

[REDACTED]
Competition and Markets Authority
The Cabot
25 Cabot Square, London
E14 4QZ

20 April 2026

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Response to CMA Invitation to Comment

1. We refer to the CMA's Invitation to Comment dated 12 March 2026 (**ITC**) in which the CMA invites views from interested stakeholders on the potential designation of Aldi and Lidl under the Groceries Market Investigation (Controlled Land) Order 2010 (**CLO**). This response is submitted by Sainsbury's (**Sainsbury's, us, we, our**).

Section A: Introductory remarks

2. Strong and fair competition in the grocery retail market is essential to driving growth in the UK economy. The grocery retail sector accounts for £40.2bn of Gross Value Added in the UK economy and retailers are a major source of employment in local markets, stimulating local growth through increasing both employment and footfall in local areas.¹ Strong and fair competition is also a critical lever for tackling cost of living concerns for UK consumers; it is a key driver for retail prices as identified by the CMA in its July 2023 report on *Competition, choice and rising prices in groceries* (the **2023 Grocery Retail Report**).²
3. However, competition is currently distorted by the asymmetric ability of Aldi, the fourth largest grocery retailer in the UK, and Lidl, the fifth largest grocery retailer in the UK, to restrict entry and expansion by competitor grocery retailers in local markets, while equivalent restrictions apply to other retailers of comparable or smaller scale.³ The impact of Aldi and Lidl remaining outside the scope of the CLO is that the CLO is not fully effective in achieving its aim of preventing barriers to entry and local market distortions. As set out in the Competition Commission's 2008 *Supply of groceries in the UK market investigation* final

¹ [Food statistics in your pocket - GOV.UK](#);

² [Competition, choice and rising prices in groceries](#)

³ [Grocery Market Share - Worldpanel by Numerator](#) (as of 22 March 2026).

report (the **2008 Grocery MI Report**), these local market distortions can cumulatively result in an adverse effect on competition at the national level.⁴ In short, Aldi and Lidl's evolution since the CLO was introduced means there is a serious risk that competition in the grocery retail sector is less effective than it could be. The impact of this regulatory gap is expected to heighten over time as Aldi and Lidl continue with their ambitious expansion plans.⁵

4. Sainsbury's therefore welcomes the CMA's consultation on the potential designation of Aldi and Lidl under the CLO. Our submission supports the designation of both Aldi and Lidl as Large Grocery Retailers under Article 3 of the CLO for the following reasons:
 - a. Aldi and Lidl meet the designation criteria under the CLO;
 - b. Aldi and Lidl have the ability and incentive to restrict competition in local markets; and
 - c. Designation is an effective and proportionate measure

Section B: Analysis

Aldi and Lidl meet the designation criteria under the CLO

5. The CMA will have gathered quantitative evidence directly from Aldi and Lidl relevant to the designation criteria under Article 3 of the CLO. In this section, our submission aims to supplement the CMA's analysis with (i) data available to us to support the CMA's analysis, and (ii) our views on the assessment within the designation test of 'full range', further to the specific consultation questions set out in the CMA's ITC.
 - (i) *Aldi and Lidl each operate Larger Grocery Stores throughout either Great Britain or Northern Ireland or both or in a considerable part or parts of the United Kingdom*
6. Public documents indicate that each of Aldi and Lidl operate Larger Grocery Stores, defined as a store with a Net Sales Area of 1,000sqm. Aldi's standard store size is noted to be 1,804sqm, meaning it is highly likely to provide for a Net Sales Area of 1,000sqm.⁶ Lidl's public documents indicate that its standard store size provides for a sales area of 1,529sqm.⁷ Importantly, there is no requirement within the CLO for all or most stores to be Larger Grocery Stores. Substantively, in terms of the impact on competition locally and nationally, we submit that it is sufficient that a material proportion of stores qualify as Larger Grocery Stores.

⁴ [\[ARCHIVED CONTENT\]](#)

⁵ In September 2025 Aldi announced plans to invest £1.6bn to expand in the UK with 80 new stores announced for 2026/2027: [ALDI ANNOUNCES RECORD £1.6BN EXPANSION PLAN TO MEET UK'S 'DEMAND FOR DISCOUNT' - ALDI UK Press Office](#). In April 2025 Lidl announced plans to invest £500m in expansion plans: [LIDL TO INVEST HALF A BILLION POUNDS IN ITS EXPANSION - Lidl Great Britain](#).

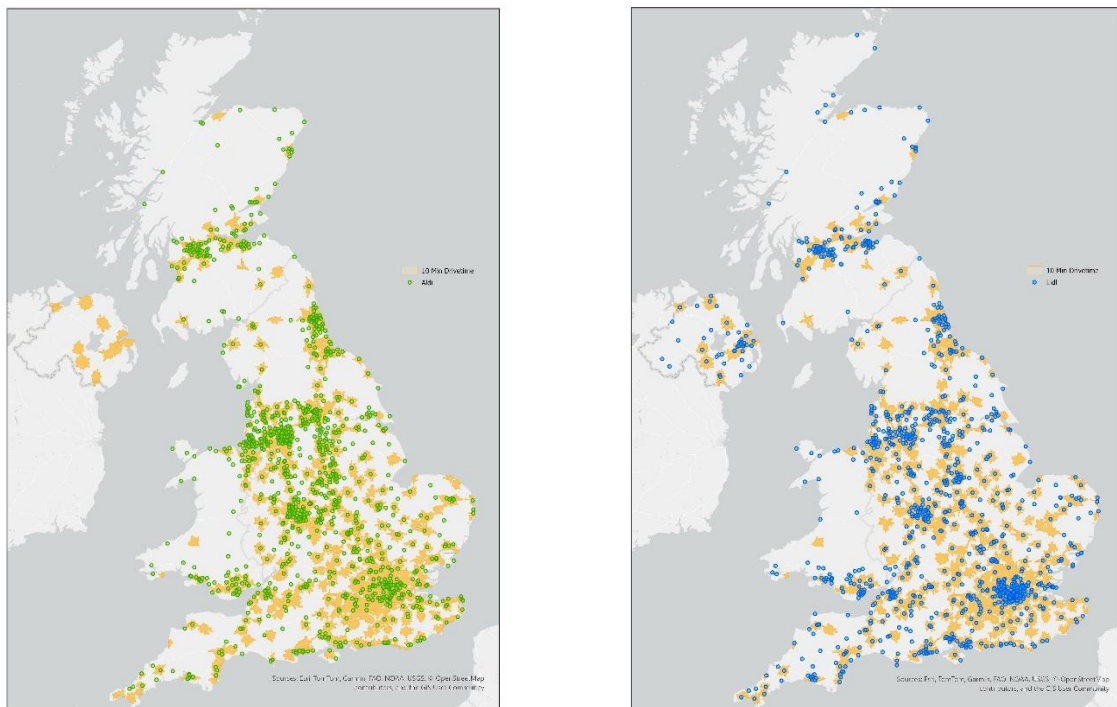
⁶ [Services Aldi | MP Real Estate | Chartered Surveyors | Development | Asset Management | Cambridge](#)

⁷ [Site Requirements Brochure Winter 2025.pdf](#)

7. Geographically, Aldi and Lidl both state publicly that they operate across the UK, such that there can be no doubt that they each satisfy the test for considerable part or parts of the United Kingdom.⁸ Indeed Aldi and Lidl now match or exceed the scale and geographic coverage of certain retailers already designated under the CLO, reinforcing that they operate in ‘considerable parts of the UK’

- Aldi has in excess of 1,060 stores, with stated plans to scale to 1,500 stores, and Lidl has over 1,000 stores with plans to expand further.⁹
- Our internal analysis shows that [80-90]% of Sainsbury’s supermarkets have an Aldi store within a 10 minute drive time and [80-90]% have a Lidl store within a 10 minute drive time (see Figure 1).

Figure 1: Aldi and Lidl store coverage and overlaps with Sainsbury’s as of 28 February 2026



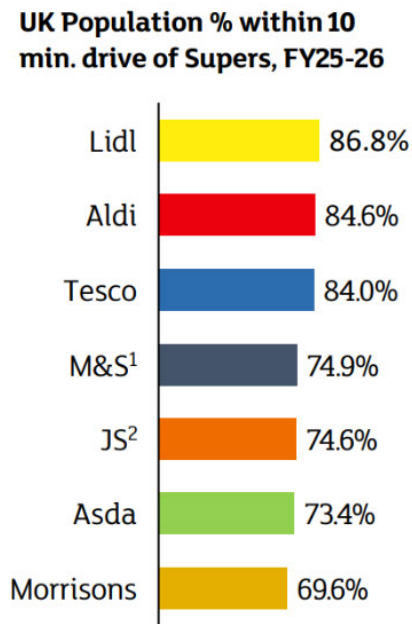
Source: Sainsbury’s internal analysis

- In addition to geographic coverage, our internal analysis finds that Aldi and Lidl also each have the highest coverage of UK consumers as compared with other retailers.

⁸ [Site Requirements Brochure Winter 2025.pdf](#); [ALDI ANNOUNCES RECORD £1.6BN EXPANSION PLAN TO MEET UK’S ‘DEMAND FOR DISCOUNT’ - ALDI UK Press Office](#)

⁹ [ALDI ANNOUNCES RECORD £1.6BN EXPANSION PLAN TO MEET UK’S ‘DEMAND FOR DISCOUNT’ - ALDI UK Press Office](#); [UK: Lidl to reach 1,000 stores by the end of 2025](#)

Figure 2: UK population within 10 minute drive of supermarkets 2025/2026



Source: Sainsbury's internal analysis

8. The scale of Aldi and Lidl reflects marked and significant growth over recent years – for context, Aldi had c.320 trading stores and Lidl had c.450 trading stores in 2006, amounting to a c.230% and 150% increase in store count since 2006, respectively. Waitrose remains significantly smaller with approximately 330 stores and was designated under the CLO in 2010.
9. The increase and breadth of Aldi/Lidl's "footprint reach" is also reflected in the steady growth by both in grocery market share over time.
 - As the CMA noted in its 2023 Grocery Retail Report, the growth of Aldi and Lidl is one of the key developments in the grocery landscape over recent years: *"The growth of the discounters (Aldi and Lidl), whose market share has increased from under 6% in 2012 to nearly 18% today.....Aldi was the fastest growing retailer in the 12 weeks to 11 June 2023, reaching a record market share of 10.2%, with Lidl's growth only just behind."*
 - Latest market share data indicates Aldi's market share is 10.6%, only 1% behind Asda and the fourth largest grocery retailer, and Lidl's share is 8.3%, equivalent to Morrisons making it the fifth largest grocery retailer.¹⁰
 - By contrast, at the time of designation, Aldi and Lidl's combined market share was less than 5%.¹¹

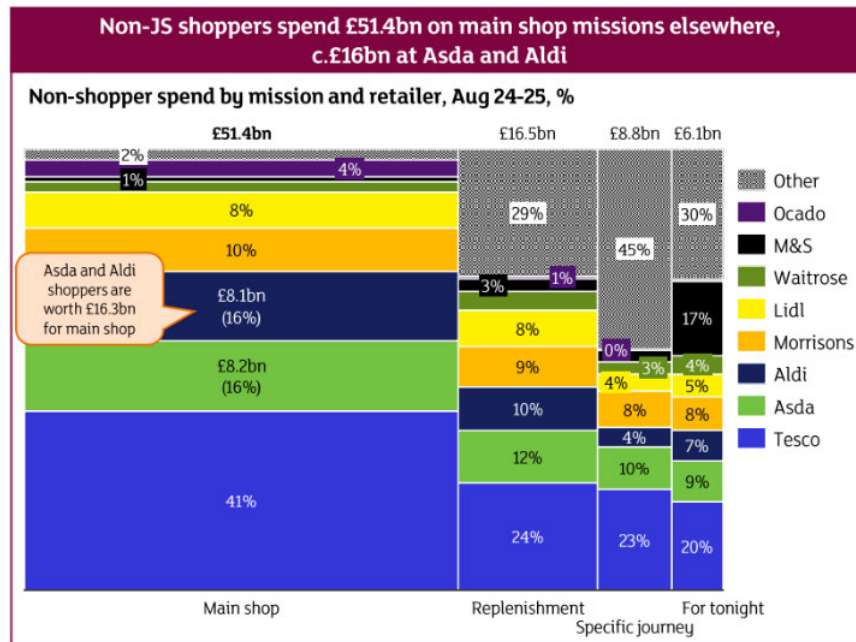
¹⁰ [Grocery Market Share - Worldpanel by Numerator](#)

¹¹ [Iceland boss accuses Aldi and Lidl of restrictive land deals | The Grocer](#)

(ii) *Aldi and Lidl each carry a full range of Groceries for sale at the retail level*

10. The term 'full range' is not defined within the CLO and the CMA has asked in its ITC for views on what constitutes a full range of groceries.
11. First, we note that the nature of the test is functional. The aim of assessing 'full range' is to assess whether a grocery retailer's offering is sufficient to constrain Large Grocery Retailers in local markets by serving as a viable alternative for a consumer's main grocery shop. In the 2008 Grocery MI Report, the CC consistently assessed competitive constraint by reference to whether shoppers could switch their main shop (not by reference to assortment depth or SKU count). Therefore, 'full range' should be interpreted purposively in line with the CLO's remedial objective; assessing the potential for local market distortions, not a statistical assessment of retail choice.
12. Second, in terms of the appropriate evidence base for this assessment, our experience as a grocery retailer is that consumer shopping behaviour is the best source of evidence. This is because 'full range' is a qualitative assessment based on consumer's views and experience best assessed by how consumers 'vote with their feet' by where they conduct their main grocery shop. In short, the relevant question from a consumer perspective is where can I purchase all the essential items I need for my weekly shop (even if I also choose to supplement elsewhere)? Within Sainsbury's, we describe this as meeting the 'consumer mission'.
13. Available evidence on consumer shopping behaviour indicates that consumers view Aldi and Lidl as providing the full range of products they need for a main grocery shop. Consumers no longer view Aldi or Lidl as 'fringe' retailers to be used simply as a 'top up' shop, as was the case at the time of the 2008 Grocery MI Report.
 - Aldi and Lidl now account for 18.9% of all UK take-home grocery spending. A share of this magnitude cannot be explained by occasional or supplementary purchases; it reflects households allocating a substantial proportion of their overall weekly grocery budget to Aldi and Lidl, consistent with use for the main grocery shop.
 - As further support of this, our internal analysis finds that, for shoppers that don't shop at Sainsbury's, Aldi ranks third and Lidl ranks fifth for consumer main shop missions (see Figure 3).

Figure 3: Non Sainsbury’s shopper spend by mission and retailer in 2024/2025



Source: Sainsbury’s internal analysis produced from Kantar MyWorldPanel data

- Our internal analysis estimates (based on Kantar MyWorldPanel data) that significant volume gains by Aldi and Lidl between August 2022/2023 and August 2024/2025 came from new or existing customers buying more: 188m for Aldi and 238m for Lidl.
 - Where an Aldi or Lidl opened in proximity to a Sainsbury’s supermarket in 2024/2025, this led to a [0-10]% decrease in sales £/week for Aldi and [0-10]% decrease re Lidl, indicating consumer switching at least a material proportion of their shop to Aldi/Lidl.
14. Therefore, the evidence on consumer shopping behaviour demonstrates that Aldi and Lidl are functionally equivalent to the existing Large Grocery Retailers and substitutable in the eyes of consumers.
15. We also note in this context that Aldi and Lidl each market themselves to consumers as a supermarket where consumers can conduct their main grocery shop:
- Aldi and Lidl have repeatedly entered into, and been recognised, by industry awards as “Supermarket of the Year”, “Favourite Supermarket”, or “Grocer of the Year”. These awards assess retailers on the basis of their overall grocery proposition, suitability for routine household shopping, and ability to meet consumers’ weekly shopping needs. The repeated classification of Aldi and Lidl as supermarkets by independent organisations reinforces the conclusion that both retailers market themselves to consumers—and are widely perceived—as full-range supermarkets rather than limited or supplementary grocery outlets.¹²

¹² [Awards - ALDI UK Press Office; Retail Industry Awards 2024 | Winners: Supermarket of the Year | Talking Retail](#)

- Lidl stated as far back as 2018 that it “*tries to offer every product required for a full weekly shop*” notwithstanding a more limited product count.¹³
 - Aldi publicly notes that ‘*more families [are] choosing to do their weekly shop in store, as well as choosing to visit for more frequently for top up shops*’ and that ‘*Around seven in 10 UK households now shop with Aldi*’.¹⁴
16. By contrast, quantitative evidence is, we submit, of more limited probative value. There is no ‘bright line’ for the number of SKUs that equate to consumer perception of ‘full range’; rather, it is a question of *which* SKUs are stocked. We therefore caution reliance on SKU count as an evidence base for the assessment of ‘full range’.
17. It is evident from both Aldi and Lidl’s consumer-facing websites that each stock multiple SKUs within the core range of groceries, defined in the CLO as food (other than that sold for consumption in the store), pet food, drinks (other than those sold for consumption in the store), cleaning products, toiletries and household goods.¹⁵ Both Aldi and Lidl have increased their product range over recent years and both Aldi and Lidl now reportedly stock (i) more popular branded products; and (ii) a larger premium range (Specially Selected in the case of Aldi and Deluxe in the case of Lidl).
18. For these reasons, it is therefore clear that each of Aldi and Lidl stock products that represent the most commonly purchased grocery products that make up an average shopper basket needed to complete a main grocery shop.
19. A granular assessment of SKU count over and above this is not of evidential value. SKU count captures depth of variety within product categories (for example, multiple types of cheddar cheese) and is likely to be misleading in isolation. The fact that Aldi and Lidl limit the number of SKUs per category reflects a commercial efficiency model rather than an absence of grocery range.
20. To conclude, in our view, the evidence supports Aldi and Lidl's evolution to full grocery retailers for a significant (and growing) proportion of consumers, rather than niche or supplementary providers.
- (iii) *Aldi and Lidl are no longer Limited Assortment Retailers*
21. By contrast, Sainsbury's view is that it is evident that neither Aldi or Lidl meet the definition of a ‘Limited Assortment Retailer’, which requires the retailer to sell a ‘significantly’ more limited range of Groceries. Both retailers have considerably increased their product ranges over time and it is no longer accurate to consider Aldi and Lidl as providing significantly more limited range of Groceries.

¹³ [Summary of hearing with Lidl](#)

¹⁴ [ALDI ANNOUNCES RECORD £1.6BN EXPANSION PLAN TO MEET UK'S 'DEMAND FOR DISCOUNT' - ALDI UK Press Office](#)

¹⁵ [Products | ALDI UK; Our Products | Groceries, Wine & Household | Lidl GB](#)

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22. Similarly, while Aldi and Lidl do offer low prices, this is no longer their exclusive domain with all major retailers focusing on value, particularly as the cost of living crisis has exacerbated over recent years. For example, at Sainsbury's we offer Low Everyday Prices¹⁶, an entry level Stamford Street range¹⁷ and Aldi Price Match¹⁸.

(iv) *Aldi and Lidl each have an integrated grocery wholesaling function that purchases directly from grocery suppliers*

23. Both Aldi and Lidl deal directly with suppliers and have been Designated Retailers under GSCOP since its inception in 2010. In our view, this suggests that Aldi and Lidl's importance in the grocery market, and the level of its interactions with suppliers (based for instance on the size of its grocery range), have always been material enough to warrant the same scrutiny as that of other retailers designated under GSCOP.

24. In our view, there can be no contention that Aldi and Lidl do not satisfy the criterion in Article 3(4)(c) and have done so since 2010 based on its designation under GSCOP.

Aldi and Lidl have the ability and incentive to raise barriers to entry and restrict competition in local markets

25. Aldi and Lidl meet the criteria of Article 3 of the CLO and for the reasons set out in this section the CMA *should* proceed to designation in light of the current distortions of competition, and more importantly, the acute risk that these will heighten over time.

26. At the outset, we note that the aim of the CLO is to address, *ex ante*, a particular structural concern with the grocery retail market: that because of the importance of grocery retailers as tenants, together with the constraints on supply of suitable land for supermarket sites, they have the ability to shape and distort local markets. The CC found in the 2008 Grocery MI Report that grocery retailers necessarily have the incentive to restrict competition to protect local market power and avoid the intense price competition that is a feature of the grocery retail market.

27. The CMA's ITC says that the CMA is particularly interested in examples of Aldi and Lidl relying on restrictions in leases to prevent entry by retailers in local markets. We address this request at paragraphs 39 and 40. We note, however, that while evidence of this nature may provide useful context for the CMA, evidence of effects is not a necessary precondition for designation under the CLO. It is also not necessary, for the avoidance of doubt, to establish any particular scale of present or prospective harm for the CMA as a public authority to exercise its power to designate.

¹⁶ [Low Everyday Prices at Sainsbury's](#)

¹⁷ [Stamford Street Co. | Value Brand at Sainsbury's](#)

¹⁸ <https://www.sainsburys.co.uk/shop/gb/groceries/aldi-price-match>

Registered in England & Wales. Company registration number: 03261722

28. Rather, the focus of the CMA's assessment should be, we submit, on the potential for harm to materialise as a result of structure of the market and incentives as per the findings in the 2008 Groceries MI Report.

(i) *Ability*

29. First, it is clear that the position of Aldi and Lidl has materially changed since the CLO came into force 16 years ago. Our analysis at paragraphs 6 to 9 above demonstrates the scale and influence of Aldi and Lidl.

30. This scale/influence affords both Aldi and Lidl the ability at present to distort competition because:

- Their importance to consumers underscores their ability to be anchor tenants on sites (in particular retail parks) – this gives both Aldi and Lidl the same ability to negotiate commercial terms in their favour with landowners that justified designation of the existing Large Grocery Retailers in 2010;
- Aldi and Lidl's ubiquitous local presence (see Figure 1) means there are few local markets where either Aldi or Lidl is not already present, imminently entering, or actively searching for a site putting them in the position of being able to influence numerous local markets across the UK;
- Their scale is enduring and not temporary; Aldi and Lidl have held market share above 5% for c. 10 years (since 2014 and 2017 respectively).

31. Second, and more importantly, Aldi and Lidl's scale/influence is projected to increase over time as a result of their bold expansion plans. Aldi has recently invested £1.6bn in expansion plans aiming to reach 1,500 stores and Lidl has invested £500m also with a view to expanding sites.¹⁹ The very fact that Aldi and Lidl will continue to open multiple stores a year (significantly more than any other retailer) creates a material number of opportunities where Aldi and or Lidl could impose commercial terms that restrict competition.

32. It is important to note that the ability of Aldi and Lidl to impose terms that restrict competition through exclusivity or restrictive covenants is not limited in a material way by competition law. The basis for relying on competition law would be a potential infringement of Chapter I of the Competition Act 1998 (**CA98**). It is challenging in practice to establish an infringement of CA98 because:

- In a vertical agreement between a landlord and tenant, it is challenging to demonstrate that the agreement restricts competition by effect in circumstances where there may be suitable alternatives available to the restricted party;
- As the agreements affect local markets, it can be challenging to demonstrate there is an appreciable restriction of competition; and

¹⁹ [ALDI ANNOUNCES RECORD £1.6BN EXPANSION PLAN TO MEET UK'S 'DEMAND FOR DISCOUNT' - ALDI UK Press Office](#); [UK: Lidl to reach 1,000 stores by the end of 2025](#)

- CA98 relies on case-by-case *ex post* enforcement by either the regulator or a motivated complainant in circumstances where a case is challenging to bring for the reasons set out above, potentially across numerous local areas across the UK.

33. It is precisely because of these concerns, and to provide legal certainty, that the CLO was introduced. Land agreements are typically private and therefore competitors are not able to identify restrictions until they are affected by them. By that point, in the absence of the CLO, there is the potential for harm to materialise that is very challenging in practice to be caught by CA98 (and even if arguably caught to be capable of providing an effective route to redress for a restricted party).

(ii) *Incentive*

34. There can be no contention that Aldi and Lidl have, in principle, the incentive to restrict competitors through commercial lease terms that restrict entry.

35. Our analysis at paragraphs 11 to 13 explains that Aldi and Lidl offer functional equivalence to the Large Grocery Retailers and compete with them for customers looking to complete their main grocery shop. At their current scale (and given the intensive competition between grocery retailers identified by the CMA in its 2023 Grocery Retail Report) Aldi and Lidl face strong incentives to protect catchments once a store is established, particularly in smaller towns, edge-of-town-retail parks and/or areas with limited alternative grocery suitable-land. The planning regime and availability of suitable sites mean that it is likely to be strategically important to them to have influence over access to land in local markets.

36. Sainsbury's is particularly concerned that the incentives of Aldi and Lidl to restrict competitor openings is only likely to increase as they continue their expansion plans.

- The UK market is approaching saturation in terms of grocery-suitable land and it is therefore increasingly likely that grocery retailers will be located in closer proximity to each other than has been to date²⁰;
- Aldi and Lidl do not offer an online grocery deliveries, and have no stated intention to do so, therefore their strategy is therefore wholly reliant on physical stores;
- Shopping in store is and will remain a key feature of competition for consumers – our internal analysis projects that stores will represent 87% of the market value by 2030 even with the growth of online channels;
- Sainsbury's currently projects to open up to [CONFIDENTIAL] supermarket stores a year over the next 3 years, reflecting an increase from historic lower levels of 1-4 a year.

²⁰ Commentators have also noted this effect with Aldi and Lidl adjusting their approach from locating stores in densely populated urban or suburban areas to opening in retail parks (where restrictive covenants in agreements with landlords may be more likely to protect against unwanted competition). [Iceland boss accuses Aldi and Lidl of restrictive land deals | The Grocer](#)

37. We see evidence of this in the growing number of bids for sites where we are in direct competition with Aldi or Lidl.

Table 1: Examples of recent site bids against Aldi and/or Lidl

[CONFIDENTIAL]

(iii) *Effect*

38. Sainsbury's has not itself recently encountered explicit restrictions imposed by Aldi or Lidl; however, this reflects our limited rate of new supermarket openings in recent years rather than an absence of market risk.²¹ In particular:

- Sainsbury's has opened very few new stores in recent years, in line with its strategic focus on customer value, so the practical likelihood of encountering restrictions is very low – between 2020 to 2025, we opened a total of 16 supermarket stores, whereas our internal analysis shows Aldi opened 176 and Lidl opened 149.
- Where Sainsbury's has opened stores, we specifically assess competitor overlap with a preference to primarily open in under-served areas where we can capture maximum demand rather than be closely located to a key competitor – as noted at paragraph 13 above, due to the strong competition with Aldi/Lidl, locating in proximity can have a negative impact on store sales.

39. Restrictions are more likely to impact grocery retailers that are looking to expand their site portfolio. Sainsbury's is aware that Iceland and Waitrose have encountered restrictions.²² We encourage the CMA to explore these concerns fully, particularly as these scenarios replicate the exact concerns that faced Aldi and Lidl at the time of the CLO coming into force; barriers to expansion by retailers of scale against challenger firms. We also note that Marks & Spencer has stated aims to expand to have 600 large format stores by the end of financial year.²³

40. In any event, and as noted at paragraph 26, evidence of effects is not a necessary precondition for designation under the CLO. Rather, the CMA's analysis should focus on the potential for harm that flows from a grocery retailer's ability and incentives.

41. The CMA's ITC asks about whether there has, or could be, an impact on competition (and therefore consumers) of Aldi and Lidl being outside of the scope of the CLO. We note that the CC found that expansion by a grocery retailer in a highly concentrated local market can reduce both the incentive and ability of competitors to enter, by absorbing available demand, reducing the likelihood of planning approval, and limiting access to suitable sites. In this way, Aldi and Lidl's expansion can have indirect effects on competition, including on

²¹ Sainsbury's is not able to comment on the full 16-year period since the CLO came into force due to changes in internal personnel impacting corporate historical knowledge.

²² [Iceland boss accuses Aldi and Lidl of restrictive land deals | The Grocer](#)

²³ [M&S steps up store rotation programme with a £300m investment this financial year | Marks & Spencer](#)

investment decisions of retailers, as well as direct effects through restrictions in agreements.²⁴

42. Sainsbury's has been affected by the impact on competition. As explained at paragraphs 11 to 13, Sainsbury's competes closely with Aldi and Lidl for customers looking to complete their main grocery shop. At present, the inequality in application of the CLO has, at best, enabled Aldi and Lidl both to enter local markets free from the regulatory burdens faced by the designated Large Grocery Retailers; and at worst, facilitated their significant growth through their asymmetric ability to restrict competition.
43. This lack of a level playing field is meaningful as it inhibits Sainsbury's ability to compete as intensively as it could and limits the competitive constraint on Aldi/Lidl. Aldi and Lidl's ability to enter local markets unhampered, together with their aggressive expansion strategy, has enabled them to shape site availability and local market economics through a distinct competitive advantage *before* Sainsbury's would consider entry, an advantage which will become further entrenched without designation under the CLO. This indirect effect on competition is important and should, we submit, be given weight as per the 2008 Groceries MI Report in a market where margins are at historical low levels and price competition is critical in the face of the cost-of-living crisis.

Designation is an effective and proportionate measure

44. Sainsbury's recognises that Aldi and Lidl are likely to voice concerns about the prospect of designation under the CLO and the additional regulatory burden it imposes. This is not an appropriate concern in the circumstances.
45. First, concern about regulatory burden *per se* is not a sufficient reason not to designate Aldi and Lidl under the CLO. The imposition of the CLO was considered to be an effective and proportionate response to the competition concerns identified in the 2008 Groceries MI Report. Article 3 of the CLO expressly anticipates future designation; indeed the growth of Aldi and Lidl is, we submit, precisely the type of scenario the CC envisaged when enabling future designation to ensure continued effectiveness of the remedy over time. It is critical that players that satisfy the criteria of the CLO are designated to prevent harm to competition, and ultimately consumers. Otherwise, the objectives of the CLO are fundamentally undermined and its credibility and effectiveness reduced. As noted, at present the lack of equality in application of the CLO has at best enabled Aldi and Lidl both to enter local markets free from the regulatory burdens faced by the designated Large Grocery Retailers providing them with a structural advantage, and at worst, facilitated their growth through their asymmetric ability to restrict competition. A failure to designate would mean the CLO is no longer an effective remedy against the types of practices that were previously found to have the ability and incentive to distort competition and lead to poorer consumer outcomes.

²⁴ 2008 Groceries MI Report, para 10.9(c) and para 7.36-7.67.

46. Second, designation under the CLO is a targeted and proportionate response when weighed against the potential impact on competition of doing nothing, given the evolution of Aldi and Lidl since the CLO was introduced and their ability and incentives to distort competition in local markets. In addition, the CLO includes proportionate protections for Large Grocery Retailers; designated retailers are able to benefit from exclusivity for up to five years. This recognises the need to protect investment in new stores, particularly for grocery retailers like Aldi and Lidl that are expanding and opening numerous stores. Therefore, any concerns that designation would negatively impact expansion plans are not well founded.

Section C: Concluding remarks

47. Sainsbury's is keen to assist the CMA in this important review and would be happy to provide any further information the CMA would find helpful.

48. We look forward to continued further engagement.

Yours sincerely,
Sainsbury's