

Title: Alcohol Multi-buy promotions IA No: Lead department or agency: Home Office Other departments or agencies: Department of Health; HM Treasury; HM Revenue and Customs; Department for Food and Rural Affairs; Department for Communities and Local Government.	Impact Assessment (IA)		
	Date: July 2012		
	Stage: Consultation		
	Source of intervention: Domestic		
	Type of measure: Primary legislation		
Contact for enquiries: Rebecca Whitfield, Home Office Rebecca.whitfield4@homeoffice.gsi.gov.uk			
Summary: Intervention and Options		RPC Opinion: AMBER	

Cost of Preferred (or more likely) Option			
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANCB on 2009 prices)	In scope of One-In, Measure qualifies as One-Out?
-£13.6m	-£9.3m	£0.9m	Yes IN

What is the problem under consideration? Why is government intervention necessary?

Excessive alcohol consumption is a problem which impacts on crime and disorder and causes health harms. There are currently a large number of multi-buy promotions available in the off-trade market. The purpose of these promotions is to incentivise the purchase of multiple alcohol products by linking price reductions to the amount of alcohol bought. This retail strategy is well established across the food and drink sectors. Studies show that this often leads to consumers purchasing and consuming more than they otherwise would. Because of the particular health and crime impacts of excessive alcohol consumption, particularly binge drinking, the Government feels it may be necessary to intervene to tackle such incentives.

What are the policy objectives and the intended effects?

The aims of the policy would be to stem the availability of irresponsibly priced alcohol and so to reduce excessive consumption, particularly binge drinking and regular drinking at harmful levels. It would do so by removing incentives for consumers to buy and consume more alcohol than they otherwise would, and so to change behaviours. This should be placed in the broader context of encouraging people to be aware of how much they drink, and of the risks of excessive drinking. This policy would aim to contribute to an overall reduction in health and crime and disorder costs. It would run in parallel to the introduction of minimum unit pricing, which also aims to tackle the issue of excessive alcohol consumption and the availability of irresponsibly priced alcohol (see separate Impact Assessment).

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

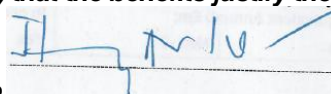
This policy is being considered as part of a comprehensive package of measures to tackle harmful drinking. It would be introduced in conjunction with other measures, including non-regulatory steps, to achieve the desired impact. This includes the introduction of a minimum unit price for alcohol.

Option 1: Do nothing

Option 2: Introduce a ban on multi-buy promotions in the off-trade

Does implementation go beyond minimum EU requirements?			Yes		
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.	Micro Yes	< 20 Yes	Small Yes	Medium Yes	Large Yes
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)			Traded:		Non-traded:

I have read the Impact Assessment and I am satisfied that (a) it represents a fair and reasonable view of the expected costs, benefits and impact of the policy, and (b) that the benefits justify the costs.



Date: 25-11-12

Signed by the responsible Minister: Jeremy Browne MP

Summary: Analysis & Evidence

Policy Option 2

Description: Introduce a ban on multi-buy promotions in the off-trade

FULL ECONOMIC ASSESSMENT

Price Base Year	PV Base Year	Time Period Years	Net Benefit (Present Value (PV)) (£m)		
			Low: -22.4	High: -4.8	Best Estimate: -13.6

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	2.7	0.3	4.8
High	16.1	0.7	22.4
Best Estimate	9.4	0.5	13.6

Description and scale of key monetised costs by 'main affected groups'

Transition costs - retailers would need to familiarise themselves with the policy and re-price products or adapt / remove promotions where required. Licensing authorities may need to inform alcohol retailers of the ban and enforcement officers would need to familiarise themselves with the policy. There would be ongoing enforcement costs for the public sector bodies responsible, which have been estimated to cost £0.5m /year.

Other key non-monetised costs by 'main affected groups'

In the transition, there could be material and stationery costs to business for re-pricing products / removing promotions where required. There may be a cost to the off-trade from a reduction in consumption or potential losses from restrictions placed on loss-leading pricing strategies, although it is likely that profits on alcohol sales would increase with higher prices. Consumers could find that some alcohol money-saving offers were no longer available - this would depend on the response by retailers.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate		NK	NK

Description and scale of key monetised benefits by 'main affected groups'

It is not possible to monetise the benefits at this stage - further evidence will be gathered during the consultation period and this section updated in the final stage Impact Assessment. However, modelling for other pricing interventions shows the potential scale of impacts in terms of reduced harm. We estimate that it may only require a relatively minor change in consumption to provide significant monetised benefits.

Other key non-monetised benefits by 'main affected groups'

A ban on multi-buy promotions would be expected to result in an overall reduction in alcohol consumption and its related harms. This would benefit health bodies, through a reduction in hospital admissions and NHS costs. There would also be expected benefits to the police, the criminal justice system and society, through a reduction in alcohol related crime. There would be employment benefits in reducing the impact of alcohol related work absences and unemployment. There may be a benefit to business of consumers switching their expenditure from alcohol to other goods. Consumers may find that non multi-buy promotions offer better value for money. For those consuming alcohol at high risk or harm levels, a reduction in consumption as a result of the ban would have health benefits.

Key assumptions/sensitivities/risks	Discount rate (%)	3.5
There is uncertainty around the extent of consumer response to a ban on multi-buy promotions, both in terms of the effects on purchasing, and the subsequent effects on consumption, although there is little doubt that the direction of the impact would be to reduce both consumption and harm. There is also uncertainty about the producer and retailer response to such a ban - it is possible that alternative discount strategies would be adopted, or that single items would be removed from sale (de-listed) so that retailers could continue to sell multi-buy products at low prices.		

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:	In scope of OIOO?	Measure qualifies as
Costs: 0.9	Yes	IN
Benefits:		
Net: -0.9		

Evidence Base (for summary sheets)

A. Strategic Overview

A.1 Background

On 23 March 2012 the Government launched its Alcohol Strategy, which aims to radically reshape its approach to alcohol and reduce the number of people drinking to excess. The Government has committed in its Alcohol Strategy to consult on introducing a ban on multi-buy promotions in the off-trade (that is, in places which sell alcohol for consumption off the premises such as shops and off-licences). This would, alongside the introduction of a minimum unit price for alcohol, be part of the wider strategy to reduce excessive alcohol consumption and the availability of irresponsibly priced alcohol, particularly through promotions which encourage multiple alcohol products to be purchased.

This would be designed to help tackle excessive and binge drinking, and so impact on long term health harms and crime and anti-social behaviour. The ban on multi-buy promotions would not be intended to unfairly target moderate drinkers, nor to stop consumers getting value for money when buying alcohol. But it would be designed to remove the incentives for consumers to buy more alcohol than they really want or would otherwise buy, and so help consumers to change their behaviours. This should be placed in the wider context of the Alcohol Strategy's aim of encouraging people to be aware of how much they drink, the risks of excessive drinking, and of helping them make informed choices.

The Government has previously introduced a range of measures with the aim of tackling the harms caused by excessive alcohol consumption. This includes significant reforms to the Licensing Act 2003 and work with industry through the Responsibility Deal. However, excessive alcohol consumption and unacceptable levels of health harms, crime and anti-social behaviour remain an issue. Any ban on multi-buy promotions would be introduced as part of a wider package of measures to target harmful drinking. It would be implemented on top of, not instead of, other measures including a minimum unit price and non regulatory measures to achieve the necessary impact. These measures, as outlined in the Alcohol Strategy, include addressing alcohol advertising, piloting sobriety schemes, and continuing work with the industry through the Responsibility Deal to implement pledges to market, advertise and sell their products in a responsible way.

The Alcohol Strategy contains a commitment to introduce a minimum unit price for alcohol and to undertake a review of the Mandatory Code for licensed premises. It should be noted that there would be some links between the implementation of these policies and any ban on multi-buy promotions.

This pre-consultation Impact Assessment will evaluate the robustness of evidence linking alcohol consumption to multi-buy promotions. This is an area of research which is much less developed than that on linear pricing models (such as a minimum unit price), and so in several areas this Assessment will highlight areas where further study or consultation needs to be undertaken. Impact estimates (both costs and benefits) therefore remain subject to change.

It is also important to note that there will be impacts (both costs and benefits) from the other policies arising from the Government's Alcohol Strategy but for the purpose of this pre-consultation assessment we are appraising a ban on multi-buy promotions in the off-trade in isolation. Impact assessments will be revised following public consultation to reflect the agreed and combined package of measures being taken forward.

A.2 Groups Affected

The policy would directly affect consumers, retailers and licensing and enforcement authorities.

Consumers who currently purchase alcohol on multi-buy promotions in supermarkets, shops and off-licences would be affected. Of particular interest is: the impact on the 16-24 age range, which is

known to be at particular risk of drinking excessive levels of alcohol; the impact on all consumers drinking regularly at harmful levels; and whether the impact differs between consumers on low incomes and those on moderate or high incomes.

Off-trade alcohol retailers are those that are only licensed to sell or supply alcohol for consumption off the premises. This would typically include large chain supermarkets, independent shops and off-licences. It also includes wholesale or trade merchants. Given the high proportion of alcohol currently marketed through multi-buy promotions, off-trade retailers would be expected to see a reduction in the volume of alcohol sales by these means. The impact on businesses would depend on the quantity of alcohol currently sold on multi-buy promotions, and any alternative pricing structures and sales techniques developed in response to a ban.

On-trade alcohol retailers refers to premises licensed to sell or supply alcohol for consumption on the premises. This would typically include pubs, bars, nightclubs, hotels and restaurants. The ban on multi-buy promotions would not apply to on-trade retailers. The on-trade is currently covered by provisions on 'irresponsible promotions' in the Mandatory Code, which the Government has undertaken to review.

It would be the responsibility of licensing authorities and Trading Standards to ensure compliance with any ban on multi-buy promotions and take enforcement action against alcohol retailers found to be in breach of its conditions. The impact of this would depend on what additional burden this adds to existing enforcement activity.

Any reduction in alcohol related harms resulting from this policy, including health and crime, would be expected to indirectly benefit health practitioners, the police and the criminal justice system.

The policy may indirectly impact on producers and manufacturers, and those involved in the supply chain for alcohol.

A.3 Consultation

Within Government

Cabinet Committee clearances were gained for the publication of the Alcohol Strategy, which contains a commitment to consult on a ban on multi-buy promotions in the off-trade. These clearances include official and Ministerial level discussions with other Government departments, including the Department of Health, Department for Business, Innovation and Skills, Her Majesty's Treasury, Her Majesty's Revenue and Customs, the Department for Food and Rural Affairs, The Department for Culture, Media and Sport, and the Department for Communities and Local Government.

Public consultation

This Impact Assessment has been created in advance of a public consultation. To assist with an effective consultation, officials will continue to hold discussions with representatives from consumer bodies, the alcohol industry, licensing authorities, the police, and health bodies on the possibility of a ban on multi-buy promotions and its likely impacts. This is expected to be in the form of meetings and technical consultations.

As outlined in Section E, there currently are a number of unknowns about fully quantifying the potential impacts of this policy, options around which are still being developed. It is important to note that the Government has committed to consult on a ban on multi-buy promotions, but a final decision on this policy will only be taken after the consultation. This pre-consultation Impact Assessment sets out the areas where more evidence is needed. Annex A outlines in more detail the areas where public and technical consultation and research will strengthen this evidence base.

B. Rationale

In the Alcohol Strategy the Government commits to taking action to tackle the problems caused by excessive drinking, particularly binge drinking and pre-loading.¹ Taking action against the

¹ <http://www.homeoffice.gov.uk/publications/alcohol-drugs/alcohol/alcohol-strategy?view=Binary>

availability and promotion of alcohol at irresponsible prices and tackling incentives to purchase large quantities of alcohol is one way of doing this. Regulation is already in place (through the Mandatory Code for Alcohol) to tackle irresponsible promotions in the on-trade. In order to ensure that the regulations for the on- and off-trade are balanced, the Government is consulting on introducing a ban on multi-buy promotions in the off-trade.

Multi-buy promotions

Like other retail sectors, the drinks industry offers a number of price discounts to consumers. Some of these are simple price reductions, but many are 'multi-buy' promotions, i.e. there is a link between the number of products purchased and the price of each product. Its widespread and repeated use suggests that this is an effective retail strategy. Research by the Competition Commission has shown that multi-buy promotions increase in number at around the time of major sporting events and public holidays.²

Whilst we do not have comprehensive data on the type, prevalence and proportion of multi-buy promotions, including in comparison to other price reductions, some individual sources are available:

- UK industry data for the 12 weeks ending December 2004 suggests that 39% of consumer promotions on beer, 42% of consumer promotions on wine, and 12% of consumer promotions on spirits were multi-buy promotions.³ It is generally believed that multi-buy promotions on alcohol have become more prevalent since 2004 and we will aim to update this data for the post-consultation Impact Assessment.
- One study in the North of England between December 2011 and January 2011⁴ found a median of 21 alcohol discounts per store in those visited. A total of 2045 discounts were found; 2018 with sufficient data to include in the analysis. Of these, 860 (42.6%) were single-item price reductions and 1158 (57.4%) multiple-item price promotions. Overall, price discounts led to a median saving of 25% but required a median purchase of more than 20 units. Multiple-item promotions were associated with a significantly higher proportion of the original price saved than single item reductions, but also required much higher volumes and number of units to be purchased. Multiple-item price promotions were most likely to apply to beer or wine.

Impact of promotions on sales

Given the prevalence of such offers, it is reasonable to infer that the industry favours multi-buy promotions as a way of increasing sales and repeat business. A report by the Institute of Alcohol Studies has suggested that supermarket promotions and discounts on alcohol increase sales by 20-25% and that 83% of customers who purchase alcohol on promotion will return for a second purchase.⁵

Impact on consumption

Little direct evidence is available on how alcohol promotions affect an individual's consumption behaviour after purchase. However, it has been established that people both buy and consume more when products are on offer, and that this increases when there are volume offers.⁶ Studies show that people do not always make optimum choices when deciding how to balance enjoyment in the present with consideration of health harms in the future.⁷ It is not unreasonable to expect that when people buy more alcohol because it is on a multi-buy promotion, they will tend to consume more. This is confirmed by research on food⁸ and would be consistent with clear findings on the effects of discounted alcohol promotions on increased drinking⁹.

² http://www.competitioncommission.org.uk/inquiries/ref2006/grocery/prov_findings/prov_find_app_5_6.pdf

³ Source: AC Nielsen Homescan, quoted in the Drink Pocket Book, 2006; the measures are by % of expenditure on offer

⁴ Adams and Beenstock (2012), Price Discounts on Alcohol in a City in Northern England, *Alcohol and Alcoholism*, 47, 187-190

⁵ http://www.ias.org.uk/resources/publications/alcoholalert/alert200601/al200601_p4.html

⁶ Blattberg, R. C. & Neslin, S. A. (1990). *Sales Promotion: Concepts, Methods, and Strategies*. Englewood Cliffs, NJ: Prentice-Hall, Inc.

⁷ See for example: Loewenstein, G (1987), Anticipation on the valuation of delayed consumption, *Economic Journal*, 87, 666-84

⁸ Just, D.R. (2006), Behavioral Economics, Food Assistance, and Obesity *Agricultural and Resource Economics Review* 35/2 (October 2006) 209-220

⁹ Independent Review of the Effects of Alcohol Pricing and Promotion, Part B, University of Sheffield, 2008

Tackling multi-buy promotions would therefore be likely to impact significantly on overall purchasing and consumption. Government intervention may be necessary due to the harms created from promotion strategies that encourage consumers to purchase more alcohol than they otherwise would. A ban on multi-buy promotions would aim to decrease the amount of alcohol purchased, and thus the amount consumed, rather than stop consumers from getting value for money when buying alcohol. A ban on multi-buy promotions would affect the way in which retailers are able to promote certain alcohol products, but would not place direct constraints on their price (it would constrain the relative price difference between a single item and an item sold as part of a multipack).

Alcohol and health

The impact of alcohol on health is also a significant issue. Over the last ten years health harms have continued to grow. Alcohol-attributable deaths in England rose by 7%, from 14,000 in 2001 to 15,000 in 2010. In the same period, total deaths fell by 7%. Over the same period, alcohol-specific deaths¹⁰ rose by 30%. The rate of liver deaths in the UK has nearly quadrupled over 40 years, a very different trend from most other European countries. Approximately 60 per cent of people with liver disease in England have alcoholic liver disease, which, in turn, accounts for 84 per cent of liver deaths¹¹. The rate of alcohol-related hospital admissions¹² has also continued to rise by an average of 4% each year over the eight years 2002-03 to 2010-11. Alcohol is now one of the three biggest lifestyle risk factors for disease and death in the United Kingdom after smoking and obesity. Estimates show that over 13% of people binge drink, and that this accounts for half of all alcohol consumed in the UK.

Alcohol and crime

There is a strong link between alcohol and crime, particularly violent crime. In around 930,000 (44%) of all violent incidents in England and Wales in 2010/11 the victim believed the offender to be under the influence of alcohol. More than half (56%) of all violent incidents involving wounding were alcohol-related as were over a half (58%) of incidents of stranger violence and just over a third (31%) of domestic violence incidents.¹³ Nearly a quarter (24%) of individuals considered people being drunk or rowdy in public places to be a problem in their local area.¹⁴ There is also a growing body of evidence linking 'pre-loading' (the practice of drinking at home before a night out) to alcohol-related harm, particularly alcohol-related crime and disorder. Two recent small scale studies provide some indication of the scale and impact of pre-loading. Two thirds (66%) of 17-30 year olds arrested in a city in England claimed to have pre-loaded before a night out with the majority (83%) buying alcohol from a supermarket in advance in preparation for pre-loading.¹⁵ A further study found that pre-loaders were two and half times more likely to be involved in violence than other drinkers.¹⁶

Scottish experience

On 1 October 2011, the Scottish Government introduced a requirement that 'a package containing two or more alcoholic products (whether of the same or different kinds) may only be sold on the premises at a price equal to or greater than the sum of the prices at which each alcohol product is for sale'. Preliminary analysis of the impact of this ban shows mixed results, with a small decline in the volume of pure alcohol sold off-trade in Scotland across the 33-week post-ban period compared with the corresponding period in the previous year.¹⁷ More data, and more advanced analytical techniques, will be needed to determine the impact of the ban over a longer time period. As the ban in Scotland was introduced in conjunction with a number of other measures it will be difficult to ascertain the independent impact of the restrictions on multi-buy promotions. Other (non

¹⁰ Alcohol related deaths = from conditions wholly caused by alcohol.

¹¹ Government's written evidence on the Health Select Committee's Enquiry into the Alcohol Strategy.

¹² Alcohol-related admissions are defined in the Public Health Outcomes Framework by reference to admissions where the primary diagnostic code is for an alcohol-related condition.

¹³ Chaplin R, Flatley J. and Smith K. (2011): Crime in England and Wales 2010/11, Home Office Statistical Bulletin 10/11. Supplementary Tables. Home Office:

¹⁴ Chaplin R, Flatley J. and Smith K. (2011): Crime in England and Wales 2010/11, Home Office Statistical Bulletin 10/11. Home Office:

¹⁵ Barton, A. and Husk, K. (forthcoming) Controlling pre-loaders: alcohol related violence in an English night time economy. Drugs and Alcohol Today.

¹⁶ Hughes, K., Anderson, Z., Morleo, M. and Bellis, M.A. (2008) 'Alcohol, nightlife and violence: the relative contribution of drinking before and during nights out to negative health and criminal justice outcomes', *Addiction*, 103 (1), pp 60-5.

¹⁷ http://www.healthscotland.com/uploads/documents/18906-Preliminarydescriptiveanalysis_impactquantityJune%202012.pdf

regulatory) factors will also need to be taken into account. We will continue to monitor reviews of the impact of the ban in Scotland as we take forward our consultation in this area.

C. Objectives

The objective of a ban on multi-buy promotions would be to reduce overall alcohol consumption by tackling incentives (through price promotions linked to quantity) for consumers to buy more alcohol in supermarkets, off-licences, shops and via the internet, than they otherwise would. This would be intended to reduce the harms associated with alcohol misuse. It would be particularly designed to impact on those who binge drink, tackling the situation whereby individuals go out to buy as much alcohol as they can afford, taking advantage of price promotions to maximise the number of alcohol products that they purchase. It would also aim to impact on those who regularly drink at harmful levels and go out to buy a moderate amount of alcohol but are incentivised to buy more because of price promotions, causing them to buy excessive amounts and increasing the harm caused.

D. Options

Option 1 is not to introduce a ban on multi-buy promotions (do nothing). This would retain the status quo in respect to multi-buy promotions. Doing nothing would enable alcohol retailers to continue selling alcohol as part of multi-buy promotions and would have no impact on excessive alcohol consumption or health and crime harms (beyond that which would result from other policies which the Government has committed to introduce, such as a minimum unit price for alcohol).

Option 2 is to introduce a ban on multi-buy promotions, i.e. those where the price of a single product in that multi-pack is less than the price of buying that same product on its own.

The aim of a ban would be to stop incentivising purchases of more products that people would otherwise purchase, i.e. to break the link between the number of alcohol products purchased and the price per product. This would mean the following promotions were not allowed:

- 2 for the price of 1 (or 3 for 2, buy-one-get-one-free, or buy 6 get 20% off);
- 3 for £10 where each bottle costs more than £3.33;
- 24 cans of beer being sold for less than 24 times the price of one can in the same retailer, or a case of wine priced more cheaply than 12x the individual price of the same bottles;
- Different multipack prices or multi-buy multipack offers- 10 bottles of alcopops being sold for less per bottle than a package of 4 bottles, or 3 packages of 10 bottles being sold for less than 3x the price of one 10 bottle pack.

A ban on multi-buy promotions would not affect discounts which were not linked to the purchase of multiple bottles, or which were linked to the volume rather than the number of products. It would not stop retailers cutting the price of individual items to match multipack prices, or prevent them from having a minimum buy rule (or 'de-listing single products). So the following would still be allowed:

- Half price, a third off, £x off any individual item;
- Single items being sold as cheaply as ones in a multipack or on offer (3 for £10 would be permitted, as long as each item can also be bought for £3.33);
- A case / multipack can be priced at any level if the items are not available to buy individually;
- Different prices for the same alcohol products sold in differed sized containers, where there is a per unit difference, e.g. a box of wine can still be sold for less than the price of 4 bottles of the same wine.

We will be using the consultation period to further clarify the terms of a ban.

E. Appraisal (Costs and Benefits)

GENERAL ASSUMPTIONS & DATA

In assessing the impacts of a ban on multi-buy promotions it is assumed that a minimum unit price would also apply. This is important in removing a 'loop-hole' by which single items could be reduced to heavily discounted prices, so reducing the effectiveness of a ban. A separate Impact Assessment has been prepared for minimum unit pricing.

There is currently a lack of evidence specifically on the relationship between multi-buy promotions, purchasing and consumption. Whilst this pre-consultation Impact Assessment sets out what we know about the potential impact, we hope to strengthen the evidence base for the final Impact Assessment. Further research is planned to strengthen that evidence base alongside public and technical consultations on the effects of the proposed changes.

Whilst we have used the SchARR model to evaluate the impact of other price-based policies, we are not able to do so for a ban on multi-buy promotions, because the model cannot differentiate between straight price reductions and quantity based promotions. We therefore judge that it would not be appropriate to rely on SchARR modelling for this analysis.

The Government is considering how to strengthen the evidence base on the effect of a ban on multi-buy promotions on purchasing. Research has been commissioned by Her Majesty's Revenue and Customs (HMRC) to look into consumer responses to promotions, including multi-buy promotions. We are also aware of a piece of work being carried out by the University of Cambridge to evaluate the impact of the Scottish ban on multi-buy promotions. This is expected to indicate the impact on overall price and sales volumes of different alcoholic beverages and the impact of the ban on different social groups (its distributional effects). It will also include an examination of the effects of the ban on overall supply and demand and on other pricing strategies (showing compensatory behaviour by retailers). The study will compare experiences in Scotland and England and Wales before and after the ban, and will use the most recent retail data available. The findings of the report are expected to be available in December 2012.

The direct impact of a ban on multi-buy promotions on alcohol consumption (rather than purchasing alone) is more difficult to ascertain. However, based on previous research and enhanced evidence on purchasing, it is hoped that it will be possible to infer the effects of a ban on consumption.

OPTION 1 – do nothing

The 'do nothing' option is provided as a baseline for comparison with the potential impacts of a ban on multi-buy promotions. This option does not take into account the planned introduction of other alcohol policies, such as a minimum unit price - it measures the impact of a ban on multi-buy promotions against the status quo. In this scenario, alcohol consumption and alcohol-related harms would remain as they currently are, at a cost of £21bn per year to society.¹⁸

OPTION 2 – ban on multi-buy promotions is introduced

In reality, any ban on multi-buy promotions would be introduced alongside a minimum unit price for alcohol and other measures (including non-regulatory measures) that the Government has committed to. In this scenario, the costs of implementation would be aggregated. However, for the purposes of this pre-consultation Impact Assessment we will assess the impact of a ban on multi-buy promotions in isolation to these other measures. We have however assumed that a counter-strategy of heavily discounted prices is **not** possible due to a minimum unit price. In other words, minimum unit pricing will be assumed to exist as a pricing constraint, but its regulatory impacts have not been accounted for here.

¹⁸ As per Government Alcohol Strategy 2012, in current prices.

COSTS

Transition costs to the public sector

The Government would produce guidance for both alcohol retailers and local authorities prior to the introduction of any ban on multi-buy promotions. It is worth noting that in reality this would be likely to coincide with the introduction of minimum unit pricing - the total cost would therefore be less than the estimated costs of introducing the two policies in isolation.

Licensing authorities would be likely to inform local alcohol retailers of the new legislation, although they are not legally required to do so. They would have a number of options of how to do this and so direct costs are difficult to estimate. The cost of communicating previous changes has been estimated at £500 per authority, of which there are 348, giving a total cost of £174,000. The best estimated cost for future transition (using the previous figure as a high cost and calculating the mid point between that and a zero cost) would therefore be £87,000.

Enforcement authorities (licensing authorities and Trading Standards) would also need to familiarise themselves with the ban. Based on initial discussions with a small number of enforcement authorities we estimate that it will take between 0.5 to 1 hours for enforcement authorities to familiarise themselves with the policy, at a best estimated cost of £19,000:

Table 1¹⁹

Enforcement Sector	Number of authorities	Average no. of staff per authority	High cost	Best cost	Low cost
Licensing Authorities	348	3	£14,200	£10,650	£7,100
Trading Standards	204	3	£11,100	£8,350	£5,600
TOTALS	552	3	£25,300	£19,000	£12,700

Figures estimated to 3.s.f

Based on both sets of transition costs, the best estimate of the total transition cost to the public sector is **£106,000** (based on a range of £12,700 to £199,000).

Ongoing costs to the public sector

Enforcement

If a retailer is found to be in breach of the ban on multi-buy promotions then enforcement action may be taken against them. This could result in a licence review, revocation of a licence or even a fine and/or imprisonment.

We would expect the majority of retailers to adhere to a ban from the offset, however, enforcing authorities will need to undertake enforcement action against any retailers who are selling alcohol products which do not comply with the terms of a ban.

The time taken to enforce a ban would vary depending on the size of the premises, the number of alcohol products in stock and the number of licence reviews that lead to enforcement action. At this stage it is not known which enforcing authority would be responsible for enforcing a ban on multi-buy promotions in the off-trade. Consultation and discussion with local authorities and the police is required in order to determine which enforcing authority would take lead responsibility for enforcing a ban and what the expected impact of this would be. Therefore, the estimated cost of enforcement in this Assessment could be higher or lower in the final stage Impact Assessment.

For the purposes of this pre-consultation Assessment we have assumed that one local government officer (either a licensing officer or Trading Standards officer) would be responsible for enforcing a ban in the off-trade. This estimate is based on a small number of discussions with enforcement

¹⁹ These estimations have been calculated on the basis of an average number of 3 staff per authority and a range of 0.5 to 1 hours per officer for policy familiarisation. It uses the average hourly wage for a licensing authority officer (£13.60) and a trading standards officer (£18.19), multiplied by the estimated time to enforce the policy. The 'best cost' has been estimated by taking a mid point between the low cost and high cost. See Table 4 for full average hourly salary breakdown. All figures have been up-rated by 21% for non-labour costs.

authorities and will require further discussion and consideration for the final stage Impact Assessment.

It is important to note that these costs are likely to be “opportunity” in nature in that the extra enforcement time will displace other work rather than require additional resources to be hired. Estimates will be improved following the consultation process.

Estimated additional enforcement activity based on one local Government officer per week: 1 - 3 hours

Initial estimated on-going cost of enforcement: **£0.2m-£0.7m per year²⁰**.

Impact on the Exchequer

If a ban on multi-buy promotions led to a decrease in overall sales, there would be an impact on the Exchequer in terms of reduced revenue from alcohol duty receipts.

Typically, lost tax revenue is not counted for the purpose of impact assessment because it is simply transferred to consumers or producers and there is no net change in social welfare. But in this case any loss in revenue from alcohol duty receipts reflects a net decrease in economic activity²¹. It is therefore a pure economic loss and is counted as a cost of the policy.

It is feasible that consumption could shift to other sectors of the economy and that other tax receipts could therefore increase. However, such second round Exchequer effects are considered to be outside the scope of this appraisal.

It is not possible to monetise the impact on the Exchequer for this policy option as we do not have robust estimates of the size of the retailer or consumer response to a ban on multi-buy promotions.

Cost to consumers

Consumers would no longer be able to purchase multi-buy packs on promotion. This may not reduce their value for money if business provided alternative price promotions or continue to offer multi-buy packs but with equal or lower prices for single items. Reducing consumers' alcohol consumption may not have a significant effect on their utility derived from alcohol consumption if they were originally buying more than they actually wanted to purchase, or if they were offered alternative deals that provide value for money.

If retailers do not change their pricing strategies some consumers may continue to purchase the same volume of alcohol but without the price promotions, therefore reducing their value for money.

Transition costs to off-trade retailers

Familiarisation of policy: off-trade retailers

Alcohol retailers would need to ensure that all products on the premises complied with a ban on multi-buy promotions. It has been assumed that it could take up to one hour for each retailer to familiarise themselves with such a policy. We have used high, best and low estimates to accommodate the various sizes of premises, the number of products potentially affected and the use of central pricing systems. This gives us a best estimated **familiarisation cost** of **£1.3m** for the off-trade, within a range of £0.9m and £1.8m (based on 132,400 retailers). (See Table 2 below.)

Off-trade implementation costs

Implementation costs are not expected to be as significant for stores with Head Office support as such stores have the ability to cross-check prices and promotions right across their regional stores and update via centralised pricing systems. However, based on consultation with retailers who do not use centralised pricing systems, it is estimated that in such cases this could take up to **8 hours** per independent retailer.

²⁰ These estimations use the average hourly wage for a local government administrative occupation (£13.60) multiplied by the estimated time to enforce the policy. The 'best cost' has been estimated by taking a mid point between the low cost and high cost. See Table 4 for full average hourly salary breakdown. All figures have been up-rated by 21% for non-labour costs.

²¹ This may alternatively be described as an increase in the 'deadweight loss' associated with reduced alcohol consumption

There are 132,400 off-trade alcohol retailers in England and Wales (this includes on-trade retailers that are also licensed to sell alcohol for consumption off the premises). 27,341 of these are micro-business, 28,808 are small businesses and 29,289 are medium businesses.²² We therefore assume that the remaining 46,962 are large businesses.

There is no available data that details what proportion of retailers use central pricing systems. However, we assume that large retailers and medium retailers are most likely to use central pricing systems and that micro and small businesses are least likely. We therefore expect that the largest burden will fall on the 56,149 micro and small off-trade retailers (although there will be a proportion of these businesses that use centralised pricing systems). It is also important to note that the scale of impact will depend on the size of actual premises and the number of affected alcohol products in stock. This data is not currently available. For the purposes of this assessment we have provided a range of scenarios for the cost of implementation but have not made separate assumptions based on the size of the business due to the degree of uncertainty around the number of retailers that have a central pricing system.

Our best estimate for **one-off implementation costs** is £7.9m, within a range of £1.8m - £14.1m

Total transition costs to the off-trade are therefore estimated at £9.3m, within a range of £2.7m to £15.9m.

Table 2²³

OFF-TRADE	Number of retailers	Hours	High	Best	Low
Familiarisation with policy	132,400	0.5 (low) - 1 (high)	£1.8m	£1.3m	£0.9m
Amending products & price lists	132,400	1 (low) - 8 (high)	£14.1m	£7.9m	£1.8m
TOTAL BUSINESSSS TRANSITION COSTS			£15.9m	£9.3m	£2.7m

Non-monetised transition costs

There will also be material and stationery costs to alcohol retailers when amending the prices on shop shelves, menus and promotional displays. This cost has not been quantified as it will depend on the cost of materials and stationery chosen.

Annual costs to business

Annual off-trade compliance costs

We would expect any ban to become part of business as usual operations, and so would not envisage any significant ongoing costs.

Annual revenue impact

Retailers use pricing and promotion strategies as a way to make revenue. Whilst they will experience revenue transfers from other alcohol promotions and other products, there is expected to be some loss in revenue, at least in the short term.

It is impossible to estimate at this stage the exact impact a ban on multi-buy promotions would have on business revenue. It is not known what proportion of alcohol products are on promotion, nor how much additional revenue is generated from a promotion. Research described on page 7 is intended to address this gap.

²² Data is obtained from UK Business: Activity, Size and Location – 2010 which contains data from a snapshot of the Inter Departmental Business Register (IDBR) taken on 22 March 2010

²³ These figures have been calculated using the average hourly wage for an off-trade retail manager (£13.33) multiplied by the estimated time to implement the policy. The 'best cost' has been estimated by taking a mid point between the low cost and high cost. See Table 4 for full average hourly salary breakdown. All figures have been up-rated by 21% for non-labour costs.

There is no clear substitute for alcohol on multi-buy promotion. Multi-buy offers would still be allowed to be available, as long as each item was not sold more cheaply than the same item sold on its own. If we assume that retailers remove or adapt all multi-buy promotions, consumers may choose to purchase the same amount of alcohol but for a higher price, and thus increase business revenue, or reduce their consumption of alcohol. It can be argued that purchases of alcohol on multi-buy promotions are not always planned purchases and therefore consumers may not substitute their purchases but instead purchase less alcohol overall. This may not mean a reduction in business revenue if the alcohol they do purchase is more expensive.

Some promotions may be loss-leaders that attract customers to the market where they then purchase other more profitable goods. Retailers may decrease the price of single items to enable them to continue to offer multi-buy packs at existing prices. It is important to note that the effect of a ban on multi-buy promotions would be universal in the off-trade. Therefore no retailer will suffer a loss of competitiveness in comparison to their rivals as a result of this policy.

Alcohol producers

According to HMRC data, there are currently 900 brewers, 110 distillers and 250 wine and cider producers in the UK. This is a total of 1180 alcohol producers in the UK²⁴ that could be directly affected by a ban on multi-buy promotions. There is also expected to be an impact on international producers who import alcohol into England and Wales, particularly for those international producers that produce cheap alcohol. We do not know the price distribution of domestic vs. imported products.

Producers of cheap alcohol are expected to be more affected (as these tend to be the products on multi-buy promotions), but the impact of this is unknown at this stage. There is therefore no quantified assessment (beyond the retail sales overall) of the potential impact on different producers of alcohol, since direct information on their costs, the wholesale market, and the profit made by producers in selling these specific products to retailers are unknown.

There are various 'second round' effects that may result from shifts in strategy by retailers and producers. For instance, it is possible that the introduction of a ban on multi-buy promotions could incentivise producers to de-list single items - this would also impact on others in the alcohol supply chain. Such second round effects cannot be accurately predicted and are not considered in detail in this assessment. Consultation responses may inform future modelling in this area.

The 'first round' impact on producers is implicitly counted elsewhere. If retailers or wholesalers choose to reduce any lost revenue by lowering their costs through making smaller stock orders, they are effectively 'passing on' the loss to producers. The overall loss would remain unchanged.

Impact on Wholesalers

As for producers, for wholesalers the 'first round' impact is implicitly counted elsewhere. If retailers choose to reduce any lost revenue by lowering their costs through making smaller stock orders to wholesalers, they are effectively 'passing on' the loss to wholesalers. The overall loss would remain unchanged.

BENEFITS

Due to the unknowns around the impact of this policy, it is not possible to provide a firm estimate of monetised benefits at this stage. However, the likely scale of expected benefits is illustrated below.

Alcohol-related harm is estimated to cost society £21 billion annually. Reducing overall consumption would reduce health, crime and employment harms, impacting on local and central Government and benefiting society as a whole. The estimated cost of a common assault is £1,750 and of a less serious wounding is £9,790²⁵. Hospital admissions related to alcohol cost an average

²⁴ Data provided by HMRC

²⁵ Home Office Unit Cost of Crime Estimates, 2011, <http://www.homeoffice.gov.uk/publications/crime/reducing-reoffending/IOM-phase2-costs-multipliers?view=Binary>

of £1,675²⁶. A reduction in consumption due to a ban on multi-buy promotions would be expected to have employment benefits in terms of a reduction in absence from work and unemployment due to alcohol problems. The impact of a ban on promotions would be likely to be behavioural, and so at this stage it is not possible to quantify the above benefits or monetise their direct effects.

Government modelling for the minimum unit price (MUP) for alcohol policy indicates the potential crime and health benefits from a reduction in alcohol consumption.²⁷ A 45p minimum unit price, which was estimated to have a 6.6% reduction in consumption in the off-trade²⁸, was estimated to prevent £21.3m in direct health costs in year 1²⁹ and £12.9m in costs of crime to society³⁰ per year by preventing alcohol-related health³¹ and crime harms³². The 3.3% reduction in consumption overall for a 45p MUP provided a total benefit over 10 years of £352m (PV).³³

Although the MUP modelling can *not* be considered representative of the likely effects of a ban on multi-buy promotions (because it is likely to affect drink types, consumer types and consumer behaviour in different ways), these figures serve to illustrate the potential scale of benefits that could arise through a relatively small fall in consumption. **Given that the total estimated costs of this policy are £26.7m over 10 years, it may only require a relatively minor change in consumption to provide a positive net present value.**

Net Effect

Due to the lack of reliable evidence on the direct effect of a ban on purchasing and consumption and consequently on the potential benefits from preventing health and crime harms, it is not possible to monetise the expected benefits in health or crime terms at this stage. Any possible costs to business in terms of lost revenue are also impossible to quantify at this stage.

The estimated net effect is only representative of the transition costs to business and the public sector from the policy and also the cost of enforcement for the public sector. This does not take into account the expected benefits, because of the difficulties in quantifying these at this stage. The research being undertaken throughout the consultation period should enable a more thorough appraisal of the costs and benefits of a ban on multi-buy promotions. **It is worth noting that it is expected that the benefits of a ban on multi-buy promotions would outweigh the costs.**

	Low	Best	High
Average Annual costs	£0.5m	£1.4m	£2.3m
NPV	-£4.8m	-£13.6m	-£22.4m

Figures estimated to 3.s.f

NET EFFECT (OIOO)

In regulatory terms, the cost to business from familiarisation and implementation of a ban on multi-buys would be in scope under One In One Out (OIOO). This policy would be a NET IN due to the direct cost to business from having to familiarise themselves with the policy and amend prices and promotions in the first year of implementation. This is estimated to cost £9.3m (NPV). It is worth noting that any ban would be likely to be introduced alongside minimum unit pricing, and so the

²⁶ This is a 2009/10 estimate based the Department for Health's estimate of the total cost of hospital in-patient and day admissions, both totally and partly attributable to alcohol, of £1,770,271,955 and data from the NHS information centre showing that in 2009/10 there were 1,056,900 alcohol related admissions - <http://www.ic.nhs.uk/statistics-and-data-collections/health-and-lifestyles/alcohol/statistics-on-alcohol-england-2012-%5Bns%5D>

²⁷ Full details of the Government modelling for MUP is provided in the MUP Impact Assessment 2012.

²⁸ It also led to a 3.0% increase in consumption in the on-trade.

²⁹ The direct health costs comprises the cost to the NHS, measured by number of reduced illnesses, deaths and hospitalisations.

³⁰ The crime costs comprises the reduced cost of crime, measured by lost economic output of victims, health service costs, criminal damage and anticipation of crime and cost to the justice system.

³¹ Health harms include acute and chronic conditions attributable to alcohol, such as alcohol liver disease and throat cancer.

³² Crime harms include crimes attributable to alcohol, based on the Offending Crime and Justice Survey which asks whether the offender's motivation for committing the crime was being under the influence of alcohol.

³³ The 3.3% reduction targets certain alcohol product types more than others due to the average price of different product types.

regulatory impact would be combined rather than cumulative (in real terms it would amount to one 'IN' rather than two).

F. Risks

OPTION 2 – Ban on multi-buy promotions

A limited impact on alcohol consumption, health and crime.

Retailers may attempt to work around the ban by switching to other offers and strategies; consumers may continue to purchase high levels of alcohol at a more expensive price or more frequently / at a steadier rate. It is important to note that a ban on multi-buy promotions would be expected to run in parallel to the introduction of minimum unit pricing which will have a significant impact on alcohol consumption, health and crime (see separate Impact Assessment).

Price increases impact on consumers' finances

There is a risk that the change would not affect behaviour, but would increase costs to the consumer, leaving them with less money to spend on other more healthy foods. The Alcohol Strategy makes clear that the introduction of minimum unit pricing (which would exist alongside any many on multi-buy promotions) is likely to provide a net benefit to many retailers and that the Government will work with industry to use any such additional revenue to provide better value to customers in other areas (ending the situation where loss-leading on alcohol means that moderate drinkers effectively subsidise heavy drinkers through the cost of their weekly shop).

Removal or adaptation of affected products from the market

There is a risk that retailers will remove certain products from the market, known as de-listing. This is most likely to apply to single items, to allow the continued sale of multipacks at low prices. This could undermine the intended effects of a ban on multi-buy promotions. This may have a knock-on effect for alcohol producers as it could result in less demand for certain products. This would also impact on wholesalers and may particularly affect some smaller businesses, which are less likely to have the space to store and display multi-packs, and rely on selling individual items of alcohol. Consumers could also be affected by the removal of single products as this could decrease choice. This issue will be considered through consultation with the alcohol industry.

Scotland

If England and Wales imposed a ban on multi-buy promotions which was different to the one which has been implemented in Scotland, the market could be distorted, leading to retailers having to set different rules for stores on either side of the border. This could create costs for having a differentiated pricing structure (particularly online) and lead to some competitive distortion. Such a situation could see consumers travelling across the border to shop, though this is unlikely given the relatively limited scale of the costs and benefits involved.

EU law and the free movement of goods

As above, there is a risk that retailers will remove certain multi-pack products from the market rather than selling them as single products - this may affected some alcohol producers more than others. We do not envisage that there would be any significant implications for EU competition law or the free movement of goods but we will explore this further during the consultation period.

G. Enforcement

For the purposes of this Impact Assessment, we have estimated the cost of enforcing a ban on multi-buy promotions for licensing authorities and Trading Standards. These enforcement authorities are existing bodies that are already responsible for enforcing the licensing conditions of the Licensing Act 2003. However, no decision has yet been made as to which enforcement authorities would be responsible for enforcing a ban. The Government will discuss this issue further throughout the consultation process.

When enforcing this policy, enforcement authorities would need to check that products or promotions falling within the scope of the ban had been removed. We expect that enforcement officers will only choose to do so where there has been a representation to the enforcing authority

which suggests that a premises may be in breach of their licensing conditions, although they may also choose to randomly sample products or promotions if necessary.

Depending on the outcome of the consultation, the Government would expect to provide statutory guidance³⁴ for local authorities on the implementation of a ban on multi-buy promotions. This would cover enforcement. The Government would also run a number of technical consultations with local authorities to ensure that any potential burdens were reduced.

H. Summary and Recommendations

The table below outlines the costs and benefits of the proposed changes.

Option	Costs	Benefits
2	£13.6m (PV over 10 years) This includes the cost of familiarisation for both the public sector and off-trade, the cost of implementation for the off-trade and also the annual cost for the public sector of enforcement.	
	<p>Cost to business and consumers (not quantified)</p> <p>The cost to business from the ban cannot be quantified. There may also be a cost to consumers if they receive less value for money on alcohol purchases.</p>	<p>Health and crime benefits (not quantified)</p> <p>The benefits include a potential reduction in health harms in the long term and alcohol-related crime and anti-social behaviour in the short term.</p>
Source:		

Option 2 is our preferred option as it is hoped that it would impact on overall alcohol consumption and so reduce health and crime harms to society and individuals. This would largely be achieved through behavioural change impacting on the amount of alcohol consumed on a single occasion or over a prolonged period. Success of Option 2, though, is dependent on the legislation being sufficiently robust to attempts by retailers to ‘work around’ the ban through pricing and sales strategies.

I. Implementation

The Government would expect to implement these changes through an amendment to the Mandatory Code for Alcohol. This would however depend on the outcome of the consultation and agreed policy direction. It should be noted that the Mandatory Code is also subject to review.

Any regulations would be implemented to allow a lead in time for retailers to adjust their pricing models and displays, and for enforcement officers to train staff and educate licensees. The delivery of a ban on multi-buy promotions would be led by the Home Office with support from other Government departments including the Department of Health, Treasury, BIS and HMRC. It would be likely to coincide with the introduction of minimum unit pricing.

J. Monitoring and Evaluation

There is a Government duty to review all new policies. This duty is applicable after a minimum of five years and a ban on multi-buy promotions would be subject to such a review. The review would consider the policy’s impact on health problems, consumption and alcohol related crime. It would also seek to measure any burdens on groups that had been affected by the policy.

The Government would seek to achieve this by analysing the latest available statistics and reports relating to the impact of a ban on multi-buy promotions. We would expect this analysis to be based on sales and consumption data. Evidence would also be analysed from hospital admissions data,

³⁴ Statutory 182 Guidance to accompany the Licensing Act 2003 legislation.

the Crime Survey for England and Wales, licensing statistics, and would be based on ongoing liaison with the police and the alcohol industry.

K. Feedback

In order to accurately assess the impact of a ban on multi-buy promotions, the Government will seek views from those who would be most affected by the policy. During the consultation phase, the Home Office will therefore seek feedback from the alcohol industry and its representatives, the police, licensing authorities, Trading Standards, alcohol consumers, health bodies, responsible authorities and other Government departments. This will be achieved by regular meetings between those organisations affected and Government officials, as well as technical consultation groups.

Annex 1 – Specific Impact Tests

Small Firms Impact Test

1. A ban on multi-buy promotions would be expected to apply to all alcohol retailers in the off-trade, including small businesses and micro-businesses and is therefore in the scope of One In One Out.
2. Small businesses are often defined in terms of employee numbers. If we use this definition, then the vast majority of licensed trade businesses are classified as 'small or micro businesses'. These businesses often rely on a pool of shift workers and only have a small base of full time management staff. The industry snapshot below attempts to estimate the proportion of small businesses selling alcohol in the off-trade in England and Wales.

Table 3: Number of affected small 'off-trade' businesses in England and Wales³⁵

Standard Industry Classification 2007	Description	Number with <10 employees in England and Wales (Micro)	Number with <20 employees in England and Wales (Small)	Number with <50 employees in England and Wales (Medium)
4711	Retail sale in non-specialised stores with food, beverages or tobacco predominating	23,056	24,354	24,803
4725	Retail sale of alcoholic and other beverages	4,285	4,454	4,486
Total		27,341	28,808	29,289
Percentage of total		32.0%	33.7%	34.3%

3. The impact on small businesses will be driven by consumers' behavioural response to a ban on multi-buy promotions. We do not have detailed information on the spread of multi-buy promotions across the retail sector, or on whether small businesses tend to use them more or less on average than larger retailers. It is therefore not possible at this stage to assess whether the policy will have a disproportionate impact on small businesses. However, this issue can be explored in more detail with alcohol retailers throughout the consultation process.
4. All off-trade alcohol retailers who offer multi-buy promotions will need to ensure legal compliance by checking the price of such promotions and adapting or removing them where necessary. The time spent doing so will vary between each premises depending on the size of the premises and the number of products in stock.
5. Generally, franchise businesses and multi-stores are able to alter the price of products by updating their 'central point of sale' computers (centralised bar-coding systems). This updates the barcode prices on all products in the local stores. This means that these retailers do not necessarily have to change the price of products locally (although some store managers will have responsibility for changing prices in local stores during promotions and to clear end of line stock). Therefore, the burden on smaller businesses that have centralised bar-code pricing systems will be less than those businesses that do not operate using a central point of sale computer or barcode system.
6. As detailed in this Assessment, the objective of a ban on multi-buy promotions would be to reduce consumption. As outlined in the Assessment, depending on retailer and consumer

³⁵ This table is based on data from UK Business: Activity, Size and Location – 2010 which contains data from a snapshot of the Inter Departmental Business Register (IDBR) taken on 22 March 2010. Table B3.1 provides a breakdown of the number of enterprises in the UK by Standard Industry Classification 2007 and number of employees. These numbers are scaled down to England and Wales using table B3.4 (regional distribution). These data also include those restaurants, hotels and shops which do not sell alcohol. This is likely to skew the results. In March 2010 there were 182,800 premises licences and club premises certificates with an authorisation to sell alcohol.

responses, a ban on multi-buy promotions could lead to an increase in revenue to the alcohol industry, including small alcohol retailers and producers.

Alternative approaches

7. An alternative approach would be to exempt smaller business from the legislation. However, this approach is not recommended. In order for the policy to be effective, a ban on multi-buys would need to apply to all off-trade retailers, regardless of size. Exempting small businesses would undermine the policy because consumers could switch their custom to businesses that are permitted to sell alcohol as part of multi-buy promotions. Although this would be a benefit to small businesses, it would undermine the Government's aim to reduce alcohol consumption by creating a loophole. Moreover, it would constrain competition and impact on businesses that are not considered to be a small or micro business.

Consultation with small firms on reducing the burden of a ban on multi-buy promotions

8. As an alternative to exemptions, we will consult with small firms on ways in which to reduce the potential burden of a ban on multi-buy promotions.
9. Following initial discussions with a small number of retailers, it has been suggested that a lead in time of a few months prior to commencement of a ban would be beneficial to businesses. This would provide businesses with an adequate amount of time to check the prices of products, re-price if necessary, and revise promotional strategies. The Government intends to announce a commencement date as much in advance as possible, subject to the necessary Parliamentary procedures.
10. The Government is committed to reducing the burden on business and intends to provide comprehensive guidance and exemplars of the types of promotion that would be within or outside the cope of a ban on multi-buy promotions.

Competition Impact

The Government will consult with the alcohol industry as to how a ban on multi-buy promotions in the off-trade would affect competition as it is uncertain as to how the industry may respond. We have therefore based this initial impact based on the analysis in this Assessment and initial discussions with the alcohol industry. However, further discussions will be required. This will be explained further in the final stage Impact Assessment.

Will a ban on multi-buy promotions:

- 1. Directly limit the number or range of suppliers?**
This policy would affect the way in which retailers in the off-trade promote multi-buy products, but it would not directly constrain the retail price of such products. Instead, it would regulate the relative price different between single products and the same product when sold as part of a multi-buy promotion.
- 2. Indirectly limit the number or range of suppliers?**
It is possible that off-trade retailers, wholesalers and producers who rely on multi-buy promotions as a marketing and pricing strategy would see a reduction in the volume of alcohol products being sold. This might result in wholesalers and producers removing those affected products from the market - either multi-buys, or single items (de-listing).
- 3. Limit the ability of suppliers to compete?**
A ban on multi-buys in the off-trade would be universal and would be expected to affect all retailers. Retailers could continue to compete as long as their prices complied with the terms of the ban. Suppliers may be limited in their ability to use loss-leading price strategies to encourage customers to purchase other goods but could apply loss-leading promotions to other products such as grocery items or soft drinks.

4. Reduce suppliers' incentives to compete vigorously?

Currently, alcohol multi-buy promotions are often used by retailers in the off-trade, especially during periods of celebration such as Christmas, significant football events and national events such as the Olympics.

At this stage, it is not clear what the overall effect of a ban on competition between retailers in the off-trade would be because it is not clear how retailers would respond to a ban. This issue will be explored through consultation with the alcohol industry and by analysis of the effect of the ban in Scotland.

Social Impact

Health and Well-being

1. This Assessment suggests that a ban on multi-buy promotions in the off-trade would have an impact on the health of alcohol consumers. Reducing consumption would be expected to reduce the consumption of harmful and hazardous drinkers and lead to a reduction in alcohol related deaths, health harms such as liver disease, hospital admissions and its associated costs. This could particularly be the case for younger harmful consumers as a reduction in their consumption could prevent chronic alcohol related health conditions later in life.

Impact on low income households

2. Further work is needed to assess the likely impact of a ban on low income consumers. Planned research intends to address this gap and more detail will be provided in the final stage Impact Assessment.

Impact on different age groups/consumers.

3. Those consumers that do not consume alcohol are not expected to be directly affected by a ban on multi-buy promotions. It is hoped that planned research will provide more information on the impact on: the 16-24 age group; different categories of drinkers; and distributional effect of the policy in social terms.

Annex 2 – Tables and data

Table 1³⁶: Transition costs to the public sector

Enforcement Sector	Number of authorities	Average no. of staff per authority	High cost	Best cost	Low cost
Licensing Authorities	348	3	£14,200	£10,650	£7,100
Trading Standards	204	3	£11,100	£8,350	£5,600
TOTALS	552	3	£25,300	£19,000	£12,700

Figures estimated to 3.s.f

Table 2³⁷: Total transition costs

OFF-TRADE	Number of retailers	Hours	High	Best	Low
Familiarisation with policy	132,400	0.5 (low) - 1 (high)	£1.8m	£1.3m	£0.9m
Amending products & price lists	132,400	1 (low) - 8 (high)	£14.1m	£7.9m	£1.8m
TOTAL BUSINESSS TRANSITION COSTS			£15.9m	£9.3m	£2.7m

Table 3: Number of affected small businesses in England and Wales³⁸

Standard Industry Classification 2007	Description	Number with <10 employees in England and Wales (Micro)	Number with <20 employees in England and Wales (Small)	Number with <50 employees in England and Wales (Medium)
4711	Retail sale in non-specialised stores with food, beverages or tobacco predominating	23,056	24,354	24,803
4725	Retail sale of alcoholic and other beverages	4,285	4,454	4,486
Total		27,341	28,808	29,289
Percentage of total		32.0%	33.7%	34.3%

Table 4- Average hourly wage of local authorities and alcohol retailers

Job role	Average hourly wage ³⁹
Licensing officers ⁴⁰	£13.60
Trading Standards officers	£18.19
Local government administrative occupation ()	£13.60
Retail manager (off-trade)	£13.33

³⁶ These estimations have been calculated on the basis of an average number of 3 staff per authority and a range of 0.5 to 1 hours per officer for policy familiarisation. It uses the average hourly wage for a licensing authority officer (£13.60) and a trading standards officer (£18.19), multiplied by the estimated time to enforce the policy. The 'best cost' has been estimated by taking a mid point between the low cost and high cost. See Table 4 for full average hourly salary breakdown. All figures have been up-rated by 21% for non-labour costs.

³⁷ These figures have been calculated using the average hourly wage for an off-trade retail manager (£13.33) multiplied by the estimated time to implement the policy. The 'best cost' has been estimated by taking a mid point between the low cost and high cost. See Table 4 for full average hourly salary breakdown. All figures have been up-rated by 21% for non-labour costs.

³⁸ This table is based on data from UK Business: Activity, Size and Location – 2010 which contains data from a snapshot of the Inter Departmental Business Register (IDBR) taken on 22 March 2010. Table B3.1 provides a breakdown of the number of enterprises in the UK by Standard Industry Classification 2007 and number of employees. These numbers are scaled down to England and Wales using table B3.4 (regional distribution). These data also include those restaurants, hotels and shops which do not sell alcohol. This is likely to skew the results. In March 2010 there were 182,800 premises licences and club premises certificates with an authorisation to sell alcohol.

³⁹ Figures have been up-rated by 21% to include non-labour costs

⁴⁰ This is the median hourly wage for local government administrative occupations (licensing officers) and business and public service associate professionals (Trading Standards Officers). Data was obtained from the 2011 Annual Survey of Hours and Earnings. <http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcm%3A77-256648>