us that as a body of people interested in and responding to advertisements, it was keen to see bargains and special offers, and a restriction on price information was against its interests in this respect. As publisher of *Camping and Caravanning*, the largest circulation monthly magazine for campers and caravanners, it did not refuse to accept advertisements with prices. On one occasion it gave in to pressure from a trade association whose members threatened to withdraw their advertisements if the Club did not stop publishing cut-price advertisements from a certain firm. This would have meant the loss of 75 per cent of advertising revenue. The Club respected the view of the trade association that it was trying to introduce quality into the products and services supplied by its members. There were at that time a lot of army surplus and similar types of dealers in the camping trade, and some of them were not very reliable. The Club said that the customer had certainly benefited from better quality products and a complaints service.

#### Members of the public

5.29. Both the OFT and we at the Commission heard from a few members of the public. Most of the OFT's witnesses and all of ours opposed the policy of restricting price information.

5.30. Those who told the OFT that they supported the policy did so because of their belief in the importance of the service offered by specialist shops and the detrimental effect of price advertising on the appearance of the magazines.

5.31. Several of the reasons given to the OFT and to ourselves for opposing restrictions on price information dovetail or coincide. A major reason for buying the specialist magazines was because the advertisements in them were a guide to the range of products, and they should also be a guide to the range of prices. Having to write or telephone for price information was a hindrance in this respect. One of our witnesses said that the function of advertising for the consumer was to encourage competition, either by stimulating product innovation or by way of price competition. The reference policy stopped price competition and effectively meant that retail price maintenance still operated in this field. Further, as very few towns had more than one specialist retailer, the public looked to the specialist press to stimulate competition.