

Sainsbury's Submission to the Home Office Consultation on Delivering the Government's Polices to Cut Alcohol Fuelled Crime and Anti-Social Behaviour,

February 2013

About Sainsbury's

Sainsbury's was founded in 1869 and today we operate over 1000 stores, around 500 of which are smaller format convenience stores. We employ 150,000 colleagues and have over 2,000 direct suppliers.

We serve over 22 million customers a week and have a market share of around 16 per cent. Our large stores offer around 30,000 products (around half of which are own-brand) and we offer complementary non-food products and services in many of our stores. An internet-based home delivery shopping service is also available to 96 per cent of UK households. We also jointly own Sainsbury's Bank with Lloyds Banking Group.

Summary

As a major retailer, we recognise our responsibility to ensure we do not sell alcohol to those underage and also to help our customers to drink responsibly. We are committed to playing a constructive role in bringing about real change in this area and as part of this, have signed up to all the alcohol pledges in the Government's Public Health Responsibility Deal, which was launched in 2011.

We are an active supporter of Drinkaware and operate a rigorous Think 25 policy to help reduce under-age purchasing of alcohol. We have been a partner in the Community Alcohol Partnership (CAP) scheme since 2007 and we have agreed to take the lead in setting up new CAPs in areas where we have stores and there is sufficient local commitment. We are also committed to providing clear labelling to customers and all Sainsbury's own brand alcohol products include Department of Health approved information about units.

Overview

We fully support the detailed submissions to this consultation made by the British Retail Consortium (BRC) and the Wine & Spirit Trade Association (WSTA). In order not to duplicate those submissions, we have not responded to every question in the consultation, but have instead chosen to comment on those proposals of particular relevance to Sainsbury's. We have sought to keep this submission brief and have broadly kept within the same word limits as requested for the online submissions.

Q.1 The government wants to ensure that the chosen price level is targeted and proportionate, whilst achieving a significant reduction of harm. The government is therefore consulting on the introduction of a recommended minimum unit price of 45p. The government estimates a reduction in consumption across all product types of 3.3 per cent, a reduction in crime of 5,240 per year, a reduction in 24,600 alcohol-related hospital admissions and 714 fewer deaths per year after ten years. Do you agree that this minimum unit price level would achieve these aims?

No. To date, there has been no compelling evidence to link the price of alcohol with excessive consumption or crime and disorder.

Alcohol consumption has been falling in the UK since 2004. ONS statistics indicate that in 2011 there were fewer alcohol related deaths than in 2010 and are at their lowest since 2003¹. In addition, several studies have questioned the effectiveness of Minimum Unit Pricing (MUP), including the Centre for Economic and Business Research (CEBR) which suggested that: “pricing legislation is unlikely to have a significant impact on overall consumption levels of those drinkers that it is intended to target, unless price increases are set at very high levels...”²

Given the consumption and harm indicators are improving and the evidence base is inconclusive, we believe MUP would simply punish the vast majority of our customers, who consume alcohol responsibly and buy alcohol as part of their weekly shop.

The issue of hazardous alcohol consumption and alcohol-related disorder is too complex to simply lead back to price. Tackling these issues requires a better understanding and emphasis on the demand side of why people misuse alcohol in the first place.

Q.2 Should other factors or evidence be considered when setting a minimum unit price for alcohol?

The majority of our customers drink responsibly and we are concerned that MUP will simply add to their already constrained budgets. As MUP is by its very nature a blanket measure, the impact would be to put prices up across the category, on everything from wine through to beer.

We pride ourselves on our own brand products. Within the Beers, Wines & Spirits (BWS) category, we have market-leading targets to reduce the average ABV and have redesigned our labelling in order to increase the visibility of the alcohol content. Under MUP, many of our own brand products would be unable to compete with the leading brands and would therefore become commercially unviable

The impact of this would be to jeopardise the significant investment we are making in our products in order to lower the average ABV, ensure we have the clearest labelling for customers and the best possible range to compete with the leading brands.

Reducing the range of own brand products we sell would also affect the long-term relationships we have developed with those that produce our own brand products and would lead to significant uncertainty for those suppliers. A reduced own brand offer would also lead to less choice for customers and stagnation within the category, as there would be less competition, which drives product innovation.

These concerns have also been reflected by the Office of Fair Trading (OFT). In a speech in 2009, the then Chief Executive said MUP “has a number of undesirable effects. It would reduce the incentives of firms to compete, innovate and cut costs. So the dynamic benefits of competition are lost. In some sense these costs are irreversible³.”

¹ ONS Statistical bulletin: Alcohol-related deaths in the United Kingdom, 2011

² Centre for Economic and Business Research report “Minimum Alcohol Pricing: A targeted measure?” (June 2009), page 4

³ John Fingleton, Chief Executive of the OFT, in a speech to the Regulatory Policy Institute, Oxford, 7 September 2009

We are also concerned about product wastage. In order to remove products from our range, they are routinely marked down (though never sold below the rate of duty and VAT) but markdowns will no longer be possible under MUP. We are therefore concerned about the volume of product wastage that will occur and the challenges of disposing of products in a responsible and sustainable way. The consequence of being unable to remove products from our range would effectively be to limit new product development.

We believe minimum pricing could lead to increased cross-border 'white-van' type sales. As a UK wide business which operates stores across the UK, we would have to manage three separate pricing zones and ranges within the UK. The Scottish Government is proposing an MUP of 50p per unit and the Northern Ireland Executive is also pursuing its own proposals. In Northern Ireland, we have first hand experience of cross-border shopping. At the height of the strong euro exchange rate against the pound all our stores located within reach of the border with the Republic of Ireland benefited from a significant level of cross border trade. At one stage 50% of transactions at our Newry store were in euros. The *Irish News* reported that Sainsbury's and Asda captured 2.5% of the total grocery market in December 2008, despite not having any stores there.

The government should therefore give due consideration to the impact on competition, choice, own brand producers, waste and cross-border trade.

Q.3 How do you think the level of minimum unit price set by the government should be adjusted over time?

If introduced, we believe the MUP should be reviewed after a set period, but with a view to reviewing the policy's effectiveness in reducing crime and anti-social behaviour. If MUP has not achieved the government's stated objectives, it should be scrapped.

We are very concerned by the implication that MUP could be increased frequently or in line with inflation. Each time the MUP is increased, the product range would need to be reviewed and amended accordingly. With each price rise, there will be increasing reductions in the range of products offered to customers. This could lead to uncertainty for own brand producers and would be challenging for retailers to implement. Wine buying, for example, frequently takes place almost a year in advance because of the wine vintages.

In order to secure supply in a global market, we routinely enter into three year agreements with our suppliers. Regularly adjusting the level of MUP would lead to significant uncertainty for retailers and producers and therefore the impact would be felt all along the supply chain. For example, if an increase in the MUP lead to certain products becoming commercially unviable, there could be implications for the existing agreements we hold with suppliers.

For this reason, we would not support the level of MUP being adjusted more frequently than every five years.

We estimate we would incur approximately £3.1 million in costs in order to implement and comply with MUP on an ongoing basis, through changes to our IT systems, additional labour required to manage a dedicated pricing zone in England and Wales and the wastage we will incur through the number of products which will become commercially unviable.

Q.4 The aim of minimum unit pricing is to reduce the consumption of harmful and hazardous drinkers, while minimising the impact on responsible drinkers. Do you think that there are any other people, organisations or groups that could be particularly affected by a minimum unit price for alcohol?

Yes. We believe MUP will punish the vast majority of customers who buy alcohol as part of their grocery shop and drink responsibly.

Our research also indicates that MUP will significantly impact older, less affluent customers. Our own brand *House* wine, for example, would be captured by MUP and is primarily purchased by customers aged 45-54, with a lower affluence than the majority of our customers. Our British fortified wines, such as Sainsbury's Stamford Cream British Fortified Wine, would also be captured by MUP and are purchased predominantly by customers aged 75 and above, with a lower affluence compared with the average Sainsbury's customer.

This is corroborated by analysis from the CEBR, which found that on average a MUP of 40p will be felt by the poorest 30% of drinkers only.⁴

Older, less affluent wine and sherry drinkers are not referred to in the objectives for this policy, thereby indicating its shortcomings.

Q.5 Do you think there should be a ban on multi-buy promotions involving alcohol in the off-trade?

No. The vast majority of our customers take advantage of multibuy promotions to trade up to higher cost brands, particularly in wine, and to stock up for special occasions such as family birthdays and summer BBQs with friends.

In 2009, we looked at customer purchasing behaviour for four key beer and cider promotions. 75% bought two or less packs and on average customers who took advantage of one of these deals spent less on alcohol during the 5 weeks after the promotion had ended. The frequency with which they bought alcohol in general was also down.

This reinforces that customers use multibuy promotions to stock up. Introducing a ban on multibuys would simply punish responsible consumers and will do little to discourage those groups the government is seeking to target – binge drinkers and those who consume alcohol to hazardous levels. At a time when consumer confidence remains depressed and inflation has outstripped wage growth, we question whether it is appropriate or fair to introduce such a policy.

Given the government's flagship policy is MUP, a ban on multibuys is also unnecessary as promotions will be significantly impacted under MUP. There is no evidence to link multibuy promotions to alcohol fuelled crime and disorder.

If the government proceeds with this proposal, it must apply to all retailers of alcohol, regardless of business model, to ensure a level playing field is created.

⁴ Minimum Alcohol Pricing and the Squeeze on Low-Income Households, Centre for Economics and Business Research, March 2012

Q.6 Are there any further offers which should be included in a ban on multi-buy promotions?

No.

Q.7 Should other factors or evidence be taken into account when considering a ban on multi-buy promotions?

Yes. Multibuy promotions are illegal in Scotland and analysis of its impact by NHS Health Scotland in June last year found that it has had no significant impact on alcohol sales⁵.

The Northern Ireland Executive also recently dropped plans to introduce a ban on multibuy promotions.

This evidence should be taken into account as it raises serious doubts about the effectiveness of a promotions ban in tackling alcohol misuse.

Q.8 The aim of a ban on multi-buy promotions is to stop promotions that encourage people to buy more than they otherwise would, helping people to be aware of how much they drink, and to tackle irresponsible alcohol sales. Do you think that there are any other groups that could be particularly affected by a ban on multi-buy promotions?

Yes. We believe responsible customers who take advantage of promotions on, for example, wine to stock up for occasions, will be penalised by a ban on multibuy promotions. As the evidence from Scotland indicates that such an approach has been unsuccessful, the subsequent introduction of legislation in England and Wales would represent an unfair step for responsible consumers.

Q.13 What sources of evidence on alcohol-related health harm could be used to support the introduction of a cumulative impact policy (CIP) if it were possible for a CIP to include consideration of health?

The practical application of taking account of alcohol-related health harms is extremely challenging. One issue is that statistics from an adjacent area may be used in the case of a licensing application in separate area. Many health harms related to alcohol take place over a considerable period of time, making it even more challenging to link local health data back to a particular licensee.

The way in which our customers consume the alcohol they have purchased from our stores is not within our control. It is therefore virtually impossible for any one of our stores to demonstrate the impact alcohol sold in one store has on the public health of the local community. Our smaller format convenience stores often bring broader public health benefits to new communities, through offering fresh and tasty produce at affordable prices. Consideration of the public health impact of an alcohol licence would need to be balanced against broader public health impacts a Sainsbury's store brings to a community, through our grocery offer.

⁵ NHS Health Scotland, Preliminary descriptive analysis of the impact of the quantity discount ban on off-trade alcohol sales in Scotland, June 2012

We have other practical concerns. For example, high numbers of alcohol-related admissions at the local hospital could potentially result in an application being refused. In this example, no consideration would be given to encourage responsible retailers, such as those who have Think 25 policies and responsible drinking messages in stores, to new areas. Encouraging retailers such as Sainsbury's to new areas can help spread best practice in relation to alcohol sales.

Q.14 Do you think any aspects of the current cumulative impact policy process would need to be amended to allow consideration of data on alcohol-related health harms?

We do not believe there is enough robust or specific evidence to support the addition of health harms when introducing a CIP. The practical application is unworkable and has significant consequences for local areas, by potentially limiting new jobs and investment.

We believe licensing authorities should take account of companies which are taking action to promote responsible drinking. For example, we are signatories to all the alcohol pledges under the Government's Public Health Responsibility Deal, have market-leading targets to reduce the average ABV in our own brand beer and wine plus regularly run activity in our stores to help improve our customers' awareness of the amount of units are in the drinks they are purchasing.

By taking account of such activity, which supports the government's wider objectives, licensing authorities can help ensure they are attracting responsible licensees to their local area, which will help drive up standards.

Q.15 What impact do you think allowing consideration of data on alcohol-related health harms when introducing a cumulative impact policy would have if it were used in your local area?

Given the practical challenges of implementing this change outlined above, it is likely that CIPs will prevent responsible retailers such as Sainsbury's from opening new stores.

One of our key areas of growth is through our smaller format convenience stores. This reflects increasing customer demand, where we have seen customers shop more frequently but purchasing fewer items per shop, in order to control their budgets and food waste. We are on track to meet our target of opening one to two convenience stores per week and as a result, plan to create 10,000 new jobs in our convenience stores over the next three years. Convenience stores become much less viable without an alcohol licence. Customers expect to see alcohol for sale in our stores, as part of our overall grocery offer. The government should therefore give greater consideration to the unintended consequences for local areas if this policy change is progressed.

Q.33 In addition, what other sections of or processes under the 2003 Act could in your view be removed or simplified in order to impact favourably on businesses without undermining the statutory licensing objectives or significantly increasing burdens on licensing authorities?

We advocate the removal of the requirement on a premises licence application form to state proposed opening hours. This falls outside the remit of the Licensing Act and causes confusion with some authorities and residents. If there is a need to restrict opening hours to promote the licensing objectives and this relates to a licensable activity the issue can be raised in a representation.

We also advocate the removal of the requirement to have a 24 hour break between Temporary Even Notices (TENS). TENS are sometimes used to extend hours at seasonal times and the 24 hour break offers no purpose and is inconvenient to retailers and confusing to residents.

Removing the requirement to show fire information on plans should also be removed, as we are already required to carry out fire risk assessments and comply with fire regulations under different legislation.